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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

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**FORM 8-K**

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**CURRENT REPORT**  
Pursuant to Section 13 or 15(d)  
of the Securities Exchange Act of 1934

**Date of report (Date of earliest event reported): May 15, 2013**

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**AGY HOLDING CORP.**

(Exact name of registrant as specified in its charter)

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

**333-150749**  
(Commission  
File Number)

**20-0420637**  
(IRS Employer  
Identification No.)

**2556 Wagener Road**  
**Aiken, South Carolina**  
(Address of principal executive offices)

**29801**  
(Zip Code)

**(888) 434-0945**  
(Registrant's telephone number, including area code)

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Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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## **Item 1.01. Entry into a Material Definitive Agreement.**

### **Restructuring and Support Agreement**

On May 15, 2013, AGY Holding Corp., a Delaware corporation (“AGY”), and KAGY Holding Company, Inc., the direct parent company of AGY (“KAGY,” and together with AGY, the “Companies”), entered into a Restructuring and Support Agreement (the “Support Agreement”) with holders (the “Majority Bondholders,” and Majority Bondholders holding at least a majority of the principal amount of Existing Notes (as defined below) then held by all of the Majority Bondholders, the “Controlling Bondholders”) of approximately 92% in aggregate principal amount of AGY’s 11.00% senior second lien notes due 2014 (“Existing Notes”) and certain stockholders of KAGY in connection with a proposed restructuring transaction in which, subject to certain conditions, AGY expects to offer the Majority Bondholders and certain other holders of Existing Notes the opportunity to exchange Existing Notes for (a) newly issued shares of convertible participating preferred stock, par value \$0.01 per share (“Preferred Stock”), of KAGY having an aggregate initial issuance price equal to 50% of the principal amount of Existing Notes submitted for exchange plus 50% of the accrued and unpaid interest on the Existing Notes submitted for exchange, (b) new 11% senior second lien notes due 2016 issued by AGY (“New Notes”), having substantially similar terms to the terms of the Existing Notes, except that the stated maturity of the New Notes will be December 15, 2016 and the New Notes will not be registered under the Securities Act of 1933, as amended, in an aggregate principal amount equal to 50% of the aggregate principal amount of Existing Notes submitted for exchange and (c) cash (to be paid as accrued interest on the New Notes for the period from the last interest payment date on the Existing Notes through the date of exchange) in an amount equal to 50% of the accrued and unpaid interest on the Existing Notes submitted for exchange ((a), (b) and (c) together, the “Exchange Consideration”). Concurrently with the exchange of Existing Notes for New Notes and Preferred Stock (the “Exchange”), AGY expects to solicit consents to certain proposed amendments (the “Proposed Amendments”) to the indenture governing the Existing Notes to eliminate substantially all of the covenants and collateral provisions and certain events of default currently applicable to the Existing Notes. The Exchange and the consent solicitation with respect to the Proposed Amendments are referred to collectively as the “Exchange Transaction.”

Pursuant to the Support Agreement, and subject to its terms, the parties agreed as follows:

- The Companies and the Majority Bondholders must use commercially reasonable efforts to consummate the Exchange Transaction and each of the following additional agreements:
  - an amendment to (or replacement of) the Second Amended and Restated Loan and Security Agreement, dated as of June 15, 2012, as amended, among AGY, UBS AG, Stamford Branch (the “ABL Agent”), UBS Securities LLC and the other parties thereto (the “ABL Facility”);
  - an amendment to (or replacement of) the Amended and Restated Master Lease Agreement dated as of July 25, 2012, among AGY, DB Energy Trading LLC (the “Lessor”) and the other parties thereto (the “Metals Facility”);
  - a new term loan agreement with one or more of the Majority Bondholders or their respective affiliates providing for borrowings by AGY of an aggregate principal amount of \$15,000,000 (the “New Term Loan”);
  - a new intercreditor agreement (the “New Intercreditor Agreement”) among AGY, the ABL Agent, the agent under the New Term Loan, and the trustee and noteholder collateral agent under the indenture governing the New Notes to replace the existing Intercreditor Agreement, dated as of October 25, 2006, among AGY, the ABL Agent, and US Bank, as trustee and noteholder collateral agent (the “Existing Notes Trustee”), and the other parties thereto; and
  - an amended and restated stockholders agreement (the “Amended and Restated Stockholders Agreement”) to replace the existing Stockholders Agreement, dated as of April 7, 2006, by and among the Companies and the KAGY stockholders party thereto.

The transactions described in the bulleted list above, together with the Exchange Transaction, are referred to collectively as the “Restructuring Transactions.”

- The Majority Bondholders and the KAGY stockholders party to the Support Agreement must reasonably cooperate to consummate the Restructuring Transactions;

- Promptly following the closing of the Exchange Transaction, AGY must commence an exchange offer for the remaining Existing Notes, on economic terms equivalent to the Exchange Consideration (subject to certain limited exceptions and subject to certain limitations on participation arising under applicable securities laws).
- Each Majority Bondholder agrees (a) to submit all of its Existing Notes in the Exchange, (b) to deliver the related consents to the Proposed Amendments and (c) not to (i) transfer any of its Existing Notes, except to another holder that is bound by the obligations and restrictions of the Support Agreement, (ii) grant a power-of-attorney or other authorization or consent in or with respect to any of its Existing Notes that would interfere with the consummation of the Restructuring Transactions, (iii) deposit any of its Existing Notes into a voting trust or enter into a voting agreement or arrangement with respect to its Existing Notes or (iv) take any other action with respect to its Existing Notes that would in any material respect restrict, limit, interfere with or delay the performance of the obligations of such Majority Bondholder under the Support Agreement or the transactions contemplated thereby.
- The Majority Bondholders will forbear from exercising their rights under the indenture governing the Existing Notes with respect to any event of default arising out of or resulting from failure to (a) make any interest payment or (b) pay any amount due under the ABL Facility or the Metals Facility.

#### *Conditions to the Exchange Transaction*

The closing of the Exchange and each party's obligations in connection therewith is subject to satisfaction (or waiver) of certain conditions, as set forth in the Support Agreement, including the following conditions:

- receipt of valid exchanges of Existing Notes (and consents to the Proposed Amendments) from holders of at least 97% of the aggregate principal amount of the Existing Notes outstanding;
- execution and delivery of (a) an exchange transaction agreement to effect the Exchange Transaction and (b) the Amended and Restated Stockholders Agreement;
- consummation of each of the Restructuring Transactions (other than the Exchange Transaction and the Amended and Restated Stockholders Agreement);
- the accuracy, in all material respects, of the representations and warranties of the Companies set forth in the Support Agreement; and
- consummation of the closing of the Restructuring Transactions on or before the earlier of (a) July 15, 2013 and (b) the occurrence of an Acceleration Event (as defined below).

#### *Payment of Attorneys' Fees*

AGY has agreed to pay the reasonable fees and expenses of counsel to the Majority Bondholders (with such payment first coming out of a \$250,000 retainer) on the earliest to occur of (a) July 15, 2013 (to the extent that the Exchange Transaction has been abandoned on or prior to such date), (b) an Acceleration Event (as defined below) and (c) the closing of the Exchange Transaction; provided, that in the absence of the closing of the Exchange Transaction, AGY's obligations under the Support Agreement in respect of the reasonable fees and expenses of counsel to the Majority Bondholders shall not exceed \$1,000,000 in the aggregate, including any amounts paid out of the retainer.

#### *Termination of the Support Agreement*

The obligations of the Majority Bondholders under the Support Agreement terminate (a) automatically, if the closing of the Exchange Transaction does not occur on or before July 15, 2013; (b) upon receipt of written notice by the Companies from the Controlling Bondholders, if (i) the Companies cease to pursue, in good faith, any of the Restructuring Transactions; or (ii) the ABL Agent, UBS Securities LLC or the Lessor exercises any remedies under the ABL Facility or Metals Facility to accelerate the payment obligations thereunder or, in the case of the Metals Facility, the term of such Metals Facility expires without extension or forbearance (the occurrence of any such acceleration of payment obligations or expiration of the term of the Metals Facility without extension or forbearance, an "Acceleration Event"); (c) upon receipt by the Companies of written notice from the Majority Bondholders holding at least 75% of the principal amount of Existing Notes then held by all of the Majority Bondholders (the "Supermajority Bondholders"), if the terms of the

New Notes, the Preferred Stock, the Proposed Amendments or the Amended and Restated Stockholders Agreement or any other material terms of the Exchange Transaction are inconsistent with the terms specified in the Summary of Terms attached as Annex A to the Support Agreement, and such inconsistent terms have not been approved by the Supermajority Bondholders (such approval not to be unreasonably withheld as to non-material inconsistencies, so long as the inconsistent term is reasonable and customary for comparable transactions); (d) upon receipt by the Companies of written notice from the Majority Bondholders, if the Companies have materially breached any of their respective representations, warranties, covenants or agreements contained in the Support Agreement and, if such material breach is capable of being cured, such material breach has not been so cured within thirty (30) days following receipt by the Companies of written notice from the Controlling Bondholders describing in reasonable detail the nature of such material breach ; and (e) automatically, if any insolvency, administration or analogous proceeding is commenced, or any step is taken in respect of the appointment of a receiver administrator or other insolvency representative, in relation to the Companies or any of their subsidiaries. Following any termination event listed in (b), (c) or (d) of this paragraph, the forbearance obligations of the Majority Bondholders under the provisions of the Support Agreement will remain operative and in full force and effect until 5:00pm eastern time on the fourteenth day following the date of the termination of the Support Agreement, at which time the forbearance obligations of the Majority Bondholders under the Support Agreement shall terminate.

The description of the Support Agreement is qualified in its entirety by reference to the full text of the Support Agreement, a copy of the form of which is filed as Exhibit 10.1 to this Current Report on Form 8-K and incorporated into this Item 1.01 by reference.

### **Metals Facility Lease Extension and ABL Facility Forbearance**

On May 15, 2013, AGY and certain of its subsidiaries entered into a First Amendment to Amended and Restated Master Lease Agreement (the "Metals Facility Amendment") with the Lessor that (a) extends the term of the Metals Facility to the earlier of (i) July 15, 2013, (ii) the date of the termination of the Support Agreement, (iii) the date of (1) any acceleration of the obligations under the ABL Facility or the indenture governing the Existing Notes or (2) the exercise of remedies with respect to collateral by the ABL Agent or the Existing Notes Trustee or (iv) the consummation of the Restructuring Transactions and (b) provides that the Lessor will forbear from exercising its rights under Metals Facility with respect to any event of default arising out of or resulting from failure to make any interest payment due under the Existing Notes or the ABL Facility until the earlier to occur of (i) July 15, 2013, (ii) the occurrence of any other default under the Metals Facility or (iii) an amendment or any restructuring of the ABL Facility or the indenture governing the Existing Notes (in each case, as in effect on the date hereof) that is not reasonably satisfactory to the Lessor.

On May 15, 2013, AGY and certain of its subsidiaries entered into a letter agreement (the "ABL Forbearance") with the ABL Agent that provides that the ABL Agent will forbear from exercising its rights under ABL Facility with respect to any event of default arising out of or resulting from failure to make any interest payment due under the Existing Notes until the earlier to occur of (i) the occurrence of any other default under the ABL Facility or any breach under the ABL Forbearance, (ii) the exercise of any rights and remedies or the taking of any enforcement action by the Lessor, or the termination of the Metals Facility or the forbearance under the Metals Facility, (iii) the exercise of remedies with respect to collateral by the Existing Notes Trustee or any holder of Existing Notes, or the acceleration of any obligations under the Existing Notes or (iv) the termination or expiration of the Support Agreement.

Pursuant to its obligations under the Support Agreement, AGY intends to further extend the Metals Facility (as amended by the Metals Facility Amendment) to a date that is approximately three years from the closing of the Restructuring Transactions in connection with a syndication to a group of participants to be arranged by the Lessor. No assurance can be given that the Company will secure such an extension of the Metals Facility on terms acceptable to AGY, or at all.

The descriptions of the Metals Facility Amendment and the ABL Forbearance are qualified in their entirety by reference to the full text of the Metals Facility Amendment and the ABL Forbearance, respectively, copies of which are filed as Exhibits 10.2 and 10.3, respectively, to this Current Report on Form 8-K and incorporated into this Item 1.01 by reference.

## Item 9.01. Financial Statements and Exhibits.

### (d) Exhibits:

<u>Exhibit Number</u>	<u>Title</u>
Exhibit 10.1	Form of Restructuring and Support Agreement, dated as of May 15, 2013, by and among AGY, KAGY, certain holders of AGY's outstanding 11% Senior Second Lien Notes due 2014 and certain stockholders of KAGY.
Exhibit 10.2	First Amendment to Amended and Restated Master Lease Agreement, dated as of May 15, 2013, among Lessor, AGY, AGY Aiken LLC and AGY Huntingdon LLC.
Exhibit 10.3	Letter agreement, dated as of May 15, 2013, among AGY, AGY Aiken LLC, AGY Huntingdon LLC, the ABL Agent and UBS Securities LLC.
Exhibit 99.1	Press Release issued by AGY on May 15, 2013.

*Certain statements contained in this Current Report on Form 8-K are forward-looking and involve risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such forward-looking statements. All statements included herein, other than statements of historical fact, may constitute forward-looking statements. In some cases you can identify forward-looking statements by terminology such as "may," "should" or "could." Generally, the words "anticipates," "believes," "expects," "intends," "estimates," "projects," "plans" and similar expressions identify forward-looking statements. Although AGY believes that the expectations reflected in such forward-looking statements are reasonable, it can give no assurance that such expectations will prove to be correct. Among these risks and uncertainties are general economic and business conditions; our ability to complete the debt restructuring on the terms described, or at all; AGY's substantial debt and ability to generate cash flows to service its debt; AGY's compliance with the restrictive covenants contained in its various debt agreements; adverse changes in market conditions or product demand; the level of cost reduction achieved through restructuring and capital expenditure programs; changes in energy, alloy metals and raw material costs and availability; downward selling price movements; the success of new technology; labor disputes or increased labor costs; AGY US's borrowing base sensitivity to precious metals market prices and amount of owned alloy metals; AGY US's ability to maintain an available minimum \$6.25 million borrowing capacity to avoid the triggering of a springing covenant, which would likely result in an event of default under its senior secured revolving facility; AGY's ability to complete a divestiture or alternative exit event on acceptable terms and in a timely manner; currency and interest rate fluctuations; increases in AGY's leverage; AGY Asia's ability to satisfy its mandatory term loan repayment obligations, to refinance its working capital loan, and to get a waiver for the breach of the maximum debt-to-assets ratio covenant; changes in AGY's business strategy or development plans; the timing and cost of plant closures; and increases in the cost of compliance with laws and regulations. Additional factors that could cause actual results to differ materially from these forward-looking statements include, but are not limited to, those risk factors listed from time to time in AGY's filings with the Securities and Exchange Commission. Except as required by applicable law, AGY assumes no obligation and does not intend to update these forward-looking statements.*

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

AGY HOLDING CORP.

Date: May 15, 2013

By: /s/ Jay W. Ferguson

Name: Jay W. Ferguson

Title: Chief Financial Officer, Interim

## EXHIBIT INDEX

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**Restructuring and Support Agreement**

KAGY Holding Company, Inc.  
AGY Holding Corp.  
2556 Wagener Road  
Aiken, South Carolina 29801

May 15, 2013

Ladies and Gentlemen:

We refer to those certain 11% Senior Second Lien Notes due 2014 of AGY Holding Corp. ("AGY") due 2014 (the "Existing Notes") and the indenture (the "Existing Notes Indenture") governing the Existing Notes, dated as of October 25, 2006, by and among AGY, the guarantors named therein and U.S. Bank National Association, as trustee (the "US Bank" or the "Trustee"). In connection with a proposed restructuring, AGY will enter into a private exchange transaction with certain holders of its Existing Notes in which such holders, including the undersigned Committed Holders (as defined below), will exchange outstanding Existing Notes for (A) shares of convertible participating preferred stock (the "Preferred Stock") of KAGY Holding Company, Inc., the parent company of AGY ("KAGY"; KAGY and AGY, each a "Company," and together, the "Companies") (convertible, immediately after the closing of the Exchange Transaction (as defined below), into 51% of then-outstanding KAGY Common Stock (as defined below) (calculated on an as converted and a fully-diluted basis after giving effect to the issuance of the Preferred Stock in the Exchange Transaction and subject to adjustment as contemplated in the next succeeding paragraph upon consummation of the Exchange Offer (as defined below)), having an aggregate initial issuance price (the "Issuance Price") equal to (1) 50% of the principal amount of the Existing Notes so exchanged, plus (2) 50% of the accrued and unpaid interest on the Existing Notes so exchanged, (B) new 11% Senior Second Lien Notes due 2016 (the "New Notes") having substantially similar terms to the terms of the Existing Notes, except that the stated maturity of the New Notes shall be December 15, 2016, and the New Notes will be "144A-for-life," in an aggregate principal amount equal to 50% of the aggregate principal amount of the Existing Notes so exchanged, and (C) cash (to be paid as accrued interest on the New Notes for the period from the last interest payment date on the Existing Notes through the date of the Closing (as defined below)) in an amount equal to 50% of the accrued and unpaid interest on the Existing Notes so exchanged (the "Exchange Transaction"), in each case, all in accordance with the Exchange Transaction Agreement (as defined below). AGY will also solicit consents from these holders of Existing Notes to certain proposed amendments to the Existing Notes Indenture, which include, among other things, the elimination of substantially all of the covenants, collateral and guarantee provisions and certain events of default currently applicable to the Existing Notes (the "Proposed Amendments"). No holder of Existing Notes shall be entitled to receive, directly or indirectly, any consideration as an inducement to provide a consent to the Proposed Amendments. From the date hereof until the earlier of the closing of the Restructuring Transactions (as defined below) and the termination of this Agreement in accordance with its terms, each of the Companies and the Committed Holders agrees to use commercially reasonable efforts to consummate the Restructuring Transactions. From the date hereof until the earlier of the closing of the



Restructuring Transactions and the termination of this Agreement in accordance with its terms, each of the Committed Holders and the Kohlberg Stockholders (as defined below) agrees to reasonably cooperate to consummate the Restructuring Transactions (or to extent not a party to the applicable Restructuring Transaction, to reasonably cooperate in connection with the Companies' consummation of the Restructuring Transaction).

Promptly following the closing of the Exchange Transaction, KAGY shall cause AGY to, and AGY shall, commence (on the same economic terms described in clauses (A), (B) and (C) of the preceding paragraph (other than with respect to any default interest payable in respect of the Existing Notes), and subject to appropriate adjustment, if applicable, to reflect any interest or other payments (other than default interest) made in respect of the Existing Notes following consummation of the Exchange Transaction) an exchange offer (the "Exchange Offer") offering the remaining holders of the Existing Notes who are both "accredited investors" (as defined in Regulation D under the U.S. Securities Act of 1933, as amended (the "Securities Act"), and "qualified institutional buyers" (as defined in Rule 144A under the Securities Act) or, in certain circumstances, an institution that is an "accredited investor" as defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act the opportunity to exchange their Existing Notes on such terms (as further discussed in the Summary of Terms attached hereto as Annex A). Immediately after the consummation of the Exchange Offer, the then-outstanding shares of Preferred Stock (including for the avoidance of doubt, any shares of Preferred Stock issued in the Exchange Offer) shall be convertible in the aggregate into 51% of KAGY's then-outstanding common stock (calculated on an as converted and fully-diluted basis after giving effect to the issuance of the Preferred Stock in the Exchange Transaction and the Exchange Offer; it is acknowledged and agreed by the parties that the issuance of the Preferred Stock in the Exchange Offer is not intended to increase the percentage of the KAGY Common Stock into which the outstanding Preferred Stock, in the aggregate, is convertible, and accordingly, the terms of the Preferred Stock issued in the Exchange Transaction and the Exchange Offer shall provide for an automatic adjustment of the per share conversion price such that the then-outstanding shares of Preferred Stock, in the aggregate after giving effect to the issuance of Preferred Stock in the Exchange Transaction and the Exchange Offer, shall be convertible into 51% of the KAGY Common Stock (calculated on a fully-diluted basis).

In connection with the Exchange Transaction, subject to compliance with applicable law and agreement on mutually acceptable terms, one or more of (and/or funds and/or accounts managed by or affiliated with) (A) Tennenbaum Capital Partners, LLC, (B) Blackrock Kelso Capital Corporation, (C) Saybrook Corporate Opportunity Fund II, L.P., (D) Barclays Multi-Manager Fund PLC, (E) California Public Employees' Retirement System, (F) ASTRO Trust Series-Nomura High Yield Bond Fund, (G) The GM Canada Domestic Trust, (H) High Yield Corporate Bond Open Mother Fund, (I) Industriens Pension Portfolio F.M.B.A., High Yield obligationer III, (J) L-3 Communications Corporation Master Trust, (K) Louisiana State Employees' Retirement System, (L) Montgomery County Employees' Retirement System, (M) Nomura Corporate Research and Asset Management Inc., (N) Nomura Multi Managers Fund II - US High Yield Bond, (O) Nomura Funds Ireland - US High Yield Bond Fund, (P) Nomura US Attractive Yield Corporate Bond Fund Mother Fund, (Q) Safety National Casualty Corporation, (R) Stichting Pensioenfonds Hoogovens and (S) The Regents of the University of California (the entities specified in clauses (A) through (S), together, the "Majority Bondholders"), intend to offer to purchase for cash (whether directly or through one or more of their affiliates) any shares of the

Preferred Stock that the holders of the Existing Notes are entitled to receive in the Exchange Transaction but do not wish to own, such purchase to be consummated, subject to compliance with applicable law, concurrently with the consummation of the Exchange Transaction.

The undersigned beneficial owner(s) of the Existing Notes identified on Schedule 1 hereto (each such beneficial owner a “Committed Holder,” or together, the “Committed Holders”) and the Companies hereby agree as follows (this Restructuring and Support Agreement together with all schedules and annexes hereto, as may be amended from time to time in accordance with this Restructuring and Support Agreement, being referred to hereinafter as this “Agreement”):

1. Exchange Transaction. Subject to the terms and conditions of this Agreement, and provided that the obligations of the Committed Holders under this Agreement have not been terminated in accordance with Paragraph 11, at the closing of the Exchange Transaction (the “Closing”), each Committed Holder hereby agrees to exchange (or cause to be exchanged) all Existing Notes then specified on Schedule 1 across from such Committed Holder’s name together with all Existing Notes hereafter acquired by such Committed Holder (the “Committed Notes”), pursuant to and in accordance with the terms of an Exchange Transaction agreement (the “Exchange Transaction Agreement”), which Exchange Transaction Agreement shall have terms to be mutually agreed among the Companies and the Controlling Bondholders and otherwise not inconsistent with the terms and conditions set forth in the Summary of Terms attached hereto as Annex A. Each Committed Holder will, in connection with the execution and delivery of the Exchange Transaction Agreement, execute a customary letter of transmittal and consent and provide customary instructions through the Depository Trust Company to give effect to the Exchange Transaction and provide the consent to the Proposed Amendments with respect to the Committed Notes, in each case, to be on the terms to be mutually agreed among the Companies and the Controlling Bondholders and otherwise not inconsistent with the Summary of Terms attached hereto as Annex A. If (i) the Company and the Controlling Bondholders determine not to pursue the Exchange Transaction and, instead, the Company commences the Exchange Offer, or (ii) the Company commences the Exchange Offer and has not consummated the Exchange Transaction prior to the expiration of the Exchange Offer, then, subject to the terms and conditions of this Agreement, and provided that the obligations of the Committed Holders under this Agreement have not been terminated in accordance with Paragraph 11, each Committed Holder hereby agrees to tender (or cause to be tendered) all Committed Notes pursuant to and in accordance with the Exchange Offer (promptly following the commencement of such Exchange Offer in the case of clause (i) above and prior to the expiration of the Exchange Offer in the case of clause (ii) above) and take such other reasonable and customary actions as may be necessary to effect the exchange of such Committed Notes in the Exchange Offer so long as not inconsistent with the terms of this Agreement. So long as this Agreement remains in effect, from the date hereof until the closing of the Restructuring Transactions, no Committed Holder shall (A) Transfer (as defined below) any of the Committed Notes owned by it as of the date hereof, in whole or in part, (B) grant any power-of-attorney or other voting agreement, authorization or consent in or with respect to any such Committed Notes to the extent such grant, voting agreement, authorization or consent would reasonably be expected to result in breach of this Agreement by such Committed Holder or would otherwise restrict, limit, interfere with or delay in any material respect the performance of such Committed Holder’s obligations hereunder or the consummation of the Exchange Transaction or any of the other Restructuring Transactions, (C) deposit such Committed Notes into a voting trust or enter into a voting agreement or arrangement with respect

to such Committed Notes or (D) take any other action, directly or indirectly, with respect to such Committed Notes or otherwise that would restrict, limit, interfere with or delay in any material respect the performance of such Committed Holder's obligations hereunder or the consummation of the Exchange Transaction or any of the other Restructuring Transactions; provided, however, that such Committed Holder shall have the right to Transfer Committed Notes to any other Committed Holder or any transferee that has entered into a joinder in the form attached hereto as Annex B with respect to all such transferred Committed Notes. For purposes of this Agreement, "Transfer" means, directly or indirectly, to (i) sell, pledge, encumber, grant an option with respect to, transfer or dispose of such Committed Notes or any interest in such Committed Notes to any person other than AGY; or (ii) enter into an agreement or legally binding commitment contemplating the possible sale of, pledge of, encumbrance of, grant of an option with respect to, transfer of or disposition of such Committed Notes or any interest therein to any person other than AGY.

2. Consent to Amendment of Existing Notes Indenture. Subject to the terms and conditions of this Agreement, and provided that the obligations of the Committed Holders under this Agreement have not been terminated in accordance with Paragraph 11, at the Closing, each Committed Holder shall consent to the Proposed Amendments for all Committed Notes as of the Closing, pursuant to and in accordance with the terms of the Exchange Transaction Agreement (or pursuant to the Exchange Offer, if the Committed Holders are required to tender the Committed Notes in the Exchange Offer in accordance with Paragraph 1 above).

3. Amended and Restated Stockholders Agreement. The Companies and the Committed Holders agree to enter into an Amended and Restated Stockholders Agreement at the Closing by and among the Companies, the Committed Holders, the investment funds managed by affiliates of Kohlberg Management V, LLC that are stockholders of KAGY (the "Kohlberg Stockholders") and such other holders of KAGY Common Stock or Preferred Stock who enter into such agreement, on the terms consistent with the terms set forth in the Summary of Terms attached hereto as Annex A and otherwise as mutually agreed among the Companies, the Kohlberg Stockholders and the Committed Holders (the "Amended and Restated Stockholders Agreement"), which Amended and Restated Stockholders Agreement shall replace the existing Stockholders Agreement, dated as of April 7, 2006, by and among the Companies, the Kohlberg Stockholders and the other securityholders party thereto (the "Existing Stockholder Agreement").

4. Forbearance. For so long as this Agreement remains in effect and, where applicable in accordance with the provisions of Paragraph 11, for an additional fourteen (14) days following termination of this Agreement, each Committed Holder shall, and shall direct the Existing Notes trustee to, forbear from exercising its rights under the indenture governing the Existing Notes with respect to any event of default arising out of or resulting from (1) failure to make any interest payment that may come due and (2) failure to pay any amount due under the Second Amended and Restated Loan and Security Agreement, dated as of June 15, 2012, as amended, among AGY, AGY Aiken LLC, AGY Huntingdon LLC, UBS AG, Stamford Branch, UBS Securities LLC and the lenders party thereto from time to time (as such agreement may be further amended from time to time, the "ABL Facility") or the Amended and Restated Master Lease Agreement dated as of July 25, 2012, among AGY, AGY Aiken LLC, AGY Huntingdon LLC and DB Energy Trading LLC (as such agreement may be further amended from time to time, the "Metals Facility").

5. Conditions to the Exchange Transaction. The Closing, and each of the party's obligations in connection therewith, shall be conditioned upon the occurrence of each of the following events:

A. Execution and Delivery of the Exchange Transaction Agreement and Other Documentation. The Exchange Transaction Agreement, the Committed Holders' consents to the Proposed Amendment and the Amended and Restated Stockholders Agreement (as defined below), in each case, on terms to be mutually agreed among the Companies, the Controlling Bondholders and the Kohlberg Stockholders and otherwise not inconsistent with the terms and conditions set forth in the Summary of Terms attached hereto as Annex A, shall have been validly executed and delivered by all of the other required parties thereto.

B. Consummation of the Restructuring Transactions. At or before the Closing, the Companies shall have consummated each of the following transactions: (1) an amendment to (or replacement of) the ABL Facility (the "ABL Facility Amendment") on terms reasonably acceptable to the Majority Bondholders holding a majority of the principal amount of Existing Notes then held by all of the Majority Bondholders (the "Controlling Bondholders"), (2) an amendment to (or replacement of) the Metals Facility (the "Metals Facility Amendment") on terms reasonably acceptable to Controlling Bondholders, (3) entry by AGY into a new term loan agreement with one or more of the Majority Bondholders or their affiliates providing for borrowings of an aggregate principal amount of \$15,000,000 (the "New Term Loan") on terms (including as to the use of proceeds) to be mutually agreed by the parties thereto and otherwise not inconsistent with the Summary of Terms attached hereto as Annex A (it being understood that each of the Majority Bondholders shall be given the opportunity to fund a portion of the New Term Loan pro rata with its ownership of the Existing Notes) and (4) entry by AGY into a new intercreditor agreement with the lenders party to the ABL Facility Amendment to replace the existing Intercreditor Agreement, dated as of October 25, 2006, among AGY, AGY Aiken LLC, AGY Huntingdon LLC, KAGY UBS AG, Stamford Branch, as collateral agent, and US Bank, as trustee and noteholder collateral agent (the "New Intercreditor Agreement") on terms not inconsistent with the Summary of Terms attached hereto as Annex A and otherwise reasonably acceptable to the Controlling Bondholders. The transactions described in (1) through (4) of this Paragraph 5.B., the Exchange Transaction, the Proposed Amendments and the Amended and Restated Stockholders Agreement are referred to herein collectively as the "Restructuring Transactions."

C. Accuracy of the Representations and Warranties of the Companies. The representations and warranties of the Companies set forth in this Agreement as of the date hereof and as of the closing date shall be true and correct in all material respects.

D. Participation Condition. The holders of at least 97% of the outstanding amount of the Existing Notes as of the date hereof shall have agreed to participate in the Exchange Transaction or Exchange Offer (the "Participation Condition"); provided that (1) if the Exchange Offer is consummated concurrently with (or in lieu of) the Exchange Transaction, the participation by holders of Existing Notes in the Exchange Offer shall be treated for purposes of determining the satisfaction of the Participation Condition as if such holders of Existing Notes had participated in the Exchange Transaction; and (2) the Participation Condition may be waived by the Controlling Bondholders.

E. Timing Condition. The conditions set forth in subsections (A) through (D) of this Paragraph 5 shall have been satisfied or waived (by each party) and the Closing shall occur on or before the earlier of (1) July 15, 2013, and (2) the occurrence of an Acceleration Event (as defined in Paragraph 11.C.).

Notwithstanding anything to the contrary herein, no party may rely on the failure of any condition set forth in this Paragraph 5 to be satisfied to the extent such failure was proximately caused by such party's (or its affiliate's) breach of any provision of this Agreement.

6. Representations of Each Party. Each party hereby represents and warrants to the other parties to this Agreement that:

A. it is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization and has all requisite corporate, partnership or other power and authority to enter into this Agreement and to carry out the transactions contemplated by, and perform its respective obligations under, this Agreement.

B. the execution and delivery of this Agreement and the performance of its obligations hereunder have been duly authorized by all necessary corporate, partnership or other action on its part.

C. the execution, delivery and performance by it of this Agreement does not and will not (i) violate any order, judgment or provision of law, rule or regulation applicable to it or its properties or (ii) conflict with, result in the breach of, or constitute (with due notice or lapse of time or both) a default under, any material contractual obligations to which it is a party or its certificate of incorporation, bylaws or other governing instruments, in each case except as would not reasonably be expected to have a material adverse effect on the Companies and their subsidiaries, taken as a whole.

D. assuming the due execution and delivery of this Agreement by the other parties, this Agreement is the legally valid and binding obligation of it, enforceable against it in accordance with its terms, except as such enforceability may be subject to bankruptcy, moratorium, insolvency, reorganization, voidable preference, fraudulent conveyance and other similar laws relating to, or affecting, the rights of creditors or the obligations of debtors generally, and except as the same may be subject to the effect of general principles of equity.

7. Additional Representations, Warranties and Covenants of KAGY. KAGY hereby represents and warrants to the Committed Holders that:

A. Capitalization. (1) KAGY is authorized to issue 15,000,000 shares of common stock, par value \$0.01 per share, of KAGY ("KAGY Common Stock"), of which 11,483,915 shares are issued and outstanding as of the date hereof.

(2) All of the issued and outstanding shares of the KAGY Common Stock are duly authorized and validly issued, fully paid and nonassessable.

(3) No other class of capital stock or other equity ownership interests of KAGY is authorized or outstanding.

(4) Except as set forth on Schedule 7.A.(4) and other than this Agreement, neither KAGY nor any of its subsidiaries has or is bound by any outstanding subscription, option, warrant, commitment, convertible security, or other security, right or binding agreement calling for the purchase, sale, grant, transfer or issuance of any shares of the KAGY Common Stock, common stock of such subsidiary or any other equity security of KAGY or such subsidiary or any securities representing the right to purchase or otherwise receive any shares of KAGY Common Stock, shares of common stock of such subsidiary or any other equity security of KAGY or such subsidiary.

(5) Except as set forth in Schedule 7.A.(5) hereto, (a) all subsidiaries of KAGY are 100% owned directly or indirectly by KAGY; and (b) neither KAGY nor any of its subsidiaries directly or indirectly owns any equity interest in any other entity.

B. Compliance with Laws. KAGY and each of its subsidiaries are operating and have operated in compliance, in all material respects, with all applicable laws and regulations.

C. No Material Adverse Change. Except as disclosed in AGY's reports filed with the Securities and Exchange Commission prior to the date hereof or otherwise expressly contemplated by this Agreement or the Summary of Terms attached hereto as Annex A (including the underlying facts up to the date hereof giving rise to the proposed restructuring contemplated by this Agreement and the Summary of Terms attached hereto as Annex A), since December 31, 2012, there has not been any fact, development, change, event, circumstance or effect that is materially adverse to the assets, business, financial condition or results of operations of AGY and its subsidiaries, taken as a whole; provided, however, that none of the following shall in themselves (either alone or in combination) constitute, and none of the following shall be taken into account in determining whether there has been, any fact, development, change, event, circumstance or effect that is materially adverse to the assets, business, financial condition or results of operations of AGY and its subsidiaries, taken as a whole: (A) any fact, development, change, event, circumstance or effect that arises by reason of a deterioration in the financial markets, the economy or the industries in which AGY and its subsidiaries operate (whether in the United States or any foreign country in which they operate); (B) any fact, development, change, event, circumstance or effect that directly arises out of action taken by any of the Majority Bondholders or any of their respective affiliates; (C) any fact, development, change, event, circumstance or effect arising from any change in accounting requirements or principles or any change in applicable laws; or (D) any fact, development, change, event, circumstance or effect attributable to any acts of war involving the United States or, hostilities or terrorist activity involving the United States, including without limitation any continuation or material worsening of hostilities involving the combat of terrorism or other national security issues involving the United States; except, with respect to clauses (A), (C)

and (D), to the extent such fact, development, change, event, circumstance or effect has a disproportionate effect on the AGY and its subsidiaries, taken as a whole, when compared to other companies operating in the same industries and markets in which AGY and its subsidiaries operate.

D. No Undisclosed Liabilities. Except as set forth in AGY's financial statements filed with the Securities and Exchange Commission prior to the date hereof, and except for liabilities and obligations expressly contemplated by this Agreement, the Restructuring Transactions or the Exchange Offer or incurred in the ordinary course of business since December 31, 2012, neither KAGY nor any of its subsidiaries (other than AGY Hong Kong, Ltd. and AGY Shanghai Technology Co., Ltd.) has undisclosed liabilities or obligations of any nature exceeding \$10,000,000, in the aggregate, that (1) are required by United States generally accepted accounting principles to be set forth on a consolidated balance sheet of KAGY (a "GAAP Liability") or (2) to the extent contingent in nature and not a GAAP Liability, are reasonably expected to result in an actual loss, damage or expenses to such entity (provided, however, that, for the avoidance of doubt, the amount of any such contingent liability used in determining the accuracy of the representations and warranties contained in this clause 7.D. shall be limited to such portion, if any, of such contingent liability that is reasonably expected to result in an actual loss, damage or expense to such entity).

E. Affiliate Transactions. Except for the Management Agreement dated as of April 7, 2006 by and among KAGY, AGY and Kohlberg & Company, LLC or otherwise as set forth in Schedule 7.E. hereto, neither KAGY nor any of its subsidiaries is a party to any contract, transaction or other binding arrangement (including any enterprise-level buying arrangement or sharing of discounts or no cost use) with, in favor or for the benefit of, or involving the making of any payment or transfer of assets to or guarantee of obligation of an affiliate, director, officer, or employee of KAGY or any of its subsidiaries (other than customary employment arrangements).

F. Brokers. No finder, broker or investment banker acting or who has acted on behalf of either Company in connection with the Restructuring Transactions is entitled to receive any commission or finder's fee in connection with the Restructuring Transactions for which KAGY or any of its subsidiaries would be liable.

8. Additional Representations, Warranties and Covenants of the Committed Holders. Each of the Committed Holders, severally and not jointly, hereby represents and warrants to the Companies that:

A. Knowledge and Experience. Such Committed Holder does not require the assistance of an investment advisor or other representative to participate in the transactions contemplated by this Agreement, and such Committed Holder has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of its participation in such transactions, has the ability to bear the economic risks of its investment for an indefinite period of time, can afford the complete loss of its investment and recognizes that an investment in the Companies involves substantial risk.

B. Receipt of Information. Such Committed Holder has been furnished with all materials relating to the business, finances and operations of the Companies and their subsidiaries and materials relating to the Restructuring Transactions and the Exchange Offer that have been requested by such Committed Holder. Such Committed Holder has been afforded the opportunity to ask questions of the Companies and receive answers to such questions satisfactory to such Committed Holder. Such Committed Holder has sought such accounting, legal and tax advice as it has considered necessary and appropriate to enable such Committed Holder to evaluate the financial risk inherent in making an investment in the Companies.

C. Ownership; Authorization; Validity of Agreement. Such Committed Holder is the “beneficial owner” (within the meaning of Rule 13d-3 under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)), or is irrevocably authorized by and is acting on behalf of a “beneficial owner,” of the principal amount of Existing Notes set forth in Schedule 1 across from the name of such Committed Holder and such Committed Holder does not own, beneficially or of record, or otherwise have any economic interest in any Existing Notes not listed on Schedule 1 across from such Committed Holder’s name.

D. Eligibility to Participate. Such Committed Holder is either (1) a “qualified institutional buyer” as defined in Rule 144A under the Securities Act, and an “accredited investor” as defined in Rule 501(a) of Regulation D under the Securities Act, (2) not a “U.S. person” as defined in Rule 902 under the Securities Act, or (3) subject to the prior consent of the Company (not to be unreasonably withheld) an institution that is an “accredited investor” as defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act.

E. Reliance on Exemptions from Registration. Such Committed Holder understands that the New Notes and the Preferred Stock have not been and will not be registered under the Securities Act or any state securities laws and that the Companies are relying in part upon the truth and accuracy of such Committed Holder’s representations and warranties set forth herein in order to determine the availability of specific exemptions from registration under U.S. federal and state securities laws and the eligibility of the Committed Holders to acquire the New Notes and the Preferred Stock.

F. Investment Purpose. Such Committed Holder is acquiring the New Notes and Preferred Stock for its own account for investment only and not with a view to, or for resale in connection with, the public sale or distribution thereof, except pursuant to sales registered under the Securities Act or an exemption therefrom.

G. Transfer or Resale. Such Committed Holder understands and acknowledges that, as a result of the fact that the New Notes and the Preferred Stock are not registered under the Securities Act, the New Notes and the Preferred Stock may not be offered for sale, sold, assigned or transferred unless such securities are registered or an exemption from the registration and prospectus delivery requirements of the Securities Act is available. Such Committed Holder acknowledges that there is no assurance that such an exemption from registration will ever be available or that the New Notes or Preferred Stock will ever be able to be sold. If such an exemption is available, the assignability and transferability of the New Notes and Preferred Stock will be governed by, among other



things, the Amended and Restated Stockholders Agreement and applicable law. In addition, such Committed Holder understands that the Preferred Stock will not be eligible for book-entry transfer through the Depository Trust Company and the stock records in respect of such Preferred Stock will be maintained by KAGY or a transfer agent selected by KAGY.

H. Private Transaction. Such Committed Holder acknowledges and agrees that the New Notes and Preferred Stock are being offered in exchange for its Existing Notes in a private transaction, and that the Exchange Transaction is not subject to Regulation 14E under the Exchange Act.

I. Additional Notes Acquired. Such Committed Holder further agrees that any Existing Notes directly or indirectly acquired by such Committed Holder following the date of this Agreement and prior to the Closing shall be subject to the terms and conditions of this Agreement, and that all such Existing Notes shall be deemed "Committed Notes" for all purposes of this Agreement and shall be exchanged by such Committed Holder at the Closing. Such Committed Holder will notify the Companies promptly upon the acquiring beneficial ownership of any Existing Notes after the date hereof and the Companies shall, without the need for the consent or approval of any other party to this Agreement, amend Schedule 1 hereto to add the additional Existing Notes to such Schedule 1 across from such Committed Holder's name, which additional Existing Notes shall be treated as Committed Notes of such Committed Holder for all purposes under this Agreement.

9. Fees. Concurrently with the execution of this Agreement, AGY will deposit into a trust account specified by Schulte Roth & Zabel LLP ("SRZ") \$250,000, to be held as a retainer in respect of the reasonable fees and expenses of SRZ incurred as counsel to the Majority Bondholders in connection with the Restructuring Transactions and the Exchange Offer (the "Retainer"). Promptly (but in any event within two business days) after the earliest to occur of (a) July 15, 2013 (to the extent that the Exchange Transaction has been abandoned on or prior to such date), (b) an Acceleration Event (as defined below) and (c) the Closing of the Exchange Transaction on the terms specified in this Agreement or as otherwise agreed by the Companies, the Kohlberg Stockholders and the Committed Holders, AGY will pay to SRZ the reasonable fees and expenses of SRZ incurred through the date of such payment as counsel to the Majority Bondholders in connection with the Restructuring Transactions and the Exchange Offer (with such payment first coming out of the Retainer and, to the extent of any additional amount payable in accordance with this Paragraph 9, by wire transfer from AGY out of the proceeds received by AGY under the New Term Loan); provided that, in the absence of the Closing, AGY's payment obligations pursuant to this Paragraph 9 shall not exceed \$1,000,000 in the aggregate, including, for the avoidance of doubt, any amounts paid out of the Retainer. To the extent any portion of the Retainer remains after payment has been made as required under this Paragraph 9, SRZ shall, and the Majority Bondholders shall instruct and cause SRZ to, return any such remaining amounts to AGY on the same date as (and as a condition to) payment to SRZ pursuant to this Paragraph 9.

10. Publicity; Confidentiality. Each Committed Holder consents to public disclosure of the contents of this Agreement (other than the principal amount of Existing Notes set forth in Schedule 1 across from the name of each Committed Holder unless such disclosure is required by

applicable law), including in a press release and in documents distributed in connection with the Restructuring Transactions or any subsequent public exchange offer or otherwise as required by applicable law; provided that the Companies shall give the Majority Bondholders a reasonably opportunity, to the extent practicable, to review and comment on any such public disclosure. Each Committed Holder agrees that it will not copy or reproduce any part of any materials (except (A) as permitted therein or to the extent such information has been publicly filed or (B) the definitive documentation in respect of the Restructuring Transactions and the Exchange Offer) received in connection with this Agreement, the Restructuring Transactions or the Exchange Offer or any other related transaction of the Companies or distribute or disclose any part of such materials or any of their contents (except as permitted therein).

11. Termination of this Agreement. If any of the following shall occur, all obligations of the Companies and the Committed Holders under this Agreement shall terminate (except to the extent specifically provided herein):

A. automatically, if the Closing does not occur on or before July 15, 2013.

B. upon receipt by the Companies of written notice from the Controlling Bondholders, if any of the Companies cease to pursue, in good faith, any of the Restructuring Transactions.

C. upon receipt by the Companies of written notice from the Controlling Bondholders, if UBS AG, UBS Securities LLC or DB Energy Trading LLC (or any of their successors-in-interest under the ABL Facility or the Metal Facility) exercises any remedies under the ABL Facility or the Metals Facility to accelerate the payment obligations thereunder or, in the case of the Metals Facility, the term of such Metals Facility expires without extension or forbearance (the occurrence of any such acceleration of payment obligations or expiration of the term of the Metals Facility without extension or forbearance, an "Acceleration Event").

D. upon receipt by the Companies of written notice from the Majority Bondholders holding at least 75% of the principal amount of Existing Notes then held by all of the Majority Bondholders (the "Supermajority Bondholders"), if the terms of the New Notes, the Preferred Stock, the Proposed Amendments, the Amended and Restated Stockholders Agreement or any other terms of the Exchange Transaction, in each case as set forth in the Exchange Transaction Agreement, are inconsistent with the terms specified in the Summary of Terms attached hereto as Annex A and such inconsistent terms have not been approved by the Supermajority Bondholders (such approval not to be unreasonably withheld as to non-material inconsistencies so long as the inconsistent term is reasonable and customary for comparable transactions).

E. upon receipt by the Companies of written notice from the Majority Bondholders, if the Companies shall have materially breached any of their respective representations, warranties, covenants or agreements contained in this Agreement and, if such material breach is capable of being cured, such material breach has not been so cured within thirty (30) days following receipt by the Companies of written notice from the Controlling Bondholders describing in reasonable detail the nature of such material breach.

F. automatically, if any of the Companies or any of their wholly-owned subsidiaries (1) institutes, consents to the institution of, or requests institution of any voluntary case or proceeding under any provision or chapter of the Title 11 of the United States Code; (2) institutes, consents to, or requests the institution of any proceeding under any other similar foreign, federal or state law relating to insolvency, bankruptcy, rehabilitation, liquidation, winding up or reorganization or seeking any arrangement, adjustment, protection, relief or composition of its debts, or makes a general assignment for the benefit of its creditors; or (3) becomes the subject of any involuntary case or proceeding under any federal, state or foreign bankruptcy law, insolvency law or other similar law affecting creditors' rights.

In the event of any termination of this Agreement under clause 11.B., 11.C., 11.D. or 11.E., the provisions of Paragraph 4 of this Agreement shall remain operative and in full force and effect until 5:00pm eastern time on the fourteenth day following the date of termination of this Agreement in accordance with such clause, at which time the obligations of the Committed Holders thereunder shall terminate.

12. Management Equity Incentive Plan. Each Committed Holder and each Kohlberg Stockholder hereby agrees to permit a new KAGY management equity incentive plan on terms to be mutually agreed with the Companies and the Kohlberg Stockholders, effective as of the Closing.

13. Additional Investment by Kohlberg Stockholders. Each Kohlberg Stockholder acknowledges and agrees that any Existing Notes purchased by such Kohlberg Stockholder must be exchanged in the Exchange Transaction and any Preferred Stock received by such Kohlberg Stockholder in the Exchange Transaction shall be exchangeable only for non-voting shares of common stock of KAGY and disregarded for the purposes of the designation of the KAGY board of directors under the Amended and Restated Stockholders Agreement.

14. No Prohibited Action. Notwithstanding anything to the contrary, nothing in this Agreement shall require any Committed Holder or any other entity to take any action that is prohibited or otherwise restricted by applicable law or regulation or by any order or direction of any court or any governmental body.

15. Rights and Obligations of the Committed Holders. Notwithstanding anything to the contrary in this Agreement: (A) the Majority Bondholders shall have the right to object to or oppose any proposed amendments, modifications or supplements to any agreements or documents in respect of the Restructuring Transactions that are inconsistent with the terms and conditions set forth in the Summary of Terms attached hereto as Annex A or in this Agreement and such inconsistent terms have not been approved by the Supermajority Bondholders (such approval not to be unreasonably withheld as to non-material inconsistencies so long as the inconsistent term is reasonable and customary for comparable transactions); (B) subject to the obligations of the Committed Holders under Paragraph 4, nothing herein is intended to, does or shall be deemed in any manner to waive, limit, impair or restrict the ability of any Committed Holder to protect and preserve its rights, remedies and interests under the Existing Notes and the Existing Notes Indenture, including any such rights and remedies relating to any defaults or events of default or other events that may have occurred prior to the execution of this Agreement, any and all of its

claims and causes of action against the Companies, or any liens or security interests it may have in any assets of the Companies; (C) without limiting clause (B) above in any way, if the obligations of the Committed Holders under this Agreement shall have been terminated in accordance with Paragraph 11, each Committed Holder reserves any and all of its respective rights, remedies and interests under the Existing Notes and the Existing Notes Indenture, applicable law and in equity; and (D) all obligations of each Committed Holder under this Agreement are several and not joint.

16. Duty to Notify. Prior to the earlier of the closing of the Restructuring Transactions and the termination of this Agreement in accordance with its terms, each party hereto shall notify the other parties promptly if any of the representations or warranties made by it in this Agreement cease to be true and correct in any respect.

17. Governing Law. THIS AGREEMENT SHALL BE GOVERNED BY THE LAWS OF THE STATE OF NEW YORK APPLICABLE TO CONTRACTS TO BE EXECUTED AND PERFORMED ENTIRELY IN SUCH STATE. EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS AGREEMENT AND THE TRANSACTIONS CONTEMPLATED HEREUNDER.

18. Survival. Representations and warranties of the parties set forth in this Agreement shall expire upon the earlier of the consummation of the Restructuring Transactions and the termination of this Agreement in accordance with its terms. In addition, no party shall have the right to sue for breach of contract in respect of any representation or warranty of the other party (it being understood and agreed that such representations and warranties shall solely be used for purposes of the condition to the Closing set forth in Paragraph 5.C and the termination provision set forth in Paragraph 11.E.).

19. Miscellaneous. This Agreement constitutes the entire agreement between the Companies, the Kohlberg Stockholders and the Committed Holders with respect to the subject matter hereof. This Agreement is not intended to, and shall not, confer upon any person or entity other than the parties hereto any rights or remedies hereunder. Neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned by any party without the prior written consent of the other parties hereto. Any purported assignment without such consent shall be void. This Agreement may only be amended by a writing signed by all the parties hereto. Each party agrees that money damages would not be a sufficient remedy for any breach of this Agreement by any party and that each non-breaching party shall be entitled to specific performance or injunctive or other equitable relief as a remedy for any such breach and shall not be required to provide any bond or other security in connection therewith. It is the desire and intent of the parties that the provisions of this Agreement be enforced to the fullest extent permissible under the law and public policies applied in each jurisdiction in which enforcement is sought. Accordingly, in the event that any provision of this Agreement would be held in any jurisdiction to be invalid, prohibited or unenforceable for any reason, such provision, as to such jurisdiction, shall be ineffective, without invalidating the remaining provisions of this Agreement or affecting the validity or enforceability of such provision in any other jurisdiction. Notwithstanding the foregoing, if such provision could be more narrowly drawn so as not to be invalid, prohibited or unenforceable in such jurisdiction, it shall, as to such jurisdiction, be so narrowly drawn, without

invalidating the remaining provisions of this Agreement or affecting the validity or enforceability of such provision in any other jurisdiction. All parties agree to cooperate fully and to execute any and all supplementary documents and to take all additional actions that may be necessary or appropriate to give full force to the basic terms and intent of this Agreement and that are not inconsistent with its terms. Whenever the words “included,” “includes” or “including” are used in this Agreement, they shall be deemed to be followed by the words “without limitation.”

*[Signature pages follow]*

If the foregoing is in accordance with your understanding of our agreement, please sign and return a counterpart hereof, whereupon this Agreement, along with all counterparts, will become a binding agreement between the Companies and the Committed Holders in accordance with its terms.

Very truly yours,

**[Committed Holders]**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Address: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

[Signature Page to Restructuring and Support Agreement]

Acknowledged and agreed:

**KAGY HOLDING COMPANY, INC.**

By: \_\_\_\_\_  
Name:  
Title:

**AGY HOLDING CORP.**

By: \_\_\_\_\_  
Name:  
Title:

Solely as to Numbered Paragraphs 12 and 13:

**KOHLBERG PARTNERS V, L.P.  
KOHLBERG INVESTORS V, L.P.  
KOHLBERG TE INVESTORS V, L.P.  
KOHLBERG OFFSHORE INVESTORS V, L.P.**

By: Kohlberg Management V, L.L.C.,  
their general partner

By: \_\_\_\_\_  
Name:  
Title:

[Signature Page to Restructuring and Support Agreement]

Schedule 1

**Existing Notes Beneficially Owned by the Committed Holders**

**Principal Amount of  
Existing Notes held (\$):**

BlackRock Kelso Capital Corporation	
Barclays Multi-Manager Fund PLC	
California Public Employees' Retirement System	
ASTRO Trust Series-Nomura High Yield Bond Fund	
The GM Canada Domestic Trust	
High Yield Corporate Bond Open Mother Fund	
Industriens Pension Portfolio F.M.B.A., High Yield obligationer III	
L-3 Communications Corporation Master Trust	
Louisiana State Employees' Retirement System	
Montgomery County Employees' Retirement System	
Nomura Corporate Research and Asset Management Inc.	
Nomura Multi Managers Fund II - US High Yield Bond	
Nomura Funds Ireland - US High Yield Bond Fund	
Nomura US Attractive Yield Corporate Bond Fund Mother Fund	
Safety National Casualty Corporation	
Stichting Pensioenfond Hoogovens	
The Regents of the University of California	
COF II Bonds Acquisition, LLC	
Tennenbaum Opportunities Partners V, LP	
Tennenbaum Opportunities Fund VI, LLC	
Special Value Continuation Partners, LP	
<b>Total:</b>	<b><u>\$ 158,626,000</u></b>



## Annex A

### SUMMARY OF TERMS

THIS SUMMARY OF TERMS IS FOR DISCUSSION PURPOSES ONLY, IS NOT LEGALLY BINDING AND SHOULD NOT BE READ AS COMMITTING ANY PARTY TO A TRANSACTION. ALL TERMS SET FORTH BELOW ARE SUBJECT TO DISCUSSION AND NEGOTIATION AND ONLY THE TERMS OF ANY DEFINITIVE AGREEMENT THAT MAY BE ENTERED INTO AMONG THE PARTIES WILL HAVE ANY BINDING EFFECT. THIS TERM SHEET DOES NOT PURPORT TO SET FORTH ALL THE MATERIAL TERMS AND CONDITIONS OF THE PROPOSED RESTRUCTURING, AND THE DEFINITIVE AGREEMENTS ARE EXPECTED TO HAVE ADDITIONAL TERMS NOT SPECIFIED IN THIS SUMMARY OF TERMS. THIS SUMMARY OF TERMS DOES NOT CONSTITUTE EITHER AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO PURCHASE ANY SECURITIES.

#### Proposed Restructuring:

This Summary of Terms sets forth the terms of a proposed restructuring of the outstanding 11% Senior Second Lien Notes due 2014 (the “Existing Notes”) of AGY Holding Corp. (“AGY” or the “Company” and such restructuring, the “Restructuring”) on the basis of discussions among the Company, the investment funds managed by affiliates of Kohlberg Management V, LLC (collectively, “Kohlberg”) and Tennenbaum Capital Partners, LLC, Blackrock Kelso Capital Corporation, Saybrook Corporate Opportunity Fund II, L.P., Barclays Multi-Manager Fund PLC, California Public Employees’ Retirement System, ASTRO Trust Series-Nomura High Yield Bond Fund, The GM Canada Domestic Trust, High Yield Corporate Bond Open Mother Fund, Industriens Pension Portfolio F.M.B.A., High Yield obligationer III, L-3 Communications Corporation Master Trust, Louisiana State Employees’ Retirement System, Montgomery County Employees’ Retirement System, Nomura Corporate Research and Asset Management Inc., Nomura Multi Managers Fund II - US High Yield Bond, Nomura Funds Ireland - US High Yield Bond Fund, Nomura US Attractive Yield Corporate Bond Fund Mother Fund, Safety National Casualty Corporation, Stichting Pensioenfonds Hoogovens and The Regents of the University of California (collectively, the “Majority Bondholders”).

#### Exchange Transaction

AGY will, in a private transaction, (i) exchange outstanding Existing Notes for (A) shares of convertible participating preferred stock (the “Preferred Stock”) of KAGY Holding Company, Inc., the parent company of AGY (“KAGY”), having an aggregate initial issuance price (the “Issuance Price”) equal to (1) 50% of the principal amount of the Existing Notes so exchanged, plus (2) 50% of the accrued and unpaid interest on the Existing Notes so exchanged, (B) new 11% Senior Second Lien Notes (the “New Notes”) having substantially similar terms to the terms of the Existing Notes, except that the stated maturity of the New Notes shall be December 15, 2016 and the New Notes will be “144A-for-life”, in an aggregate principal amount equal to 50% of the aggregate principal amount of the Existing Notes so exchanged, and (C) cash (to be paid as accrued interest on the New Notes for the period from the last interest payment date on the Existing Notes through the date of exchange) in an amount equal to 50% of the accrued and unpaid interest on the Existing Notes so exchanged, and (ii) obtain the consent (the “Consent”) of holders of Existing Notes participating in the Exchange Transaction (as defined below) to certain proposed amendments to the indenture governing the Existing Notes to eliminate substantially all of the covenants, collateral and guarantee provisions and certain events of default currently applicable to the Existing Notes (the transactions contemplated by clauses (i) and (ii) above, the “Exchange Transaction”). Participation in the Exchange Transaction will be limited to the Majority Bondholders and certain other mutually agreeable holders of Existing Notes who are both “accredited investors” (as defined in Regulation D under the Securities Act of 1933, as amended (the “Securities Act”)) and “qualified institutional buyers” (as defined in Rule 144A under the Securities Act) and will require delivery of an exchange agreement and the Consent. As a condition to participating in the Exchange Transaction, each such holder shall agree to become party to the securityholders’ agreement of KAGY described under “Securityholders’ Agreement” below.

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### Post-Closing Exchange Offer

Promptly following the closing of the Exchange Transaction, the Company will launch (on the same economic terms described in clauses (i)(A), (i)(B) and (i)(C) under “Exchange Transaction” above) an exchange offer (the “Exchange Offer”) offering the remaining holders of the Existing Notes who are both “accredited investors” (as defined in Regulation D under the Securities Act and “qualified institutional buyers” (as defined in Rule 144A under the Securities Act) or, in certain circumstances, an institution that is an “accredited investor” as defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act the opportunity to exchange their Existing Notes on such terms. As a condition to participating in the Exchange Offer, each such holder shall agree to become party to the securityholders’ agreement of KAGY described under “Securityholders’ Agreement” below.

### Preferred Stock:

The KAGY Preferred Stock will not be registered under the Securities Act, will not be eligible for book-entry transfer through the Depository Trust Company and will have the following terms:

- Dividends: Each share of Preferred Stock will accrue annual dividends at a rate per annum equal to 20% of the Issuance Price, compounded annually. The dividends shall, at KAGY’s option, be payable in cash or, in the absence of a cash payment, shall continue to accrue (and compound annually). In addition, all accrued and unpaid dividends shall be payable in cash at such time as the issuer declares a dividend on its common stock or upon a liquidation, dissolution, winding up or change of control (other than any such change of control which the holders of the Preferred Stock or Kohlberg acquires such control), whichever occurs first. In addition, the Preferred Stock will participate in any dividends payable in respect of the KAGY common stock on an as-converted basis.
- Conversion: Each holder of shares of Preferred Stock will have the right, exercisable at any time, to convert all of the shares of Preferred Stock held by such holder, together with all accrued and unpaid dividends thereon through the date of such conversion, into shares of KAGY common stock at a rate of \$[10.28] per share of KAGY common stock (subject to equity adjustment in the case of any stock split, stock dividend or other recapitalization transaction involving KAGY common stock), which conversion rate will result, immediately after the closing of the Restructuring, in the Preferred Stock being convertible into 51% of KAGY’s outstanding common stock (calculated after giving effect to such conversion and on a fully-diluted basis). In addition, all outstanding shares of Preferred Stock will automatically convert into shares of KAGY common stock at the then applicable conversion rate (1) in connection with the closing of an underwritten initial public offering listed on a national securities exchange resulting in gross proceeds of not less than \$[●] (a “Qualifying IPO”), or (2) upon the written consent of holders of two-thirds of the then outstanding shares of the Preferred Stock.
- Liquidation: In the event of a liquidation, dissolution or winding-up of KAGY, the holders of the Preferred Stock shall be entitled to receive in respect of each share of Preferred Stock, prior and in preference to the holders of KAGY’s common stock and the holders of any other class of KAGY stock ranking junior to the Preferred Stock, an amount equal to the greater of (a) the Issuance Price of such share of Preferred Stock plus the aggregate amount of all accrued and unpaid dividends thereon calculated through the date of such liquidation event; or (b) the amount that such holder of the Preferred Stock would have received had such share of the Preferred Stock been converted into Common Stock immediately prior to such liquidation, dissolution or winding-up.
- Voting: The Preferred Stock shall vote together with the KAGY common stock on an as-converted basis, and not as a separate class, except as required by law.
- Optional Redemption by KAGY: KAGY will have the right to redeem all (but not less than all) outstanding shares of Preferred Stock in connection with the closing of a

## Annex A

Qualifying IPO, change of control transaction or other liquidation, dissolution or winding up (or otherwise with the proceeds from a refinancing transaction) at a price per share equal to the Issuance Price of such share of Preferred Stock plus all accrued and unpaid dividends thereon through the date of such redemption. KAGY shall provide the holders of the Preferred Stock with reasonable prior written notice of such redemption, and the holders of the Preferred Stock shall have the right to exercise their conversion rights described above for a reasonable period of time in advance of such specified redemption date.

- Mandatory Redemption by KAGY: On December 31, 2020, KAGY shall offer to purchase for cash all outstanding shares of Preferred Stock for a price per share equal to the Issuance Price of such share of Preferred Stock plus all accrued and unpaid dividends thereon through the date of such redemption. Appropriate protections in the event KAGY fails to consummate such mandatory redemption to be negotiated.

### **Board of Directors:**

Following the completion of the Restructuring, the KAGY Board of Directors (the “Board”) shall consist of five directors to be designated as follows:

a. Designees of the holders of Preferred Stock:

i. For so long as the outstanding Preferred Stock is convertible into at least 51% of KAGY common stock (on a fully-diluted basis), the holders of Preferred Stock shall have the right to designate three directors.

ii. For so long as the outstanding Preferred Stock is convertible into at least 25% but less than 51% of KAGY common stock (on a fully-diluted basis), the holders of Preferred Stock shall have the right to designate two directors.

iii. For so long as the outstanding Preferred Stock is convertible into at least 10% but less than 25% of KAGY common stock (on a fully-diluted basis), the holders of Preferred Stock shall have the right to designate one director.

iv. Allocation of the designation rights described above among the holders of Preferred Stock:

A. If (1) the holders of Preferred Stock have the right to designate three directors and (2) Tennenbaum Capital Partners, LLC and its affiliates (collectively, “Tennenbaum”) own at least the majority of the Preferred Stock issued to Tennenbaum at the closing of the Restructuring, Tennenbaum shall have the right to designate two directors.

B. If (1) the holders of Preferred Stock have the right to designate two directors and (2) Tennenbaum owns at least the majority of the Preferred Stock issued to Tennenbaum at the closing of the Restructuring, Tennenbaum shall have the right to designate one director.

C. If (1) the holders of Preferred Stock have the right to designate at least two directors and (2) Blackrock owns at least the majority of the Preferred Stock issued to Blackrock at the closing of the Restructuring, Blackrock shall have the right to designate one director.

D. If the holders of Preferred Stock have the right to designate only one director, such director shall be designated by Tennenbaum so long as Tennenbaum owns at least the majority of the Preferred Stock issued to it at the closing of the Restructuring.

E. To the extent clauses (A) through (D) above do not apply, the designees of the holders of Preferred Stock shall be designated by the majority in interest of the holders of the Preferred Stock.

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b. Designees of the Kohlberg entities that hold the shares of KAGY common stock (the “Kohlberg Stockholders”):

i. In the event that the outstanding Preferred Stock is convertible into less than 51% of KAGY common stock (on a fully-diluted basis), for so long as the Kohlberg Stockholders own at least 51% of KAGY common stock (on a fully-diluted basis), the Kohlberg Stockholders shall have the right to designate three directors.

ii. For so long as the Kohlberg Stockholders own at least 25% of KAGY common stock (on a fully-diluted basis) and clause (b)(i) is not applicable, the Kohlberg Stockholders shall have the right to designate two directors.

iii. For so long as the Kohlberg Stockholders own at least 10% but less than 25% of KAGY common stock (on a fully-diluted basis), the Kohlberg Stockholders shall have the right to designate one director.

c. To the extent that clauses (a) and (b) above do not result in the designation of at least two members of the Board, the party that has the right to designate the remaining director may designate additional directors to the Board. If neither the holders of the Preferred Stock nor the Kohlberg Stockholders have the right to designate a director to the Board, then the holders of a majority of the outstanding KAGY common stock (determined on an as-converted basis) shall have the right to designate the directors to serve on the Board. For the avoidance of doubt, the Board shall at no time consist of fewer than two directors.

There shall be proportionate representation amongst Preferred Stock holder designees, Kohlberg Stockholder designees and other designees for any committees of the Board (with such committee assignments to be determined by the members of the Board consistent with the foregoing). The members of the Board shall benefit from customary waiver of fiduciary duties provision consistent with §102(b)(7) of the Delaware General Corporation Law and waiver of corporate opportunity doctrine, as well as customary indemnification/exculpation provisions consistent therewith and shall participate equally in any board, committee or similar fees or expense reimbursement. KAGY shall maintain D&O insurance in amounts and otherwise on terms reasonably satisfactory to the Board.

Each party to the securityholders’ agreement, including the Majority Bondholders and the Kohlberg Stockholders, will agree to vote in favor of the election of directors as described above.

### **Board Observer:**

Chief executive officer of KAGY shall be appointed the Board observer.

### **Securityholders’ Agreement:**

At the closing of the Restructuring, the existing stockholders’ agreement of KAGY shall be terminated, and KAGY, the holders of the Existing Notes party to the Exchange Transaction (or exchanging Existing Notes in the Exchange Offer) and the Kohlberg Stockholders will enter into a securityholders’ agreement containing customary terms (including drag-along rights, tag-along rights and preemptive rights) to be mutually agreed. In addition, the securityholders’ agreement will include (1) a voting agreement as contemplated above under “Board of Directors”, (2) an agreement by the Kohlberg Stockholders not to purchase any shares of Preferred Stock following the consummation of the Exchange Transaction, and (3) a right of first refusal in favor of the Majority Bondholders in respect of any proposed purchase by the Kohlberg Stockholders of outstanding shares of KAGY common stock. The securityholders’ agreement will also provide that, without the consent of each Kohlberg Stockholder, neither KAGY nor the Company shall initiate a change of control or other sale transaction (other than customary

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and mutually agreed exceptions involving remedies for payment defaults and other material defaults under the New Notes that have not been cured within the applicable cure period or in connection with a bankruptcy proceeding): (i) on or prior to December 31, 2014 or otherwise in violation of a mutually-acceptable customary restrictions on transactions with affiliates to be set forth in the securityholders' agreement); (ii) during 2015, if last twelve month EBITDA of the Company (as of the most recently completed fiscal quarter) (the "LTM EBITDA") exceeds: (A) \$31.25 million as of March 31, 2015, (B) \$32.5 million as of June 30, 2015, (C) \$33.75 million as of September 30, 2015 or (D) \$35 million as of December 31, 2015; and (iii) during 2016, if the LTM EBITDA exceeds \$35 million (it being acknowledged and agreed that the Kohlberg Stockholders' consent rights described in clauses (ii) or (iii) above shall terminate and be of no further legal effect as soon as any of the LTM EBITDA thresholds set forth in any of the subclauses (A)–(D) of clause (ii) above is missed). Notwithstanding the foregoing, the consent of the Kohlberg Stockholders will not be required in connection with a change of control or other sale transaction occurring after July 1, 2015 if such transaction generates at least \$30 million of cash proceeds to KAGY's common stockholders and, prior to such transaction, such common stockholders have had the opportunity to pursue a refinancing that would provide for full repayment of any outstanding New Notes and full payment in respect of the Preferred Stock (including all accrued and unpaid dividends thereon). In connection with any drag-along transaction, dragged stockholders, including Kohlberg Stockholders, agree to vote, to the extent necessary, their shares of KAGY common stock in favor of such transaction.

### New Debt:

One or more of the Majority Bondholders will provide \$15 million of new term debt due 2016 and, in any event, not earlier than 91 days after the maturity of the ABL (the "New Debt") bearing interest at a rate of 12% per annum and otherwise on the terms to be mutually agreed (which shall be substantially similar to the New Notes, other than as to seniority in right of security, and contain certain covenants customary and appropriate for debt senior in right of security to the New Notes (but not including, for the avoidance of doubt, any financial maintenance covenants)). Each of the Majority Bondholders shall be given the opportunity to participate in any syndication of the New Debt, pro rata with its ownership of the Existing Notes. The New Debt will rank junior in right of security to the ABL and senior in right of security to the New Notes. The proceeds of the New Debt shall be used for a voluntary prepayment of the ABL in an amount to be mutually agreed by the Majority Bondholders and AGY and payment of the Restructuring closing costs.

### Additional Kohlberg Investment:

Subject to compliance with applicable securities laws, Kohlberg may purchase Existing Notes in open market transactions; provided, however, that any such Existing Notes purchased by Kohlberg must be exchanged in the Exchange Transaction and any Preferred Stock received by Kohlberg in the Exchange Transaction will be exchangeable only for non-voting shares of common stock of KAGY and disregarded for the purposes of the thresholds opposite the heading "Board of Directors."

### Restructuring Support Agreement:

If the holders of more than 50% of the outstanding principal amount of Existing Notes desire to pursue the Restructuring, each of the Majority Bondholders will enter into a restructuring support agreement with AGY pursuant to which they will agree to work expeditiously to consummate the Exchange Transaction on the terms described in this Summary of Terms (and provide the Consent) with respect to all of the Existing Notes currently owned or hereafter acquired and will also agree, prior to consummation of the Exchange Transaction, not to transfer or otherwise dispose of any Existing Notes (except to each other or their affiliates who are party to, or otherwise enter into, a restructuring support agreement prior to such transfer). The closing of the Exchange Transaction shall be conditioned upon, among other things, (a) an extension of the Master Lease (as defined below); and (b) an amendment to the ABL consenting to the New Debt and the Exchange Transaction and providing that the maturity of the ABL shall be no earlier than June 15,

## Annex A

2016 (or, alternatively, the refinancing of the ABL). The Majority Bondholders' obligations under the Restructuring Support Agreement shall be subject to a "drop-dead" date, which shall be the earlier of (a) July 15, 2013 and (b) the first date on which UBS AG, UBS Securities LLC or DB Energy Trading LLC exercises any remedies under the ABL (as defined below) or the Master Lease (as defined below) to accelerate the payment obligations thereunder or, in the case of the Master Lease, the term of such Master Lease expires without extension or forbearance (such earlier date, the "Drop-Dead Date"). In addition, the restructuring support agreement will provide that (1) for so long as AGY and one or more of the Majority Bondholders continue to pursue the Restructuring in good faith, each of the Majority Bondholders will direct the Existing Notes trustee to forbear from exercising its rights under the indenture governing the Existing Notes with respect to any event of default arising out of or resulting from (x) failure to make any interest payment that may come due and (y) failure to pay any amount due under the Second Amended and Restated Loan and Security Agreement dated as of June 15, 2012, as amended, among AGY, AGY Aiken LLC, AGY Huntingdon LLC, UBS AG, Stamford Branch, UBS Securities LLC and the lenders party thereto from time to time (the "ABL") or the Amended and Restated Master Lease Agreement dated as of July 25, 2012, among AGY, AGY Aiken LLC, AGY Huntingdon LLC and DB Energy Trading LLC (the "Master Lease"), (2) on the earlier of the successful consummation of the Restructuring or the Drop Dead Date, AGY will pay the reasonable fees and expenses of Schulte Roth & Zabel ("SRZ") incurred as counsel to the Majority Bondholders subject to a mutually agreed cap (with an appropriate retainer to be funded by AGY to a trust account specified by SRZ in advance), and (3) for so long as at least [●] shares of Preferred Stock remain outstanding, KAGY and the Company will accrue and defer payment of the annual management fee otherwise payable under the Management Agreement (the "Management Agreement"), dated as of April 7, 2006 by and among KAGY, the Company and Kohlberg. The Management Agreement shall be terminated at the closing of the Restructuring (except as to the obligation to pay the accrued and unpaid management fees as of such termination date); provided, however, that any such management fees accrued thereunder as of the closing date shall be made subordinate to the ABL, the New Notes, the New Debt and the Preferred Stock. In addition, to the extent that KAGY or any of its subsidiaries enters into a management or advisory agreement with any holder of Preferred Stock (or any affiliate thereof) providing for the payment of any fee or other amount, Kohlberg shall be entitled to a proportionate payment based upon the number of directors then designated by the Kohlberg Stockholders in relation to the total number of directors then constituting the Board.

**The parties acknowledge and agree that additional details regarding the method for effecting the Restructuring on the terms outlined in this Summary of Terms remain to be agreed among the parties to take into account, among other items, applicable tax and securities law considerations. The parties agree to negotiate in good faith to reach agreement on such additional details in order to effect the Restructuring.**

**Annex B**

**Form of Joinder**

The undersigned hereby agrees, effective as of the date hereof, to comply with all obligations of the “Committed Holders” contained in that certain Restructuring and Support Agreement, dated May , 2013 (the “Agreement”), by and among the Committed Holders (as defined therein), KAGY Holding Company, Inc., AGY Holding Corp. and the other signatories thereto, and the undersigned shall, effective as of the date hereof, join the Agreement as a Committed Holder thereunder and be deemed to be bound by the terms and provisions of the Agreement as if the undersigned had been a “Committed Holder” originally named in the Agreement.

The address and facsimile number to which notices may be sent to the undersigned is as follows:

Address: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Facsimile No.: \_\_\_\_\_

Date:

\_\_\_\_\_  
Name:

Principal Amount of Existing Notes held:

\$ \_\_\_\_\_

FIRST AMENDMENT TO  
AMENDED AND RESTATED MASTER LEASE AGREEMENT

This FIRST AMENDMENT (this "Amendment"), dated as of May 15, 2013, to the Amended and Restated Master Lease Agreement, dated as of July 25, 2012 (as heretofore amended, supplemented or otherwise modified, the "Agreement"), among DB ENERGY TRADING LLC ("Lessor"), a Delaware limited liability company, AGY HOLDING CORP. ("Lessee"), a Delaware corporation, AGY AIKEN LLC ("AGY Aiken"), a Delaware limited liability company and AGY HUNTINGDON LLC ("AGY Huntingdon"), a Delaware limited liability company.

WITNESSETH :

WHEREAS, Lessor, Lessee and the Guarantors are parties to the Agreement;

WHEREAS, the Lease Commitment Period under and as defined in the Agreement is scheduled to terminate on the Master Lease Termination Date;

WHEREAS, Lessee and the Guarantors and certain of their affiliates have been negotiating and continue to negotiate the Restructuring Transactions (as defined in the Restructuring and Support Agreement (as defined below)).

WHEREAS, Lessee and the Guarantors have requested that Lessor extend the Master Lease Termination Date during the pendency of the negotiations of the Restructuring Transactions, as Lessee and its Subsidiaries continue to derive substantial direct and indirect benefits therefrom,

WHEREAS, the parties hereto have agreed to amend the Agreement on the terms set forth in this Amendment.

THEREFORE, in consideration of the premises and the covenants and agreements contained herein, the parties hereto hereby agree that on the First Amendment Effective Date (as defined below), the Agreement shall be amended as follows:

SECTION 1. DEFINITIONS. Unless otherwise defined herein, capitalized terms are used herein as defined in the Agreement as amended hereby. The rules of construction set forth in the Agreement shall apply to this Amendment.

SECTION 2. AMENDMENTS.

2.1 Amendment to Schedule I (Definitions).

(a) The Agreement is hereby amended by deleting "May 31, 2013" from the definition of "Outside Date" and substituting in lieu thereof "the earlier of (w) July 15, 2013, (x) the date on which the Restructuring and Support Agreement (as in effect on May 15, 2013) is terminated whether as a result of the passage of time or by any of the parties thereto, (y) the date of (1) any acceleration of any obligations or termination of any commitments under either of the Financing Agreements or (2) the exercise of any



remedies with respect to Collateral (as defined in the applicable Financing Agreement) upon an event of default under either of the Financing Agreements, and (z) the date upon which all of the Restructuring Transactions (as defined in the Restructuring and Support Agreement) become effective.”

(b) The Agreement is hereby amended by inserting the following defined term in its appropriate alphabetical order:

**“Restructuring and Support Agreement”** means that certain Restructuring and Support Agreement, dated as of May 15, 2013, between KAGY Holding Company, Inc., AGY Holding Corp., Kohlberg Partners V, L.P., Kohlberg Investors V, L.P., Kohlberg TE Investors V, L.P., Kohlberg Offshore Investors V, L.P. and certain holders of the 11% Senior Second Lien Notes due 2014 of AGY Holding Corp.”

SECTION 3. CONDITIONS TO EFFECTIVENESS. The effectiveness of this Amendment (the date of such effectiveness, the “First Amendment Effective Date”) is subject to the satisfaction or waiver by Lessor of each of the following conditions precedent:

(a) Certain Documents. Lessor shall have received each of the following, each dated as of the First Amendment Effective Date unless otherwise indicated or agreed to by Lessor, in each case in form and substance reasonably satisfactory to Lessor,

- (i) this Amendment, duly executed and delivered by Lessee and the Guarantors;
- (ii) a true and correct copy of the executed Restructuring and Support Agreement, which shall be in full force and effect, and any exhibits, schedules or supplements thereto or any other documents or agreements related thereto;
- (iii) a true and correct copy of a forbearance agreement (with all any exhibits, schedules or supplements thereto or any other documents or agreements related thereto) executed and delivered by UBS AG, Stamford Branch, as administrative and collateral agent for the lenders under the Credit Agreement, which forbearance agreement shall be in full force and effect and contain the agreement of UBS AG, Stamford Branch, on behalf of itself and the other “Secured Parties” under and as defined in the Credit Agreement, to not exercise remedies under the Credit Agreement on terms substantially identical to those set forth in Paragraph 4 of the Restructuring and Support Agreement;

- (iv) an engagement letter and fee letter with Lessor, duly executed and delivered by Lessee, each in respect of a long-term amendment to or restatement of the Agreement; and
- (v) an amendment and restatement of the Acknowledgement Agreement, duly executed and delivered to Lessor by each of the parties thereto;
- (vi) an acknowledgement agreement, duly executed and delivered to Lessor by U.S. Bank National Association, as trustee under the Indenture, Lessee and the Guarantors, containing agreements and acknowledgements substantially identical to those set forth in the Acknowledgement Agreement;
- (vii) an amended Waiver Letter, duly executed and delivered to Lessor by each of the parties thereto;
- (viii) a compliance certificate, which satisfies the requirements of 10.1(i) of the Agreement for the period ending March 31, 2013;
- (ix) a certificate from a Responsible Officer of Lessee certifying on behalf of Lessee that, to such Responsible Officer's knowledge after due inquiry, the representations and warranties set forth in Section 5 of this Amendment are true and correct to the extent so required by Section 5.

(b) Fees and Expenses Paid. There shall have been paid to Lessor all fees and expenses (including fees and expenses of Simpson Thacher & Bartlett LLP) due and payable on or before the First Amendment Effective Date.

(c) No Legal Impediments. Neither entry into this Amendment nor the leasing of the Metals on the terms and conditions of the Agreement (as amended hereby) or of the Leases (x) violate any Requirement of Law or (y) are enjoined, temporarily, preliminarily or permanently by any Governmental Authority.

#### SECTION 4. STANDSTILL.

4.1 Standstill Period. Subject to the terms of this Agreement, Lessor agrees not to (a) declare an Early Termination under the Agreement as a result of the occurrence and continuance of a Default under clause 8.1(j)(w) of the Agreement (the "Specified Default") or (b) exercise any rights or remedies under clause 8.3 of the Agreement solely as a result of the occurrence and continuance of the Specified Default, in each case during the period from and including the First Amendment Effective Date until the earlier to occur of the following (the earlier of such date, the "Standstill Period Termination Date"): (i) the Outside Date (as amended by this Amendment), or (ii) the date on which any of the following shall occur: (A) the occurrence of a Default that is not the Specified Default or (B) an amendment or any restructuring of any of the Financing Agreements (as in effect on the First Amendment Effective Date) that is not reasonably satisfactory to Lessor. For the purposes of this

Amendment, the “Standstill Period” shall mean the period from and including the First Amendment Effective Date to, but not including, the Standstill Period Termination Date. Lessor hereby acknowledges and agrees that during the Standstill Period, the occurrence and continuance of the Specified Default alone does not give rise to a “Material Adverse Event” under the Agreement.

4.2 No Waiver; Limitation on Standstill. Lessee and each Guarantor acknowledge and agree that, notwithstanding Section 4.1 of this Amendment (a) this Amendment shall not constitute a waiver of the occurrence or the continuance of any Default, including the Specified Default, whether now or hereafter existing, (b) nothing contained in this Amendment shall be construed to limit or affect the right of Lessor to bring or maintain during the Standstill Period any action to enforce or interpret any term or provision of the Agreement, or to file or record instruments of public record (or take other action) to perfect or further protect the liens and security interests granted by Lessee to Lessor, (c) such agreement shall not constitute a waiver or standstill with respect to any other right or remedy of Lessor whether under the Operative Documents or applicable law and (d) any requirement to provide any notice, demand or request for performance under the Guarantee shall be tolled during the Standstill Period.

4.3 Enforcement Actions After Standstill Period. Notwithstanding anything herein or in the Agreement to the contrary, Lessee and each Guarantor acknowledge and agree that on the Standstill Period Termination Date the agreement of Lessor to refrain from (x) declaring an Early Termination under the Agreement in respect of the Specified Default and (y) exercising any rights or remedies under clause 8.3 of the Agreement solely as a result of the occurrence and continuance of the Specified Default, shall automatically cease and be of no further force or effect, and Lessor shall be entitled to immediately exercise remedies under the Agreement, the other Operative Documents and applicable law, all without further notice or demand, in respect of the Specified Default or other Default then existing.

4.4 Specified Actions During Standstill Period. During the Standstill Period, Lessee may take one or more Specified Actions (as defined below) so long as all requirements, terms and conditions set forth in the Agreement are satisfied or complied with in respect of such applicable Specified Action, excluding any requirement, term or condition that cannot be satisfied, or representation or warranty that cannot be made (or deemed made) solely as a result of the Specified Default. For the purposes of this Section 4.4, Lessee’s taking any of the following actions under the Agreement shall constitute a “Specified Action”: (a) entry into a Lease, (b) renewal of an existing Lease, (c) a Change Out, (d) a Fabrication or (e) a Refabrication.

**SECTION 5. REPRESENTATIONS AND WARRANTIES.** In order to induce Lessor to enter into this Amendment, Lessee and each Guarantor jointly and severally represent and warrant to Lessor that:

- (a) it has all requisite power and authority to enter into this Amendment,
- (b) the execution and delivery of this Amendment and the performance of its obligations under this Amendment have been duly authorized by all necessary corporate

action on the part of such Party,

(c) Lessee has delivered to Lessor any and all documents or agreements executed by Lessee or any of its Subsidiaries on or prior to the First Amendment Effective Date in connection with or relating to the Restructuring Transactions;

(d) no vote or consent of, or notice to, the holders of indebtedness under any of the Financing Agreements is required, or, if required, such vote or consent has been obtained or given, to authorize the Lessee's execution and performance of this Amendment,

(e) Schedule 6 to the Agreement as of the Restatement Date continues to be true and correct as of the First Amendment Effective Date,

(f) no Default exists as of the First Amendment Effective Date, both immediately before and immediately after giving effect to this Amendment on such date,

(g) Lessor continues to have a legal, valid and enforceable first priority Lien on the Specified Assets, and

(h) the representations and warranties of such Party contained in the Agreement and the other Operative Documents are true and correct in all material respects on and as of the First Amendment Effective Date (after giving effect to this Amendment) as if made on and as of the First Amendment Effective Date (provided that if any representation or warranty that itself is qualified as to "materiality" or "Material Adverse Effect," such representation or warranty shall be true and correct in all respects), except where such representations and warranties expressly relate to an earlier date in which case such representations and warranties were true and correct in all material respects as of such earlier date.

SECTION 6. RELEASE. Lessee and the Guarantors hereby waive, release, remise and forever discharge Lessor and each other Indemnified Person from any and all actions, causes of action, suits or other claims of any kind or character, known or unknown, which Lessee or Guarantor ever had, now has or might hereafter have against Lessor or any Indemnified Person which relate, directly or indirectly, to acts or omissions of Lessor or any Indemnified Person on or prior to the date hereof whether arising out of, in connection with, or otherwise relating to, the Agreement, the Leases, this Amendment or any matter in connection with any of the foregoing.

SECTION 7. REFERENCE TO AND EFFECT ON THE OPERATIVE DOCUMENTS; LIMITED EFFECT. From and after the First Amendment Effective Date, each reference in the Agreement to "this Agreement", "hereunder", "hereof" or words of like import referring to the Agreement, and each reference in the other Operative Documents to "the Agreement", "thereunder", "thereof" or words of like import referring to the Agreement, shall mean and be a reference to the Agreement as amended hereby. The execution, delivery and effectiveness of this Amendment shall not, except as expressly provided herein, operate as a waiver of any right, power or remedy of Lessor under any of the Operative Documents, nor constitute a waiver of any provisions of any of the Operative Documents. Except as expressly

amended herein all of the provisions and covenants of the Agreement and the other Operative Documents are and shall continue to remain in full force and effect in accordance with the terms thereof and are hereby in all respects ratified and confirmed.

SECTION 8. CONSENT OF GUARANTORS. Each of the Guarantors acknowledges and consents to all of the terms and conditions of this Amendment and agrees that this Amendment does not operate to reduce or discharge such Guarantor's obligations under the Guarantee or the Operative Documents to which such Guarantor is a party. Each of the Guarantors confirms and agrees that the Guarantee is and shall continue to be, in full force and effect and is hereby ratified and confirmed in all respects except that, upon the effectiveness of, and on and after the date of the Amendment, each reference in such Guarantee to the Agreement "thereunder", "thereof" or words of like import referring to the Agreement shall mean and be a reference to the Agreement as amended or modified by this Amendment.

SECTION 9. COUNTERPARTS. This Amendment may be executed by one or more of the parties to this Amendment on any number of separate counterparts (including by facsimile or other electronic transmission), and all of said counterparts taken together shall be deemed to constitute one and the same instrument. A set of the copies of this Amendment signed by all the parties shall be lodged with Lessee and Lessor.

SECTION 10. GOVERNING LAW. THIS AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

*[remainder of page intentionally left blank]*

IN WITNESS WHEREOF, the Parties hereto have caused this Amendment to be executed by their duly authorized representative as of the date first above written.

**DB ENERGY TRADING LLC,**  
as Lessor

By: /s/ William Donnelly  
Name: William Donnelly  
Position: Director  
Date: 5/13/13

By: /s/ Molly Sample  
Name: Molly Sample  
Position: Director  
Date: 5/13/13

[Signature page to First Amendment to Amended and Restated Master Lease Agreement]

**AGY HOLDING CORP.,**

as Lessee

By: /s/ Jay W. Ferguson

Name: Jay W. Ferguson

Position: Interim Chief Financial Officer

Date: 5/15/13

**AGY AIKEN LLC,**

as Guarantor

By: /s/ Jay W. Ferguson

Name: Jay W. Ferguson

Position: Interim Chief Financial Officer

Date: 5/15/13

**AGY HUNTINGDON LLC,**

as Guarantor

By: /s/ Jay W. Ferguson

Name: Jay W. Ferguson

Position: Interim Chief Financial Officer

Date: 5/15/13

UBS AG, STAMFORD BRANCH  
677 Washington Boulevard  
Stamford, Connecticut 06901

May 15, 2013

AGY Holding Corp.  
2556 Wagener Road  
Aiken, South Carolina 29801

Ladies and Gentlemen:

Reference is made to that certain Second Amended and Restated Loan and Security Agreement, dated as of June 15, 2012 (as amended by the First Amendment to Second Amended and Restated Loan and Security Agreement, dated as of July 25, 2012, the "Credit Agreement"), among AGY Holding Corp., AGY Aiken LLC and AGY Huntingdon LLC (collectively, the "Borrowers"), the Lenders from time to time party thereto (the "Lenders"), and UBS AG, Stamford Branch, as Administrative Agent (in such capacity or otherwise, the "Administrative Agent"). Capitalized terms used in this letter agreement (this "Agreement") and not otherwise defined herein shall have the meanings ascribed to them in the Credit Agreement.

1. Borrowers have notified the Administrative Agent that an Event of Default will occur as a result of the failure of Borrowers to make the interest payment due on the Senior Second Lien Notes on May 15, 2013 (the "Interest Payment Default" and the Interest Payment Default, together with any Defaults or Events of Default arising under the Credit Agreement due to any cross-defaults arising under the DB Lease Agreement with respect to the Interest Payment Default, collectively, the "Specified Defaults").

2. Borrowers acknowledge that based upon the Specified Defaults, the Administrative Agent and Lenders have certain rights under the Credit Agreement and the other Loan Documents.

3. The Administrative Agent and Required Lenders have elected to forbear from exercising the rights and powers that are available to them under the Credit Agreement and other Loan Documents based upon the Specified Defaults, subject to the terms and conditions set forth herein. Such forbearance shall expire automatically and without notice from any of the Administrative Agent or Lenders on the earlier of (a) July 15, 2013 and (b) the occurrence of any Termination Event (as defined below) (the period from the date of this Agreement until the expiration of the forbearance provided for herein is referred to as the "Forbearance Period"). The forbearance provided for herein does not constitute, and is not intended to constitute, a forbearance or agreement to forbear at any future time (including upon the expiration of the Forbearance Period). The forbearance provided for herein does not constitute, and is not intended to constitute, a waiver of the occurrence or the continuance of any Specified Default. Subject to the terms set forth herein, the Administrative Agent and Lenders are hereby expressly reserving all rights, powers and remedies provided for in the Credit Agreement, the other Loan



Documents, at law or in equity whether now or hereafter existing, including, without limitation, all such rights, powers and remedies available to them based upon any Specified Default. The Administrative Agent and Required Lenders hereby acknowledge and agree that during the Forbearance Period, the occurrence and continuance of the Specified Defaults alone does not give rise to a “Material Adverse Effect” under the Credit Agreement.

4. The effectiveness of this Agreement is conditioned upon the prior satisfaction or waiver of the following conditions precedent in a manner reasonably acceptable to the Administrative Agent:

(a) Execution and delivery of this Agreement by Borrowers, the Guarantors, the Administrative Agent and the Required Lenders;

(b) Entry into an amendment to the DB Lease Agreement, in the form attached hereto as Exhibit A (the “Metals Lease Forbearance”);

(c) Entry into a restructuring and support agreement among KAGY Holdings, AGY Holdings, Kohlberg Partners V, L.P., Kohlberg Investors V, L.P., Kohlberg TE Investors V, L.P., Kohlberg Offshore Investors V, L.P. and certain holders of the Senior Second Lien Notes, in the form attached hereto as Exhibit B (the “Restructuring and Support Agreement”);

(d) Payment to the Administrative Agent, for the ratable benefit of the Lenders, of a forbearance fee in an amount equal to 0.25% of the aggregate amount of the Commitments under the Credit Agreement; and

(e) Absence of any Defaults or Events of Default other than Specified Defaults.

5. Notwithstanding the provisions of Section 6.2(a) of the Credit Agreement and the Specified Defaults, during the Forbearance Period, the Lenders and Issuing Bank will make Loans and other extensions of credit according to the terms of this Agreement and the other terms of the Credit Agreement; provided, that, no Loans and other extensions of credit shall be made if a Termination Event has then occurred or would occur as a result of the making of such Loan or other extension of credit.

6. The Borrowers and other Obligors shall afford such field examiners and appraisers as may be engaged by the Administrative Agent, including, without limitation, any appraisers engaged to conduct a new Inventory Appraisal and a new Equipment Appraisal, access to all such books, records and other information and access to the members of the management of the Borrowers and other Obligors as they may reasonably request in connection with their work as field examiners and appraisers and, in furtherance thereof, shall cooperate with such field examiners and appraisers as and to the extent reasonably requested by the Administrative Agent.

7. The occurrence of any of the following shall automatically constitute a “Termination Event” hereunder:

- (a) The occurrence of any Default or Event of Default, other than a Specified Default;
- (b) The occurrence of any breach or default by Borrowers or other Obligors of any of the provisions of this Agreement;
- (c) The exercise of any rights and remedies or the taking of any enforcement action by the lessor under the DB Lease Agreement;
- (d) The termination or expiration of the Metals Lease Forbearance or the DB Lease Agreement for any reason;
- (e)(1) The acceleration of any obligations under the Senior Second Lien Notes or (2) the exercise of any rights and remedies with respect to Collateral or the taking of any enforcement action with respect to Collateral by the indenture trustee or any holders of the Senior Second Lien Notes; or
- (f) The termination or expiration of the Restructuring and Support Agreement for any reason.

8. During the Forbearance Period, unless or until all Specified Defaults are permanently waived, advisory fees, management fees and transaction fees payable to the Sponsor under the Management Agreement, dated as of April 7, 2006 among KAGY Holdings, KAGY Acquisition Corp., Borrower and Sponsor may accrue but shall not be paid.

9. Beginning May 29, 2013, the Borrowers shall deliver to Administrative Agent, not later than Wednesday of each week, a forecast prepared by management of the Borrowers, in form and substance reasonably satisfactory to the Administrative Agent, of cash flow statements of the Borrowers and their Subsidiaries on a weekly basis for the period of 13 consecutive weeks commencing with the week of such delivery.

10. All covenants, agreements, representations and obligations of Borrowers and the other Obligors under this Agreement shall survive and remain binding upon Borrowers and the other Obligors, regardless of whether any Specified Default has occurred or has been cured or fails to occur.

11. Borrowers reaffirm their obligations under Section 3.4 of the Credit Agreement to reimburse the Administrative Agent for all Extraordinary Expenses and other expenses described therein and confirm that, pursuant to such obligations, they shall pay on demand all of the Administrative Agent's Extraordinary Expenses and other reasonably incurred and documented out-of-pocket expenses, including expenses of legal counsel, collateral auditors and field examiners, collateral appraisers, and other consultants and advisors, as well as the expenses of Winston & Strawn LLP, counsel to the Administrative Agent.

12. Borrowers and the other Obligors hereby waive, release, remise and forever discharge the Administrative Agent, each Lender and each other Indemnitee from any and all actions, causes of action, suits or other claims of any kind or character, known or unknown, which any Obligor ever had, now has or might hereafter have against the Administrative Agent,

any Lender or any other Indemnitee which relate, directly or indirectly, to acts or omissions of the Administrative Agent, any Lender or any other Indemnitee on or prior to the date hereof whether arising out of, in connection with, or otherwise relating to, the Loan Documents, this Agreement or any matter in connection with any of the foregoing. Nothing contained herein shall constitute a waiver of any Defaults or Events of Default which may exist as of the date of this Agreement of which the Administrative Agent currently does not have notice or any rights or remedies that the Administrative Agent or Lenders might have in respect of such Events of Default which may so exist.

13. As supplemented by this Agreement, the Credit Agreement and each other Loan Document shall remain in full force and effect and each is hereby ratified and confirmed by Borrowers and the other Obligors. Without limiting the foregoing, the Liens granted pursuant to the Credit Agreement and the Security Documents shall continue in full force and effect and the guaranties of the Guarantors shall continue in full force and effect. This Agreement shall each be deemed a Loan Document and the definition of Loan Document in the Credit Agreement shall be deemed amended accordingly.

14. Nothing contained herein nor in any other communication or action between or among the Administrative Agent, Lenders, Borrowers or any other Obligor shall be deemed to constitute or be construed as (i) a waiver or release of any of the Administrative Agent's or Lenders' rights or remedies against Borrowers or any other Obligor or any other Person under the Loan Documents or pursuant to applicable law, (ii) a course of dealing obligating the Administrative Agent or Lenders to provide any Loans or other extensions of credit or other accommodations, financial or otherwise, to Borrowers or any other Obligor at any time or (iii) a commitment or any agreement to make a commitment with respect to any possible waiver, amendment, consent or other modification of the terms provided in the Credit Agreement or any other Loan Document, other than the specific modifications set forth in this Agreement. Nothing contained herein shall confer on Borrowers, any other Obligor or any other Person any right to notice or cure periods with respect to any Specified Default or any action the Administrative Agent and Lenders may take based upon any Specified Default following the end of the Forbearance Period or any Event of Default which may result from any Specified Default maturing into an Event of Default.

15. THIS AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER SHALL BE GOVERNED BY, AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK WITHOUT REGARD TO CONFLICT OF LAWS PRINCIPLES THEREOF THAT WOULD REQUIRE THE APPLICATION OF LAWS OTHER THAN THOSE OF THE STATE OF NEW YORK.

16. This agreement may be executed in any number of counterparts, each of which when so executed and delivered shall be deemed an original, but all such counterparts together shall constitute but one and the same instrument. Any signature delivered by a party by facsimile or other electronic transmission shall be deemed to be an original signature hereto.

[Signature Pages Follow]

Very truly yours,

UBS AG, STAMFORD BRANCH,  
as Administrative Agent

By: /s/ Lana Gifas

Name: Lana Gifas

Title: Director

By: /s/ Joselin Fernandes

Name: Joselin Fernandes

Title: Associate Director

UBS LOAN FINANCE LLC, as a Lender

By: /s/ Lana Gifas

Name: Lana Gifas

Title: Director

By: /s/ Joselin Fernandes

Name: Joselin Fernandes

Title: Associate Director

Acknowledged and Agreed:

AGY HOLDING CORP.

By: /s/ Jay W. Ferguson

Name: Jay W. Ferguson

Title: Interim Chief Financial Officer

AGY AIKEN LLC

By: /s/ Jay W. Ferguson

Name: Jay W. Ferguson

Title: Interim Chief Financial Officer

AGY HUNTINGDON LLC

By: /s/ Jay W. Ferguson

Name: Jay W. Ferguson

Title: Interim Chief Financial Officer

KAGY HOLDING COMPANY, INC.

By: /s/ Jay W. Ferguson

Name: Jay W. Ferguson

Title: Interim Chief Financial Officer

**Exhibit A**

**Form of Metals Lease Forbearance**

Filed as exhibit 10.2 to this Current Report on Form 8-K.

**Exhibit B**

**Form of Restructuring and Support Agreement**

Filed as exhibit 10.1 to this Current Report on Form 8-K.



## **AGY Holding Corp. Announces Entry into a Restructuring and Support Agreement with Holders of Outstanding 2014 Notes to Effect a Recapitalization**

**AIKEN, SOUTH CAROLINA—(May 15, 2013)** – AGY Holding Corp. (“AGY”) today announced that it has entered into a Restructuring and Support Agreement (the “Support Agreement”) with holders of approximately 92% in aggregate principal amount (the “Majority Bondholders”) of its 11% senior second lien notes due 2014 (the “Existing Notes”) to recapitalize the company. In addition, AGY has entered into a short-term amendment to its Amended and Restated Master Lease Agreement (the “Metals Facility”) with DB Energy Trading LLC (“DB”) providing for an extension of the term of the Metals Facility through July 15, 2013. Under the amendment to the Metals Facility, DB has agreed to forbear from exercising its rights under Metals Facility with respect to any event of default arising out of or resulting from failure to make any interest payment due under the Existing Notes or AGY’s revolving credit facility (the “ABL Facility”) until July 15, 2013, subject to an earlier termination in certain circumstances. Similarly, UBS AG, Stamford Branch, and UBS Securities LLC have agreed to forbear from exercising their rights under the ABL Facility with respect to any event of default arising out of or resulting from the failure to make any interest payment due under the Existing Notes. A description of these agreements has been included in our Form 8-K filed today with the Securities and Exchange Commission.

“AGY is pleased to announce that it has reached an agreement in principle with our senior lenders, bondholders and metals lessor to set the course for a restructuring and recapitalization of our capital structure,” said Richard Jenkins, Interim CEO. “This restructuring, combined with the significant operational improvements that we have achieved over the past 18 months, positions AGY to further develop new products, grow the business and pursue our business strategy to be a world-class provider of advanced materials.”

Drew Walker added, “Today’s milestone is a very significant accomplishment and we believe demonstrates an important vote of confidence in AGY’s products, engineering capabilities and strategic direction.”

In the Support Agreement, the Majority Bondholders have agreed to forbear from exercising their rights under the indenture governing the Existing Notes with respect to any event of default resulting from failure to make any interest payment that may come due.

In addition, the Support Agreement outlines the key terms of a restructuring transaction involving the Existing Notes through an exchange transaction with the following key provisions (collectively, the “Exchange Transaction”):

1. AGY will exchange outstanding Existing Notes under the following terms: (A) 50% exchanged for shares of convertible participating preferred stock of KAGY Holding Company, Inc. (“KAGY”) and (B) 50% exchanged for new 11% Senior Second Lien Notes (the “New Notes”) with an extended stated maturity of December 15, 2016,
2. Accrued and unpaid interest through the date of the exchange will be split: 50% of such interest will be paid in cash (as part of a full-year accrual from November 15, 2012 to November 15, 2013, which will be paid on November 15, 2013) and 50% will be paid-in-kind in shares of convertible participating preferred stock of KAGY,



3. the New Notes will not be registered under the Securities Act of 1933, and
4. The holders of Existing Notes will agree to certain proposed amendments to the indenture governing the Existing Notes to eliminate substantially all of the covenants and collateral provisions and certain events of default currently applicable to the Existing Notes.

The Support Agreement provides that consummation of the Exchange Transaction will be conditioned upon, among other things:

1. Participation in the Exchange Transaction by holders of at least 97% of the outstanding principal amount of the Existing Notes,
2. An amendment or replacement of the ABL Facility on terms reasonably acceptable to the Majority Bondholders holding a majority of the principal amount of Existing Notes (the “Controlling Bondholders”),
3. A further amendment to (or replacement of) the Metals Facility on terms reasonably acceptable to Controlling Bondholders (AGY is actively working with DB on a new long-term lease for the metals that are currently available pursuant to the Metals Facility),
4. Entry by AGY into a new term loan agreement with one or more of the Majority Bondholders or their respective affiliates providing for borrowings of an aggregate principal amount of \$15 million (the “New Term Loan”) on terms to be mutually agreed by the parties, and
5. Entry by AGY into a new intercreditor agreement to replace the existing Intercreditor Agreement on terms not inconsistent with the Summary of Terms attached as Annex A to the Support Agreement and otherwise reasonably acceptable to the Controlling Bondholders.

Unless earlier terminated in accordance with its terms, the Support Agreement will terminate on July 15, 2013 if the closing of the Exchange Transaction has not occurred.

The parties’ obligations under the Support Agreement and the completion of the transactions contemplated by the Support Agreement are subject to a number of customary closing conditions, termination rights and approvals, and there is no assurance that the transactions contemplated by the Support Agreement will be consummated on the terms described above, or at all.

This press release does not constitute an offer to sell or the solicitation of an offer to buy the New Notes or preferred stock in the Exchange Transaction. The New Notes and preferred stock to be offered have not been, and will not be, registered under the Securities Act of 1933 and may not be offered or sold in the United States absent registration or an applicable exemption from the registration requirements of the Securities Act of 1933.

#### **About AGY**

AGY is a leading global producer of fiberglass yarns and high-strength fiberglass reinforcements used in a variety of composites applications. AGY serves a diverse range of markets including the following: aerospace and defense (the “A&D” business); electronics; and construction, continuous filament mat (“CFM”) and industrial markets (the “G&I” business). Headquartered in Aiken, South Carolina, AGY has a sales office in Lyon, France and two manufacturing facilities in the US, located in Aiken, South Carolina and Huntingdon, Pennsylvania, respectively, and a controlling interest in a manufacturing facility in Shanghai, China. Additional information and a copy of this press release may be found at the Investor Relations section of AGY’s website, [www.agy.com](http://www.agy.com) or by email at [info@agy.com](mailto:info@agy.com).

## **Safe Harbor for Forward Looking and Cautionary Statements**

Certain statements contained in this release are forward-looking and involve risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such forward-looking statements. All statements included herein, other than statements of historical fact, may constitute forward-looking statements. In some cases you can identify forward-looking statements by terminology such as “may,” “should” or “could.” Generally, the words “anticipates,” “believes,” “expects,” “intends,” “estimates,” “projects,” “plans” and similar expressions identify forward-looking statements. Although AGY believes that the expectations reflected in such forward-looking statements are reasonable, it can give no assurance that such expectations will prove to be correct. Among these risks and uncertainties are general economic and business conditions; our ability to complete the debt restructuring on the terms described, or at all; AGY’s substantial debt and ability to generate cash flows to service its debt; AGY’s compliance with the restrictive covenants contained in its various debt agreements; adverse changes in market conditions or product demand; the level of cost reduction achieved through restructuring and capital expenditure programs; changes in energy, alloy metals and raw material costs and availability; downward selling price movements; the success of new technology; labor disputes or increased labor costs; AGY US’s borrowing base sensitivity to precious metals market prices and amount of owned alloy metals; AGY US’s ability to maintain an available minimum \$6.25 million borrowing capacity to avoid the triggering of a springing covenant, which would likely result in an event of default under its senior secured revolving facility; AGY’s ability to complete a divestiture or alternative exit event on acceptable terms and in a timely manner; currency and interest rate fluctuations; increases in AGY’s leverage; AGY Asia’s ability to satisfy its mandatory term loan repayment obligations, to refinance its working capital loan, and to get a waiver for the breach of the maximum debt-to-assets ratio covenant; changes in AGY’s business strategy or development plans; the timing and cost of plant closures; and increases in the cost of compliance with laws and regulations. Additional factors that could cause actual results to differ materially from these forward-looking statements include, but are not limited to, those risk factors listed from time to time in AGY’s filings with the Securities and Exchange Commission. Except as required by applicable law, AGY assumes no obligation and does not intend to update these forward-looking statements.

### **Contact:**

**Jay Ferguson**

AGY Holding Corp.

PH: 803-643-1257

[jay.ferguson@agy.com](mailto:jay.ferguson@agy.com)

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