UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended January 31, 2002

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ---------- to ----------.

Commission File Number 1-5725

QUANEX CORPORATION
(Exact name of registrant as specified in its charter)

DELAWARE	38-1872178
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1900 West Loop South, Suite 1500, Houston, Texas 77027
(Address of principal executive offices and zip code)

Registrant's telephone number, including area code: (713) 961-4600

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No
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Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at January 31, 2002
Common Stock, par value $0.50 per share	13,508,750

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

QUANEX CORPORATION
CONSOLIDATED BALANCE SHEETS
(In thousands)

January 31, 2002	October 31, 2001
(Unaudited)	(Audited)
ASSETS	
Current assets:	
Cash and equivalents	$ 25,178
$ 29,573	
Accounts and notes receivable, net	91,007
109,706	
Inventories	
85,560	83,109
Deferred income taxes	10,918
10,907	
Other current assets	4,463
3,583	
Total current assets	217,126
236,878	
Property, plant and equipment	748,238
736,952	
Less accumulated depreciation and amortization	(390,483)
(379,317)	
Property, plant and equipment, net	357,755
357,635	
Goodwill, net	
59,226	59,226
Other assets	
44,258	43,892
	$ 678,365
$ 697,631	
LIABILITIES AND STOCKHOLDERS' EQUITY	
Current liabilities:	
Accounts payable	$
64,976	$ 76,831
Accrued expenses	
43,598	50,659
Income taxes payable	2,525
1,087	
Other current liabilities	4,450
5,593	
Current maturities of long-term debt	429
420	
Total current liabilities	115,978
134,590	
Long-term debt	
214,344	219,608
Deferred pension credits	6,389
7,962	
Deferred postretirement welfare benefits	7,797
7,777	
Deferred income taxes	30,702
29,282	
Other liabilities	
16,718	18,435
Total liabilities	391,928
417,654	
Stockholders' equity:	
Preferred stock, no par value	--
--	
Common stock, $.50 par value	7,035
7,043	
Additional paid-in capital	108,472
108,314	
Retained earnings	189,575
186,274	
Unearned compensation	(775)
(897)	
Accumulated other comprehensive income	(6,535)
(7,212)	
	297,772
293,522	
Less: Common stock held by rabbi trust	(889)
(873)	
Less: Cost of shares of common stock in treasury	(10,446)
(12,672)	
Total stockholders' equity	286,437
279,977	
	$ 678,365
$ 697,631	

QUANEX CORPORATION
CONSOLIDATED STATEMENTS OF INCOME
(In thousands, except per share amounts)

Three Months Ended January 31,			
2002	2001	(Unaudited)	
$ 204,243	$ 199,942	Net sales	
171,042	168,784	Cost and expenses: Cost of sales	
12,164	11,728	Selling, general and administrative expense	
11,193	11,236	Depreciation and amortization	
9,844	8,194	Operating income	
(3,441)	(4,161)	Other income (expense): Interest expense	
730	314	Capitalized interest	
1,398	1,323	Other, net	
8,531	5,670	Income before income taxes and extraordinary gain	
(3,071)	(1,985)	Income tax expense	
5,460	3,685	Income before extraordinary gain	
--	372	Extraordinary gain - early extinguishment of debt (net of taxes)	
$ 5,460	$ 4,057	Net income	
$ 0.41	$ 0.27	Earnings per common share: Basic: Income before extraordinary gain	
--	0.03	Extraordinary gain	
$ 0.41	$ 0.30	Total basic net earnings	
$ 0.39	$ 0.27	Diluted: Income before extraordinary gain	
--	0.03	Extraordinary gain	
$ 0.39	$ 0.30	Total diluted net earnings	
13,455	13,424	Weighted average shares outstanding: Basic	
15,586	13,562	Diluted	
$ 0.16	$ 0.16	Common stock dividends per share	

QUANEX CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOW
(In thousands)

Three Months Ended January 31,	2002	2001
	(Unaudited)	
Operating activities: Net income	$ 5,460	$ 4,057
Adjustments to reconcile net income to cash provided by operating activities: Extraordinary gain on early extinguishment of debt (net of taxes of $201)	--	(372)
Depreciation and amortization	11,279	11,362
Deferred income taxes	1,420	(41)
Deferred pension and postretirement benefits	(1,553)	(351)
Changes in assets and liabilities net of effects from acquisitions and dispositions: Decrease in accounts and notes receivable	18,699	7,210
Decrease (increase) in inventory	(2,451)	292
Decrease in accounts payable	(11,855)	(10,490)
Decrease in accrued expenses	(7,061)	(9,819)
Other, net (including income tax refund)	(1,470)	(910)
Cash provided by operating activities	12,468	938
Investment activities: Acquisition of Temroc Metals, Inc., net of cash acquired	--	(17,922)
Capital expenditures, net of retirements	(11,290)	(11,974)
Other, net	(475)	(1,590)
Cash used by investment activities	(11,765)	(31,486)
Cash provided (used) by operating and investment activities	703	(30,548)
Financing activities: Bank (repayments) borrowings, net	(5,000)	33,000
Purchase of subordinated debentures	--	(3,942)
Purchase of Quanex common stock	--	(364)
Common dividends paid	(2,159)	(2,167)
Issuance of common stock, net	2,360	800
Other, net	(299)	(309)
Cash provided (used) by financing activities	(5,098)	27,018
Decrease in cash and equivalents	(4,395)	(3,530)
Cash and equivalents at beginning of period	29,573	22,409
Cash and equivalents at end of period	$ 25,178	$ 18,879
Supplemental disclosure of cash flow information: Cash paid during the period for interest	$ 4,340	$ 4,557
Cash paid during the period for income taxes	$ 120	$ 787
Cash received during the period for income tax refunds	$ --	$ (210)

QUANEX CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Accounting Policies

The interim consolidated financial statements of Quanex Corporation and its subsidiaries ("Quanex" or the "Company") are unaudited, but include all adjustments which the Company deems necessary for a fair presentation of its financial position and results of operations. All such adjustments are of a normal recurring nature. Results of operations for interim periods are not necessarily indicative of results to be expected for the full year. All significant accounting policies conform to those previously set forth in the Company's Annual Report on Form 10-K for the fiscal year ended October 31, 2001, which is incorporated by reference. Certain amounts for prior periods have been reclassified in the accompanying consolidated financial statements to conform to 2002 classifications.

2. Inventories

Inventories consist of the following:

January 31, October 31, 2002 2001 -- --------- ----------- (In thousands) Raw materials..... $ 18,805 $ 20,097 Finished goods and work in process... 59,143 55,757 --- -------- ----------- 77,948 75,854 Other..... 7,612 7,255 ----------- ----------- $ 85,560 $ 83,109 ========== ==========

The values of inventories in the consolidated balance sheets are based on the following accounting methods:

LIFO	$ 59,216	$ 56,691
FIFO	26,344	26,418
	$ 85,560	$ 83,109

With respect to inventories valued using the LIFO method, replacement cost exceeded the LIFO value by approximately $5 million at January 31, 2002 and October 31, 2001.

3. Earnings Per Share

The computational components of basic and diluted earnings per share are as follows (shares and dollars in thousands except per share amounts):

	For the Three Months Ended For the Three Months Ended January 31, 2002			January 31, 2001		
	Income (Numerator)	Shares (Denominator)	Per-Share Amount	Income (Numerator)	Shares (Denominator)	Per-Share Amount
BASIC EPS						
Income before extra. Gain	$ 5,460	13,455	$ 0.41	$ 3,685	13,424	$ 0.27
Extra. Gain - early debt ext.	--	--		372		0.03
Total basic net earnings	$ 5,460		$ 0.41	$ 4,057		$ 0.30
EFFECT OF DILUTIVE SECURITIES						
Effect of common stock equiv. arising from stock options	--	231		--	11	
Effect of common stock held by rabbi trust	--	36		--	127	
Effect of conversion of subordinated debentures	(1) 680	1,864		--	--	
DILUTED EPS						
Income before extra. gain	$ 6,140	15,586	$ 0.39	$ 3,685	13,562	$ 0.27
Extra. Gain - early debt ext.	--					

-- 372 0.03
-------- ---
--- --------
------ Total
basic net
earnings $
6,140 $ 0.39
$ 4,057 $
0.30

(1) Conversion of the Company's 6.88% convertible subordinated debentures into common stock is anti-dilutive for the period ended January 31, 2001 and therefore is not included in the calculation of diluted earnings per share.

4. Comprehensive Income ($ in thousands)

Total comprehensive income for the three months ended January 31, 2002 and 2001 is $6,137 and $1,557, respectively. Included in comprehensive income is net income and the effective portion of the gains and losses on derivative instruments designated as cash flow hedges.

5. Long-term Debt

Long-term debt consists of the following:

(In thousands) January 31, October 31, 2002 2001 ----
------- ----------- Bank Agreement Revolver
..... $ 135,000 $
140,000 Convertible subordinated debentures
..... 58,722 58,727 Temroc
Industrial Development Revenue Bonds .....
2,564 2,608 Industrial Revenue and Economic
Development Bonds ..... 3,275 3,275 State of
Alabama Industrial Development Bonds .....
4,150 4,500 Scott County, Iowa Indus. Waste Recycling
Revenue Bonds .... 2,600 2,600 Other
.....
8,462 8,318 ----------- ----------- $ 214,773 $
220,028 Less maturities due within one year included
in current liabilities
..... 429 420
----------- ----------- $ 214,344 $ 219,608
========== ==========

6. Industry Segment Information ($ in thousands)

During the latter portion of the fiscal year ended October 31, 2001, the Company completed a strategic review of its business, which resulted in a shift of strategy away from primarily a "process" oriented enterprise to a more "market focused" enterprise. The chief executive officer, who is the chief operating decision maker of Quanex, believes the focus on customers will provide a more effective corporate strategy to help drive growth and unlock shareholder value. The review underscored a high concentration of sales in two market segments - vehicular products and building products. The Company has made organizational and reporting changes aligned to this new strategy beginning in fiscal 2002. The chief executive officer has started evaluating performance and allocating the Company's resources under this new segment structure.

Beginning in fiscal 2002, Quanex will report under these two market focused segments. The vehicular products segment is comprised of the former "engineered steel bar" segment (MACSTEEL), Piper Impact (US operations only) and Temroc. The new building products segment is comprised of the former aluminum mill sheet products segment (Nichols Aluminum) as well as the divisions comprising the former engineered products segment, excluding Temroc. Below is a presentation of segment disclosure information under the new corporate organizational structure:

For the Three Months ended January 31,		
	2002	2001
NET SALES		
Vehicular Products(1)	$ 102,433	$ 99,076
Building Products	101,810	100,866
CONSOLIDATED	$ 204,243	$ 199,942
OPERATING INCOME (LOSS):		
Vehicular Products	$ 10,742	$ 8,373
Building Products	2,374	2,319
Corporate & Other (2)	(3,272)	(2,498)
CONSOLIDATED	$ 9,844	$ 8,194

(1) Fiscal 2001 results include Temroc operations acquired November 30, 2000.
(2) Included in "Corporate and Other" are inter-segment eliminations and corporate expenses.

7. Stock Repurchase Program - Treasury Stock

In December 1999, Quanex announced that its board of directors approved a program to repurchase up to 2 million shares of the Company's common stock in the open market or in privately negotiated transactions. During the three months

ended January 31, 2002, the Company did not repurchase any common stock. During the three months ended January 31, 2001, the Company repurchased 20,000 shares at a cost of approximately $364 thousand. These shares were not canceled, but instead were treated as treasury stock of the Company.

The cumulative cost of shares acquired as treasury shares, net of shares reissued, is $10.4 million as of January 31, 2002 and is reflected as a reduction of stockholders' equity in the balance sheet.

8. Extraordinary Item

During the period ended January 31, 2001, the Company accepted unsolicited block offers to buy back $4.6 million principal amount of the 6.88% Convertible Subordinated Debentures for $3.9 million in cash. An after-tax extraordinary gain of $372 thousand was recorded on this transaction.

9. Financial Instruments and Risk Management

Metal Exchange Forward Contracts

The Company's Nichols Aluminum business uses various grades of aluminum scrap as well as prime aluminum ingot as a raw material for its manufacturing process. The price of this aluminum raw material is subject to fluctuations due to many factors in the aluminum market. In the normal course of business, Nichols Aluminum enters into firm price sales commitments with its customers. In an effort to reduce the risk of fluctuating raw material prices, the Company enters into firm price raw material purchase commitments (which are designated as "normal purchases" under SFAS No. 133) as well as forward contracts on the London Metal Exchange ("LME").

As of January 31, 2002, the Company had no open LME forward contracts and therefore no asset or liability associated with metal exchange derivatives. During the quarter ended January 31, 2002, Nichols Aluminum used more firm price raw material purchase commitments instead of LME forward contracts to lock in raw material prices.

The effective portion of the gains and losses related to forward LME contracts which were designated as hedges are reported in other comprehensive income. These gains and losses are reclassified into earnings in the periods in which the related inventory is sold (not when the contracts are closed). As of January 31, 2002, losses of approximately $1.4 million ($833 thousand net of taxes) are expected to be reclassified from other comprehensive income into earnings over the next twelve months. Gains and losses on these contracts, including amounts related to hedge ineffectiveness, are reflected in "Cost of sales" in the income statement. For the three months ended January 31, 2002, a net loss of $4 thousand was recognized in "Cost of sales" representing the amount of the hedges' ineffectiveness. (No components of these gains and losses were excluded from the assessment of hedge effectiveness. Additionally, no hedge contracts were discontinued due to the determination that the original forecasted transaction would not occur. Therefore, there was no income statement impact related to that action.)

Interest Rate Swap Agreements

In fiscal 1996, the Company entered into interest rate swap agreements, which effectively converted $100 million of its variable rate debt under the Bank Agreement Revolver to fixed rate. The Company's risk management policy related to these swap agreements is to hedge the exposure to interest rate movements on a portion of its long-term debt. Under the swap agreements, payments are made based on a fixed rate ($50 million at 7.025% and $50 million at 6.755%) and received on a LIBOR based variable rate (1.87 % at January 31, 2002). Differentials to be paid or received under the agreements are recognized as interest expense. The agreements mature in 2003. The Company has designated the interest rate swap agreements as cash flow hedges of future interest payments on its variable rate long-term debt.

The fair value of the swaps as of January 31, 2002 was a loss of $6.5 million, which is recorded as part of other current and non-current liabilities. Gains and losses related to the swap agreements will be reclassified into earnings in the periods in which the related hedged interest payments are made. As of January 31, 2002, losses of approximately $4.0 million ($2.5 million net of taxes) are expected to be reclassified into earnings over the next twelve months. Gains and losses on these agreements, including amounts recorded related to hedge ineffectiveness, are reflected in "Interest expense" in the income statement. A net loss of $19 thousand was recorded in interest expense in the three months ended January 31, 2002 representing the amount of the hedge's ineffectiveness. (No components of the swap instruments' losses were excluded from the assessment of hedge effectiveness. Additionally, none of the swap agreements were discontinued due to the determination that the original forecasted transaction would not occur. Therefore, there was no income statement impact related to that action.)

If the floating rates were to change by 10% from January 31, 2002 levels, the fair market value of these swaps would change by approximately $374 thousand. In terms of the impact on cash flow to the Company, as floating interest rates decline, the market value of the swap agreement rises, thus increasing the quarterly cash settlement of the swaps paid by the Company. However, the interest paid on the floating rate debt balance decreases. The inverse situation occurs with rising interest rates.

10. Contingencies

During the second quarter of fiscal 2001, some of Nichols Aluminum Casting's aluminum reroll product was damaged in a fire at a third-party offsite warehouse storage facility. The loss was covered under the Company's property insurance policy. As of October 31, 2001, only the Company's cost in the material had been recovered. The Company also filed a claim under the business interruption provisions of the policy to recover additional costs, as well as lost profit sustained due to the fire. In the first fiscal quarter ended January 31, 2002, the Company received $858 thousand against the business interruption claim, which was recorded as a reduction of cost of sales. The Company is still in negotiation with the insurance carrier as to the final settlement amount of this claim. No additional income statement impact has been recorded at this time.

11. Subsequent Event

On February 12, 2002, Quanex completed the purchase of certain assets and liabilities of Ekamar, Inc., formerly known as Colonial Craft, Inc., a Minnesota corporation, through its wholly owned subsidiary, Quanex Windows, Inc., for approximately $17 million in cash, $1.5 million of which has been set aside in an escrow fund for environmental and other issues that may arise. (This price is subject to adjustment based on the audit of the closing date balance sheet.) The newly acquired business will operate as a wholly owned subsidiary of the Company which has been renamed Colonial Craft, Inc., ("Colonial").

Colonial is a leading manufacturer of value-added wood products based in Roseville, Minnesota. Colonial manufactures custom wood window accessories with two primary product lines: hardwood architectural moldings and wood window grilles. Colonial has become part of the Company's engineered products business within the building products business segment. Colonial provides direct synergy with one of the Company's two core businesses, sharing a similar customer base with the engineered products businesses. Quanex believes that Colonial exemplifies success attributes that it looks for in an acquisition, which include customer focus, superior manufacturing processes, and engineered-type products.

Within the terms of the purchase agreement, both selling and purchasing parties acknowledge that the environmental reports showed evidence of minimal soil contamination at one of the three Colonial facilities, the Luck, Wisconsin facility. The purchase agreement provides that the Company will complete the actions, if any, required by the Wisconsin Department of Natural Resources ("WDNR") to obtain a closure letter from the WDNR with respect to the contaminated area. The Company is entitled to be reimbursed from the escrow fund for most, if not all, of any loss incurred in implementing and completing such actions.

To finance the acquisition, the Company borrowed against its existing $250 million unsecured revolving credit and term loan facility with a group of seven banks.

Item 2 - Management's Discussion and Analysis of Results of Operations and Financial Condition

GENERAL

The discussion and analysis of Quanex Corporation and its subsidiaries' (the "Company"'s) financial condition and results of operations should be read in conjunction with the January 31, 2002 and October 31, 2001 Consolidated Financial Statements of the Company and the accompanying notes.

PRIVATE SECURITIES LITIGATION REFORM ACT

Certain of the statements contained in this document and in documents incorporated by reference herein, including those made under the caption "Management's Discussion and Analysis of Results of Operations and Financial Condition" are "forward-looking" statements as defined under the Private Securities Litigation Reform Act of 1995. Generally, the words "believe," "expect," "intend," "estimate," "anticipate," "project," "will" and similar expressions identify forward-looking statements, which generally are not historical in nature. All statements which address future operating performance, events or developments that we expect or anticipate will occur in the future, including statements relating to volume, sales, operating income and earnings per share, and statements expressing general optimism about future operating results, are forward-looking statements. Forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from our Company's historical experience and our present expectations or projections. As and when made, management believes that these forward-looking statements are reasonable. However, caution should be taken not to place undue reliance on any such forward-looking statements since such statements speak only as of the date when made and there can be no assurance that such forward-looking statements will occur. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Factors exist that could cause the Company's actual results to differ materially from the expected results described in or underlying our Company's forward-looking statements. Such factors include domestic and international economic activity, prevailing prices of steel and aluminum scrap and other raw material costs, energy costs, interest rates, construction delays, market conditions for the Company's customers, any material changes in purchases by the Company's principal customers, environmental regulations, changes in estimates of costs for known environmental remediation projects and situations, world-wide political stability and economic growth, the Company's successful implementation of its internal operating plans, performance issues with key customers, suppliers and subcontractors, and regulatory changes and legal proceedings. Accordingly, there can be no assurance that the forward-looking statements contained herein will occur or that objectives will be achieved. All written and verbal forward-looking statements attributable to the Company or persons acting on its behalf are expressly qualified in their entirety by such factors.

RESULTS OF OPERATIONS
Summary Information as % of Sales: (Dollars in millions)

THREE MONTHS ENDED JANUARY 31,			
	2002		2001
	Dollar Amount	% of Sales	Dollar Amount	% of Sales
Net Sales	$204.2	100%	$199.9	100%
Cost of Sales	171.0	84	168.8	84
Sell., gen. and admin.	12.2	6	11.7	6
Deprec. and amort.	11.2	5	11.2	6
Operating Income	9.8	5%	8.2	4%
Interest Expense	(3.4)	(2)	(4.2)	(2)
Capitalized Interest	.8	0	.3	0
Other, net	1.4	1	1.3	0
Income tax expense	(3.1)	(1)	(1.9)	0
Income before extraordinary gain	$ 5.5	3%	$ 3.7	2%

Overview

The Company's earnings for the first fiscal quarter ended January 31, 2002 were higher than expected as a result of outstanding performances of its two core businesses: MACSTEEL and Engineered Products. Fully diluted earnings per share from continuing operations for the first quarter were the Company's best ever at $0.39, or 44% higher than a year ago.

The Company experienced surprisingly strong January sales at MACSTEEL, Engineered Products and Nichols Aluminum. A combination of new programs, increased market penetration and restocking efforts of customers gave a boost to MACSTEEL's results within the vehicular products segment. Unusually mild winter weather along with new products for key customers in the building products segment enabled Engineered Products to keep fuller schedules throughout the first quarter while customer restocking in January benefited Nichols Aluminum. This unexpected strength allowed for a strong finish to the first quarter. Results also benefited from Company-wide cost reduction initiatives which began last year and continue to gain momentum.

Business Segments

During the latter portion of the fiscal year ending October 31, 2001, the Company completed a strategic review of its business, which resulted in a shift of strategy away from primarily a "process" oriented enterprise to a more "market focused" enterprise. The chief executive officer, who is the chief operating decision maker of Quanex, believes the focus on customers will provide a more effective corporate strategy to drive growth and unlock shareholder value. The review underscored a high concentration of sales in two market segments - vehicular products and building products. The Company has made organizational and reporting changes aligned to this new strategy. The chief executive officer has started evaluating performance and allocating the Company's resources under this new segment structure.

The new vehicular products segment is comprised of the former "engineered steel bar" segment (MACSTEEL), Piper Impact (US operations only) and Temroc. That segment's main driver is North American light vehicle builds. For fiscal year 2002, the Company expects MACSTEEL's sales and operating income to represent about 75% and 85% of the segment's results, respectively.

The new building products segment is comprised of the former aluminum mill sheet products segment (Nichols Aluminum) as well as the divisions comprising the former engineered products segment, AMSCO, HOMESHIELD and IMPERIAL PRODUCTS, but excluding Temroc. The main drivers of the segment are residential housing starts and remodeling expenditures. For fiscal year 2002, the Company expects Engineered Products sales and operating income to represent about 25% and 60% of the segment's results, respectively.

The following table sets forth selected operating data for the Company's two business segments:

Three Months Ended January 31,	
2002	2001
- (In thousands)	
Vehicular Products: (1)	
Net sales	
$ 102,433	$ 99,076
Operating income	
10,742	8,373
Deprec. And amort.	
7,106	6,479
Identifiable assets	$ 358,850	$ 339,816
Building Products: Net sales	
$ 101,810	$ 100,866
Operating income	
2,374	2,319
Deprec. And amort.	
3,958	4,617
Identifiable assets	$ 257,964	$ 291,979

(1) Fiscal 2001 results include Temroc operations acquired November 30, 2000.

Vehicular Products

Within the vehicular products business, MACSTEEL, had a good first quarter. North American light vehicle builds are at levels similar to last year's first quarter production. For MACSTEEL, share gains and new programs have allowed them to operate at a higher level for the first quarter compared to the same period a year ago at a capacity utilization rate of approximately 85%. Inventory restocking by customers further bolstered demand, as evidenced by unexpectedly strong January order releases. For the 2002 first quarter, MACSTEEL operated between 5 to 6 days per week compared to 4 to 5 days per week a year ago. For most of the second quarter of fiscal 2002, MACSTEEL is expected to operate both plants at 6 days per week.

Piper Impact came in with another profitable quarter. Sales of aluminum air bag components declined from year ago levels, while sales of steel air bag components, ordnance and new programs helped offset that decline. Piper continues to show solid productivity improvements.

Temroc had a difficult first quarter with the depressed snowmobile business; however, on February 1, 2002, TEMROC successfully negotiated a new 5-year agreement with the United Automotive Workers.

Building Products

Nichols Aluminum continued to operate in a difficult business environment. Nichols experienced a modest loss in operating income for the first quarter 2002 compared to a small gain a year ago. The first quarter for Nichols is typically its slowest sales period. A somewhat early inventory build-up in anticipation of the spring building season gave Nichols a significant increase in orders for January, which added approximately 60% to its backlog year over year. Nichols' volume was up nearly 6% over last year and it operated at a capacity utilization rate of approximately 80%. This backlog strength bodes well for Nichols' second

quarter.

Engineered Products (excluding Temroc) achieved all-time quarterly records for sales and operating income during the first quarter of fiscal 2002. The combination of improved productivity at the HOMESHIELD facility, mild winter weather and new products all contributed to the outstanding performance.

On February 12, 2002, Quanex completed the purchase of certain assets and liabilities of Ekamar, Inc., formerly known as Colonial Craft, Inc., a Minnesota corporation, through its wholly owned subsidiary, Quanex Windows, Inc., for approximately $17 million in cash, $1.5 million of which has been set aside in an escrow fund for environmental and other issues that may arise. The newly acquired business will operate as a wholly owned subsidiary of the Company which

has been renamed Colonial Craft, Inc. ("Colonial"). Colonial is a leading manufacturer of value-added wood products based in Roseville, Minnesota. Colonial manufactures custom wood window accessories with two primary product lines: hardwood architectural moldings and wood window grilles. Colonial has become part of the Company's engineered products businesses that are reported within the building products business segment. Colonial provides direct synergy with one of the Company's two core businesses, sharing a similar customer base with the engineered products business.

Quanex believes that Colonial exemplifies the success attributes that the Company looks for in an acquisition, which include customer focus, superior manufacturing processes, and engineered-type products. The Company will continue to pursue acquisitions of this type, which add to or protect its core businesses.

Fiscal Quarter ended January 31, 2002 vs. 2001

Net Sales - Consolidated net sales for the three months ended January 31, 2002 were $204.2 million, representing an increase of $4.3 million, or 2%, when compared to consolidated net sales for the same period in 2001. Both the vehicular and building products segments experienced increased net sales.

Net sales from the Company's vehicular products business for the three months ended January 31, 2002, were $102.4 million representing an increase of $3.4 million, or 3%, when compared to the same period last year. MACSTEEL's increased net sales were due to higher volume, partially offset by lower sales prices. Pricing pressures continue as a result of industry overcapacity and globalization. Piper experienced lower net sales as aluminum airbag component sales declined from its prior year levels. This decline, however, was partially offset by increased sales of steel airbag components, ordnance and new products.

Net sales from the Company's building products business for the three months ended January 31, 2002, were $101.8 million, representing an increase of $944 thousand, or 1%, when compared to the same period last year. Engineered Products experienced an all-time quarterly record for net sales due largely to mild winter weather, attractive interest rates and stable consumer confidence which helped housing starts remain robust. Also contributing to Engineered Product's record quarter were 1) improved productivity at the HOMESHIELD facility, and 2) new product sales. However, Nichols Aluminum's net sales declined from the same prior year period due to lower sales prices, despite increased volume. Nichols Aluminum continues to operate in a very difficult business environment as overcapacity erodes pricing. However, the Nichols Aluminum Golden facility was profitable in the first quarter and it continues to build a solid book of business.

Operating income - Consolidated operating income for the three months ended January 31, 2002 was $9.8 million, representing an increase of $1.7 million, or 20%, when compared to the same period last year. Both the vehicular and building products segments experienced increased operating income.

Operating income from the Company's vehicular products segment for the three months ended January 31, 2002, was $10.7 million, representing an increase of $2.4 million, or 28%, when compared to the same period last year. This increase was due largely to higher net sales and operating income at MACSTEEL compared to the prior year's results. MACSTEEL experienced lower spreads as the lower selling prices were only partially offset by lower scrap prices. However, productivity gains and lower conversion costs more than offset the impact of lower spreads. Depreciation expense for the vehicular products segment was higher with the completion of MACSTEEL capital projects.

Operating income from the Company's building products segment for the three months ended January 31, 2002, was $2.4 million, slightly higher when compared to the same period last year. This increase was a result of higher net sales and operating income at the engineered products business, mostly offset by lower results at the segment's Nichols Aluminum business. Included in that improvement is the elimination of goodwill amortization in accordance with the adoption of Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets" effective the beginning of the current fiscal year. The

building products segment had goodwill amortization of approximately $450 thousand in the prior year period ending January 31, 2001.

In addition to the two operating segments mentioned above, corporate level operating expenses for the three months ended January 31, 2002, were $3.3 million, compared to $2.5 million for the same period last year. Corporate expenses as of January 31, 2001 contained a gain of approximately $1 million for intercompany derivative transactions. Included in corporate and other are the corporate office expenses and inter-segment eliminations. (See Note 2 to the financial statements regarding LIFO valuation method of inventory accounting.)

Selling, general and administrative expense was $12.2 million, for the three months ended January 31, 2002 representing an increase of $0.4 million, or 4%, when compared to the same period last year. This increase results largely from the increased sales levels at the two business segments, slightly offset by lower costs at the corporate office.

Depreciation and amortization - Depreciation expense increased by approximately $500 thousand as of January 31, 2002 as compared to the same prior year period. This increase was due largely to increased depreciation in the vehicular products segment at MACSTEEL due to recently completed capital projects, partially offset by lower depreciation expense in the building products segment.

Effective November 1, 2001, the Company adopted SFAS No. 142, "Goodwill and Other Intangible Assets". Under SFAS No. 142, goodwill is no longer amortized. Goodwill amortization for the prior year ended January 31, 2001, was $547 thousand. The elimination of this amortization added $0.02 to the diluted earnings per share for the quarter ended January 31, 2002.

Interest expense for the three months ended January 31, 2002 decreased by $720 thousand from the same period last year due largely to the lower interest rates on a portion of the revolver balance. Additionally, the ineffective portion of the loss on the interest rate swap derivatives recognized as interest expense was less for the period ended January 31, 2002 as compared to the same period last year. (See Note 9 to the financial statements.)

Capitalized interest increased by $416 thousand for the three months ended January 31, 2002, as compared to the same period of 2001, due to the capital expansion programs underway at MACSTEEL.

Net income was $5.5 million for the three months ended January 31, 2002, compared to $4.1 million for the same period of 2001. In addition to the items mentioned above, the three month period ended January 31, 2001 included an extraordinary gain of $372 thousand on the purchase of subordinated debentures.

Outlook

Quanex experienced excellent first quarter operating results due to better than expected demand for the Company's engineered components and materials. Increased demand was driven by an unusually mild winter season which enhanced building and construction activity; higher than anticipated vehicular products demand as original equipment manufacturers, ("OEMs"), replenished low inventory levels; and greater than expected market penetration due to emerging steel industry dynamics. New products, coupled with productivity gains, also benefited operating results. Strong business activity in January has continued into the second quarter, and at this time, Nichols Aluminum is running 7 days a week, 24 hours a day. MACSTEEL is running 6 days per week and sales activity at Engineered Products is brisk. We expect these rates of production to continue through the second fiscal quarter. The Company expects these current trends to produce significantly better results for the fiscal 2002 second quarter, possibly exceeding the diluted earnings per share of $0.32 reported a year ago by more than 50%.

Quanex does not expect this pace of earnings growth to sustain itself through the second half of fiscal 2002, in part because the Company predicts customer restocking activity will slow from current levels. Quanex previously disclosed

it expected fiscal 2002 diluted earnings per share to be up about 20% from fiscal 2001 diluted earnings per share before extraordinary gain of $2.05. If the economy continues its pace of gradual recovery and consumer confidence holds, at this time Quanex would expect to report an improvement in fiscal 2002 diluted earnings per share, over the prior year, well in excess of 20%.

Nichols Aluminum continues to do business in a tough environment as overcapacity in the market remains an issue. However, there is some good news as it had an exceptional booking month in January and had the opportunity to selectively improve prices in February. The Company's management is encouraged by the surge of orders, with the backlog up 60% year over year. Nichols does not have the leverage that MACSTEEL does, but increasing volumes along with improving prices should help the Building Products segment to achieve substantially better results for the second fiscal quarter ending April 30, 2002.

Nichols Aluminum as it is positioned today, is not considered a core business of Quanex, but it is a well-managed, profitable, low cost supplier of quality aluminum sheet that, unfortunately, finds itself in a difficult market. The Company believes there are steps that could be taken to significantly improve Nichols' position, and at this time, the Company continues to consider all options.

LIQUIDITY AND CAPITAL RESOURCES

The Company's principal sources of funds are cash on hand, cash flow from operations, and borrowings under its $250 million unsecured Revolving Credit and Term Loan Agreement ("Bank Agreement"). At January 31, 2002, the Company had $135 million borrowed under the Bank Agreement. This represents a $5 million decrease over October 31, 2001 borrowing levels. There have been no significant changes to the terms of the Company's debt structure during the three month period ended January 31, 2002. The Company has started negotiations with a group of banks to replace the existing Bank Agreement with a new one during the fiscal year ending October 31, 2002. (See Note 5 to the financial statements for detail regarding the outstanding borrowings under the Company's various facilities.)

At January 31, 2002, the Company had commitments of approximately $12 million for the purchase or construction of capital assets. The Company plans to fund these capital expenditures through cash flow from operations and, if necessary, additional borrowings.

The Company believes that it has sufficient funds and adequate financial sources available to meet its anticipated liquidity needs. The Company also believes that cash flow from operations, cash balances and available borrowings will be sufficient for the foreseeable future to finance anticipated working capital requirements, capital expenditures, debt service requirements, environmental expenditures and common stock dividends.

Operating Activities

Cash provided by operating activities during the three months ended January 31, 2002 was $12.5 million compared to $0.9 million for the same three month period of 2001. Net income, adding back depreciation and amortization in fiscal 2002 provided $16.7 million compared to $15.4 million of cash for the same three month period of 2001. The period ended January 31, 2002 included lower working capital requirements as compared to the same period of the prior year.

Investment Activities

Net cash used by investment activities during the three months ended January 31, 2002 was $11.8 million compared to $31.5 million for the same period of 2001. Fiscal 2001 cash used by investment activities included cash paid for the acquisition of Temroc totaling $17.9 million, net of cash acquired. Capital expenditures and other investment activities decreased $1.8 million in the three month period ended January 31, 2002 as compared to the same periods of 2001. The Company estimates that fiscal 2002 capital expenditures will approximate $43 million.

Financing Activities

Net cash used by financing activities for the three months ended January 31, 2002 was $5.1 million compared to $27.0 million generated during the same prior year period. The Company made net bank repayments totaling $5.0 million during the first three months of fiscal 2002, compared to borrowings of $33.0 million during the same period last year. During the three months ended January 31, 2001, the Company paid $3.9 million to purchase $4.6 million principal amount of subordinated debentures and $364 thousand to repurchase 20,000 shares of its own common stock.

NEW ACCOUNTING PRONOUNCEMENTS

In June 2001, the Financial Accounting Standards Board ("FASB") issued SFAS No. 142, "Goodwill and Other Intangible Assets". This statement addresses financial accounting and reporting for acquired goodwill and other intangible assets. It addresses how intangible assets that are acquired individually or with a group of other assets (but not those acquired in a business combination) should be accounted for in financial statements upon their acquisition. This statement also addresses how goodwill and other intangible assets should be accounted for after they have been initially recognized in the financial statements. Under SFAS No. 142, goodwill is no longer amortized, but reviewed for impairment annually, or more frequently if certain indicators arise. The Company adopted this statement on November 1, 2001 for its fiscal year ended October 31, 2002. The Company is required to complete the initial step of a transitional impairment test within six months of adoption of SFAS No. 142 and to complete the final step of the transitional impairment test by the end of the fiscal year, if necessary. Any impairment loss resulting from the transitional impairment test would be recorded as a cumulative effect of a change in accounting principle in the six month period ended April 30, 2002. Subsequent impairment losses will be reflected in operating income or loss in the consolidated statements of operations.

In August 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations." SFAS No. 143 addresses financial accounting and reporting for obligations associated with the retirement of tangible, long-lived assets and the associated asset retirement costs. This Statement requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred by capitalizing it as part of the carrying amount of the long-lived assets. The provisions of this statement are required to be applied starting with fiscal years beginning after June 15, 2002 (Quanex's fiscal year beginning November 1, 2002). The Company is currently evaluating the effects of adopting this pronouncement.

In October 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." This Statement establishes a single accounting model for the impairment or disposal of long-lived assets. The provisions of this Statement are effective for financial statements issued for fiscal years beginning after December 15, 2001 (Quanex's fiscal year beginning November 1, 2002). The Company is currently evaluating the effects of adopting this pronouncement.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

The following discussion of the Company and its subsidiaries' exposure to various market risks contains "forward looking statements" that involve risks and uncertainties. These projected results have been prepared utilizing certain assumptions considered reasonable in light of information currently available to the Company. Nevertheless, because of the inherent unpredictability of interest rates and metal commodity prices as well as other factors, actual results could differ materially from those projected in such forward looking information.

Interest Rate Risk

The Company holds certain floating-rate obligations. The exposure of these obligations to increases in short-term interest rates is limited for $100 million of this variable rate debt by interest rate swap agreements entered into by the Company. These swap agreements effectively fix the interest rate, thus limiting the potential impact that increasing interest rates would have on earnings. Under these swap agreements, payments are made based on a fixed rate ($50 million at 7.025%, and $50 million at 6.755%) and received on a LIBOR based variable rate (1.87% at January 31, 2002). At January 31, 2002 and October 31, 2001, the fair market value related to the interest rate swap agreements was a loss of $6.5 million and $7.3 million, respectively. If the floating rates were to change by 10% from January 31,2002 levels, the fair market value of these swaps would change by approximately $374 thousand. However, it should be noted that any change in value of these contracts, real or hypothetical, would be substantially offset by an inverse change in the value of the underlying hedged item.

Commodity Price Risk

The Company's Nichols Aluminum business uses futures contracts to hedge a portion of its exposure to price fluctuations of aluminum. The exposure is related to the Company's backlog of aluminum sales orders with committed prices as well as future aluminum sales for which a sales price increase would lag a raw material cost increase.

As of October 31, 2001, open London Metal Exchange ("LME") forward contracts had maturity dates extending through October 2003. At October 31, 2001, these contracts covered notional volumes of 45,415,185 pounds and had a fair value net loss of approximately $1.8 million, which was recorded as part of other current and non-current assets and liabilities in the financial statements. At January 31, 2002 there were no open LME forward contracts and therefore no related derivative assets or liabilities, as Nichols Aluminum used more firm price raw material purchase commitments instead of LME forward contracts.

Other than the items mentioned above, there were no other material quantitative or qualitative changes during the first three months of fiscal 2002 in the Company's market risk sensitive instruments.

PART II. OTHER INFORMATION

Item 6 - Exhibits and Reports on Form 8-K.

a) Exhibits

Exhibit 10.1	Amendment and restatement of the Quanex Corporation Hourly Bargaining Unit Employee Savings Plan, dated February 14, 2002.
Exhibit 10.2	Amendment and restatement of the Quanex Corporation 401(k) Savings Plan, dated February 27, 2002.
Exhibit 10.3	Amendment and restatement of the Quanex Corporation 401(k) Savings Plan for Hourly Employees, dated February 22, 2002.
Exhibit 10.4	Amendment and restatement of the Piper Impact 401(k) Plan, dated February 14, 2002.
Exhibit 10.5	Amendment and restatement of the Quanex Corporation Deferred Compensation Plan, effective November 1, 2001.
Exhibit 10.6	Letter Agreement between Quanex Corporation and Raymond A. Jean, dated February 14, 2001.

As permitted by Item 601(b)(4)(iii)(A) of Regulation S-K, the Registrant has not filed with this Quarterly Report on Form 10-Q certain instruments defining the rights of holders of long-term debt of the Registrant and its subsidiaries because the total amount of securities authorized under any of such instruments does not exceed 10% of the total assets of the Registrants and its subsidiaries on a consolidated basis. The Registrant agrees to furnish a copy of any such agreements to the Securities and Exchange Commission upon request.

b) Reports on Form 8-K

No reports on Form 8-K were filed by the Company during the quarter for which this report is being filed.

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 thereunto duly authorized.

QUANEX CORPORATION

/s/ Viren M. Parikh

Viren M. Parikh
Controller (Chief Accounting Officer)

Date: March 7, 2002

/s/ Terry M. Murphy

Terry M. Murphy
Vice President - Finance and Chief Financial Officer

Date: March 7, 2002

INDEX TO EXHIBITS

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EXHIBIT 10.1

QUANEX CORPORATION HOURLY BARGAINING UNIT EMPLOYEES SAVINGS PLAN

AMENDMENT AND RESTATEMENT
EFFECTIVE JANUARY 1, 1998

QUANEX CORPORATION HOURLY
BARGAINING UNIT EMPLOYEES SAVINGS PLAN

THIS AGREEMENT adopted by Quanex Corporation, a Delaware corporation (the "Sponsor"),

WITNESSETH:

WHEREAS, effective January 1, 1989, the Sponsor established the Quanex Corporation Hourly Bargaining Unit Employees Savings Plan (the "Plan");

WHEREAS, the Plan is intended to be a profit sharing plan;

WHEREAS, the Sponsor desires to amend and restate the Plan;

NOW, THEREFORE, the Plan is hereby amended and restated in its entirety as set forth below.

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ARTICLE I

DEFINITIONS

The words and phrases defined in this Article shall have the meaning set out in the definition unless the context in which the word or phrase appears reasonably requires a broader, narrower or different meaning.

1.01 "ACCOUNT" means all ledger accounts pertaining to a Participant or former Participant which are maintained by the Committee to reflect the Participant's or former Participant's interest in the Trust. The Committee shall establish the following Accounts and any additional Accounts that the Committee considers necessary to reflect the entire interest of the Participant or former Participant in the Trust. Each of the Accounts listed below and any additional Accounts established by the Committee shall reflect the Contributions or amounts transferred to the Trust, if any, and the appreciation or depreciation of the assets in the Trust and the income earned or loss incurred on the assets in the Trust attributable to the Contributions and/or other amounts transferred to the Account.

(a) Salary Deferral Contribution Account - the Participant's or former Participant's before-tax contributions, if any, made pursuant to Section 3.01 or transferred from the Quanex Corporation Employee Savings Plan.

(b) Catch-up Salary Deferral Account - the Participant's or former Participant's before-tax contributions, if any, made pursuant to Section 3.02.

(c) After-Tax Contribution Account - the Participant's or former Participant's after-tax contributions, if any, made pursuant to Section 3.03.

(d) Matching Contribution Account - funds attributable to the Participant's or former Participant's matching contributions transferred from the Quanex Corporation Employee Savings Plan.

(e) Rollover Account - funds transferred from another qualified plan or individual retirement account for the benefit of a Participant or former Participant other than funds transferred from the Quanex Corporation Employee Savings Plan.

1.02 "ACTIVE SERVICE" means the Periods of Service which are counted for eligibility and vesting purposes as calculated under Article IX.

1.03 "AFFILIATED EMPLOYER" means the Employer and any employer which is a member of the same controlled group of corporations within the meaning of section 414(b) of the Code or which is a trade or business (whether or not incorporated) which is under common control (within the meaning of section 414(c) of the Code), which is a member of an affiliated service group (within the meaning of section 414(m) of the Code) with the Employer, or which is required to be aggregated with the Employer under section 414(o) of the Code. For purposes of the limitation on allocations contained in Appendix A, the definition of Affiliated Employer is modified by substituting the phrase "more than 50 percent" in place of the phrase "at least 80 percent" each place the latter phrase appears in section 1563(a)(1) of the Code.

1.04 "ANNUAL COMPENSATION" means the Employee's wages from the Affiliated Employers as defined in section 3401(a) of the Code for purposes of federal income tax withholding at the source (but determined without regard to any rules that limit the remuneration included in wages based on the nature or location of the employment or the services performed) modified by including elective contributions under a cafeteria plan maintained by an Affiliated Employer that are excludable from the Employee's gross income pursuant to section 125 of the Code, elective contributions under a qualified transportation fringe benefit plan maintained by an Affiliated Employer that are excludable from the Employee's gross income pursuant to section 132(f) of the Code and elective contributions made on behalf of the Employee to any plan maintained by an Affiliated Employer that is qualified under or governed by section 401(k), 408(k), or 403(b) of the Code. Except for purposes of Section A.4.1 of Appendix A of the Plan, effective for Plan Years commencing on or after January 1, 1994, but prior to January 1, 2002, Annual Compensation in excess of $150,000.00 (as adjusted by the Secretary of Treasury for increases in the cost of living) shall be disregarded. Except for purposes of Section A.4.1 of Appendix A of the Plan, effective for Plan Years commencing on or after January 1, 2002, Annual Compensation in excess of $200,000.00 (as adjusted by the Secretary of Treasury for increases in the cost of living) will be disregarded. If the Plan Year is ever less than twelve months, the $150,000.00 limitation (as adjusted by the Secretary of Treasury for increases in the cost of living) or, for Plan Years that commence on or after January 1, 2002, the $200,000.00 limitation (as adjusted by the Secretary of Treasury for increases in the cost of living) will be prorated by multiplying the limitation by a fraction, the numerator of which is the number of months in the Plan Year, and the denominator of which is twelve (12). Effective January 1, 1997, the family aggregation rules previously contained in section 401(a)(17) of the Code are disregarded.

1.05 "BENEFIT PAYMENT DATE" means the first day of the first period for which an amount is payable as an annuity, or in the case of a benefit payable in the form of a lump sum, the date on which the Trustee disburses the lump sum.

1.06 "BENEFICIARY" OR "BENEFICIARIES" means the person or persons, or the trust or trusts created for the benefit of a natural person or persons or the Participant's or former Participant's estate, designated by the Participant or former Participant to receive the benefits payable under the Plan upon his death.

1.07 "BOARD" means the board of directors of the Sponsor.

1.08 "CATCH-UP ELIGIBLE PARTICIPANT" means a Participant who is age 50 or who is projected to attain the age of 50 by December 31 of the applicable Plan Year.

1.09 "CODE" means the Internal Revenue Code of 1986, as amended from time to time.

1.10 "COMMITTEE" means the committee appointed by the Sponsor to administer the Plan.

1.11 "CONSIDERED COMPENSATION" means Annual Compensation paid to a Participant by an Affiliated Employer for a Plan Year, reduced by all of the following items (even if includable in gross income): all reimbursements or other expense allowances (such as the

payment of moving expenses or automobile mileage reimbursements), cash and noncash fringe benefits (such as the use of an automobile owned by the Employer, club memberships, tax gross-ups, attendance and safety awards, fitness reimbursements, housing allowances, financial planning benefits and Beneflex dollars), deferred compensation (such as amounts realized upon the exercise of a nonqualified stock option or upon the premature disposition of an incentive stock option, pay for accrued vacation upon Separation From Service, amounts realized when restricted property or other property held by a Participant either becomes freely transferable or no longer subject to a substantial risk of forfeiture under section 83 of the Code), and welfare benefits (such as severance pay). An Employee's Considered Compensation paid to him during any period in which he is not eligible to participate in the Plan under Article II shall be disregarded. Effective for Plan Years commencing on or after January 1, 1994, but prior to January 1, 2002, Considered Compensation in excess of $150,000.00 (as adjusted by the Secretary of Treasury) shall be disregarded. Effective for Plan Years commencing on or after January 1, 2002, Considered Compensation in excess of $200,000.00 (as adjusted by the Secretary of Treasury for increases in the cost of living) will be disregarded. If the Plan Year is ever less than twelve months, the $150,000.00 limitation (as adjusted by the Secretary of Treasury for increases in the cost of living) or, for Plan Years that commence on or after January 1, 2002, the $200,000.00 limitation (as adjusted by the Secretary of Treasury for increases in the cost of living) will be prorated by multiplying the limitation by a fraction, the numerator of which is the number of months in the Plan Year, and the denominator of which is twelve (12).

1.12 "CONTRIBUTION" means the total amount of contributions made under the terms of the Plan. Each specific type of Contribution shall be designated by the type of contribution made as follows:

(a) Salary Deferral Contribution - a before-tax contribution made by the Employer pursuant to Section 3.01 and the Participant's salary deferral agreement.

(b) Catch-up Salary Deferral Contribution - a contribution made by the Employer pursuant to Section 3.02 and the Participant's salary deferral agreement.

(c) After-Tax Contribution - an after-tax contribution made by the Employee.

(d) Rollover Contribution - a contribution made by a Participant which consists of any part of an eligible rollover distribution (as defined in section 402 of the Code) from a qualified employee trust described in section 401(a) of the Code.

1.13 "DIRECT ROLLOVER" means a payment by the Plan to the Eligible Retirement Plan specified by the Distributee.

1.14 "DISABILITY" means a mental or physical disability which, in the opinion of a physician selected by the Committee, shall prevent the Participant or former Participant from earning a reasonable livelihood with any Affiliated Employer and which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than 12 months and which: (a) was not contracted, suffered or incurred while the Participant or former Participant was engaged in, or did not result from having engaged in, a felonious criminal

enterprise; (b) did not result from alcoholism or addiction to narcotics; and (c) did not result from an injury incurred while a member of the Armed Forces of the United States for which the Participant or former Participant receives a military pension.

1.15 "DISTRIBUTEE" means an Employee or former Employee. In addition, the Employee's or former Employee's surviving Spouse and the Employee's or former Employee's Spouse or former Spouse who is the alternate payee under a Qualified Domestic Relations Order, are Distributees with regard to the interest of the Spouse or former Spouse.

1.16 "ELIGIBLE EMPLOYEE" means an Employee who (1) is compensated by the Employer on an hourly basis for services rendered at its MacSteel Michigan division or, effective February 1, 2001, at its MacSteel Arkansas division, and (2) is included in a unit of employees covered by a collective bargaining agreement between an employees' representative and the Employer.

1.17 "ELIGIBLE RETIREMENT PLAN" means (a) an individual retirement account described in section 408(a) of the Code, (b) an individual retirement annuity described in section 408(b) of the Code (other than an endowment contract), (c) an annuity plan described in section 403(a) of the Code, (d) a qualified plan described in section 401(a) of the Code that is a defined contribution plan that accepts the Distributee's Eligible Rollover Distribution, (e) effective for a distribution on or after January 1, 2002, an eligible deferred compensation plan described in section 457(b) of the Code that is maintained by an eligible employer described in section 457(e)(1)(A) of the Code but only if the plan agrees to separately account for amounts rolled into such plan, or (f) effective for a distribution on or after January 1, 2002, an annuity contract described in section 403(b) of the Code. However, in the case of an Eligible Rollover Distribution made prior to January 1, 2002, and after the death of a Participant or former Participant to a Distributee who is the Participant's or former Participant's surviving Spouse, an Eligible Retirement Plan is an individual retirement account or individual retirement annuity.

1.18 "ELIGIBLE ROLLOVER DISTRIBUTION" means any distribution of all or any portion of the balance to the credit of the Distributee, except that an Eligible Rollover Distribution does not include: (a) any distribution that is one of a series of substantially equal periodic payments (not less frequently than annually) made for the life (or life expectancy) of the Distributee or the joint lives (or joint life expectancies) of the Distributee and the Distributee's Beneficiary, or for a specified period of ten years or more; (b) any distribution to the extent the distribution is required under section 401(a)(9) of the Code; (c) the portion of any distribution that is not includable in gross income (determined without regard to the exclusion for net unrealized appreciation with respect to employer securities) unless, for a distribution made on or after January 1, 2002, the Eligible Retirement Plan to which the distribution is transferred (a) agrees to separately account for amounts so transferred, including separately accounting for the portion of such distribution which is not includable in gross income or (b) is an individual retirement account described in section 408(a) of the Code or an individual retirement annuity described in section 408(b) of the Code (other than an endowment contract); and, (d) effective for distributions after December 31, 1998, and prior to January 1, 2002, any financial hardship distribution described in section 401(k)(2) of the Code from a Participant's Salary Deferral Contribution Account and (e) effective for a distribution made after December 31, 2001, a distribution from any of the Participant's Accounts due to a financial hardship of the Participant.

1.19 "EMPLOYEE" means, except as otherwise specified in this Section, all common law employees of an Affiliated Employer and all Leased Employees.

1.20 "EMPLOYER" OR "EMPLOYERS" means the Sponsor and any other business organization that adopts the Plan.

1.21 "ENTRY DATE" means the first day of each calendar quarter, January 1, April 1, July 1, and October 1.

1.22 "ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time.

1.23 "FIVE PERCENT OWNER" means an Employee who is a five percent owner as defined in section 416(i) of the Code.

1.24 "FORFEITABLE INTEREST" means a Participant's or former Participant's forfeitable interest in amounts credited to his Account determined in accordance with Article VII.

1.25 "HIGHLY COMPENSATED EMPLOYEE" means, effective January 1, 1997, an Employee or an Affiliated Employer who, during the Plan Year or the preceding Plan Year, (a) was at any time a Five Percent Owner at any time during the Plan Year or the preceding Plan Year or (b) had Annual Compensation from the Affiliated Employers in excess of $80,000.00 (as adjusted from time to time by the Secretary of the Treasury) for the preceding Plan Year.

1.26 "HOUR OF SERVICE" means each hour that an Employee is paid or entitled to payment by an Affiliated Employer for the performance of duties.

1.27 "LEASED EMPLOYEE" means, effective January 1, 1997, any person who (a) is not a common law employee of an Affiliated Employer, (b) pursuant to an agreement between an Affiliated Employer and any other person, has performed services for an Affiliated Employer (or for an Affiliated Employer and related persons determined in accordance with section 414(n)(6) of the Code) on a substantially full-time basis for a period of at least one year and (c) performs the services under primary direction and control of the recipient.

1.28 "MATERNITY OR PATERNITY ABSENCE" means a period in which an Employee is absent from work (a) by reason of the pregnancy of the Employee, (b) by reason of the birth of a child of the Employee, (c) by reason of the placement of a child with the Employee in connection with the adoption of the child by the Employee, or (d) for purposes of caring for such child for a period immediately following such birth or placement for adoption.

1.29 "NONFORFEITABLE INTEREST" means a Participant's or former Participant's nonforfeitable interest in amounts credited to his Account determined in accordance with Article VII.

1.30 "NON-HIGHLY COMPENSATED EMPLOYEE" means an Employee who is not a Highly Compensated Employee.

1.31 "PARTICIPANT" means an Employee who is eligible to participate in the Plan under the provisions of Article II.

1.32 "PERIOD OF SERVICE" means a period of employment with an Affiliated Employer which commences on the day on which an Employee performs his initial Hour of Service or performs his initial Hour of Service after he Severs Service, whichever is applicable, and ends on the date the Employee subsequently Severs Service.

1.33 "PERIOD OF SEVERANCE" means the period of time commencing on the Employee's Severance From Service Date and ending on the date the Employee subsequently performs an Hour of Service.

1.34 "PLAN" means the Quanex Corporation Hourly Bargaining Unit Employees Savings Plan, as amended from time to time.

1.35 "PLAN YEAR" means the calendar year.

1.36 "QUALIFIED DOMESTIC RELATIONS ORDER" means a qualified domestic relations order as defined in section 414(p) of the Code.

1.37 "REGULATION" means the Department of Treasury regulation specified, as it may be changed from time to time.

1.38 "REQUIRED BEGINNING DATE" means:

(a) in the case of an individual who is not a Five Percent Owner in the Plan Year that ends in the calendar year in which he attains age 70 1/2, the Required Beginning Date is April 1 of the calendar year following the later of (1) the calendar year in which the individual attains age 70 1/2, or (2) the calendar year in which the individual incurs a Separation From Service; and

(b) in the case of an individual who is a Five Percent Owner in the Plan Year that ends in the calendar year in which he attains age 70 1/2, the Required Beginning Date is April 1 of the calendar year following the calendar year in which he attains age 70 1/2.

1.39 "RETIREMENT AGE" means age 65.

1.40 "ROLLOVER CONTRIBUTION" means the amount contributed by a Participant which consists of any part of an Eligible Rollover Distribution from a qualified employee trust described in section 401(a) of the Code other than an amount that is not includable in the Participant's gross income.

1.41 "SEPARATION FROM SERVICE" means an individual's termination of employment with an Affiliated Employer without commencing or continuing employment with (a) any other Affiliated Employer or (b), effective for distributions prior to January 1, 2002, any other entity under circumstances where, under Regulations and Internal Revenue Service rulings, the individual is not deemed to have incurred a Separation From Service within the meaning of Section 401(k)(2) of the Code.

1.42 "SEVERANCE FROM SERVICE DATE" means the earlier of the date of the Employee's Separation From Service, or the first anniversary of the date on which the Employee is absent from service (with or without pay) for any reason other than his Separation From Service or a Maternity or Paternity Absence, such as vacation, holiday, sickness, or leave of absence. The Severance From Service Date of an Employee who is absent beyond the first anniversary of his first day of absence by reason of a Maternity or Paternity Absence is the second anniversary of the first day of the absence.

1.43 "SEVERS SERVICE" means the occurrence of a Participant's or former Participant's Severance From Service Date.

1.44 "SPONSOR" means Quanex Corporation, a Delaware corporation.

1.45 "SPONSOR STOCK" means the common stock of the Sponsor or such other publicly-traded stock of an Affiliated Employer as meets the requirements of section 407(d)(5) of ERISA with respect to the Plan.

1.46 "SPOUSE" means the person to whom the Participant or former Participant is married under applicable local law. In addition, to the extent provided in a Qualified Domestic Relations Order, a surviving former spouse of a Participant or former Participant will be treated as the Spouse of the Participant or former Participant, and to the same extent any current spouse of the Participant or former Participant will not be treated as a Spouse of the Participant or former Participant.

1.47 "TRUST" means the trust estate created to fund the Plan.

1.48 "TRUSTEE" means collectively one or more persons or corporations with trust powers which have been appointed by the initial Sponsor and have accepted the duties of Trustee and any successor appointed by the Sponsor.

1.49 "VALUATION DATE" means each business day of the Plan Year.

ARTICLE II

ELIGIBILITY

2.01 ELIGIBILITY REQUIREMENTS. Each Eligible Employee who is employed by an Employer shall be eligible to participate in the Plan beginning on the Entry Date that occurs with or next follows the date on which the Employee completes 90 days of Active Service.

2.02 EARLY PARTICIPATION FOR ROLLOVER PURPOSES. An Employee who satisfies the eligibility requirements specified in Section 2.01 other than the service requirement shall be eligible to make Rollover Contributions to the Plan on the Entry Date next following (not coincident with) the date on which he completes an Hour of Service.

2.03 ELIGIBILITY UPON REEMPLOYMENT. If an Employee incurs a Separation From Service prior to the date he initially begins participating in the Plan, he shall be eligible to begin participation in the Plan on the later of the date he would have become a Participant if he did not incur a Separation From Service or the date on which he performs an Hour of Service after he incurs a Separation From Service. Subject to Section 2.04, once an Employee becomes a Participant, his eligibility to participate in the Plan shall continue until he Severs Service.

2.04 CESSATION OF PARTICIPATION. An individual who has become a Participant will cease to be a Participant on the earliest of the date on which he (a) Severs Service, (b) is transferred from the employ of an Employer to the employ of an Affiliated Employer that has not adopted the Plan, (c) becomes included in a unit of employees covered by a collective bargaining agreement that does not require coverage of those employees under the Plan, (d) becomes a Leased Employee, or (e) becomes included in another classification of Employees who, under the terms of the Plan, are not eligible to participate. Under these circumstances, the Participant's Account becomes frozen; he cannot contribute to the Plan or share in the allocation of any Contributions for the frozen period. However, his Accounts shall continue to share in any Plan income allocable to his Accounts during the frozen period of time.

2.05 RECOMMENCEMENT OF PARTICIPATION. A former Participant will again become a Participant on the day on which he again becomes included in a classification of Employees that, under the terms of the Plan, is eligible to participate.

ARTICLE III

CONTRIBUTIONS

3.01 SALARY DEFERRAL CONTRIBUTIONS. Each Employer shall make a Salary Deferral Contribution in an amount equal to the amount by which the Considered Compensation of its Employees who are Participants was reduced on a pre-tax basis pursuant to salary deferral agreements (excluding amounts of Considered Compensation deferred pursuant to Section 3.02 that are properly characterized as Catch-up Salary Deferral Contributions). Any such salary deferral agreement shall be an agreement in a form satisfactory to the Committee to prospectively receive Considered Compensation from the Employer in a reduced amount and to have the Employer contribute an amount equal to the amount of the reduction to the Trust on account of the Participant. Any such salary deferral agreement shall be revocable in accordance with its terms, provided that no revocation shall be retroactive or permit payment to the Participant of the amount required to be contributed to the Trust. A Participant's or former Participant's right to benefits attributable to Salary Deferral Contributions made to the Plan on his behalf shall be nonforfeitable.

The maximum amount a Participant may elect to reduce his Considered Compensation under his salary deferral agreement and have contributed to the Plan on a pre-tax basis shall be determined by the Committee, in its sole discretion from time to time. The election to have Salary Deferral Contributions made, the ability to change the rate of Salary Deferral Contributions, the right to suspend Salary Deferral Contributions, and the manner of commencing new Salary Deferral Contributions shall be permitted under any uniform method determined by the Committee from time to time.

3.02 CATCH-UP SALARY DEFERRAL CONTRIBUTIONS. The Employer shall make a Catch-up Salary Deferral Contribution in an amount equal to the amounts by which its Participants' Considered Compensation was reduced as a result of salary deferral agreements authorizing Catch-up Salary Deferral Contributions (to the extent that their deferrals are properly characterized as Catch-up Salary Deferral Contributions). Any such salary deferral agreement shall be an agreement in a form satisfactory to the Committee to prospectively receive Considered Compensation from the Employer in a reduced amount and to have the Employer contribute an amount equal to the amount of the reduction to the Trust on behalf of the Participant. Further, any such salary deferral agreement shall be revocable in accordance with its terms, provided that no revocation shall be retroactive or permit payment to the Participant of the amount required to be contributed to the Trust. A Participant's or former Participant's right to benefits derived from Catch-up Salary Deferral Contributions made to the Plan on his behalf shall be nonforfeitable.

Catch-up Salary Deferral Contributions on behalf of a Participant shall be permitted to the extent that the Catch-up Salary Deferral Contributions do not exceed the lesser of (a) the "applicable dollar amount" under section 414(v) of the Code for the Plan Year (as adjusted from time to time by the Secretary of Treasury), or (b) an amount equal to the Participant's Annual Compensation for the Plan Year minus the Participant's Salary Deferral Contributions for the Plan Year.

A final determination as to whether amounts deferred under the Plan by a Participant are properly characterized as Salary Deferral Contributions or Catch-up Salary Deferral Contributions for a Plan Year shall be made as of the end of the Plan Year. To the extent that amounts deferred under the Plan on a pre-tax basis at the election of a Participant exceed the least of (a) the lowest statutory limit on Salary Deferral Contributions (including limits imposed under sections 401(a)(30) and 415 of the Code), (b) the maximum limitation on Salary Deferral Contributions, if any, imposed by the Committee pursuant to Section 3.01, or (c) the highest amount of Salary Deferral Contributions on behalf of the Participant that may be retained in the Plan under the rules of section 401(k)(8)(C) of the Code, the amounts deferred shall be characterized as Catch-up Salary Deferral Contributions. Any amounts deferred under the Plan on a pre-tax basis at the election of a Participant that are not properly characterized as Catch-up Salary Deferral Contributions pursuant to the rules of the preceding sentence shall be characterized as Salary Deferral Contributions for all purposes under the Plan.

3.03 AFTER-TAX CONTRIBUTIONS. To the extent permitted by the Committee, each Participant may make voluntary after-tax contributions to the Plan through payroll deductions or in a lump sum in cash. A Participant's or former Participant's right to benefits attributable to After-Tax Contributions made to the Plan on his behalf shall be nonforfeitable.

The maximum amount a Participant may elect to contribute to the Plan on an after-tax basis shall be determined by the Committee from time to time. The election to have After-Tax Contributions made, the ability to change the rate of After-Tax Contributions, the right to suspend After-Tax Contributions, and the manner of commencing new After-Tax Contributions shall be permitted under any uniform method determined by the Committee from time to time.

3.04 ROLLOVER CONTRIBUTIONS AND PLAN-TO-PLAN TRANSFERS. The Committee may permit Rollover Contributions by Participants and/or direct transfers to or from another qualified plan on behalf of Participants from time to time. If Rollover Contributions and/or direct transfers to or from another qualified plan are permitted, the opportunity to make those contributions and/or direct transfers must be made available to Participants on a nondiscriminatory basis. For this purpose only, all Employees who are included in a classification of Employees who are eligible to participate in the Plan shall be considered to be Participants of the Plan even though they may not have met the Active Service requirements for eligibility. However, they shall not be entitled to elect to have Salary Deferral Contributions made or to share in Employer Contributions or forfeitures unless and until they have met the requirements for eligibility, contributions and allocations. A Rollover Contribution shall not be accepted unless it is directly rolled over to the Plan in a rollover described in section 401(a)(31) of the Code. A Participant shall not be permitted to make a Rollover Contribution if the property he intends to contribute is for any reason unacceptable to the Trustee. A Participant's or former Participant's right to benefits attributable to his Rollover Contributions made to the Plan shall be nonforfeitable.

3.05 RESTORATION CONTRIBUTIONS. The Employer shall, for each Plan Year, make a restoration contribution in an amount equal to the sum of (a) such amount, if any, as shall be necessary to fully restore all Matching Contribution Accounts required to be restored pursuant to the provisions of Section 8.02 after the application of all forfeitures available for such restoration; plus (b) an amount equal in value to the value of forfeited benefits required to be restored under Section 8.03, after the application of all forfeitures available for such restoration.

3.06 RESTORATIVE PAYMENTS. If due to an oversight or inadvertent error an Employer fails to make a Contribution to the Plan on behalf of an Employee, as soon as administratively practicable following the Employee's discovery of the error, the Employer shall make a restorative payment to the Plan on behalf of the Employee in an amount equal to the amount of required Contribution the Employer should have made to the Plan on behalf of the Employee plus interest thereon (both determined in a manner that is consistent with then-current guidance from the Department of Treasury concerning such restorative payments) after the application of forfeitures available for such restoration.

3.07 NONDEDUCTIBLE CONTRIBUTIONS NOT REQUIRED. Notwithstanding any other provision of the Plan, no Employer shall be required to make any contribution that would be a "nondeductible contribution" within the meaning of section 4972 of the Code.

3.08 FORM OF PAYMENT OF CONTRIBUTIONS. Contributions may be paid to the Trustee either in cash or in qualifying employer securities (as such term is defined in section 407(d) of ERISA) or any combination thereof, provided that payment may not be made in any form constituting a prohibited transaction under section 4975 of the Code or section 406 of ERISA.

3.09 DEADLINE FOR PAYMENT OF CONTRIBUTIONS. Salary Deferral Contributions and After-Tax Contributions shall be paid to the Trustee in installments. The installment for each payroll period shall be paid as soon as administratively feasible.

3.10 RETURN OF CONTRIBUTIONS FOR MISTAKE, DISQUALIFICATION OR DISALLOWANCE OF DEDUCTION. Subject to the limitations of section 415 of the Code, the assets of the Trust shall not revert to any Employer or be used for any purpose other than the exclusive benefit of Participants, former Participants and their Beneficiaries and the reasonable expenses of administering the Plan except:

(a) any Employer Contribution made because of a mistake of fact may be repaid to the Employer within one year after the payment of the Contribution; and

(b) all Employer Contributions are conditioned upon their deductibility under section 404 of the Code; therefore, to the extent the deduction is disallowed, the Contributions may be repaid to the Employer within one year after the disallowance.

The Employer has the exclusive right to determine if a Contribution or any part of it is to be repaid or is to remain as a part of the Trust except that the amount to be repaid is limited, if the Contribution is made by mistake of fact or if the deduction for the Contribution is disallowed, to the excess of the amount contributed over the amount that would have been contributed had there been no mistake or over the amount disallowed. Earnings which are attributable to any excess contribution cannot be repaid. Losses attributable to an excess contribution must reduce the amount that may be repaid. All repayments of Contributions made due to a mistake of fact or with respect to which a deduction is disallowed are limited so that the balance in a Participant's or former Participant's Account cannot be reduced to less than the balance that would have been in the Participant's or former Participant's Account had the mistaken amount or the amount disallowed never been contributed.

ARTICLE IV

ALLOCATION AND VALUATION OF ACCOUNTS

4.01 INFORMATION STATEMENTS FROM EMPLOYER. Upon request by the Committee, the Employer shall provide the Committee with a schedule setting forth the amount of its Salary Deferral Contribution, and restoration contribution; the names of its Participants and former Participants, the number of years of Active Service of each of its Participants and former Participants, the amount of Considered Compensation and Annual Compensation paid to each Participant and former Participant, and the amount of Considered Compensation and Annual Compensation paid to all its Participants and former Participants. Such schedules shall be conclusive evidence of such facts.

4.02 ALLOCATION OF SALARY DEFERRAL CONTRIBUTIONS. The Committee or its designee shall allocate the Salary Deferral Contribution among the Participants by allocating to each Participant the amount by which his Considered Compensation was reduced pursuant to a salary deferral agreement (as described in Section 3.01) and shall credit each such Participant's share to his Salary Deferral Contribution Account.

4.03 ALLOCATION OF CATCH-UP SALARY DEFERRAL CONTRIBUTIONS. The Committee shall allocate the Catch-up Salary Deferral Contribution among the Participants by allocating to each Participant the amount by which his Considered Compensation was reduced pursuant to a salary deferral agreement under Section 3.02 and shall credit each such Participant's share to his Catch-up Salary Deferral Contribution Account.

4.04 ALLOCATION OF AFTER-TAX CONTRIBUTIONS. The Committee or its designee shall allocate After-Tax Contributions made by a Participant in the amount of such After-Tax Contributions and shall credit such After-Tax Contributions to the Participant's After-Tax Contribution Account.

4.05 ALLOCATION OF FORFEITURES. At the time a forfeiture occurs pursuant to Article VIII or Section A.3.2 of Appendix A, the amount forfeited will first be used to reinstate any Account required to be reinstated under Article VIII, and any remaining amount will be applied to the payment of Plan administrative expenses.

4.06 VALUATION OF ACCOUNTS. A Participant's or former Participant's Accounts shall be valued by the Trustee at fair market value on each Valuation Date. The earnings and losses attributable to any asset in the Trust will be allocated solely to the Account of the Participant or former Participant on whose behalf the investment in the asset was made. In determining the fair market value of the Participant's or former Participant's Accounts, the Trustee shall utilize such sources of information as it may deem reliable including, but not limited to, stock market quotations, statistical evaluation services, newspapers of general circulation, financial publications, advice from investment counselors or brokerage firms, or any combination of sources which in the opinion of the Trustee will provide the price such assets were last traded at on a registered stock exchange; provided, however, that with respect to regulated investment company shares, the Trustee shall rely exclusively on information provided to it by the investment adviser to such funds.

4.07 NO RIGHTS UNLESS OTHERWISE PRESCRIBED. No allocations, adjustments, credits, or transfers shall ever vest in any Participant or former Participant any right, title, or interest in the Trust except at the times and upon the terms and conditions set forth in the Plan.

ARTICLE V

BENEFITS

5.01 RETIREMENT BENEFIT. Upon his Separation From Service, a Participant or former Participant is entitled to receive his Nonforfeitable Interest in his Account balances.

5.02 DEATH BENEFIT. If a Participant or former Participant dies, the death benefit payable to his Beneficiary shall be the Beneficiary's interest in the remaining amount of the Participant's or former Participant's Account balances.

5.03 DISTRIBUTION METHOD. Any distribution under the Plan shall be made in the form of a cash lump sum.

5.04 IMMEDIATE PAYMENT OF SMALL AMOUNT UPON SEPARATION FROM SERVICE. Each Participant or former Participant whose Nonforfeitable Interest in his Account balance at the time of a distribution to him on account of his Separation From Service is, in the aggregate, less than or equal to $5,000.00, shall be paid in the form of an immediate single sum cash payment and/or as a Direct Rollover, as elected by him under section 5.05. However, if a Distributee who is subject to this Section 5.04 does not furnish instructions in accordance with Plan procedures to directly roll over his Plan benefit within 45 days after he has been given direct rollover forms, he will be deemed to have elected to receive an immediate lump sum cash distribution of his entire Plan benefit. If a Participant's or former Participant's Nonforfeitable Interest in his Account balance payable upon his Separation From Service is zero (because he has no Nonforfeitable Interest in his Account balance), he will be deemed to receive an immediate distribution of his entire Nonforfeitable Interest in his Account balance.

5.05 DIRECT ROLLOVER OPTION. To the extent required under Regulations, a Distributee has the right to direct that any portion of his Eligible Rollover Distribution will be directly paid to an Eligible Retirement Plan specified by him that will accept the Eligible Rollover Distribution.

5.06 TIME OF DISTRIBUTION. Notwithstanding any other provision of the Plan, any benefit payable under the Plan shall be distributed in compliance with the following provisions:

(a) DISTRIBUTION DEADLINES FOR PARTICIPANTS OR FORMER PARTICIPANTS WHO ARE 70 1/2 OR OLDER. If a Participant or former Participant attains 70 1/2, the Participant or former Participant must elect to receive the distribution required under section 401(a)(9) of the Code in one lump sum which must be paid by his Required Beginning Date.

(b) DISTRIBUTION DEADLINE FOR DEATH BENEFITS. If a Participant or former Participant dies before the distribution of his Plan benefit has commenced, his entire interest shall be distributed within five years after his death.

(c) LIMITATIONS ON DEATH BENEFITS. Benefits payable under the Plan shall not be provided in any form that would cause a Participant's or former Participant's death benefit to be more than incidental. Any distribution required to satisfy the incidental benefit requirement shall be considered a required distribution for purposes of section 401(a)(9) of the Code.

(d) COMPLIANCE WITH SECTION 401(a)(9). All distributions under the Plan will be made in accordance with the requirements of section 401(a)(9) of the Code and all Regulations promulgated thereunder, including, effective January 1, 2001, Regulations that were proposed in January of 2001 (until final Regulations are issued) but not including Regulations that were proposed prior to January of 2001. The provisions of the Plan reflecting section 401(a)(9) of the Code override any distribution options in the Plan inconsistent with such Section.

(e) COMPLIANCE WITH SECTION 401(a)(14). Unless the Participant or former Participant otherwise elects, the payment of benefits under the Plan to the Participant or former Participant will begin not later than the 60th day after the close of the Plan Year in which occurs the latest of (a) the date on which the Participant or former Participant attains the later of age 62 or Retirement Age, (b) the tenth anniversary of the year in which the Participant or former Participant commenced participation in the Plan, or (c) the Participant's or former Participant's Separation From Service.

5.07 CONSENT TO DISTRIBUTION. Notwithstanding any other provision of the Plan, no benefit shall be distributed or commence to be distributed to a Participant or former Participant prior to his attainment of the later of age 62 or Retirement Age without his consent, unless the benefit is payable immediately under Section 5.04. Any such consent shall be valid only if given not more than 90 days prior to the Participant's or former Participant's Benefit Payment Date and after his receipt of the notice regarding benefits described in Section 5.08(a).

5.08 INFORMATION PROVIDED TO PARTICIPANTS AND FORMER PARTICIPANTS. Information regarding the form of benefits available under the Plan shall be provided to Participants and former Participants in accordance with the following provisions:

(a) General Information. The Sponsor shall provide each Participant or former Participant with a written general explanation of the Participant's or former Participant's right, if any, to defer receipt of the distribution.

(b) Time for Giving Notice. The written general explanation or description regarding any optional forms of benefit available under the Plan shall be provided to a Participant or former Participant no less than 30 days and no more than 90 days before his Benefit Payment Date unless he legally waives this requirement.

5.09 DESIGNATION OF BENEFICIARY. Each Participant and former Participant has the right to designate and to revoke the designation of his Beneficiary or Beneficiaries. Each designation or revocation must be evidenced by a written document in the form required by the Committee, signed by the Participant or former Participant and filed with the Committee. If no designation is on file at the time of a Participant's or former Participant's death or if the Committee determines that the designation is ineffective, the designated Beneficiary shall be the Participant's or former Participant's Spouse, if living, or if not, the executor, administrator or other personal representative of the Participant's or former Participant's estate. If a Participant or former Participant is considered to be married under local law, his designation of any Beneficiary, other than his Spouse, shall not be valid unless the Spouse acknowledges in writing that the Spouse understands the effect of the Participant's or former Participant's beneficiary

designation and consents to it. The consent must be to a specific Beneficiary. The written acknowledgement and consent must be filed with the Committee, signed by the Spouse and at least two witnesses, one of whom must be a member of the Committee or a notary public. However, if the Spouse cannot be located or there exist other circumstances as described in sections 401(a)(11) and 417(a)(2) of the Code, the requirement of the Participant's or former Participant's Spouse's acknowledgement and consent may be waived. If a Beneficiary other than the Participant's or former Participant's Spouse is named, the designation shall become invalid if the Participant or former Participant is later determined to be married under local law, the Participant's or former Participant's missing Spouse is located or the circumstances which resulted in the waiver of the requirement of obtaining the consent of his Spouse no longer exist.

5.10 DISTRIBUTIONS TO MINORS AND INCAPACITATED PERSONS. If the Committee determines that any person to whom a payment is due a minor or is unable to care for his affairs because of physical or mental disability, it shall have the authority to cause the payments to be made to the Spouse, brother, sister or other person the Committee determines to have incurred, or to be expected to incur, expenses for that person unless a prior claim is made by a qualified guardian or other legal representative. The Committee and the Trustee shall not be responsible to oversee the application of those payments. Payments made pursuant to this power shall be a complete discharge of all liability under the Plan and the Trust and the obligations of the Employer, the Trustee, the Trust and the Committee.

5.11 DISTRIBUTIONS PURSUANT TO QUALIFIED DOMESTIC RELATIONS ORDERS. The Committee will instruct the Trustee to pay benefits in accordance with the terms of any order that has been determined, in accordance with Plan procedures, to be a Qualified Domestic Relations Order. A Qualified Domestic Relations Order may require the payment of an immediate cash lump sum to an alternate payee even if the Participant or former Participant is not then entitled to receive an immediate payment of Plan benefits.

5.12 CLAIMS PROCEDURE. When a benefit is due, the Participant, former Participant or Beneficiary should submit his claim to the person or office designated by the Committee to receive claims. Under normal circumstances, a final decision shall be made as to a claim within 90 days after receipt of the claim. If the Committee notifies the claimant in writing during the initial 90-day period, it may extend the period up to 180 days after the initial receipt of the claim. The written notice must contain the circumstances necessitating the extension and the anticipated date for the final decision. If a claim is denied during the claims period, the Committee must notify the claimant in writing. The denial must include the specific reasons for it, the Plan provisions upon which the denial is based, and the claims review procedure. If no action is taken during the claims period, the claim is treated as if it were denied on the last day of the claims period.

If a Participant's, former Participant's or Beneficiary's claim is denied and he wants a review, he must apply to the Committee in writing. That application may include any comment or argument the claimant wants to make. The claimant may either represent himself or appoint a representative, either of whom has the right to inspect all documents pertaining to the claim and its denial. The Committee may schedule any meeting with the claimant or his representative that it finds necessary or appropriate to complete its review.

The request for review must be filed within 60 days after the denial. If it is not, the denial becomes final. If a timely request is made, the Committee must make its decision, under normal circumstances, within 60 days of the receipt of the request for review. However, if the Committee notifies the claimant prior to the expiration of the initial review period, it may extend the period of review up to 120 days following the initial receipt of the request for a review. All decisions of the Committee must be in writing and must include the specific reasons for their action and the Plan provisions on which their decision is based. If a decision is not given to the claimant within the review period, the claim is treated as if it were denied on the last day of the review period.

ARTICLE VI

IN-SERVICE DISTRIBUTIONS

6.01 IN-SERVICE FINANCIAL HARDSHIP DISTRIBUTIONS.

(a) General. Prior to his Separation From Service, a Participant is entitled to receive a distribution from his Salary Deferral Contribution Account (except for income that was not credited to his Salary Deferral Account as of December 31, 1988), his Catch-up Salary Deferral Contribution Account (except for income credited to his Catch-up Salary Deferral Contribution Account), his Rollover Account, his After-Tax Contribution Account, and his Nonforfeitable Interest in his Matching Contribution Account in the event of an immediate and heavy financial need incurred by the Participant and the Committee's determination that the withdrawal is necessary to alleviate that hardship.

(b) Permitted Reasons For Financial Hardship Distributions. A distribution shall be made on account of financial hardship only if the distribution is for: (i) expenses for medical care described in section 213(d) of the Code previously incurred by the Participant, the Participant's Spouse, or any dependents of the Participant (as defined in section 152 of the Code) or necessary for these persons to obtain medical care described in section 213(d) of the Code, (ii) costs directly related to the purchase (excluding mortgage payments) of a principal residence for the Participant, (iii) payment of tuition and related educational fees for the next 12 months of post-secondary education for the Participant, his Spouse, children, or dependents (as defined in section 152 of the Code), (iv) payments necessary to prevent the eviction of the Participant from his principal residence or foreclosure on the mortgage of the Participant's principal residence, or (v) any other event added to this list by the Commissioner of Internal Revenue.

(c) Amount. A distribution to satisfy an immediate and heavy financial need shall not be made in excess of the amount of the immediate and heavy financial need of the Participant and the Participant must have obtained all distributions, other than hardship distributions, and all nontaxable (at the time of the loan) loans currently available under all plans maintained by the Employer. The amount of a Participant's immediate and heavy financial need includes any amounts necessary to pay any federal, state or local income taxes or penalties reasonably anticipated to result from the financial hardship distribution.

(d) Suspension of Participation in Certain Benefit Programs. The Participant's hardship distribution shall terminate his right to have the Employer make any Salary Deferral Contributions on his behalf until the next time Salary Deferral Contributions are permitted after (1) the lapse of 12 months following the hardship distribution and (2) his timely filing of a written request to resume his Salary Deferral Contributions. In addition, for 12 months after he receives a hardship distribution from the Plan, the Participant is prohibited from making elective contributions and employee contributions to or under all other qualified and nonqualified plans of deferred compensation maintained by the Employer, including stock option plans, stock purchase plans and Code section 401(k) cash or deferred arrangements that are part of cafeteria plans described in section 125 of the Code. However, the Participant is not prohibited from making contributions to a health or welfare benefit plan, including one that is part of a cafeteria plan within the meaning of section 125 of the Code.

(e) Resumption of Salary Deferral Contributions. Effective for Plan Years that commence prior to January 1, 2002, when the Participant resumes Salary Deferral Contributions, he cannot have the Employer make any Salary Deferral Contributions in excess of the limit in section 402(g) of the Code for that taxable year reduced by the amount of Salary Deferral Contributions made by the Employer on the Participant's behalf during the taxable year of the Participant in which he received the hardship distribution.

(f) Order of Distributions. Financial hardship distributions will be made in the following order: First withdrawals will be made from the Participant's After-Tax Contribution Account, then from his Rollover Contribution Account, then from his Matching Contribution Account, then from his Salary Deferral Contribution Account, and finally, from his Catch-up Salary Deferral Contribution Account.

6.02 IN-SERVICE DISTRIBUTION OF AMOUNTS CREDITED TO AFTER-TAX CONTRIBUTION ACCOUNT AND MATCHING CONTRIBUTION ACCOUNT. Prior to his Separation From Service, a Participant shall be entitled to withdraw a portion or all of his After-Tax Contribution Account and his Nonforfeitable Interest in his Matching Contribution Account. However, the minimum amount of the distribution permitted under this Section 6.02 shall be the lesser of $1,000.00 or the total amount which could otherwise be distributed under this Section 6.02. Also, a Participant may make a withdrawal of a portion of his Nonforfeitable Interest in his Matching Contribution Account only if the Participant has been a Participant in this Plan for five or more years or the amounts withdrawn from the Matching Contribution Account and his Supplement Contribution Account have been credited to his Account for a minimum of two years. A Participant may not make another distribution request under this Section 6.02 until such Participant has made After-Tax Contributions and/or Salary Deferral Contributions for a period of twelve months or more after receiving his most recent distribution pursuant to this Section 6.02.

6.03 IN-SERVICE DISTRIBUTIONS FOR PARTICIPANTS WHO HAVE ATTAINED AGE 70 1/2. Prior to his Separation From Service, a Participant who is at least age 70 1/2, upon giving 30 days written notice to the Committee, is entitled to withdraw all or any portion of the amounts credited to his Accounts.

6.04 METHOD OF PAYMENT. Any distribution made pursuant to this Article VI will be paid in the form of a cash lump sum.

ARTICLE VII

VESTING

A Participant or former Participant has a fully Nonforfeitable Interest in his entire Account balance when he (a) incurs a Disability on or prior to the date of his Separation From Service, (b) attains his Normal Retirement Age on or prior to the date of his Separation From Service, or (c) incurs a Separation From Service due to death. A Participant or former Participant shall at all times have a fully Nonforfeitable Interest in amounts credited to his Salary Deferral Contribution Account, his Catch-up Salary Deferral Contribution Account, his Rollover Account and his After-Tax Contribution Account. A Participant or former Participant shall have a Nonforfeitable Interest in the following percentage of amounts credited to his Matching Contribution Account:

Years of Active Service Completed by the Participant or Former Participant	Vested Percentage
Less than one	0
One but less than two	20
Two but less than three	40
Three but less than four	60
Four but less than five	80
Five or more	100

Subject to the possible application of Section 12.05, except as specified above, a Participant or former Participant has a Forfeitable Interest in his Account balance and shall not be entitled to any benefits under the Plan upon or following his Separation From Service.

ARTICLE VIII

FORFEITURES AND RESTORATIONS

8.01 FORFEITURE ON TERMINATION OF PARTICIPATION.

(a) If as a result of his Separation From Service a Participant or former Participant receives (or is deemed to receive under Section 5.04), a distribution of his entire Nonforfeitable Interest in the Plan not later than the end of the second Plan Year following the Plan Year in which his Separation From Service occurs, the remaining Forfeitable Interest in his Account balance will be immediately forfeited upon the distribution.

(b) If a Participant or former Participant neither receives nor is deemed to receive a distribution as a result of his Separation From Service, his Nonforfeitable Interest in his Account balance will be permanently forfeited (with no right of reinstatement under Section 8.02) on the later of the date of his Separation From Service or the date on which he has incurred a Period of Severance of five consecutive years.

8.02 RESTORATION OF FORFEITED AMOUNTS. If a Participant or former Participant who forfeited any portion of his Account balance pursuant to the provisions of Section 8.01 subsequently performs an Hour of Service, then the following provisions shall apply:

(a) Repayment Requirement. The Participant's Account balance (unadjusted for gains or losses subsequent to the forfeiture) shall be restored if he repays to the Trustee the full amount of any distribution with respect to which the forfeiture arose prior to the earlier of (1) the date on which he incurs a Period of Severance of five years commencing after his distribution, or (2) the fifth anniversary of the first date on which the Participant subsequently performs his first Hour of Service after his Separation From Service. A Participant who is deemed to have received a distribution under Section 5.04 (because he had no Nonforfeitable Interest in his Account balance) will be deemed to have repaid his Account balance upon his reemployment if he is reemployed before the earlier of the dates specified in clauses (1) and (2) in the preceding sentence.

(b) Amount Restored. The amount to be restored under the preceding provisions of this Section 8.02 shall be the dollar value of the Account balance, both the amount distributed and the amount forfeited. The Participant's Account balance shall be restored as soon as administratively practicable after the later of the date the Participant first performs an Hour of Service after his Separation From Service or the date on which any required repayment is completed.

(c) No Other Basis for Restoration. Except as otherwise provided above, a Participant's Account balance shall not be restored after it has been forfeited pursuant to Section 8.01.

8.03 FORFEITURES BY LOST PARTICIPANTS OR BENEFICIARIES. If a person who is entitled to a distribution cannot be located during a reasonable search after the Committee has initially attempted making payment, his Account balance shall be forfeited. However, if at any time prior to the termination of the Plan and the complete distribution of the Trust assets, the missing

former Participant or Beneficiary files a claim with the Committee for the forfeited Account balance, that Account balance shall be reinstated (without adjustment for trust income or losses during the period of forfeiture) effective as of the date of the receipt of the claim.

ARTICLE IX

ACTIVE SERVICE

9.01 GENERAL. For purposes of determining an Employee's eligibility to participate in the Plan and his nonforfeitable interest in his Account balance, the Employee shall receive credit for Active Service commencing on the date he first performs an Hour of Service and ending on his Severance From Service Date. If an Employee Severs Service, he shall recommence earning Active Service when he again performs an Hour of Service. If an Employee performs an Hour of Service within twelve months after his Severance From Service Date, the intervening Period of Severance shall be counted as Active Service. When determining an Employee's Active Service, all Periods of Service, whether or not completed consecutively, shall be aggregated on a per-day basis. In aggregating Active Service, for purposes of determining an Employee's eligibility to participate in the Plan, 30 days shall be counted as one month. In aggregating service for purposes of determining an Employee's Nonforfeitable Interest in amounts credited to his Account, 365 days shall be counted as one year of Active Service. Except to the extent expressly provided otherwise in the Plan, an Employee shall be granted credit for all Periods of Service with Affiliated Employers (including Periods of Service performed while the Employee is not eligible to participate in the Plan because he does not satisfy the requirements of Section 2.01).

9.02 DISREGARD OF CERTAIN SERVICE. If an Employee incurs a Separation From Service at a time when he does not have a Nonforfeitable Interest in a portion of his Matching Contribution Account balance and his Period of Severance continues for a continuous period of five years or more, the Period of Service completed by the Employee before the Period of Severance shall not be taken into account as Active Service, if his Period of Severance equals or exceeds his Period of Service, whether or not consecutive, completed before the Period of Severance.

9.03 CERTAIN BRIEF ABSENCES COUNTED AS ACTIVE SERVICE. If an Employee performs an Hour of Service within 365 days after he Severs Service, the intervening Period of Severance shall be counted as a Period of Service.

9.04 SERVICE CREDIT REQUIRED BY LAW. An Employee will be granted credit for Active Service for time he is not actively performing services for an Affiliated Employer to the extent required under federal law. An Employee will be granted credit for Active Service for services performed for a predecessor employer to the extent required by section 414(a) of the Code and Regulations issued thereunder.

9.05 SPECIAL MATERNITY OR PATERNITY ABSENCE RULES. Except as specified below, the period of time between (a) the first anniversary of the first day of a Maternity or Paternity Absence of an Employee and (b) the second anniversary of the first day of the absence shall not be counted as a Period of Severance or as Active Service. However, if the Employee returns to active employment with an Affiliated Employer prior to the expiration of twelve months following the earlier of (1) the date of his Separation From Service or (2) the second anniversary of the first day of his Maternity or Paternity Absence, he shall be granted Active Service for the entire period of his Maternity or Paternity Absence.

9.06 EMPLOYMENT RECORDS CONCLUSIVE. The employment records of the Employer shall be conclusive for all determinations of Active Service.

ARTICLE X

INVESTMENT ELECTIONS

10.01 INVESTMENT FUNDS ESTABLISHED. It is contemplated that the assets of the Plan shall be invested in such categories of assets as may be determined from time to time by the Committee and announced and made available on an equal basis to all Participants and former Participants. In accordance with procedures established by the Committee, each Participant and former Participant may designate the percentage of his Account to be invested in each investment fund available under the Plan. Up to one hundred percent of the Trust assets may be invested in Sponsor Stock.

10.02 ELECTION PROCEDURES ESTABLISHED. The Committee shall, from time to time, establish rules to be applied in a nondiscriminatory manner as to all matters relating to the administration of the investment of funds including, but not limited to, the following:

(a) the percentage of a Participant's or former Participant's Account as it exists, from time to time, that may be transferred from one fund to another and the limitations based on amounts, percentages, time, or frequency, if any, on such transfers;

(b) the percentage of a Participant's future contributions, when allocated to his Account, that may be invested in any one or more funds and the limitations based upon amounts, percentages, time, or frequency, if any, on such investments in various funds;

(c) the procedures for making investment elections and changing existing investment elections;

(d) the period of notice required for making investment elections and changing existing investment elections;

(e) the handling of income and change of value in funds when funds are in the process of being transferred between investment funds and to investment funds; and

(f) all other matters necessary to permit the orderly operation of investment funds within the Plan.

When the Committee changes any previous applicable rule, it shall state the effective time of the change and the procedures for complying with any such change. Any change shall remain effective until such date as stated in the change, or if none is stated, then until revoked or changed in a like manner.

ARTICLE XI

ADOPTION OF PLAN BY OTHER EMPLOYERS

11.01 ADOPTION PROCEDURE. Any business organization may, with the approval of the Board, adopt the Plan by:

(a) a certified resolution or consent of the board of directors of the adopting Employer or an executed adoption instrument (approved by the board of directors of the adopting Employer) agreeing to be bound as an Employer by all the terms, conditions and limitations of the Plan except those, if any, specifically described in the adoption instrument; and

(b) providing all information required by the Committee and the Trustee.

11.02 NO JOINT VENTURE IMPLIED. The document which evidences the adoption of the Plan by an Employer shall become a part of the Plan. However, neither the adoption of the Plan and the Trust by an Employer nor any act performed by it in relation to the Plan and the Trust shall ever create a joint venture or partnership relation between it and any other Employer.

11.03 ALL TRUST ASSETS AVAILABLE TO PAY ALL BENEFITS. The Accounts of Participants employed by the Employers that adopt the Plan shall be commingled for investment purposes. All assets in the Trust shall be available to pay benefits to all Participants employed by any Employer.

11.04 QUALIFICATION A CONDITION PRECEDENT TO ADOPTION AND CONTINUED PARTICIPATION. The adoption of the Plan and the Trust by a business organization is contingent upon and subject to the express condition precedent that the initial adoption meets all statutory and regulatory requirements for qualification of the Plan and the exemption of the Trust that are applicable to it and that the Plan and Trust continue in operation to maintain their qualified and exempt status. In the event the adoption fails to initially qualify, the adoption shall fail retroactively for failure to meet the condition precedent and the portion of the Trust assets applicable to the adoption shall be immediately returned to the adopting business organization and the adoption shall be void ab initio. In the event the adoption as to a given business organization later becomes disqualified and loses its exemption for any reason, the adoption shall fail retroactively for failure to meet the condition precedent and the portion of the Trust assets allocable to the adoption by that business organization shall be immediately spun off, retroactively as of the last date for which the Plan qualified, to a separate trust for its sole benefit and an identical but separate Plan shall be created, retroactively effective as of the last date the Plan as adopted by that business organization qualified, for the benefit of the Participants covered by that adoption.

ARTICLE XII

AMENDMENT AND TERMINATION

12.01 RIGHT TO AMEND AND LIMITATIONS THEREON. The Sponsor has the sole right to amend the Plan. An amendment may be made by a certified resolution or consent of the Board, or by an instrument in writing executed by the appropriate officer of the Sponsor. The amendment must describe the nature of the amendment and its effective date. No amendment shall:

(a) vest in an Employer any interest in the Trust;

(b) cause or permit the Trust assets to be diverted to any purpose other than the exclusive benefit of the present, former or future Participants and their Beneficiaries except under the circumstances described in Section 3.10;

(c) decrease the Account of any Participant or former Participant, or eliminate an optional form of payment in violation of section 411(d)(6) of the Code; or

(d) change the vesting schedule to one which would result in a Participant's or former Participant's Nonforfeitable Interest in his Account balance (determined as of the later of the date of the adoption of the amendment or of the effective date of the amendment) of any Participant or former Participant being less than his Nonforfeitable Interest computed under the Plan without regard to the amendment. If the Plan's vesting schedule is amended or if the Plan is deemed amended by an automatic change to or from a top-heavy vesting schedule, each Participant or former Participant who has at least three years of Active Service as of the date of the amendment or change shall have his nonforfeitable percentage computed under the Plan without regard to the amendment or the change if that results in a higher Nonforfeitable Interest in his Account balance.

Each Employer shall be deemed to have adopted any amendment made by the Sponsor unless the Employer notifies the Committee of its rejection in writing within 30 days after it receives a copy of the amendment. A rejection shall constitute a withdrawal from the Plan by that Employer unless the Sponsor acquiesces in the rejection.

12.02 MANDATORY AMENDMENTS. The Contributions of each Employer to the Plan are intended to be:

(a) deductible under the applicable provisions of the Code;

(b) except as otherwise prescribed by applicable law, exempt from the Federal Social Security Act;

(c) except as otherwise prescribed by applicable law, exempt from with- holding under the Code; and

(d) excludable from any Employee's regular rate of pay, as that term is defined under the Fair Labor Standards Act of 1938, as amended.

The Sponsor shall make any amendment necessary to carry out this intention, and it may be made retroactively.

12.03 WITHDRAWAL OF EMPLOYER. An Employer may withdraw from the Plan and the Trust if the Sponsor does not acquiesce in its rejection of an amendment or by giving written notice of its intent to withdraw to the Committee. The Committee shall then determine the portion of the Trust assets that is attributable to the Participants employed by the withdrawing Employer and shall notify the Trustee to segregate and transfer those assets to the successor trustee when it receives a designation of the successor from the withdrawing Employer.

A withdrawal shall not terminate the Plan and the Trust with respect to the withdrawing Employer, if the Employer either appoints a successor trustee and reaffirms the Plan and the Trust as its new and separate plan and trust intended to qualify under section 401(a) of the Code, or establishes another plan and trust intended to qualify under section 401(a) of the Code.

The determination of the Committee, in its sole discretion, of the portion of the Trust assets that is attributable to the Participants employed by the withdrawing Employer shall be final and binding upon all parties; and, the Trustee's transfer of those assets to the designated successor Trustee shall relieve the Trustee of any further obligation, liability or duty to the withdrawing Employer, the Participants employed by that Employer and their Beneficiaries, and the successor trustee.

12.04 TERMINATION OF PLAN. The Sponsor may terminate the Plan and the Trust with respect to all Employers by executing and delivering to the Committee and the Trustee, a notice of termination, specifying the date of termination.

12.05 PARTIAL OR COMPLETE TERMINATION OR COMPLETE DISCONTINUANCE OF CONTRIBUTIONS. Without regard to any other provision of the Plan, if there is a partial or total termination of the Plan (within the meaning of section 411 of the Code and Regulations thereunder) or there is a complete discontinuance of the Employer's Contributions (within the meaning of section 411 of the Code and Regulations thereunder), each of the affected Participants and former Participants shall immediately have a fully Nonforfeitable Interest in his Account as of the end of the last Plan Year for which a substantial Employer Contribution was made and in any amounts later allocated to his Account. If the Employer then resumes making substantial Contributions at any time, the appropriate vesting schedule shall again apply to all amounts allocated to each affected Participant's Account beginning with the Plan Year for which they were resumed.

ARTICLE XIII

MISCELLANEOUS

13.01 PLAN NOT AN EMPLOYMENT CONTRACT. The maintenance of the Plan and the Trust is not a contract between any Employer and its Employees which gives any Employee the right to be retained in its employment. Likewise, it is not intended to interfere with the rights of any Employer to discharge any Employee at any time or to interfere with the Employee's right to terminate his employment at any time.

13.02 BENEFITS PROVIDED SOLELY FROM TRUST. All benefits payable under the Plan shall be paid or provided for solely from the Trust. No Employer assumes any liability or responsibility to pay any benefit provided by the Plan.

13.03 ASSIGNMENTS PROHIBITED. No principal or income payable or to become payable from the Trust Fund shall be subject to anticipation or assignment by a Participant, former Participant, former Participant or Beneficiary to attachment by, interference with, or control of any creditor of a Participant, former Participant or Beneficiary; or to being taken or reached by any legal or equitable process in satisfaction of any debt or liability of a Participant, former Participant, or Beneficiary prior to its actual receipt by the Participant, former Participant or Beneficiary. Any attempted conveyance, transfer, assignment, mortgage, pledge, or encumbrance of any Trust assets, any part of it, or any interest in it by a Participant, former Participant or Beneficiary prior to distribution shall be void, whether that conveyance, transfer, assignment, mortgage, pledge, or encumbrance is intended to take place or become effective before or after any distribution of Trust assets or the termination of the Trust itself. The Trustee shall never under any circumstances be required to recognize any conveyance, transfer, assignment, mortgage, pledge or encumbrance by a Participant, former Participant, or Beneficiary of the Trust, any part of it, or any interest in it, or to pay any money or thing of value to any creditor or assignee of a Participant, former Participant or Beneficiary for any cause whatsoever. These prohibitions against the alienation of a Participant's or former Participant's Account shall not apply to a Qualified Domestic Relations Order or to a voluntary revocable assignment of benefits not in excess of ten percent of the amount of any payment from the Plan if such assignment complies with Regulations issued under section 401(a)(13) of the Code. Further, effective for judgments, orders and decrees issued, and settlement agreements entered into, on or after August 5, 1997, these prohibitions shall not apply to any offset of a Participant's or former Participant's benefits provided under a Plan against an amount that the Participant or former Participant is ordered or required to pay to the Plan if--(a) the order or requirement to pay arises--(1) under a judgment of conviction for a crime involving the Plan, (2) under a civil judgment (including a consent order or decree) entered by a court in an action brought in connection with an alleged violation of part 4 of subtitle B of title I of ERISA, or (3) pursuant to a settlement agreement between the Secretary of Labor and the Participant or former Participant in connection with a violation (or alleged violation) of part 4 of subtitle B of ERISA by a fiduciary or any other person, and (b) the judgment, order, decree, or settlement agreement expressly provides for the offset of all or part of the amount ordered or required to be paid to the Plan against the Participant's or former Participant's benefits provided under the Plan.

13.04 REQUIREMENTS UPON MERGER OR CONSOLIDATION OF PLANS. The Plan shall not merge or consolidate with or transfer any assets or liabilities to any other plan unless each Participant and former Participant would receive a benefit immediately after the merger, consolidation, or transfer which is equal to or greater than the benefit he would have been entitled to receive immediately before the merger, consolidation, or transfer (if the Plan had then terminated).

13.05 GENDER OF WORDS USED. If the context requires it, words of one gender when used in the Plan shall include the other gender, and words used in the singular or plural shall include the other.

13.06 SEVERABILITY. Each provision of this Agreement may be severed. If any provision is determined to be invalid or unenforceable, that determination shall not affect the validity or enforceability of any other provision.

13.07 REEMPLOYED VETERANS. Effective January 12, 1994, the requirements of the Uniformed Services Employment and Reemployment Rights Act of 1994 will be complied with in the operation of the Plan in the manner permitted under section 414(u) of the Code.

13.08 LIMITATIONS ON LEGAL ACTIONS. No person may bring an action pertaining to the Plan or Trust until he has exhausted his administrative claims and appeal remedies identified in Section 5.12. Further, no person may bring an action pertaining to a claim for benefits under the Plan or the Trust following 180 days after the Committee's final denial of his claim for benefits.

13.09 GOVERNING LAW. The provisions of the Plan shall be construed, administered, and governed under the laws of the United States unless the specific matter in question is governed by state law in which event the laws of the State of Texas shall apply.

IN WITNESS WHEREOF, Quanex Corporation has caused this Agreement to be executed this 14th day of February, 2002, in multiple counterparts, each of which shall be deemed to be an original, to be effective the 1st day of January, 1998, except for those provisions which have an earlier effective date provided by law, or as otherwise provided under applicable provisions of the Plan.

QUANEX CORPORATION

By /s/ Viren M. Parikh

Title: Controller

APPENDIX A

LIMITATIONS ON CONTRIBUTIONS AND ALLOCATIONS

PART A.1 DEFINITIONS

DEFINITIONS. As used herein the following words and phrases have the meaning attributed to them below:

A.1.1 "ACTUAL DEFERRAL PERCENTAGE" means, for a specified group of Employees for a Plan Year, the average of the ratios (calculated separately for each Employee in the group) of the amount of Salary Deferral Contributions actually paid into the Trust on behalf of the Employee for the Plan Year to the Employee's Annual Compensation for the Plan Year.

A.1.2 "ACTUAL DEFERRAL RATIO" means the ratio of Salary Deferral Contributions actually paid into the Trust on behalf of an Employee for a Plan Year to the Employee's Annual Compensation for the same Plan Year. For this purpose, Annual Compensation for any portion of the Plan Year in which the Employee was not an eligible Employee (as defined in Section A.2.3) will not be taken into account.

A.1.3 "ANNUAL ADDITIONS" means the sum of the following amounts credited on behalf of a Participant for the Limitation Year: (a) Employer contributions excluding Catch-up Salary Deferral Contributions and including Salary Deferral Contributions, (b) Employee after-tax contributions and (c) forfeitures. For this purpose, Employee contributions are determined without regard to any rollover contributions (as defined in sections 402(c), 403(a)(4), 403(b)(8), 408(d)(3) and 457(e)(16) of the Code without regard to employee contributions to a simplified employee pension which are excludable from gross income under section 408(k)(6) of the Code). Excess 401(k) Contributions for a Plan Year are treated as Annual Additions for that Plan Year even if they are corrected through distribution. Excess Deferrals that are timely distributed as set forth in Section A.3.1 will not be treated as Annual Additions.

A.1.4 "EXCESS AMOUNT" shall mean the excess of the Annual Additions credited to the Participant's Account for the Limitation Year over the Maximum Permissible Amount.

A.1.5 "EXCESS 401(k) CONTRIBUTIONS" means, with respect to any Plan Year, the excess of (a) the aggregate amount of Salary Deferral Contributions actually paid to the Trustee on behalf of Highly Compensated Employees for the Plan Year over (b) the maximum amount of those contributions permitted under the limitations set out in the first sentence of Section A.2.3.

A.1.6 "LIMITATION YEAR" shall mean the Plan Year. All qualified plans maintained by any Affiliated Employer must use the same Limitation Year. If the Limitation Year is amended to a different 12-consecutive month period, the new Limitation Year must begin on a date within the Limitation Year in which the amendment is made.

A.1.7 "MAXIMUM PERMISSIBLE AMOUNT" means, for Limitation Years that commence prior to January 1, 2002, the lesser of (1) $30,000.00 as adjusted by the Secretary of Treasury for increases in the cost of living, or (2) 25 percent of the Participant's Annual Compensation for the Limitation Year. "Maximum Permissible Amount" means, for Limitation Years that commence on or after January 1, 2002, the lesser of (1) $40,000.00 as adjusted by the Secretary of Treasury for increases in the cost of living or (2) 100 percent of the Participant's Annual Compensation for the Limitation Year. The Annual Compensation limitation referred to in clauses (2) of the immediately preceding sentences shall not apply to any contribution for medical benefits (within the meaning of section 401(h) or section 419A(f)(2) of the Code) that is otherwise treated as an Annual Addition under section 415(l)(1) or section 419A(d)(2) of the Code. If a short Limitation Year is created because of an amendment changing the Limitation Year to a different 12-consecutive month period, the Maximum Permissible Amount shall not exceed the dollar limitation in effect under section 415(c)(1)(A) of the Code multiplied by a fraction, the numerator of which is the number of months in the short Limitation Year, and the denominator of which is 12.

PART A.2 LIMITATIONS ON CONTRIBUTIONS

A.2.1 LIMITATIONS BASED UPON DEDUCTIBILITY AND THE MAXIMUM ALLOCATION PERMITTED TO A PARTICIPANT'S ACCOUNT. Notwithstanding any other provision of the Plan, no Employer shall make any contribution that would be a nondeductible contribution within the meaning of section 4972 of the Code or that would cause the limitation on allocations to each Participant's Account under section 415 of the Code and Section A.4.1 to be exceeded.

A.2.2 DOLLAR LIMITATION UPON SALARY DEFERRAL CONTRIBUTIONS. The maximum Salary Deferral Contribution that a Participant may elect to have made on his behalf during the Participant's taxable year may not, when added to the amounts deferred under other plans or arrangements described in sections 401(k), 408(k) and 403(b) of the Code, exceed $7,000 (as adjusted by the Secretary of Treasury). For purposes of applying the requirements of Section A.2.3, Excess Deferrals shall not be disregarded merely because they are Excess Deferrals or because they are distributed in accordance with this Section. However, Excess Deferrals made to the Plan on behalf of Non-Highly Compensated Employees are not to be taken into account under Section A.2.3.

A.2.3 LIMITATION BASED UPON ACTUAL DEFERRAL PERCENTAGE. Effective for Plan Years commencing on or after January 1, 1997, the Actual Deferral Percentage for eligible Highly Compensated Employees for any Plan Year must bear a relationship to the Actual Deferral Percentage for all other eligible Employees for (1) the preceding Plan Year in the case of testing for Plan Years commencing on or after January 1, 2001, and in the case of the Plan Year commencing on January 1, 1999, or (2) the current Plan Year in the case of testing for Plan Years commencing prior to January 1, 2001 (other than the Plan Year commencing on January 1, 1999), which meets either of the following tests:

(a) the Actual Deferral Percentage of the eligible Highly Compensated Employees is not more than the Actual Deferral Percentage of all other eligible Employees multiplied by 1.25; or

(b) the excess of the Actual Deferral Percentage of the eligible Highly Compensated Employees over that of all other eligible Employees is not more than two percentage points, and the Actual Deferral Percentage of the eligible Highly Compensated Employees is not more than the Actual Deferral Percentage of all other eligible Employees multiplied by two.

For purposes of this test an eligible Employee is an Employee who is directly or indirectly eligible to make Salary Deferral Contributions for all or part of the Plan Year. A person who is suspended from making Salary Deferral Contributions because he has made a withdrawal is an eligible Employee. If no Salary Deferral Contributions are made for an eligible Employee, the Actual Deferral Ratio that shall be included for him in determining the Actual Deferral Percentage is zero. If the Plan and any other plan or plans which include cash or deferred arrangements are considered as one plan for purposes of section 401(a)(4) or 410(b) of the Code, the cash or deferred arrangements included in the Plan and the other plans shall be treated as one plan for purposes of this Section. If any Participant who is a Highly Compensated Employee is a participant in any other cash or deferred arrangements of the Employer, when determining the deferral percentage of such Participant, all such cash or deferred arrangements are treated as one plan for these dates.

Notwithstanding the foregoing, effective for Plan Years commencing on or after January 1, 1998, an individual who is not a Highly Compensated Employee and who has not satisfied the minimum age and service requirements of section 410(a)(1)(A) of the Code will not be treated as an eligible Employee for purposes of this Section A.2.3 if the Sponsor elects to apply section 410(b)(4)(B) of the Code in determining whether the Plan meets the requirements of section 401(k)(3) of the Code.

A Salary Deferral Contribution will be taken into account under the Actual Deferral Percentage test of section 401(k) of the Code and this Section for a Plan Year only if it relates to Considered Compensation that either would have been received by the Employee in the Plan Year (but for the deferral election) or is attributable to services performed by the Employee in the Plan Year and would have been received by the Employee within 2 1/2 months after the close of the Plan Year (but for the deferral election). In addition, a Salary Deferral Contribution will be taken into account under the Actual Deferral Percentage test of section 401(k) of the Code and this

Section for a Plan Year only if it is allocated to an Employee as of a date within that Plan Year. For this purpose a Salary Deferral Contribution is considered allocated as of a date within a Plan Year if the allocation is not contingent on participation or performance of services after such date and the Salary Deferral Contribution is actually paid to the Trust no later than 12 months after the Plan Year to which the Salary Deferral Contribution relates.

Failure to correct Excess 401(k) Contributions by the close of the Plan Year following the Plan Year for which they were made will cause the Plan's cash or deferred arrangement to be disqualified for the Plan Year for which the Excess 401(k) Contributions were made and for all subsequent years during which they remain in the Trust. Also, the Employer will be liable for a ten percent excise tax on the amount of Excess 401(k) Contributions unless they are corrected within 2 1/2 months after the close of the Plan Year for which they were made.

For the Plan Year that commences on January 1, 1999, the Actual Deferral Percentage of persons who are not Highly Compensated Employees will be determined by taking into account only Salary Deferral Contributions for such persons that were taken into account for purposes of the actual deferral percentage test set forth in section 401(k) of the Code and this Section A.2.3 for the Plan Year that commenced on January 1, 1998.

For the Plan Year that commences on January 1, 2001, the Actual Deferral Percentage of persons who are not Highly Compensated Employees will be determined by taking into account only Salary Deferral Contributions for such persons that were taken into account for purposes of the actual deferral percentage test set forth in section 401(k) of the Code and this Section A.2.3 for the Plan Year that commenced on January 1, 2000.

Notwithstanding any other provision of the Plan, the Sponsor may if it so chooses, for any given Plan Year, apply the Actual Deferral Percentage test set forth in this Section A.2.3 separately with respect to each group of Employees covered by a separate collective bargaining agreement.

PART A.3 CORRECTION PROCEDURES FOR ERRONEOUS CONTRIBUTIONS

A.3.1 EXCESS DEFERRAL FAIL SAFE PROVISION. As soon as practical after the close of each Plan Year, the Committee shall determine if there would be any Excess Deferrals. If there would be an Excess Deferral by a Participant, the Excess Deferral as adjusted by any earnings or losses, will be distributed to the Participant no later than April 15 following the Participant's taxable year in which the Excess Deferral was made. The income allocable to the Excess Deferrals for the taxable year of the Participant shall be determined by multiplying the income for the taxable year of the Participant allocable to Salary Deferral Contributions by a fraction. The numerator of the fraction is the amount of the Excess Deferrals made on behalf of the Participant for the taxable year. The denominator of the fraction is the Participant's total Salary Deferral Account balance as of the beginning of the taxable year plus the Participant's Salary Deferral Contributions for the taxable year.

A.3.2 ACTUAL DEFERRAL PERCENTAGE FAIL SAFE PROVISION. As soon as practicable after the close of each Plan Year, the Committee shall determine whether the Actual Deferral Percentage for the Highly Compensated Employees would exceed the limitation set forth in Section A.2.3. If the limitation would be exceeded for a Plan Year, before the close of the following Plan Year the amount of Excess 401(k) Contributions for that Plan Year (and any income allocable to those contributions as calculated in the specific manner required by Section A.3.3) shall be distributed.

The amount of Excess 401(k) Contributions to be distributed shall be determined in the following manner:

First, the Plan will determine how much the Actual Deferral Ratio of the Highly Compensated Employee with the highest Actual Deferral Ratio would have to be reduced to satisfy the Actual Deferral Percentage Test or cause such Actual Deferral Ratio to equal the Actual Deferral Ratio of the Highly Compensated Employee with the next highest Actual Deferral Ratio. If a lesser reduction would enable the Plan to satisfy the Actual Deferral Percentage Test, only this lesser reduction may be made. Second, this process is repeated until the Actual Deferral Percentage Test is satisfied. The amount of Excess 401(k) Contributions is equal to the sum of these hypothetical reductions multiplied, in each case, by the Highly Compensated Employee's Annual Compensation.

Then, effective for Plan Years that commence on or after January 1, 1997, the total amount of Excess 401(k) Contributions shall be distributed on the basis of the respective amounts attributable to each Highly Compensated Employee. The Highly Compensated Employees subject to the actual distribution are determined using the "dollar leveling method." The Salary Deferral Contributions of the Highly Compensated Employee with the greatest dollar amount of Salary Deferral Contributions are reduced by the amount required to cause that Highly Compensated Employee's Salary Deferral Contributions to equal the dollar amount of the Salary Deferral Contributions for the Plan Year of the Highly Compensated Employee with the next highest dollar amount. This amount is then distributed to the Highly Compensated Employee with the highest dollar amount. However, if a lesser reduction, when added to the total dollar amount already distributed under this Section A.3.2, would equal the total Excess 401(k) Contributions, the lesser reduction amount shall be distributed. This process shall be continued until the amount of the Excess 401(k) Contributions have been distributed.

Any distributions of the Excess 401(k) Contributions for any Plan Year are to be made to Highly Compensated Employees on the basis of the amount of contributions by, or on behalf of, each Highly Compensated Employee. The amount of Excess 401(k) Contributions to be distributed for any Plan Year must be reduced by any excess Salary Deferral Contributions previously distributed for the taxable year ending in the same Plan Year.

A.3.3 INCOME ALLOCABLE TO EXCESS 401(k) CONTRIBUTIONS. The income allocable to Excess 401(k) Contributions for the Plan Year shall be determined by multiplying the income for the Plan Year allocable to Salary Deferral Contributions by a fraction. The numerator of the fraction shall be the amount of Excess 401(k) Contributions made on behalf of the Participant for the Plan Year. The denominator of the fraction shall be the Participant's total Account balance attributable to Salary Deferral Contributions as of the beginning of the Plan Year plus the Participant's Salary Deferral Contributions for the Plan Year.

PART A.4 LIMITATION ON ALLOCATIONS

A.4.1 BASIC LIMITATION ON ALLOCATIONS. The Annual Additions which may be credited to a Participant's Accounts under the Plan for any Limitation Year will not exceed the Maximum Permissible Amount reduced by the Annual Additions credited to a Participant's Account for the same Limitation Year under any other qualified defined contribution plans maintained by any Affiliated Employer. If the Annual Additions with respect to the Participant under such other qualified defined contribution plans are less than the Maximum Permissible Amount and the Employer Contribution that would otherwise be contributed or allocated to the Participant's Accounts under the Plan would cause the Annual Additions for the Limitation Year to exceed this limitation, the amount contributed or allocated under the Plan will be reduced so that the Annual Additions under all qualified defined contribution plans maintained by any Affiliated Employer for the Limitation Year will equal the Maximum Permissible Amount. If the Annual Additions with respect to the Participant under such other qualified defined contribution plans maintained by any Affiliated Employer in the aggregate are equal to or greater than the Maximum Permissible Amount, no amount will be contributed or allocated to the Participant's Account under the Plan for the Limitation Year. Effective as of January 1, 1987, until January 1, 2000 (the effective date of the repeal of section 415(e) of the Code) a permanent adjustment shall be made to the defined contribution fraction for purposes of applying the limitation of section 415(e) of the Code to the Plan. The adjustment is to permanently subtract from the defined contribution numerator an amount equal to the product of (1) the sum of the defined contribution fraction plus the defined benefit fraction as of the determination date minus one, times (2) the denominator of the defined contribution fraction as of the determination date. For this purpose, the determination date is December 31, 1986. Both fractions in clauses (1) and (2) above are computed in accordance with section 415 of the Code as amended by the Tax Reform Act of 1986 and section 1106(i)(3) of the Tax Reform Act of 1986.

A.4.2 ESTIMATION OF MAXIMUM PERMISSIBLE AMOUNT. Prior to determining the Participant's actual Annual Compensation for the Limitation Year, the Employer may determine the Maximum Permissible Amount on the basis of a reasonable estimation of the Participant's Annual Compensation for such Limitation Year, uniformly determined for all Participants similarly situated. As soon as is administratively feasible after the end of the Limitation Year, the Maximum Permissible Amount for the Limitation Year shall be determined on the basis of the Participant's actual Annual Compensation for such Limitation Year.

A.4.3 ATTRIBUTION OF EXCESS AMOUNTS. If a Participant's Annual Additions under the Plan and all other qualified defined contribution plans maintained by any Affiliated Employer result in an Excess Amount, the total Excess Amount shall be attributed to the Plan.

A.4.4 TREATMENT OF EXCESS AMOUNTS. If an Excess Amount attributed to the Plan is held or contributed as a result of or because of (i) the allocation of forfeitures, (ii) reasonable error in estimating a Participant's Considered Compensation, (iii) reasonable error in calculating the maximum Salary Deferral Contribution that may be made with respect to a Participant under section 415 of the Code or (iv) any other facts and circumstances which the Commissioner of Internal Revenue finds to be justified, the Excess Amount shall be reduced as follows:

(a) First, the Excess Amount shall be reduced to the extent necessary by distributing to the Participant all Salary Deferral Contributions together with their earnings. These distributed amounts are disregarded for purposes of the testing and limitations contained in this Appendix A.

(b) Second, if the Participant is still employed by the Employer at the end of the Limitation Year, then such Excess Amounts shall not be distributed to the Participant, but shall be reallocated to a suspense account and shall be reapplied to reduce future Employer Contributions (including any allocation of forfeitures) under the Plan for such Participant in the next Limitation Year, and for each succeeding Limitation Year, if necessary.

(c) If, after application of paragraph (b) of this Section, an Excess Amount still exists, and the Participant is not still employed by the Employer at the end of the Limitation Year, then such Excess Amounts in the Participant's Accounts shall not be distributed to the Participant, but shall be reallocated to a suspense account and shall be reapplied to reduce future Employer Contributions (including allocation of any forfeitures), for all remaining Participants in the next Limitation Year and each succeeding Limitation Year if necessary.

(d) If a suspense account is in existence at any time during the Limitation Year pursuant to this Section, it will not participate in the allocation of the Trust Fund's investment gains and losses. If a suspense account is in existence at any time during a particular Limitation Year, all amounts in the suspense account must be allocated and reallocated to Participants' Accounts before any Employer Contribution may be made to the Plan for that Limitation Year. Excess Amounts may not be distributed to Participants or former Participants. If the Plan is terminated while a suspense account described in this Section is in existence, the amount in such suspense account shall revert to the Employer(s) to which it is attributable.

APPENDIX B

ADMINISTRATION OF THE PLAN

B.1 APPOINTMENT, TERM, RESIGNATION, AND REMOVAL. The Board shall appoint a Committee of not less than two persons, the members of which shall serve until their resignation, death, or removal. The Sponsor shall notify the Trustee in writing of its composition from time to time. Any member of the Committee may resign at any time by giving written notice of such resignation to the Sponsor. Any member of the Committee may be removed by the Board, with or without cause. Vacancies in the Committee arising by resignation, death, removal, or otherwise shall be filled by such persons as may be appointed by the Board.

B.2 POWERS. The Committee shall have exclusive responsibility for the administration of the Plan, according to the terms and provisions of this document, and shall have all powers necessary to accomplish such purposes, including, but not by way of limitation, the right, power, and authority:

(a) to make rules and regulations for the administration of the Plan which are not inconsistent with the terms and provisions thereof, provided such rules and regulations are evidenced in writing;

(b) to construe all terms, provisions, conditions, and limitations of the Plan; and its construction thereof made in good faith and without discrimination in favor of or against any Participant or former Participant shall be final and conclusive on all parties at interest;

(c) to correct any defect, supply any omission, or reconcile any inconsistency which may appear in the Plan in such manner and to such extent as it shall deem expedient to carry the Plan into effect for the greatest benefit of all parties at interest, and its judgment in such matters shall be final and conclusive as to all parties at interest;

(d) to select, employ, and compensate from time to time such consultants, actuaries, accountants, attorneys, and other agents and employees as the Committee may deem necessary or advisable for the proper and efficient administration of the Plan, and any agent, firm, or employee so selected by the Committee may be a disqualified person, but only if the requirements of section 4975(d) of the Code have been met;

(e) to resolve all questions relating to the eligibility of Employees to become Participants, and to determine the period of Active Service and the amount of Considered Compensation upon which the benefits of each Participant shall be calculated;

(f) to resolve all controversies relating to the administration of the Plan, including but not limited to (1) differences of opinion arising between the Employer and a Participant or former Participant, and (2) any questions it deems advisable to determine in order to promote the uniform and nondiscriminatory administration of the Plan for the benefit of all parties at interest;

(g) to direct and instruct or to appoint an investment manager or managers which would have the power to direct and instruct the Trustee in all matters relating to the preservation, investment, reinvestment, management, and disposition of the Trust assets; provided, however, that the Committee shall have no authority that would prevent the Trustee from being an "agent independent of the issuer," as that term is defined in Rule 10b-18 promulgated under the Securities Exchange Act of 1934, at any time that the Trustee's failure to maintain such status would result in the Sponsor or any other person engaging in a "manipulative or deceptive device or contrivance" under the provisions of Rule 10b-6 of such Act;

(h) to direct and instruct the Trustee in all matters relating to the payment of Plan benefits and to determine a Participant's or former Participant's entitlement to a benefit should he appeal a denial of his claim for a benefit or any portion thereof; and

(i) to delegate such of its clerical and recordation duties under the Plan as it may deem necessary or advisable for the proper and efficient administration of the Plan.

B.3 ORGANIZATION. The Committee shall select from among its members a chairman, who shall preside at all of its meetings, and shall select a secretary, without regard as to whether that person is a member of the Committee, who shall keep all records, documents, and data pertaining to its supervision of the administration of the Plan.

B.4 QUORUM AND MAJORITY ACTION. A majority of the members of the Committee shall constitute a quorum for the transaction of business, and the vote of a majority of the members present at any meeting will decide any question brought before that meeting. In addition, the Committee may decide any question by a vote, taken without a meeting, of a majority of its members.

B.5 SIGNATURES. The chairman, the secretary, and any one or more of the members of the Committee to which the Committee has delegated the power, shall each, severally, have the power to execute any document on behalf of the Committee, and to execute any certificate or other written evidence of the action of the Committee. The Trustee, after being notified of any such delegation of power in writing, shall thereafter accept and may rely upon any document executed by such member or members as representing the action of the Committee until the Committee files with the Trustee a written revocation of that delegation of power.

B.6 DISQUALIFICATION OF COMMITTEE MEMBERS. A member of the Committee who is also a Participant of the Plan shall not vote or act upon any matter relating solely to himself.

B.7 DISCLOSURE TO PARTICIPANTS. The Committee shall make available to each Participant, former Participant, and Beneficiary for his examination such records, documents, and other data as are required under ERISA, but only at reasonable times during business hours. No Participant, former Participant, or Beneficiary shall have the right to examine any data or records reflecting the compensation paid to any other Participant, former Participant, or Beneficiary, and the Committee shall not be required to make any data or records available other than those required by ERISA.

B.8 STANDARD OF PERFORMANCE. The Committee and each of its members shall use the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent man acting in a like capacity and familiar with such matters would use in conducting his business as the administrator of the Plan; shall, when exercising its power to direct investments, diversify the investments of the Plan so as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so; and shall otherwise act in accordance with the provisions of the Plan and ERISA.

B.9 LIABILITY OF ADMINISTRATIVE COMMITTEE AND LIABILITY INSURANCE. No member of the Committee shall be liable for any act or omission of any other member of the Committee, the Trustee, any investment manager, or any Participant or former Participant who directs the investment of his Account or other agent appointed by the Committee except to the extent required by the terms of ERISA, and any other applicable state or federal law, which liability cannot be waived. No Participant of the Committee shall be liable for any act or omission on his own part except to the extent required by the terms of ERISA, and any other applicable state or federal law, which liability cannot be waived. In this connection, each provision hereof is severable and if any provision is found to be void as against public policy, it shall not affect the validity of any other provision hereof.

Further, it is specifically provided that the Trustee may, at the direction of the Committee, purchase out of the Trust assets insurance for the members of the Committee and any other fiduciaries appointed by the Committee, and for the Trust itself to cover liability or losses occurring by reason of the act or omission of any one or more of the members of the Committee or any other fiduciary appointed by them under the Plan, provided such insurance permits recourse by the insurer against the members of the Committee or the other fiduciaries concerned in the case of a breach of a fiduciary obligation by one or more members of the Committee or other fiduciary covered thereby.

B.10 BONDING. No member of the Committee shall be required to give bond for the performance of his duties hereunder unless required by a law which cannot be waived.

B.11 COMPENSATION. The Committee shall serve without compensation for their services, but shall be reimbursed by the Employers for all expenses properly and actually incurred in the performance of their duties under the Plan unless the Employers elect to have such expenses paid out of the Trust assets.

B.12 PERSONS SERVING IN DUAL FIDUCIARY ROLES. Any person, group of persons, corporations, firm, or other entity may serve in more than one fiduciary capacity with respect to the Plan, including the ability to serve both as a successor trustee and as a member of the Committee.

B.13 ADMINISTRATOR. For all purposes of ERISA, the administrator of the Plan within the meaning of ERISA shall be the Sponsor. The Sponsor shall have final responsibility for compliance with all reporting and disclosure requirements imposed with respect to the Plan under any federal or state law, or any regulations promulgated thereunder.

B.14 NAMED FIDUCIARY. The members of the Committee shall be the "named fiduciary" for purposes of section 402(a)(1) of ERISA, and as such shall have the authority to control and manage the operation and administration of the Plan, except to the extent such authority and control is allocated or delegated to other parties pursuant to the terms of the Plan.

B.15 STANDARD OF JUDICIAL REVIEW OF COMMITTEE ACTIONS. The Committee has full and absolute discretion in the exercise of each and every aspect of its authority under the Plan, including without limitation, the authority to determine any person's right to benefits under the Plan, the correct amount and form of any such benefits; the authority to decide any appeal; the authority to review and correct the actions of any prior administrative committee; and all of the rights, powers, and authorities specified in this Appendix and elsewhere in the Plan. Notwithstanding any provision of law or any explicit or implicit provision of this document, any action taken, or ruling or decision made, by the Committee in the exercise of any of its powers and authorities under the Plan will be final and conclusive as to all parties other than the Sponsor or Trustee, including without limitation all Participants, former Participants and Beneficiaries, regardless of whether the Committee or one or more members thereof may have an actual or potential conflict of interest with respect to the subject matter of such action, ruling, or decision. No such final action, ruling, or decision of the Committee will be subject to de novo review in any judicial proceeding; and no such final action, ruling, or decision of the Committee may be set aside unless it is held to have been arbitrary and capricious by a final judgment of a court having jurisdiction with respect to the issue.

B.16 INDEMNIFICATION OF COMMITTEE BY THE SPONSOR. The Sponsor shall indemnify and hold harmless the Committee, the Committee members, and any persons to whom the Committee has allocated or delegated its responsibilities in accordance with the provisions hereof, as well as any other fiduciary who is also an officer, director, or Employee of an Employer, and hold each of them harmless from and against all claims, loss, damages, expense, and liability arising from their responsibilities in connection with the administration of the Plan which is not otherwise paid or reimbursed by insurance, unless the same shall result from their own willful misconduct.

APPENDIX C

FUNDING

C.1 BENEFITS PROVIDED SOLELY BY TRUST. All benefits payable under the Plan shall be paid or provided for solely from the Trust, and the Employer assumes no liability or responsibility therefor.

C.2 FUNDING OF PLAN. The Plan shall be funded by one or more separate Trusts. If more than one Trust is used, each Trust shall be designated by the name of the Plan followed by a number assigned by the Committee at the time the Trust is established.

C.3 INCORPORATION OF TRUST. Each Trust is a part of the Plan. All rights or benefits which accrue to a person under the Plan shall be subject also to the terms of the agreements creating the Trust or Trusts and any amendments to them which are not in direct conflict with the Plan.

C.4 AUTHORITY OF TRUSTEE. Each Trustee shall have full title and legal ownership of the assets in the separate Trust which, from time to time, are in his separate possession. No other Trustee shall have joint title to or joint legal ownership of any asset in one of the other Trusts held by another Trustee. Each Trustee shall be governed separately by the trust agreement entered into between the Employer and that Trustee and the terms of the Plan without regard to any other agreement entered into between any other Trustee and the Employer as a part of the Plan.

C.5 ALLOCATION OF RESPONSIBILITY. To the fullest extent permitted under section 405 of ERISA, the agreements entered into between the Employer and each of the Trustees shall be interpreted to allocate to each Trustee its specific responsibilities, obligations and duties so as to relieve all other Trustees from liability either through the agreement, Plan or ERISA, for any act of any other Trustee which results in a loss to the Plan because of his act or failure to act.

C.6 TRUSTEE'S FEES AND EXPENSES. The Trustee shall receive for its services as Trustee hereunder the compensation which from time to time may be agreed upon by the Sponsor and the Trustee. All of such compensation, together with the expenses incurred by the Trustee in connection with the administration of this Trust, including fees for legal services rendered to the Trustee, all other charges and disbursements of the Trustee, and all other expenses of the Plan shall be charged to and deducted from the Trust Fund, unless the Sponsor elects in writing to have any part or all of such compensation, expenses, charges, and disbursements paid directly by the Sponsor. The Trustee shall deduct from and charge against the Trust assets any and all taxes paid by it which may be levied or assessed upon or in respect of the Trust hereunder or the income thereof, and shall equitably allocate the same among the several Participants and former Participants.

EXHIBIT 10.2

QUANEX CORPORATION
401(k) SAVINGS PLAN

AMENDMENT AND RESTATEMENT
EFFECTIVE JANUARY 1, 1998

QUANEX CORPORATION 401(k) SAVINGS PLAN

THIS AGREEMENT adopted by Quanex Corporation, a Delaware corporation (the "Sponsor"),

WITNESSETH:

WHEREAS, effective October 1, 1987, Nichols-Homeshield, Inc. established the Nichols-Homeshield, Inc. Savings Plan (the "Plan");

WHEREAS, the Sponsor assumed sponsorship of the Plan effective January 1, 1992;

WHEREAS, effective January 1, 1999, the name of the Plan was changed to the "Nichols 401(k) Savings Plan";

WHEREAS, effective July 1, 1999, the Decatur Aluminum Corporation Salaried Employees' 401(k) Retirement Plan and Trust was merged into the Plan;

WHEREAS, effective January 1, 2002, the name of the Plan was changed to the "Quanex Corporation 401(k) Savings Plan";

WHEREAS, effective July 1, 2001, the Temroc Metals, Inc. Nonbargaining Unit Employees 401(k) Plan was merged into the Plan;

WHEREAS, the Plan is intended to be a profit sharing plan;

WHEREAS, the Sponsor desires to amend and restate the Plan;

NOW, THEREFORE, the Plan is hereby amended and restated in its entirety as set forth below.

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ARTICLE I

DEFINITIONS

The words and phrases defined in this Article shall have the meaning set out in the definition unless the context in which the word or phrase appears reasonably requires a broader, narrower or different meaning.

1.01 "ACCOUNT" means all ledger accounts pertaining to a Participant which are maintained by the Committee to reflect the Participant's interest in the Trust. The Committee shall establish the following Accounts and any additional Accounts that the Committee considers necessary to reflect the entire interest of the Participant in the Trust. Each of the Accounts listed below and any additional Accounts established by the Committee shall reflect the Contributions or amounts transferred to the Trust, if any, and the appreciation or depreciation of the assets in the Trust and the income earned or loss incurred on the assets in the Trust attributable to the Contributions and/or other amounts transferred to the Account.

(a) Salary Deferral Contribution Account - the Participant's before-tax contributions, if any, made pursuant to Section 3.01.

(b) Catch-up Salary Deferral Account - the Participant's before-tax contributions, if any, made pursuant to Section 3.02.

(c) Matching Contribution Account - the Employer's matching contributions, if any, made pursuant to Section 3.03.

(d) Supplemental Contribution Account - the Employer's contributions, if any, made pursuant to Section 3.04.

(e) QNEC Account - the Employer's contributions, known as "qualified nonelective employer contributions", made as a means of passing the actual deferral percentage test of section 401(k) of the Code.

(f) Rollover Account - funds transferred from another qualified plan or individual retirement account for the benefit of a Participant.

1.02 "ACTIVE SERVICE" means the Periods of Service which are counted for eligibility and vesting purposes as calculated under Article IX.

1.03 "AFFILIATED EMPLOYER" means the Employer and any employer which is a member of the same controlled group of corporations within the meaning of section 414(b) of the Code or which is a trade or business (whether or not incorporated) which is under common control (within the meaning of section 414(c) of the Code), which is a member of an affiliated service group (within the meaning of section 414(m) of the Code) with the Employer, or which is required to be aggregated with the Employer under section 414(o) of the Code. For purposes of the limitation on allocations contained in Appendix A, the definition of Affiliated Employer is modified by substituting the phrase "more than 50 percent" in place of the phrase "at least 80 percent" each place the latter phrase appears in section 1563(a)(1) of the Code.

1.04 "ALLOCATION PERIOD" means one of the following calendar quarter periods: January 1 through March 31; April 1 through June 30; July 1 through September 30; or October 1 through December 31.

1.05 "ANNUAL COMPENSATION" means the Employee's wages from the Affiliated Employers as defined in section 3401(a) of the Code for purposes of federal income tax withholding at the source (but determined without regard to any rules that limit the remuneration included in wages based on the nature or location of the employment or the services performed) modified by including elective contributions under a cafeteria plan maintained by an Affiliated Employer that are excludable from the Employee's gross income pursuant to section 125 of the Code, elective contributions under a qualified transportation fringe benefit plan maintained by an Affiliated Employer that are excludable from the Employee's gross income pursuant to section 132(f)(4) of the Code and elective contributions made on behalf of the Employee to any plan maintained by an Affiliated Employer that is qualified under or governed by section 401(k), 408(k), or 403(b) of the Code. Except for purposes of Section A.4.1 of Appendix A of the Plan, effective for Plan Years commencing on or after January 1, 1994, but prior to January 1, 2002, Annual Compensation in excess of $150,000.00 (as adjusted by the Secretary of Treasury for increases in the cost of living) shall be disregarded. Except for purposes of Section A.4.1 of Appendix A of the Plan, effective for Plan Years commencing on or after January 1, 2002, Annual Compensation in excess of $200,000.00 (as adjusted by the Secretary of Treasury for increases in the cost of living) will be disregarded. If the Plan Year is ever less than twelve months, the $150,000.00 limitation (as adjusted by the Secretary of Treasury for increases in the cost of living) or, for Plan Years that commence on or after January 1, 2002, the $200,000.00 limitation (as adjusted by the Secretary of Treasury for increases in the cost of living) will be prorated by multiplying the limitation by a fraction, the numerator of which is the number of months in the Plan Year, and the denominator of which is twelve (12). Effective January 1, 1997, the family aggregation rules previously contained in section 401(a)(17) of the Code are disregarded.

1.06 "ANNUITY STARTING DATE" means the first day of the first period for which an amount is payable as an annuity, or in the case of a benefit payable in the form of a lump sum, the date on which the Trustee disburses the lump sum.

1.07 "BENEFICIARY" OR "BENEFICIARIES" means the person or persons, or the trust or trusts created for the benefit of a natural person or persons or the Participant's or former Participant's estate, designated by the Participant or former Participant to receive the benefits payable under the Plan upon his death.

1.08 "BOARD" means the board of directors of the Sponsor.

1.09 "CATCH-UP ELIGIBLE PARTICIPANT" means a Participant who is age 50 or who is projected to attain the age of 50 by December 31 of the applicable Plan Year.

1.10 "CODE" means the Internal Revenue Code of 1986, as amended from time to time.

1.11 "COMMITTEE" means the committee appointed by the Sponsor to administer the Plan.

1.12 "CONSIDERED COMPENSATION" means Annual Compensation paid to a Participant by an Affiliated Employer for a Plan Year, reduced by all of the following items (even if includable in gross income): all reimbursements or other expense allowances (such as the payment of moving expenses or automobile mileage reimbursements), cash and noncash fringe benefits (such as the use of an automobile owned by the Employer, club memberships, tax gross-ups, attendance and safety awards, fitness reimbursements, housing allowances, financial planning benefits and Beneflex dollars), deferred compensation (such as amounts realized upon the exercise of a nonqualified stock option or upon the premature disposition of an incentive stock option, pay for accrued vacation upon Separation From Service, amounts realized when restricted property or other property held by a Participant either becomes freely transferable or no longer subject to a substantial risk of forfeiture under section 83 of the Code), welfare benefits (such as severance pay). For purposes of Supplemental Contributions and Matching Contributions, Management Incentive Plan compensation, Non-RONA bonuses, and, in the case of Employees who are compensated on a salaried basis, Improshare compensation shall be disregarded. For purposes of Matching Contributions, an Employee's Considered Compensation prior to April 1, 2001, shall be disregarded. An Employee's Considered Compensation paid to him during any period in which he is not eligible to participate in the Plan under Article II shall be disregarded. Effective for Plan Years commencing on or after January 1, 1994, but prior to January 1, 2002, Considered Compensation in excess of $150,000.00 (as adjusted by the Secretary of Treasury) shall be disregarded. Effective for Plan Years commencing on or after January 1, 2002, Considered Compensation in excess of $200,000.00 (as adjusted by the Secretary of Treasury for increases in the cost of living) will be disregarded. If the Plan Year is ever less than twelve months, the $150,000.00 limitation (as adjusted by the Secretary of Treasury for increases in the cost of living) or, for Plan Years that commence on or after January 1, 2002, the $200,000.00 limitation (as adjusted by the Secretary of Treasury for increases in the cost of living) will be prorated by multiplying the limitation by a fraction, the numerator of which is the number of months in the Plan Year, and the denominator of which is twelve (12).

1.13 "CONTRIBUTION" means the total amount of contributions made under the terms of the Plan. Each specific type of Contribution shall be designated by the type of contribution made as follows:

(a) Salary Deferral Contribution - a before-tax contribution made by the Employer pursuant to Section 3.01 and the Employee's salary deferral agreement.

(b) Catch-up Salary Deferral Contribution - a contribution made by the Employer pursuant to Section 3.02 and the Participant's salary deferral agreement.

(c) Matching Contribution - a contribution made by the Employer pursuant to Section 3.03.

(d) Supplemental Contribution - a contribution made by the Employer pursuant to Sections 3.04, 3.05 or 3.06, as applicable.

(e) QNEC - an extraordinary contribution, known as a "qualified nonelective employer contribution", made by the Employer as a means of passing the actual deferral

percentage test of section 401(k) of the Code or the actual contribution percentage test of section 401(m) of the Code.

(f) Rollover Contribution - a contribution made by a Participant which consists of any part of an eligible rollover distribution (as defined in section 402 of the Code) from a qualified employee trust described in section 401(a) of the Code.

1.14 "DECATUR PLAN" means the Decatur Aluminum Corporation Salaried Employees' 401(k) Retirement Plan and Trust.

1.15 "DIRECT ROLLOVER" means a payment by the Plan to the Eligible Retirement Plan specified by the Distributee.

1.16 "DISABILITY" means a mental or physical disability which, in the opinion of a physician selected by the Committee, shall prevent the Participant from earning a reasonable livelihood with any Affiliated Employer and which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than 12 months and which: (a) was not contracted, suffered or incurred while the Participant was engaged in, or did not result from having engaged in, a felonious criminal enterprise; (b) did not result from alcoholism or addiction to narcotics; and (c) did not result from an injury incurred while a member of the Armed Forces of the United States for which the Participant receives a military pension.

1.17 "DISTRIBUTEE" means an Employee or former Employee. In addition, the Employee's or former Employee's surviving Spouse and the Employee's or former Employee's Spouse or former Spouse who is the alternate payee under a Qualified Domestic Relations Order, are Distributees with regard to the interest of the Spouse or former Spouse.

1.18 "EARNINGS BEFORE INTEREST AND TAXES" means gross margin minus selling expenses and general administrative expenses but before interest income or expense and income taxes determined on a consolidated basis of the Sponsor's aluminum facilities and Quanex Metals, Inc. However, Earnings Before Interest and Taxes shall not be reduced for contributions made under the Plan.

1.19 "ELIGIBLE EMPLOYEE" means an Employee who is employed by the Sponsor at its plant in Lincolnshire, Illinois, or primarily in connection with its Nichols Aluminum or Engineered Products division. Effective July 1, 1999, "Eligible Employee" also means an Employee who is employed by Nichols Aluminum Alabama, Inc., a Delaware corporation. Effective February 14, 2000, "Eligible Employee" also means an Employee who is employed by Nichols-Aluminum-Golden, Inc., a Delaware corporation. Effective June 1, 2000, "Eligible Employee" also means an Employee who is employed by Imperial Products, Inc., a Delaware corporation. Effective July 1, 2001, "Eligible Employee" also means an Employee who is employed by Temroc Metals, Inc., a Minnesota corporation.

1.20 "ELIGIBLE RETIREMENT PLAN" means (a) an individual retirement account described in section 408(a) of the Code, (b) an individual retirement annuity described in section 408(b) of the Code (other than an endowment contract), (c) an annuity plan described in section 403(a) of the Code, (d) a qualified plan described in section 401(a) of the Code that is a defined

contribution plan that accepts the Distributee's Eligible Rollover Distribution, (e) effective for a distribution on or after January 1, 2002, an eligible deferred compensation plan described in section 457(b) of the Code that is maintained by an eligible employer described in section 457(e)(1)(A) of the Code but only if the plan agrees to separately account for amounts rolled into such plan, or (f) effective for a distribution on or after January 1, 2002, an annuity contract described in section 403(b) of the Code. However, in the case of an Eligible Rollover Distribution made prior to January 1, 2002, and after the death of a Participant to a Distributee who is the Participant's surviving Spouse, an Eligible Retirement Plan is an individual retirement account or individual retirement annuity.

1.21 "ELIGIBLE ROLLOVER DISTRIBUTION" means any distribution of all or any portion of the balance to the credit of the Distributee, except that an Eligible Rollover Distribution does not include: (a) any distribution that is one of a series of substantially equal periodic payments (not less frequently than annually) made for the life (or life expectancy) of the Distributee or the joint lives (or joint life expectancies) of the Distributee and the Distributee's Beneficiary, or for a specified period of ten years or more; (b) any distribution to the extent the distribution is required under section 401(a)(9) of the Code; (c) the portion of any distribution that is not includable in gross income (determined without regard to the exclusion for net unrealized appreciation with respect to employer securities) unless, for a distribution made on or after January 1, 2002, the Eligible Retirement Plan to which the distribution is transferred (a) agrees to separately account for amounts so transferred, including separately accounting for the portion of such distribution which is not includable in gross income or (b) is an individual retirement account described in section 408(a) of the Code or an individual retirement annuity described in section 408(b) of the Code (other than an endowment contract); and, (d) effective for distributions after December 31, 1998, and prior to January 1, 2002, any financial hardship distribution described in section 401(k)(2) of the Code from a Participant's Salary Deferral Contribution Account or from the Participant's QNEC Account (to the extent that QNECs were treated as Section 401(k) Contributions under Appendix A) and (e) effective for a distribution made after December 31, 2001, a distribution from any of the Participant's Accounts due to a financial hardship of the Participant.

1.22 "EMPLOYEE" means, except as otherwise specified in this Section, all common law employees of an Affiliated Employer and all Leased Employees.

1.23 "EMPLOYER" OR "EMPLOYERS" means the Sponsor, Nichols Aluminum-Alabama, Inc., a Delaware corporation (previously named Decatur Aluminum Corp.), Nichols-Aluminum-Golden, Inc., a Delaware corporation, Imperial Products, Inc., a Delaware corporation, Temroc Metals, Inc., a Minnesota corporation, and any other business organization that adopts the Plan.

1.24 "ENTRY DATE" means the first day of each calendar quarter, January 1, April 1, July 1, and October 1.

1.25 "ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time.

1.26 "FIVE PERCENT OWNER" means an Employee who is a five percent owner as defined in section 416(i) of the Code.

1.27 "HIGHLY COMPENSATED EMPLOYEE" means, effective January 1, 1997, an Employee or an Affiliated Employer who, during the Plan Year or the preceding Plan Year, (a) was at any time a Five Percent Owner at any time during the Plan Year or the preceding Plan Year or (b) had Annual Compensation from the Affiliated Employers in excess of $80,000.00 (as adjusted from time to time by the Secretary of the Treasury) for the preceding Plan Year.

1.28 "HOUR OF SERVICE" means each hour that an Employee is paid or entitled to payment by an Affiliated Employer for the performance of duties.

1.29 "LEASED EMPLOYEE" means, effective January 1, 1997, any person who (a) is not a common law employee of an Affiliated Employer, (b) pursuant to an agreement between an Affiliated Employer and any other person, has performed services for an Affiliated Employer (or for an Affiliated Employer and related persons determined in accordance with section 414(n)(6) of the Code) on a substantially full-time basis for a period of at least one year and (c) performs the services under primary direction and control of the recipient.

1.30 "MATERNITY OR PATERNITY ABSENCE" means a period in which an Employee is absent from work (a) by reason of the pregnancy of the Employee, (b) by reason of the birth of a child of the Employee, (c) by reason of the placement of a child with the Employee in connection with the adoption of the child by the Employee, or (d) for purposes of caring for such child for a period immediately following such birth or placement for adoption.

1.31 "NONFORFEITABLE INTEREST" means a Participant's nonforfeitable interest in amounts credited to his Account determined in accordance with Article VIII.

1.32 "NON-HIGHLY COMPENSATED EMPLOYEE" means an Employee who is not a Highly Compensated Employee.

1.33 "PARTICIPANT" means an Employee who is eligible to participate in the Plan under the provisions of Article II.

1.34 "PERIOD OF SERVICE" means a period of employment with an Affiliated Employer which commences on the day on which an Employee performs his initial Hour of Service or performs his initial Hour of Service after he Severs Service, whichever is applicable, and ends on the date the Employee subsequently Severs Service.

1.35 "PERIOD OF SEVERANCE" means the period of time commencing on the Employee's Severance From Service Date and ending on the date the Employee subsequently performs an Hour of Service.

1.36 "PLAN" means the Quanex Corporation 401(k) Savings Plan, as amended from time to time.

1.37 "PLAN YEAR" means the calendar year.

1.38 "QJSA " means a qualified joint and survivor annuity which is purchased with the Participant's or former Participant's Nonforfeitable Interest in his Account balance to provide equal monthly payments for the life of the Participant or former Participant, and after his death,

monthly payments for the life of his surviving Spouse in a monthly amount equal to one-half the amount of the monthly payment made while he was alive.

1.39 "QPSA " means a qualified preretirement survivor annuity which is purchased with the Participant's or former Participant's Nonforfeitable Interest in his Account balance to provide equal monthly payments for the life of his surviving Spouse.

1.40 "QUALIFIED DOMESTIC RELATIONS ORDER" means a qualified domestic relations order as defined in section 414(p) of the Code.

1.41 "REGULATION" means the Department of Treasury regulation specified, as it may be changed from time to time.

1.42 "REQUIRED BEGINNING DATE" means:

(a) effective January 1, 2001, in the case of an individual who is not a Five Percent Owner in the Plan Year that ends in the calendar year in which he attains age 70 1/2, the Required Beginning Date is April 1 of the calendar year following the later of (1) the calendar year in which the individual attains age 70 1/2, or (2) the calendar year in which the individual incurs a Separation From Service; and

(b) in the case of an individual who is a Five Percent Owner in the Plan Year that ends in the calendar year in which he attains age 70 1/2, the Required Beginning Date is April 1 of the calendar year following the calendar year in which he attains age 70 1/2.

1.43 "RETIREMENT AGE" means age 65.

1.44 "ROLLOVER CONTRIBUTION" means the amount contributed by a Participant of the Plan which consists of any part of an Eligible Rollover Distribution from a qualified employee trust described in section 401(a) of the Code other than an amount that is not includable in the Participant's gross income.

1.45 "SEPARATION FROM SERVICE" means an individual's termination of employment with an Affiliated Employer without commencing or continuing employment with (a) any other Affiliated Employer, (b) effective for distributions prior to January 1, 2002, any other entity under circumstances where, under Regulations and Internal Revenue Service rulings, the individual is not deemed to have incurred a Separation From Service within the meaning of Section 401(k)(2) of the Code.

1.46 "SEVERANCE FROM SERVICE DATE" means the earlier of the date of the Employee's Separation From Service, or the first anniversary of the date on which the Employee is absent from service (with or without pay) for any reason other than his Separation From Service or a Maternity or Paternity Absence, such as vacation, holiday, sickness, or leave of absence. The Severance From Service Date of an Employee who is absent beyond the first anniversary of his first day of absence by reason of a Maternity or Paternity Absence is the second anniversary of the first day of the absence.

1.47 "SEVERS SERVICE" means the occurrence of a Participant's Severance From Service Date.

1.48 "SPONSOR" means Quanex Corporation, a Delaware corporation.

1.49 "SPOUSE" means the person to whom the Participant or former Participant is married under applicable local law. In addition, to the extent provided in a Qualified Domestic Relations Order, a surviving former spouse of a Participant or former Participant will be treated as the Spouse of the Participant or former Participant, and to the same extent any current spouse of the Participant or former Participant will not be treated as a Spouse of the Participant or former Participant.

1.50 "SPONSOR STOCK" means the common stock of the Sponsor or such other publicly-traded stock of an Affiliated Employer as meets the requirements of section 407(d)(5) of ERISA with respect to the Plan.

1.51 "TEMROC PLAN" means the Temroc Metals, Inc. Nonbargaining Unit Employees 401(k) Plan.

1.52 "TRUST" means the trust estate created to fund the Plan.

1.53 "TRUSTEE" means collectively one or more persons or corporations with trust powers which have been appointed by the initial Sponsor and have accepted the duties of Trustee and any successor appointed by the Sponsor.

1.54 "VALUATION DATE" means each business day of the Plan Year.

ARTICLE II

ELIGIBILITY

2.01 ELIGIBILITY REQUIREMENTS. Except as specified below, each Eligible Employee who is employed by an Employer shall be eligible to participate in the Plan beginning on the Entry Date that occurs with or next follows the date on which the Employee completes one year of Active Service. However, unless the Employee is employed by the Sponsor at its plant in Lincolnshire, Illinois, an Employee who is included in a unit of Employees covered by a collective bargaining agreement between the Employees' representative and the Employer is not eligible to participate in the Plan if there has been good faith bargaining between the Employer and the Employees' representative pertaining to retirement benefits and the agreement does not require the Employer to include such Employees in the Plan. In addition, a Leased Employee shall not be eligible to participate in the Plan unless the Plan's qualified status is dependent upon coverage of the Leased Employee. An Employee who is a nonresident alien (within the meaning of section 7701(b) of the Code) and receives no earned income (within the meaning of section 911(d)(2) of the Code) from any Affiliated Employer that constitutes income from sources within the United States (within the meaning of section 861(a)(3) of the Code) is not eligible to participate in the Plan. An Employee who is a nonresident alien (within the meaning of section 7701(b) of the Code) and who does receive earned income (within the meaning of section 911(d)(2) of the Code) from any Affiliated Employer that constitutes income from sources within the United States (within the meaning of section 861(a)(3) of the Code) all of which is exempt from United States income tax under an applicable tax convention is not eligible to participate in the Plan. During any period in which an individual is classified by an Employer as an independent contractor with respect to such Employer, the individual is not eligible to participate in the Plan (even if he is subsequently reclassified by the Internal Revenue Service as a common law employee of the Employer and the Employer acquiesces to the reclassification). Finally, an Employee who is employed outside the United States is not eligible to participate in the Plan unless the Committee elects to permit him to participate in the Plan. Notwithstanding any other provision of the Plan to the contrary, (1) an Employee of Nichols Aluminum-Golden, Inc. who was employed by Nichols Aluminum-Golden, Inc. on January 25, 2000 shall be eligible to participate in the Plan commencing with the first full payroll period that starts on or after February 14, 2000 for purposes of Salary Deferral Contributions, and such an Employee's Supplemental Contributions, if any, shall be based on his Considered Compensation paid by the Employer commencing with the first full payroll period that starts on or after February 28, 2000, and (2) an Employee of Imperial Products, Inc. who was employed by Imperial Products, Inc. on April 1, 2000, shall be eligible to participate in the Plan on June 1, 2000.

2.02 EARLY PARTICIPATION FOR ROLLOVER PURPOSES. An Employee who satisfies the eligibility requirements specified in Section 2.01 other than the service requirement shall be eligible to make Rollover Contributions to the Plan on the Entry Date next following (not coincident with) the date on which he completes an Hour of Service.

2.03 ELIGIBILITY UPON REEMPLOYMENT. If an Employee incurs a Separation From Service prior to the date he initially begins participating in the Plan, he shall be eligible to begin participation in the Plan on the later of the date he would have become a Participant if he did not incur a Separation From Service or the date on which he performs an Hour of Service after he

incurs a Separation From Service. Subject to Section 2.04, once an Employee becomes a Participant, his eligibility to participate in the Plan shall continue until he Severs Service.

2.04 CESSATION OF PARTICIPATION. An individual who has become a Participant will cease to be a Participant on the earliest of the date on which he (a) Severs Service, (b) is transferred from the employ of an Employer to the employ of an Affiliated Employer that has not adopted the Plan, (c) becomes included in a unit of employees covered by a collective bargaining agreement that does not require coverage of those employees under the Plan, (d) becomes a Leased Employee, or (e) becomes included in another classification of Employees who, under the terms of the Plan, are not eligible to participate. Under these circumstances, the Participant's Account becomes frozen; he cannot contribute to the Plan or share in the allocation of any Contributions for the frozen period. However, his Accounts shall continue to share in any Plan income allocable to his Accounts during the frozen period of time.

2.05 RECOMMENCEMENT OF PARTICIPATION. A former Participant will again become a Participant on the day on which he again becomes included in a classification of Employees that, under the terms of the Plan, is eligible to participate.

ARTICLE III

CONTRIBUTIONS

3.01 SALARY DEFERRAL CONTRIBUTIONS. Each Employer shall make a Salary Deferral Contribution in an amount equal to the amount by which the Considered Compensation of its Employees who are Participants was reduced on a pre-tax basis pursuant to salary deferral agreements (excluding amounts of Considered Compensation deferred pursuant to Section 3.02 that are properly characterized as Catch-up Salary Deferral Contributions). Any such salary deferral agreement shall be an agreement in a form satisfactory to the Committee to prospectively receive Considered Compensation from the Employer in a reduced amount and to have the Employer contribute an amount equal to the amount of the reduction to the Trust on account of the Participant. Any such salary deferral agreement shall be revocable in accordance with its terms, provided that no revocation shall be retroactive or permit payment to the Participant of the amount required to be contributed to the Trust. A Participant's right to benefits attributable to Salary Deferral Contributions made to the Plan on his behalf shall be nonforfeitable.

The maximum amount a Participant may elect to reduce his Considered Compensation under his salary deferral agreement and have contributed to the Plan on a pre-tax basis shall be determined by the Committee, in its sole discretion from time to time. The election to have Salary Deferral Contributions made, the ability to change the rate of Salary Deferral Contributions, the right to suspend Salary Deferral Contributions, and the manner of commencing new Salary Deferral Contributions shall be permitted under any uniform method determined by the Committee from time to time.

3.02 CATCH-UP SALARY DEFERRAL CONTRIBUTIONS. The Employer shall make a Catch-up Salary Deferral Contribution in an amount equal to the amounts by which its Participants' Considered Compensation was reduced as a result of salary deferral agreements authorizing Catch-up Salary Deferral Contributions (to the extent that their deferrals are properly characterized as Catch-up Salary Deferral Contributions). Any such salary deferral agreement shall be an agreement in a form satisfactory to the Committee to prospectively receive Considered Compensation from the Employer in a reduced amount and to have the Employer contribute an amount equal to the amount of the reduction to the Trust on behalf of the Participant. Further, any such salary deferral agreement shall be revocable in accordance with its terms, provided that no revocation shall be retroactive or permit payment to the Participant of the amount required to be contributed to the Trust. A Participant's right to benefits derived from Catch-up Salary Deferral Contributions made to the Plan on his behalf shall be nonforfeitable.

Catch-up Salary Deferral Contributions on behalf of a Participant shall be permitted to the extent that the Catch-up Salary Deferral Contributions do not exceed the lesser of (a) the "applicable dollar amount" under section 414(v) of the Code for the Plan Year (as adjusted from time to time by the Secretary of Treasury), or (b) an amount equal to the Participant's Annual Compensation for the Plan Year minus the Participant's Salary Deferral Contributions for the Plan Year.

A final determination as to whether amounts deferred under the Plan by a Participant are properly characterized as Salary Deferral Contributions or Catch-up Salary Deferral Contributions for a Plan Year shall be made as of the end of the Plan Year. To the extent that amounts deferred under the Plan on a pre-tax basis at the election of a Participant exceed the least of (a) the lowest statutory limit on Salary Deferral Contributions (including limits imposed under sections 401(a)(30) and 415 of the Code), (b) the maximum limitation on Salary Deferral Contributions, if any, imposed by the Committee pursuant to Section 3.01, or (c) the highest amount of Salary Deferral Contributions on behalf of the Participant that may be retained in the Plan under the rules of section 401(k)(8)(C) of the Code, the amounts deferred shall be characterized as Catch-up Salary Deferral Contributions. Any amounts deferred under the Plan on a pre-tax basis at the election of a Participant that are not properly characterized as Catch-up Salary Deferral Contributions pursuant to the rules of the preceding sentence shall be characterized as Salary Deferral Contributions for all purposes under the Plan.

3.03 MATCHING CONTRIBUTIONS. Except with respect to Employees who are included in a unit of employees covered by a collective bargaining agreement between the Employers' representative and the Sponsor and are employed at the Sponsor's plant in Lincolnshire, Illinois, each Employer will make a Matching Contribution on behalf of each of its Employees who is a Participant in an amount equal to 50 percent of the first five percent of such Participant's Considered Compensation for periods after March 31, 2001 contributed to the Plan pursuant to such Participant's Salary Deferral Contributions and Catch-up Salary Deferral Contributions.

3.04 SUPPLEMENTAL CONTRIBUTIONS FOR HOURLY EMPLOYEES OTHER THAN EMPLOYEES OF NICHOLS ALUMINUM-ALABAMA, INC., NICHOLS ALUMINUM-GOLDEN, INC., TEMROC METALS, INC. AND IMPERIAL PRODUCTS, INC. Each Employer other than Nichols Aluminum-Alabama, Inc., Nichols Aluminum-Golden, Inc., Temroc Metals, Inc. and Imperial Products, Inc. may contribute for an Allocation Period a Supplemental Contribution to be allocated among Employees who receive hourly remuneration and are eligible to participate in the Plan in such amount, if any, as shall be determined by the Employer. The rate of the Supplemental Contribution need not be uniform among all divisions of the Employer. Unless the Employer determines otherwise by a resolution of its board of directors, the Employer shall not make a Supplemental Contribution to the Plan for an Allocation Period on behalf of its Employees who are compensated on an hourly basis and are eligible to participate in the Plan unless during the fiscal year of the Sponsor immediately preceding the Allocation Period the Sponsor had positive Earnings Before Interest and Taxes.

3.05 SUPPLEMENTAL CONTRIBUTIONS FOR SALARIED EMPLOYEES OTHER THAN EMPLOYEES OF NICHOLS ALUMINUM-ALABAMA, INC., NICHOLS ALUMINUM-GOLDEN, INC., TEMROC METALS, INC. AND IMPERIAL PRODUCTS, INC. If during the fiscal year of the Sponsor immediately preceding an Allocation Period the Sponsor had positive Earnings Before Interest and Taxes, each Employer other than Nichols Aluminum-Alabama, Inc., Nichols Aluminum-Golden, Inc., Temroc Metals, Inc. and Imperial Products, Inc. shall contribute for such Allocation Period on behalf of its Employees who are compensated on a salaried basis and are eligible to participate in the Plan an amount equal to 6 1/2 percent of such Members' Considered Compensation for the Allocation Period.

3.06 SUPPLEMENTAL CONTRIBUTIONS FOR EMPLOYEES OF NICHOLS ALUMINUM-ALABAMA, INC., NICHOLS ALUMINUM-GOLDEN, INC., TEMROC METALS, INC. AND IMPERIAL PRODUCTS, INC. Nichols Aluminum-Alabama, Inc., Nichols Aluminum-Golden, Inc., Temroc Metals, Inc. and Imperial Products, Inc. may contribute for an Allocation Period a Supplemental Contribution to be allocated among its Employees who are Participants in such amount, if any, as shall be determined by it.

3.07 ROLLOVER CONTRIBUTIONS AND PLAN-TO-PLAN TRANSFERS. The Committee may permit Rollover Contributions by Participants and/or direct transfers to or from another qualified plan on behalf of Participants from time to time. If Rollover Contributions and/or direct transfers to or from another qualified plan are permitted, the opportunity to make those contributions and/or direct transfers must be made available to Participants on a nondiscriminatory basis. For this purpose only, all Employees who are included in a classification of Employees who are eligible to participate in the Plan shall be considered to be Participants of the Plan even though they may not have met the Active Service requirements for eligibility. However, they shall not be entitled to elect to have Salary Deferral Contributions made or to share in Employer Contributions or forfeitures unless and until they have met the requirements for eligibility, contributions and allocations. A Rollover Contribution shall not be accepted unless it is directly rolled over to the Plan in a rollover described in section 401(a)(31) of the Code. A Participant shall not be permitted to make a Rollover Contribution if the property he intends to contribute is for any reason unacceptable to the Trustee. A Participant's right to benefits attributable to his Rollover Contributions made to the Plan shall be nonforfeitable.

3.08 QNECS - EXTRAORDINARY EMPLOYER CONTRIBUTIONS. Any Employer may make a QNEC in such amount, if any, as shall be determined by it. A Participant's right to benefits attributable to QNECs made to the Plan on his behalf shall be nonforfeitable. In no event will QNECs be distributed before Salary Deferral Contributions may be distributed from the Plan.

3.09 RESTORATION CONTRIBUTIONS. The Employer shall, for each Plan Year, make a restoration contribution in an amount equal to the sum of (a) such amount, if any, as shall be necessary to fully restore all Matching Contribution Accounts and Supplemental Contribution Accounts required to be restored pursuant to the provisions of Section 9.02 after the application of all forfeitures available for such restoration; plus (b) an amount equal in value to the value of forfeited benefits required to be restored under Section 9.03, after the application of all forfeitures available for such restoration.

3.10 RESTORATIVE PAYMENTS. If due to an oversight or inadvertent error an Employer fails to make a Contribution to the Plan on behalf of an Employee, as soon as administratively practicable following the Employee's discovery of the error, the Employer shall make a restorative payment to the Plan on behalf of the Employee in an amount equal to the amount of required Contributions the Employer should have made to the Plan on behalf of the Employee plus interest thereon (both determined in a manner that is consistent with then current guidance from the Department of Treasury concerning such restorative payments) after the application of forfeitures available for such restoration.

3.11 NONDEDUCTIBLE CONTRIBUTIONS NOT REQUIRED. Notwithstanding any other provision of the Plan, no Employer shall be required to make any contribution that would be a "nondeductible contribution" within the meaning of section 4972 of the Code.

3.12 FORM OF PAYMENT OF CONTRIBUTIONS. Contributions may be paid to the Trustee either in cash or in qualifying employer securities (as such term is defined in section 407(d) of ERISA) or any combination thereof, provided that payment may not be made in any form constituting a prohibited transaction under section 4975 of the Code or section 406 of ERISA.

3.13 DEADLINE FOR PAYMENT OF CONTRIBUTIONS. Salary Deferral Contributions and Catch-up Salary Deferral Contributions shall be paid to the Trustee in installments. The installment for each payroll period shall be paid as soon as administratively feasible. The Matching Contributions, Supplemental Contributions and QNECs for a Plan Year shall be paid to the Trustee in one or more installments, as the Employer may from time to time determine; provided, however, that such contributions may not be paid later than the time prescribed by law (including extensions thereof) for filing the Employer's income tax return for its taxable year ending with or within such Plan Year.

3.14 RETURN OF CONTRIBUTIONS FOR MISTAKE, DISQUALIFICATION OR DISALLOWANCE OF DEDUCTION. Subject to the limitations of section 415 of the Code, the assets of the Trust shall not revert to any Employer or be used for any purpose other than the exclusive benefit of Participants, former Participants and their Beneficiaries and the reasonable expenses of administering the Plan except:

(a) any Employer Contribution made because of a mistake of fact may be repaid to the Employer within one year after the payment of the Contribution; and

(b) all Employer Contributions are conditioned upon their deductibility under section 404 of the Code; therefore, to the extent the deduction is disallowed, the Contributions may be repaid to the Employer within one year after the disallowance.

The Employer has the exclusive right to determine if a Contribution or any part of it is to be repaid or is to remain as a part of the Trust except that the amount to be repaid is limited, if the Contribution is made by mistake of fact or if the deduction for the Contribution is disallowed, to the excess of the amount contributed over the amount that would have been contributed had there been no mistake or over the amount disallowed. Earnings which are attributable to any excess contribution cannot be repaid. Losses attributable to an excess contribution must reduce the amount that may be repaid. All repayments of Contributions made due to a mistake of fact or with respect to which a deduction is disallowed are limited so that the balance in a Participant's or former Participant's Account cannot be reduced to less than the balance that would have been in the Participant's or former Participant's Account had the mistaken amount or the amount disallowed never been contributed.

ARTICLE IV

ALLOCATION AND VALUATION OF ACCOUNTS

4.01 INFORMATION STATEMENTS FROM EMPLOYER. Upon request by the Committee, the Employer shall provide the Committee with a schedule setting forth the amount of its Salary Deferral Contribution, Supplemental Contribution, QNEC, and restoration contribution; the names of its Participants, the number of years of Active Service of each of its Participants, the amount of Considered Compensation and Annual Compensation paid to each Participant, and the amount of Considered Compensation and Annual Compensation paid to all its Participants. Such schedules shall be conclusive evidence of such facts.

4.02 ALLOCATION OF SALARY DEFERRAL CONTRIBUTIONS. The Committee or its designee shall allocate the Salary Deferral Contribution among the Participants by allocating to each Participant the amount by which his Considered Compensation was reduced pursuant to a salary deferral agreement (as described in Section 3.01) and shall credit each such Participant's share to his Salary Deferral Contribution Account.

4.03 ALLOCATION OF CATCH-UP SALARY DEFERRAL CONTRIBUTION. The Committee shall allocate the Catch-up Salary Deferral Contribution among the Participants by allocating to each Participant the amount by which his Considered Compensation was reduced pursuant to a salary deferral agreement under Section 3.02 and shall credit each such Participant's share to his Catch-up Salary Deferral Contribution Account.

4.04 ALLOCATION OF MATCHING CONTRIBUTIONS. The Committee or its designee shall separately allocate the Matching Contribution made by an Employer among the Employer's Participants in the proportion which the matched Salary Deferral Contributions and matched Catch-up Salary Deferral Contributions of each such Participant bear to the total matched Salary Deferral Contributions and matched Catch-up Salary Deferral Contributions of all such Participants. Each Participant's proportionate share shall be credited to his Matching Contribution Account.

4.05 ALLOCATION OF SUPPLEMENTAL CONTRIBUTIONS. For each Allocation Period, the Committee shall allocate the Supplemental Contribution made by an Employer on behalf of Members who receive salaried remuneration for the Allocation Period among the Members who receive salaried remuneration, are eligible to participate in the Plan and are employed by the Employer during the Allocation Period based upon each such Member's Considered Compensation paid by the Employer as compared to the Considered Compensation for all such Members employed by the Employer and eligible for the allocation. For each Allocation Period, the Committee shall allocate the Supplemental Contribution for the Allocation Period made on behalf of Members who receive hourly remuneration, are employed at the division of the Employer with respect to which the Supplemental Contribution is made, are eligible to participate in the Plan, and are employed by the Employer during the Allocation Period based upon each such Member's Considered Compensation paid by the Employer as compared to the Considered Compensation of all such Members employed by the Employer and eligible for the allocation.

4.06 ALLOCATION OF QNECS. The Committee or its designee shall separately allocate the QNEC among the Non-Highly Compensated Employees who are Participants based upon each such Participant's Considered Compensation as compared to the Considered Compensation of all such Participants.

4.07 ALLOCATION OF FORFEITURES. At the time a forfeiture occurs pursuant to Article VIII, Section A.3.2 of Appendix A or Section A.3.3 of Appendix A, the amount forfeited will first be used to reinstate any Account required to be reinstated under Article VIII, and any remaining amount will be applied to reduce the Employer's obligation to make future Matching Contributions or Supplemental Contributions. However, in no event will amounts forfeited pursuant to Section A.3.2 or Section A.3.3 of Appendix A be allocated to the Accounts of Participants whose Matching Contributions are forfeited pursuant to Section A.3.2 or Section A.3.3 of Appendix A.

4.08 VALUATION OF ACCOUNTS. A Participant's or former Participant's Accounts shall be valued by the Trustee at fair market value on each Valuation Date. The earnings and losses attributable to any asset in the Trust will be allocated solely to the Account of the Participant or former Participant on whose behalf the investment in the asset was made. In determining the fair market value of the Participant's or former Participant's Accounts, the Trustee shall utilize such sources of information as it may deem reliable including, but not limited to, stock market quotations, statistical evaluation services, newspapers of general circulation, financial publications, advice from investment counselors or brokerage firms, or any combination of sources which in the opinion of the Trustee will provide the price such assets were last traded at on a registered stock exchange; provided, however, that with respect to regulated investment company shares, the Trustee shall rely exclusively on information provided to it by the investment adviser to such funds.

4.09 NO RIGHTS UNLESS OTHERWISE PRESCRIBED. No allocations, adjustments, credits, or transfers shall ever vest in any Participant or former Participant any right, title, or interest in the Trust except at the times and upon the terms and conditions set forth in the Plan.

ARTICLE V

BENEFITS

5.01 RETIREMENT BENEFIT. Upon his Separation From Service, a Participant or former Participant is entitled to receive his Nonforfeitable Interest in his Account balances.

5.02 DEATH BENEFIT. If a Participant or former Participant dies, the death benefit payable to his Beneficiary shall be the Participant's Nonforfeitable Interest in 100 percent of the remaining amount of his Account balances.

5.03 FORM OF DISTRIBUTION. Any distribution under the Plan shall be made in the form of a cash lump sum. However, a Participant who accrued any benefits under the Decatur Plan has the right to elect to receive payments in the form of property instead of cash, but only with respect to his Decatur Plan account balances that were transferred to the Plan.

5.04 DISTRIBUTION METHODS. Subject to Sections 5.05 and 5.11, the distribution methods available under the Plan are (a) a lump sum payment and (b) periodic installment payments.

If a Participant or former Participant elects periodic installments payments, his Account balances shall be paid in substantially equal monthly, quarterly, semi-annual or annual periodic installments (as elected by him) for a specified number of years which may not exceed his life expectancy or the joint and last survivor life expectancy of him and his Beneficiary. Life expectancies will be determined, under Regulations issued under section 79 of the Code, as of the time payments commence. If installments are elected, the Committee may direct that the Participant's or former Participant's interest in the Plan be segregated and invested separately. Upon the death of a Participant or former Participant prior to the complete distribution of his Account balances, his Beneficiary may elect to receive the Beneficiary's interest in the Account in (a) an immediate lump sum cash payment or (b) installment payments for any period not in excess of the period (if any) selected by the Participant or former Participant.

Notwithstanding the foregoing, until July 1, 2001, the only distribution method available for a Participant who was a participant in the Temroc Plan is a lump sum payment.

5.05 IMMEDIATE PAYMENT OF SMALL AMOUNT UPON SEPARATION FROM SERVICE. Each Participant or former Participant whose Nonforfeitable Interest in his Account balance at the time of a distribution to him on account of his Separation From Service is, in the aggregate, less than or equal to $5,000.00, shall be paid in the form of an immediate single sum cash payment and/or as a Direct Rollover, as elected by him under section 5.06. However, if a Distributee who is subject to this Section 5.04 does not furnish instructions in accordance with Plan procedures to directly roll over his Plan benefit within 45 days after he has been given direct rollover forms, he will be deemed to have elected to receive an immediate lump sum cash distribution of his entire Plan benefit. If a Participant's or former Participant's Nonforfeitable Interest in his Account balance payable upon his Separation From Service is zero (because he has no Nonforfeitable Interest in his Account balance), he will be deemed to receive an immediate distribution of his entire Nonforfeitable Interest in his Account balance.

5.06 DIRECT ROLLOVER OPTION. To the extent required under Regulations, a Distributee has the right to direct that any portion of his Eligible Rollover Distribution will be directly paid to an Eligible Retirement Plan specified by him that will accept the Eligible Rollover Distribution.

5.07 CONSENT TO DISTRIBUTION. Notwithstanding any other provision of the Plan, no benefit shall be distributed or commence to be distributed to a Participant or former Participant prior to his attainment of the later of age 62 or Retirement Age without his consent, unless the benefit is payable immediately under Section 5.05. Any such consent shall be valid only if given not more than 90 days prior to the Participant's or former Participant's Annuity Starting Date and after his receipt of the notice regarding benefits described in Section 5.10(a).

5.08 QJSA REQUIREMENTS. On and after the date on which the Sponsor elects to treat the Plan and the Quanex Corporation Salaried Employees' Pension Plan as one plan for purposes of section 410(b) of the Code, this Section 5.08 will apply. Except for small benefits payable under Section 5.05, each Participant or former Participant who (a) is married on his Annuity Starting Date and (b) does not die before his Annuity Starting Date will be paid in the form of a QJSA, unless he and his Spouse make a valid election to waive this form of payment. Except for small benefits payable under Section 5.05, each other Participant who does not die before the Annuity Starting Date, will be paid in the form of a life only annuity unless he makes a valid election to waive this form of payment. A Participant's waiver of the QJSA form of payment will not be effective unless the waiver (1) designates a specific nonspouse Beneficiary who will receive Plan benefits and (2) specifies the particular optional form of benefits selected instead of the QJSA. Also, a Participant's or former Participant's waiver of the QJSA will not be effective unless his Spouse signs either a specific or a general consent to his waiver. A specific spousal consent must (1) be in writing, (2) consent to the waiver of the QJSA, (3) consent to the specific nonspouse Beneficiary designated by the Participant or former Participant to receive Plan benefits, (4) consent to the particular optional form of benefit selected by the Participant or former Participant, (5) acknowledge the effect of the Spouse's consent to the Participant's or former Participant's waiver of the QJSA, and (6) be witnessed by a notary public or a Plan representative. A general spousal consent must (1) be in writing, (2) consent to the Participant's or former Participant's waiver of the QJSA, (3) specify that the Participant or former Participant can change the Beneficiary designated by him to receive Plan benefits, without any requirement of further consent by the Spouse, (4) specify that the Participant or former Participant can change the optional form of benefit elected by the Participant or former Participant, without any requirement of further consent by the Spouse, (5) acknowledge that the Spouse has the right to limit consent to a specific Beneficiary and a specific optional form of benefit, and that the Spouse voluntarily elects to relinquish both of those rights, (6) acknowledge the effect of the Spouse's consent to the Participant's or former Participant's waiver of the QJSA, and (7) be witnessed by a notary public or a Plan representative. However, a Participant's or former Participant's election to waive the QJSA shall be effective if it is established to the satisfaction of the Committee that spousal consent to his waiver may not be obtained because (1) there is no Spouse, (2) the Spouse cannot be located, or (3) there exist such other circumstances which obviate the necessity of obtaining the spousal consent. Any consent by the Participant's or former Participant's Spouse (or establishment that the consent of the Participant's or former Participant's Spouse may not be obtained) shall be effective only with respect to such Spouse.

5.09 QPSA REQUIREMENTS.

(a) General Rules. On and after the date on which the Sponsor elects to treat the Plan and the Quanex Corporation Salaried Employees' Pension Plan as one plan for purposes of section 410(b) of the Code, this Section 5.09 will apply. Except for small benefits payable under Section 5.05, the death benefit of a Participant or former Participant who (1) is married on the date of his death and (2) dies before his Annuity Starting Date will be paid in the form of a QPSA, unless he and his Spouse make a valid election to waive this form of payment. Subject to Section 5.12, the surviving Spouse of such a Participant or former Participant may elect to have payments commence to her as soon as administratively practicable, or at any later date selected by her.

(b) Waivers. Any valid election to waive the QPSA must be made in writing by the Participant or former Participant and consented to by the Participant's or former Participant's Spouse. Any spousal consent to the waiver must: (1) be witnessed by a member of the Committee, the Trustee, or a notary public, and (2) consent to the specific nonspouse Beneficiary or Beneficiaries selected by the Participant or former Participant (or permit future changes in designations by the Participant or former Participant provided that general consent requirements similar to those described in Section 5.08 are satisfied). However, if the Participant or former Participant establishes to the satisfaction of the Committee or the Trustee that the spouse's written consent cannot be obtained because there is no Spouse or the Spouse cannot be located, a waiver signed only by the Participant or former Participant will be considered a valid election. The consent to a waiver is valid only with respect to the Spouse who signs it; therefore, if the Participant or former Participant remarries after executing a waiver, the Participant's or former Participant's new Spouse must execute a new consent. The Participant or former Participant may revoke a prior waiver without his Spouse's consent at any time before benefit payments begin. Except as specified below, an election to waive the QPSA will be valid only if it is made after the first day of the Plan Year in which the Participant or former Participant attains age 35 and before the Participant's or former Participant's death.

(c) Pre-Age 35 Waivers. A Participant or former Participant may waive the QPSA, with spousal consent, before the first day of the Plan Year in which he attains age 35 if the Sponsor provides him a written explanation of the QPSA (that meets the requirements of Section 5.10(e)) within the period beginning one year before he Severs Service and ending one year after he Severs Service. However, any such waiver will expire and become invalid beginning on the first day of the Plan Year in which the Participant or former Participant attains age 35.

5.10 INFORMATION PROVIDED TO PARTICIPANTS. Information regarding the form of benefits available under the Plan shall be provided to Participants or former Participants in accordance with the following provisions:

(a) General Information. Except as otherwise provided in paragraph (c), the Sponsor shall provide each Participant or former Participant with a written general explanation or description of (1) the eligibility conditions and other material features of the optional forms of benefit available under the Plan, (2) the relative values of the optional forms of benefit available

under the Plan, and (3) the Participant's or former Participant's right, if any, to defer receipt of the distribution.

(b) Time for Giving Notice. The written general explanation or description regarding any optional forms of benefit available under the Plan shall be provided to a Participant or former Participant no less than 30 days and no more than 90 days before his Annuity Starting Date unless he legally waives this requirement.

(c) Exception for Participants with Small Benefit Amounts. Notwithstanding the preceding provisions of this Section, no information regarding any optional forms of benefit otherwise available under the Plan shall be provided to the Participant or former Participant if his benefit is payable in a single sum under Section 5.05.

(d) QJSA Notice. This paragraph applies on and after the date on which an Employer elects to treat the Plan and the Quanex Corporation Salaried Employees' Pension Plan as one plan for purposes of section 410(b) of the Code. No less than 30 days (seven days if the Participant or former Participant legally waives the 30-day notice requirement) and no more than 90 days before the Annuity Starting Date of a Participant or former Participant who is subject to Section 5.08, the Sponsor shall provide him a written notice explaining the terms and conditions of each retirement option, and in particular (1) the automatic QJSA or life annuity, (2) the Participant's or former Participant's right to make, and the effect of, a waiver of the automatic QJSA, (3) the right of the Participant's or former Participant's Spouse to consent or not to consent to such a waiver, (4) the right to make, and the effect of, a revocation of a previous waiver or election, (5) the eligibility conditions and other material features of the optional forms of benefit, (6) the relative values of the optional forms of benefit, and (7) the Participant's or former Participant's right to request a written explanation of the financial effect upon a Participant's or former Participant's annuity of electing to waive the QJSA or life annuity.

(e) QPSA Notice. This paragraph applies on and after the date on which an Employer elects to treat the Plan and the Quanex Corporation Salaried Employees' Pension Plan as one plan for purposes of section 410(b) of the Code. The Sponsor will provide each Participant or former Participant who is subject to Section 5.09 a written explanation of: (a) the terms and conditions of the QPSA, (b) the Participant's or former Participant's right to waive the QPSA and the effect of the waiver, (c) the rights of the Participant's or former Participant's Spouse, and (d) the right to revoke a prior waiver and the effect of the revocation. This written explanation will be provided within the latest of the period (a) beginning on the first day of the Plan Year in which the Participant or former Participant attains age 32 and ending with the close of the Plan Year preceding the Plan Year in which the Participant or former Participant attains age 35, (b) ending one year after the individual becomes a Participant, or (c) ending one year after the QPSA rules first become effective with respect to the Participant or former Participant.

5.11 OPTIONAL FORMS OF DISTRIBUTION. On and after the date on which the Sponsor elects to treat the Plan and the Quanex Corporation Salaried Employees' Pension Plan as one plan for purposes of section 410(b) of the Code, all of the optional forms of payment available under the Quanex Corporation Salaried Employees' Pension Plan (as discussed more fully in Appendix E hereto) will be available under the Plan. However, until July 1, 1999, this Section 5.11 shall not apply to a Participant who was a participant in the Decatur Plan.

5.12 TIME OF DISTRIBUTIONS. Notwithstanding any other provision of the Plan, all benefits payable under the Plan shall be distributed, or commence to be distributed, in compliance with the following provisions:

(a) DISTRIBUTION DEADLINES FOR PARTICIPANTS OR FORMER PARTICIPANTS WHO ARE 70 1/2 OR OLDER. If a Participant or former Participant attains 70 1/2, the Participant or former Participant must elect to receive the distribution required under section 401(a)(9) of the Code in one lump sum or in installments which must commence by his Required Beginning Date. If installments are elected, each installment paid must be equal to or greater than the minimum required distribution under section 401(a)(9) of the Code.

(b) DISTRIBUTION DEADLINE FOR DEATH BENEFITS. If a Participant or former Participant dies before the distribution of his Plan benefit has commenced, his entire interest shall be distributed within five years after his death. If a Participant or former Participant dies after the distribution of his Plan benefit has commenced, the remaining portion of his interest in the Plan, if any, will be distributed at least as rapidly as under the installment method of distribution selected by him.

(c) LIMITATIONS ON DEATH BENEFITS. Benefits payable under the Plan shall not be provided in any form that would cause a Participant's death benefit to be more than incidental. Any distribution required to satisfy the incidental benefit requirement shall be considered a required distribution for purposes of section 401(a)(9) of the Code.

(d) COMPLIANCE WITH SECTION 401(a)(9). All distributions under the Plan will be made in accordance with the requirements of section 401(a)(9) of the Code and all Regulations promulgated thereunder, including, effective January 1, 2001, Regulations that were proposed in January of 2001 (until Final Regulations are issued) but not including Regulations that were proposed prior to January of 2001. The provisions of the Plan reflecting section 401(a)(9) of the Code override any distribution options in the Plan inconsistent with such Section.

(e) COMPLIANCE WITH SECTION 401(a)(14). Unless the Participant or former Participant otherwise elects, the payment of benefits under the Plan to the Participant or former Participant will begin not later than the 60th day after the close of the Plan Year in which occurs the latest of (a) the date on which the Participant or former Participant attains the later of age 62 or Retirement Age, (b) the tenth anniversary of the year in which the Participant or former Participant commenced participation in the Plan, or (c) the Participant's or former Participant's Separation From Service.

5.13 DESIGNATION OF BENEFICIARY. Each Participant and former Participant has the right to designate and to revoke the designation of his Beneficiary or Beneficiaries. Each designation or revocation must be evidenced by a written document in the form required by the Committee, signed by the Participant or former Participant and filed with the Committee. If no designation is on file at the time of a Participant's or former Participant's death or if the Committee determines that the designation is ineffective, the designated Beneficiary shall be the Participant's or former Participant's Spouse, if living, or if not, the executor, administrator or other personal representative of the Participant's or former Participant's estate. If a Participant

or former Participant is considered to be married under local law, his designation of any Beneficiary, other than his Spouse, shall not be valid unless the Spouse acknowledges in writing that the Spouse understands the effect of the Participant's or former Participant's beneficiary designation and consents to it. The consent must be to a specific Beneficiary. The written acknowledgement and consent must be filed with the Committee, signed by the Spouse and at least two witnesses, one of whom must be a member of the Committee or a notary public. However, if the Spouse cannot be located or there exist other circumstances as described in sections 401(a)(11) and 417(a)(2) of the Code, the requirement of the Participant's or former Participant's Spouse's acknowledgement and consent may be waived. If a Beneficiary other than the Participant's or former Participant's Spouse is named, the designation shall become invalid if the Participant or former Participant is later determined to be married under local law, the Participant's or former Participant's missing Spouse is located or the circumstances which resulted in the waiver of the requirement of obtaining the consent of his Spouse no longer exist.

5.14 DISTRIBUTIONS TO MINORS AND INCAPACITATED PERSONS. If the Committee determines that any person to whom a payment is due is a minor or is unable to care for his affairs because of physical or mental disability, it shall have the authority to cause the payments to be made to the Spouse, brother, sister or other person the Committee determines to have incurred, or to be expected to incur, expenses for that person unless a prior claim is made by a qualified guardian or other legal representative. The Committee and the Trustee shall not be responsible to oversee the application of those payments. Payments made pursuant to this power shall be a complete discharge of all liability under the Plan and the Trust and the obligations of the Employer, the Trustee, the Trust and the Committee.

5.15 DISTRIBUTIONS PURSUANT TO QUALIFIED DOMESTIC RELATIONS ORDERS. The Committee will instruct the Trustee to pay benefits in accordance with the terms of any order that has been determined, in accordance with Plan procedures, to be a Qualified Domestic Relations Order. A Qualified Domestic Relations Order may require the payment of an immediate cash lump sum to an alternate payee even if the Participant or former Participant is not then entitled to receive an immediate payment of Plan benefits.

5.16 CLAIMS PROCEDURE. When a benefit is due, the Participant, former Participant or Beneficiary should submit his claim to the person or office designated by the Committee to receive claims. Under normal circumstances, a final decision shall be made as to a claim within 90 days after receipt of the claim. If the Committee notifies the claimant in writing during the initial 90-day period, it may extend the period up to 180 days after the initial receipt of the claim. The written notice must contain the circumstances necessitating the extension and the anticipated date for the final decision. If a claim is denied during the claims period, the Committee must notify the claimant in writing. The denial must include the specific reasons for it, the Plan provisions upon which the denial is based, and the claims review procedure. If no action is taken during the claims period, the claim is treated as if it were denied on the last day of the claims period.

If a Participant's, former Participant's or Beneficiary's claim is denied and he wants a review, he must apply to the Committee in writing. That application may include any comment or argument the claimant wants to make. The claimant may either represent himself or appoint a representative, either of whom has the right to inspect all documents pertaining to the claim and

its denial. The Committee may schedule any meeting with the claimant or his representative that it finds necessary or appropriate to complete its review.

The request for review must be filed within 60 days after the denial. If it is not, the denial becomes final. If a timely request is made, the Committee must make its decision, under normal circumstances, within 60 days of the receipt of the request for review. However, if the Committee notifies the claimant prior to the expiration of the initial review period, it may extend the period of review up to 120 days following the initial receipt of the request for a review. All decisions of the Committee must be in writing and must include the specific reasons for their action and the Plan provisions on which their decision is based. If a decision is not given to the claimant within the review period, the claim is treated as if it were denied on the last day of the review period.

ARTICLE VI

IN-SERVICE DISTRIBUTIONS

6.01 IN-SERVICE FINANCIAL HARDSHIP DISTRIBUTIONS.

(a) General. Prior to his Separation From Service, a Participant is entitled to receive a distribution from his Salary Deferral Contribution Account (except for income that was not credited to his Salary Deferral Account as of December 31, 1988), his Catch-up Salary Deferral Contribution Account (except for income credited to his Catch-up Salary Deferral Contribution Account), his Rollover Account, his Nonforfeitable Interest in his Matching Contribution Account and his Nonforfeitable Interest in his Supplemental Contribution Account in the event of an immediate and heavy financial need incurred by the Participant and the Committee's determination that the withdrawal is necessary to alleviate that hardship.

(b) Permitted Reasons For Financial Hardship Distributions. A distribution shall be made on account of financial hardship only if the distribution is for: (i) expenses for medical care described in section 213(d) of the Code previously incurred by the Participant, the Participant's Spouse, or any dependents of the Participant (as defined in section 152 of the Code) or necessary for these persons to obtain medical care described in section 213(d) of the Code, (ii) costs directly related to the purchase (excluding mortgage payments) of a principal residence for the Participant, (iii) payment of tuition and related educational fees for the next 12 months of post-secondary education for the Participant, his Spouse, children, or dependents (as defined in section 152 of the Code), (iv) payments necessary to prevent the eviction of the Participant from his principal residence or foreclosure on the mortgage of the Participant's principal residence, or (v) any other event added to this list by the Commissioner of Internal Revenue.

(c) Amount. A distribution to satisfy an immediate and heavy financial need shall not be made in excess of the amount of the immediate and heavy financial need of the Participant and the Participant must have obtained all distributions, other than hardship distributions, and all nontaxable (at the time of the loan) loans currently available under all plans maintained by the Employer. The amount of a Participant's immediate and heavy financial need includes any amounts necessary to pay any federal, state or local income taxes or penalties reasonably anticipated to result from the financial hardship distribution.

(d) Suspension of Participation in Certain Benefit Programs. The Participant's hardship distribution shall terminate his right to have the Employer make any Salary Deferral Contributions on his behalf until the next time Salary Deferral Contributions are permitted after (1) the lapse of 12 months following the hardship distribution, and (2) his timely filing of a written request to resume his Salary Deferral Contributions. In addition, for 12 months after he receives a hardship distribution from the Plan, the Participant is prohibited from making elective contributions and employee contributions to or under all other qualified and nonqualified plans of deferred compensation maintained by the Employer, including stock option plans, stock purchase plans and Code section 401(k) cash or deferred arrangements that are part of cafeteria plans described in section 125 of the Code. However, the Participant is not prohibited from making contributions to a health or welfare benefit plan, including one that is part of a cafeteria plan within the meaning of section 125 of the Code.

(e) Resumption of Salary Deferral Contributions. Effective for Plan Years that commence prior to January 1, 2002, when the Participant resumes Salary Deferral Contributions, he cannot have the Employer make any Salary Deferral Contributions in excess of the limit in section 402(g) of the Code for that taxable year reduced by the amount of Salary Deferral Contributions made by the Employer on the Participant's behalf during the taxable year of the Participant in which he received the hardship distribution.

(f) Order of Distributions. Financial hardship distributions will be made in the following order: First withdrawals will be made from the Participant's Rollover Contribution Account, then from his Matching Contribution Account, then from his Supplemental Contribution Account, then from his Salary Deferral Contribution Account, and finally, from his Catch-up Salary Deferral Contribution Account. A Participant shall not be entitled to receive a financial hardship distribution of any amount credited to his QNEC Account.

6.02 IN-SERVICE DISTRIBUTIONS FOR CERTAIN PARTICIPANTS WHO HAVE ATTAINED AGE 59 1/2. Prior to his Separation From Service, a Participant who is at least age 59 1/2 is entitled to withdraw all or any portion of his Nonforfeitable Interest in amounts credited to his Accounts.

6.03 FORM OF PAYMENT. Any distribution made pursuant to this Article VI, will be paid in the form of cash.

6.04 METHOD OF PAYMENT. Distributions pursuant to this Article VI will normally be paid in lump sums. However, the QJSA requirements of Section 5.08 will apply to any distributions made under this Article VI on or after the date as of which the Sponsor elects to treat the Plan and the Quanex Corporation Salaried Employees Pension Plan as one plan for purposes of section 410(b) of the Code. Until July 1, 1999, the preceding sentence shall not apply to Participants who were participants in the Decatur Plan.

6.05 TRANSITION RULE FOR TEMROC METALS, INC. EMPLOYEES. Until July 1, 2001, this Article VI shall not apply to Participants who were in the Temroc Plan.

ARTICLE VII

LOANS

Except as specified below, the Committee may direct the Trustees to make loans to Participants (and Beneficiaries who are "parties in interest" within the meaning of ERISA) who have Nonforfeitable Interests in their Account balances. The Loan Committee established by the Committee will be responsible for administering the Plan loan program. All loans will comply with the following requirements:

(a) All loans will be made solely from the Participant's or Beneficiary's Account.

(b) Loans will be available on a nondiscriminatory basis to all Beneficiaries who are "parties in interest" within the meaning of ERISA, and to all Participants.

(c) Loans will not be made for less than $1,000.00.

(d) The maximum amount of a loan may not exceed the lesser of (A) $50,000.00 reduced by the person's highest outstanding loan balance from the Plan during the preceding one-year period, or (B) one-half of the person's Nonforfeitable Interest in his Account balance under the Plan determined as of the date on which the loan is approved by the Loan Committee.

(e) Any loan from the Plan will be evidenced by a note or notes (signed by the person applying for the loan) having such maturity, bearing such rate of interest, and containing such other terms as the Loan Committee will require by uniform and nondiscriminatory rules consistent with this Article and proper lending practices.

(f) All loans will bear a reasonable rate of interest which will be established by the Loan Committee. In determining the proper rate of interest to be charged, at the time any loan is made or renewed, the Loan Committee will contact at least two of the largest banks in the geographic location in which the Participant or Beneficiary resides to determine what interest rate the banks would charge for a similar loan taking into account the collateral offered.

(g) Each loan will be fully secured by a pledge of the borrowing person's Nonforfeitable Interest in his Account balance. No more than 50 percent of the person's Nonforfeitable Interest in his Account balance (determined immediately after the origination of the loan) will be considered as security for any loan.

(h) The term of the loan will not be less than 18 months. Generally, the term of the loan will not be more than five years. The Loan Committee may agree to a longer term (but not more than seven years) only if such term is otherwise reasonable and the proceeds of the loan are to be used to acquire a dwelling which will be used within a reasonable time (determined at the time the loan is made) as the principal residence of the borrowing person.

(i) The terms of each Plan loan agreement will require substantially level amortization of the loan (with payments not less frequently than quarterly) over the term of the

loan. However, the level amortization requirement will not apply for a period, not longer than one year (or such longer period as may apply under the Uniformed Services Employment and Reemployment Rights Act of 1994) that an eligible borrower is on a bona fide leave of absence, either without pay from the District or at a rate of pay (after income and employment tax withholding) that is less than the amount of the installment payments required under the terms of the loan. However, the loan (including interest that accrues during the leave of absence) must be repaid by the five-year loan maturity deadline specified in paragraph (h) above (unless the loan was a home loan described in paragraph (h) above), and the amount of the installments due after the leave ends (or, if earlier, after the first anniversary of the leave or such longer period as may apply under the Uniformed Services Employment and Reemployment Rights Act of 1994) must not be less than the amount required under the terms of the original loan.

(j) A Participant's loan agreement will require that loan repayments be made through payroll deductions.

(k) If a person fails to make a required payment within 30 days of the due date set forth in the loan agreement, the loan will be in default.

(l) If a Participant or former Participant has an outstanding loan from the Plan at the time of his Separation From Service, the outstanding loan principal balance and any accrued but unpaid interest will become immediately due in full. The Participant or former Participant will have the right to immediately pay the Trustee that amount. If the Participant or former Participant fails to repay the loan, the Trustee will foreclose on the loan and the Participant will be deemed to have received a Plan distribution of the amount foreclosed upon. The Trustee will not foreclose upon a Participant's or former Participant's Salary Deferral Contribution Account or Catch-up Salary Deferral Contributions Account until the Participant's Separation From Service.

(m) If a Beneficiary defaults on his loan, the Trustee will foreclose on the loan and the Beneficiary will be deemed to have received a Plan distribution of the amount foreclosed upon.

(n) No amount that is pledged as collateral for a Plan loan to a Participant will be available for withdrawal before he has fully repaid his loan.

(o) The Spouse of a Participant must consent to any loan from the Plan that is made, extended or renewed after the date on which the Sponsor elects to treat the Plan and the Quanex Corporation Salaried Employees' Pension Plan as one plan for purposes of section 410(b) of the Code. The Spouse's consent must (1) be in writing, (2) consent to the loan, (3) acknowledge the effect of the Spouse's consent to the Participant's borrowing from the Plan, and (4) be witnessed by a notary public or a Plan representative.

(p) All interest payments made pursuant to the terms of the loan agreement will be credited to the borrowing person's Account and will not be considered as general earnings of the Trust Fund to be allocated to other Participants.

ARTICLE VIII

VESTING

A Participant or former Participant has a fully nonforfeitable interest in his entire Account balance when he (a) incurs a Disability on or prior to the date of his Separation From Service, (b) attains his Normal Retirement Age on or prior to the date of his Separation From Service, or (c) incurs a Separation From Service due to death. A Participant or former Participant shall at all times have a fully nonforfeitable interest in amounts credited to his Salary Deferral Contribution Account, his Catch-up Salary Deferral Contribution Account, his QNEC Account, and his Rollover Account. A Participant or former Participant shall have a nonforfeitable interest in the following percentage of amounts credited to his Matching Contribution Account and his Supplemental Contribution Account:

Years of Active Service Completed by the Participant or Former Participant	Vested Percentage
Less than one	0
One but less than two	20
Two but less than three	40
Three but less than four	60
Four but less than five	80
Five or more	100

Subject to the possible application of Section B.2.3 of Appendix B or Section 13.05, except as specified above, a Participant or former Participant has no vested interest in his Account balance and shall not be entitled to any benefits under the Plan upon or following his Separation From Service.

ARTICLE IX

FORFEITURES AND RESTORATIONS

9.01 FORFEITURE ON TERMINATION OF PARTICIPATION.

(a) If as a result of his Separation From Service a Participant or former Participant receives (or is deemed to receive under Section 5.04), a distribution of his entire Nonforfeitable Interest in the Plan not later than the end of the second Plan Year following the Plan Year in which his Separation From Service occurs, the remaining nonvested portion of his Account balance will be immediately forfeited upon the distribution.

(b) If a Participant or former Participant neither receives nor is deemed to receive a distribution as a result of his Separation From Service, the nonvested portion of his Account balance will be permanently forfeited (with no right of reinstatement under Section 9.02) on the later of the date of his Separation From Service or the date on which he has incurred a Period of Severance of five consecutive years.

9.02 RESTORATION OF FORFEITED AMOUNTS. If a Participant or former Participant who forfeited any portion of his Account balance pursuant to the provisions of Section 8.01 subsequently performs an Hour of Service, then the following provisions shall apply:

(a) Repayment Requirement. The Participant's Account balance (unadjusted for gains or losses subsequent to the forfeiture) shall be restored if he repays to the Trustee the full amount of any distribution with respect to which the forfeiture arose prior to the earlier of (1) the date on which he incurs a Period of Severance of five years commencing after his distribution, or (2) the fifth anniversary of the first date on which the Participant subsequently performs his first Hour of Service after his Separation From Service. A Participant who is deemed to have received a distribution under Section 5.04 (because he had no Nonforfeitable Interest in his Account balance) will be deemed to have repaid his Account balance upon his reemployment if he is reemployed before the earlier of the dates specified in clauses (1) and (2) in the preceding sentence.

(b) Amount Restored. The amount to be restored under the preceding provisions of this Section 9.02 shall be the dollar value of the Account balance, both the amount distributed and the amount forfeited. The Participant's Account balance shall be restored as soon as administratively practicable after the later of the date the Participant first performs an Hour of Service after his Separation From Service or the date on which any required repayment is completed.

(c) No Other Basis for Restoration. Except as otherwise provided above, a Participant's Account balance shall not be restored after it has been forfeited pursuant to Section 9.01.

9.03 FORFEITURES BY LOST PARTICIPANTS OR BENEFICIARIES. If a person who is entitled to a distribution cannot be located during a reasonable search after the Committee has initially attempted making payment, his Account balance shall be forfeited. However, if at any time prior to the termination of the Plan and the complete distribution of the Trust assets, the missing

former Participant or Beneficiary files a claim with the Committee for the forfeited Account balance, that Account balance shall be reinstated (without adjustment for trust income or losses during the period of forfeiture) effective as of the date of the receipt of the claim.

9.04 TRANSITION RULE FOR DECATUR PLAN PARTICIPANTS. Any Plan forfeitures occurring during or prior to the 1999 Plan Year that are attributable to persons who are or were employed by Nichols Aluminum-Alabama, Inc. will be allocated to the Supplemental Contribution Accounts of Members who are Employees of Nichols Aluminum-Alabama, Inc. in the manner specified in the provisions of the Decatur Plan as in effect immediately prior to January 1, 1999. Any forfeitures that occur during the 2000 Plan Year or subsequent Plan Years will be applied as specified in the other provisions of this Article IX.

ARTICLE X

ACTIVE SERVICE

10.01 GENERAL RULES. For purposes of determining an Employee's eligibility to participate in the Plan and his Nonforfeitable Interest in his Account balance, the Employee shall receive credit for Active Service commencing on the date he first performs an Hour of Service and ending on his Severance From Service Date. If such an Employee Severs Service, he shall recommence earning Active Service when he again performs an Hour of Service. If such an Employee performs an Hour of Service within twelve months after his Severance From Service Date, the intervening Period of Severance shall be counted as Active Service. When determining such an Employee's Active Service, all Periods of Service, whether or not completed consecutively, shall be aggregated on a per-day basis. In aggregating service for purposes of determining such an Employee's Nonforfeitable Interest in amounts credited to his Account, 365 days shall be counted as one year of Active Service. Except to the extent expressly provided otherwise in the Plan, such an Employee shall be granted credit for all Periods of Service with Affiliated Employers (including Periods of Service performed while the Employee is not eligible to participate in the Plan because he does not satisfy the requirements of Section 2.01).

10.02 DISREGARD OF CERTAIN SERVICE. If such an Employee incurs a Separation From Service at a time when he does not have a Nonforfeitable Interest in a portion of his Supplemental Contribution Account balance and his Period of Severance continues for a continuous period of five years or more, the Period of Service completed by the Employee before the Period of Severance shall not be taken into account as Active Service, if his Period of Severance equals or exceeds his Period of Service, whether or not consecutive, completed before the Period of Severance.

10.03 CERTAIN BRIEF ABSENCES COUNTED AS ACTIVE SERVICE. If an Employee performs an Hour of Service within 365 days after he Severs Service, the intervening Period of Severance shall be counted as a Period of Service.

10.04 SPECIAL MATERNITY OR PATERNITY ABSENCE RULES. Except as specified below, the period of time between (a) the first anniversary of the first day of a Maternity or Paternity Absence of such an Employee and (b) the second anniversary of the first day of the absence shall not be counted as a Period of Severance or as Active Service. However, if the Employee returns to active employment with an Affiliated Employer prior to the expiration of twelve months following the earlier of (1) the date of his Separation From Service or (2) the second anniversary of the first day of his Maternity or Paternity Absence, he shall be granted Active Service for the entire period of his Maternity or Paternity Absence.

10.05 EMPLOYMENT RECORDS CONCLUSIVE. The employment records of the Employer shall be conclusive for all determinations of Active Service.

10.06 SERVICE CREDIT REQUIRED BY LAW. An Employee will be granted credit for Active Service for time he is not actively performing services for an Affiliated Employer to the extent required under federal law. An Employee will be granted credit for Active Service for

services performed for a predecessor employer to the extent required by section 414(a) of the Code and Regulations issued thereunder.

10.07 CREDIT FOR SERVICE WITH ALUMI-BRITE CORPORATION. For purposes of determining an Employee's Active Service for eligibility to participate and vesting, his service with Alumi-Brite Corporation, an Illinois corporation, will be counted as Active Service under the Plan.

10.08 CREDIT FOR SERVICE WITH FRUEHAUF TRAILER CORPORATION. For purposes of determining an Employee's Active Service for eligibility to participate and vesting, his service with Fruehauf Trailer Corporation, a Delaware corporation, will be counted as Active Service under the Plan.

10.09 CREDIT FOR SERVICE WITH DECATUR ALUMINUM HOLDINGS CORP. AND ITS SUBSIDIARIES. For purposes of determining an Employee's Active Service for eligibility to participate and for purposes of determining an Employee's Nonforfeitable Interest in amounts credited to his Account, his service with Decatur Aluminum Holdings Corp., a Delaware corporation, and its wholly-owned subsidiaries will be counted as Active Service under the Plan.

10.10 CREDIT FOR SERVICE WITH TEMROC METALS, INC. For purposes of determining an Employee's Active Service for eligibility to participate and for purposes of determining an Employee's Nonforfeitable Interest in amounts credited to his Account, his service with Temroc Metals, Inc., a Minnesota corporation, will be counted as Active Service under the Plan.

10.11 CREDIT FOR SERVICE WITH IMPERIAL PRODUCTS, INC. For purposes of determining an Employee's Active Service for eligibility to participate and for purposes of determining an Employee's Nonforfeitable Interest in amounts credited to his Account, his service with Imperial Products, Inc., a Delaware corporation, will be counted as Active Service under the Plan.

10.12 CREDIT FOR SERVICE WITH ALCOA, INC. AND GOLDEN ALUMINUM COMPANY. For purposes of determining an Employee's Active Service for eligibility to participate and for purposes of determining an Employee's Nonforfeitable Interest in amounts credited to his Account, his service with Alcoa, Inc., a Pennsylvania corporation, and Golden Aluminum Company, while owned by ACX Technologies, Inc. or Crown, Cork & Seal Company, Inc., will be counted as Active Service under the Plan.

10.13 SPECIAL TRANSITIONAL RULES. Any Employee of the Sponsor who was an Employee prior to January 20, 1995, shall have his Active Service for all purposes calculated under the provisions of the Plan in effect before January 20, 1995, if that method of calculating his Active Service is more beneficial for him than the method otherwise set out in this Article X. In addition, any Employee of Nichols Aluminum-Alabama who was a participant in the Decatur Plan shall have his Active Service for all purposes calculated under the provisions of the Decatur Plan in effect before July 1, 1999, if that method of calculating his Active Service is more beneficial for him than the method otherwise set out in this Article X.

ARTICLE XI

INVESTMENT ELECTIONS

11.01 INVESTMENT FUNDS ESTABLISHED. It is contemplated that the assets of the Plan shall be invested in such categories of assets as may be determined from time to time by the Committee and announced and made available on an equal basis to all Participants and former Participants. In accordance with procedures established by the Committee, each Participant and former Participant may designate the percentage of his Account to be invested in each investment fund available under the Plan. Up to one hundred percent of the Trust assets may be invested in Sponsor Stock.

11.02 ELECTION PROCEDURES ESTABLISHED. The Committee shall, from time to time, establish rules to be applied in a nondiscriminatory manner as to all matters relating to the administration of the investment of funds including, but not limited to, the following:

(a) the percentage of a Participant's or former Participant's Account as it exists, from time to time, that may be transferred from one fund to another and the limitations based on amounts, percentages, time, or frequency, if any, on such transfers;

(b) the percentage of a Participant's future contributions, when allocated to his Account, that may be invested in any one or more funds and the limitations based upon amounts, percentages, time, or frequency, if any, on such investments in various funds;

(c) the procedures for making investment elections and changing existing investment elections;

(d) the period of notice required for making investment elections and changing existing investment elections;

(e) the handling of income and change of value in funds when funds are in the process of being transferred between investment funds and to investment funds; and

(f) all other matters necessary to permit the orderly operation of investment funds within the Plan.

When the Committee changes any previous applicable rule, it shall state the effective time of the change and the procedures for complying with any such change. Any change shall remain effective until such date as stated in the change, or if none is stated, then until revoked or changed in a like manner.

ARTICLE XII

ADOPTION OF PLAN BY OTHER EMPLOYERS

12.01 ADOPTION PROCEDURE. Any business organization may, with the approval of the Board, adopt the Plan by:

(a) a certified resolution or consent of the board of directors of the adopting Employer or an executed adoption instrument (approved by the board of directors of the adopting Employer) agreeing to be bound as an Employer by all the terms, conditions and limitations of the Plan except those, if any, specifically described in the adoption instrument; and

(b) providing all information required by the Committee and the Trustee.

12.02 NO JOINT VENTURE IMPLIED. The document which evidences the adoption of the Plan by an Employer shall become a part of the Plan. However, neither the adoption of the Plan and the Trust by an Employer nor any act performed by it in relation to the Plan and the Trust shall ever create a joint venture or partnership relation between it and any other Employer.

12.03 ALL TRUST ASSETS AVAILABLE TO PAY ALL BENEFITS. The Accounts of Participants employed by the Employers that adopt the Plan shall be commingled for investment purposes. All assets in the Trust shall be available to pay benefits to all Participants employed by any Employer.

12.04 QUALIFICATION A CONDITION PRECEDENT TO ADOPTION AND CONTINUED PARTICIPATION. The adoption of the Plan and the Trust by a business organization is contingent upon and subject to the express condition precedent that the initial adoption meets all statutory and regulatory requirements for qualification of the Plan and the exemption of the Trust that are applicable to it and that the Plan and Trust continue in operation to maintain their qualified and exempt status. In the event the adoption fails to initially qualify, the adoption shall fail retroactively for failure to meet the condition precedent and the portion of the Trust assets applicable to the adoption shall be immediately returned to the adopting business organization and the adoption shall be void ab initio. In the event the adoption as to a given business organization later becomes disqualified and loses its exemption for any reason, the adoption shall fail retroactively for failure to meet the condition precedent and the portion of the Trust assets allocable to the adoption by that business organization shall be immediately spun off, retroactively as of the last date for which the Plan qualified, to a separate trust for its sole benefit and an identical but separate Plan shall be created, retroactively effective as of the last date the Plan as adopted by that business organization qualified, for the benefit of the Participants covered by that adoption.

ARTICLE XIII

AMENDMENT AND TERMINATION

13.01 RIGHT TO AMEND AND LIMITATIONS THEREON. The Sponsor has the sole right to amend the Plan. An amendment may be made by a certified resolution or consent of the Board, or by an instrument in writing executed by the appropriate officer of the Sponsor. The amendment must describe the nature of the amendment and its effective date. No amendment shall:

(a) vest in an Employer any interest in the Trust;

(b) cause or permit the Trust assets to be diverted to any purpose other than the exclusive benefit of the present, former or future Participants and their Beneficiaries except under the circumstances described in Section 3.13;

(c) decrease the Account of any Participant or former Participant, or eliminate an optional form of payment in violation of section 411(d)(6) of the Code; or

(d) change the vesting schedule to one which would result in a Participant's or former Participant's Nonforfeitable Interest in his Account balance (determined as of the later of the date of the adoption of the amendment or of the effective date of the amendment) of any Participant or former Participant being less than his Nonforfeitable Interest computed under the Plan without regard to the amendment. If the Plan's vesting schedule is amended or if the Plan is deemed amended by an automatic change to or from a top-heavy vesting schedule, each Participant or former Participant who has at least three years of Active Service as of the date of the amendment or change shall have his nonforfeitable percentage computed under the Plan without regard to the amendment or the change if that results in a higher Nonforfeitable Interest in his Account balance.

Each Employer shall be deemed to have adopted any amendment made by the Sponsor unless the Employer notifies the Committee of its rejection in writing within 30 days after it receives a copy of the amendment. A rejection shall constitute a withdrawal from the Plan by that Employer unless the Sponsor acquiesces in the rejection.

13.02 MANDATORY AMENDMENTS. The Contributions of each Employer to the Plan are intended to be:

(a) deductible under the applicable provisions of the Code;

(b) except as otherwise prescribed by applicable law, exempt from the Federal Social Security Act;

(c) except as otherwise prescribed by applicable law, exempt from with- holding under the Code; and

(d) excludable from any Employee's regular rate of pay, as that term is defined under the Fair Labor Standards Act of 1938, as amended.

The Sponsor shall make any amendment necessary to carry out this intention, and it may be made retroactively.

13.03 WITHDRAWAL OF EMPLOYER. An Employer may withdraw from the Plan and the Trust if the Sponsor does not acquiesce in its rejection of an amendment or by giving written notice of its intent to withdraw to the Committee. The Committee shall then determine the portion of the Trust assets that is attributable to the Participants employed by the withdrawing Employer and shall notify the Trustee to segregate and transfer those assets to the successor trustee when it receives a designation of the successor from the withdrawing Employer.

A withdrawal shall not terminate the Plan and the Trust with respect to the withdrawing Employer, if the Employer either appoints a successor trustee and reaffirms the Plan and the Trust as its new and separate plan and trust intended to qualify under section 401(a) of the Code, or establishes another plan and trust intended to qualify under section 401(a) of the Code.

The determination of the Committee, in its sole discretion, of the portion of the Trust assets that is attributable to the Participants employed by the withdrawing Employer shall be final and binding upon all parties; and, the Trustee's transfer of those assets to the designated successor Trustee shall relieve the Trustee of any further obligation, liability or duty to the withdrawing Employer, the Participants employed by that Employer and their Beneficiaries, and the successor trustee.

13.04 TERMINATION OF PLAN. The Sponsor may terminate the Plan and the Trust with respect to all Employers by executing and delivering to the Committee and the Trustee, a notice of termination, specifying the date of termination.

13.05 PARTIAL OR COMPLETE TERMINATION OR COMPLETE DISCONTINUANCE OF CONTRIBUTIONS. Without regard to any other provision of the Plan, if there is a partial or total termination of the Plan or there is a complete discontinuance of the Employer's Contributions, each of the affected Participants shall immediately have a fully Nonforfeitable Interest in his Account as of the end of the last Plan Year for which a substantial Employer Contribution was made and in any amounts later allocated to his Account. If the Employer then resumes making substantial Contributions at any time, the appropriate vesting schedule shall again apply to all amounts allocated to each affected Participant's Account beginning with the Plan Year for which they were resumed.

ARTICLE XIV

MISCELLANEOUS

14.01 PLAN NOT AN EMPLOYMENT CONTRACT. The maintenance of the Plan and the Trust is not a contract between any Employer and its Employees which gives any Employee the right to be retained in its employment. Likewise, it is not intended to interfere with the rights of any Employer to discharge any Employee at any time or to interfere with the Employee's right to terminate his employment at any time.

14.02 BENEFITS PROVIDED SOLELY FROM TRUST. All benefits payable under the Plan shall be paid or provided for solely from the Trust. No Employer assumes any liability or responsibility to pay any benefit provided by the Plan.

14.03 ASSIGNMENTS PROHIBITED. No principal or income payable or to become payable from the Trust Fund shall be subject to anticipation or assignment by a Participant, former Participant or Beneficiary to attachment by, interference with, or control of any creditor of a Participant, former Participant or Beneficiary; or to being taken or reached by any legal or equitable process in satisfaction of any debt or liability of a Participant, former Participant, or Beneficiary prior to its actual receipt by the Participant, former Participant or Beneficiary. Any attempted conveyance, transfer, assignment, mortgage, pledge, or encumbrance of any Trust assets, any part of it, or any interest in it by a Participant, former Participant or Beneficiary prior to distribution shall be void, whether that conveyance, transfer, assignment, mortgage, pledge, or encumbrance is intended to take place or become effective before or after any distribution of Trust assets or the termination of the Trust itself. The Trustee shall never under any circumstances be required to recognize any conveyance, transfer, assignment, mortgage, pledge or encumbrance by a Participant , former Participant, or Beneficiary of the Trust, any part of it, or any interest in it, or to pay any money or thing of value to any creditor or assignee of a Participant, former Participant or Beneficiary for any cause whatsoever. These prohibitions against the alienation of a Participant's Account shall not apply to a Qualified Domestic Relations Order or to a voluntary revocable assignment of benefits not in excess of ten percent of the amount of any payment from the Plan if such assignment complies with Regulations issued under section 401(a)(13) of the Code. Further, effective for judgments, orders and decrees issued, and settlement agreements entered into, on or after August 5, 1997, these prohibitions shall not apply to any offset of a Participant's or former Participant's benefits provided under a Plan against an amount that the Participant or former Participant is ordered or required to pay to the Plan if--(a) the order or requirement to pay arises--(1) under a judgment of conviction for a crime involving the Plan, (2) under a civil judgment (including a consent order or decree) entered by a court in an action brought in connection with an alleged violation of part 4 of subtitle B of title I of ERISA, or (3) pursuant to a settlement agreement between the Secretary of Labor and the Participant or former Participant in connection with a violation (or alleged violation) of part 4 of subtitle B of ERISA by a fiduciary or any other person, and (b) the judgment, order, decree, or settlement agreement expressly provides for the offset of all or part of the amount ordered or required to be paid to the Plan against the Participant's or former Participant's benefits provided under the Plan.

14.04 REQUIREMENTS UPON MERGER OR CONSOLIDATION OF PLANS. The Plan shall not merge or consolidate with or transfer any assets or liabilities to any other plan unless each Participant would receive a benefit immediately after the merger, consolidation, or transfer which is equal to or greater than the benefit he would have been entitled to receive immediately before the merger, consolidation, or transfer (if the Plan had then terminated).

14.05 GENDER OF WORDS USED. If the context requires it, words of one gender when used in the Plan shall include the other gender, and words used in the singular or plural shall include the other.

14.06 SEVERABILITY. Each provision of this Agreement may be severed. If any provision is determined to be invalid or unenforceable, that determination shall not affect the validity or enforceability of any other provision.

14.07 REEMPLOYED VETERANS. Effective January 12, 1994, the requirements of the Uniformed Services Employment and Reemployment Rights Act of 1994 will be complied with in the operation of the Plan in the manner permitted under section 414(u) of the Code.

14.08 LIMITATIONS ON LEGAL ACTIONS. No person may bring an action pertaining to the Plan or Trust until he has exhausted his administrative claims and appeal remedies identified in section 5.16. Further, no person may bring an action pertaining to a claim for benefits under the Plan or the Trust following 180 days after the Committee's final denial of his claim for benefits.

14.09 TRANSITION RULE RELATING TO MERGERS OF DECATUR PLAN AND TEMROC PLAN INTO THE PLAN. The provisions of the Decatur Plan and the Temroc Plan relating to eligibility to participate, service credit for vesting purposes (solely in the case of persons who were participants in the Decatur Plan), allocations of contributions, distributions and loans that were in effect prior to the mergers of such plans into the Plan shall remain in effect until the effective dates of the mergers. However, as the Decatur Plan and the Temroc Plan are amended, restated and continued in the form of the Plan, to the extent required by law, the provisions of the Plan, as amended and restated in the form of the Agreement shall apply to the Decatur Plan and the Temroc Plan, as merged into the Plan, on a retroactive basis.

14.10 GOVERNING LAW. The provisions of the Plan shall be construed, administered, and governed under the laws of the United States unless the specific matter in question is governed by state law in which event the laws of the State of Texas shall apply.

IN WITNESS WHEREOF, Quanex Corporation has caused this Agreement to be executed this 27th day of February, 2002, in multiple counterparts, each of which shall be deemed to be an original, to be effective the 1st day of January, 1998, except for those provisions which have an earlier effective date provided by law, or as otherwise provided under applicable provisions of the Plan.

QUANEX CORPORATION

By /s/ Viren M. Parikh

Title: Controller

APPENDIX A

LIMITATIONS ON CONTRIBUTIONS AND ALLOCATIONS

PART A.1 DEFINITIONS

DEFINITIONS. As used herein the following words and phrases have the meaning attributed to them below:

A.1.1 "ACTUAL CONTRIBUTION RATIO" shall mean the ratio of Section 401(m) Contributions actually paid into the Trust on behalf of an Employee for a Plan Year to the Employee's Annual Compensation for the same Plan Year. For this purpose, Annual Compensation for any portion of the Plan Year in which the Employee was not an eligible Employee (as defined in Section A.2.4) will not be taken into account.

A.1.2 "ACTUAL DEFERRAL PERCENTAGE" means, for a specified group of Employees for a Plan Year, the average of the ratios (calculated separately for each Employee in the group) of the amount of Section 401(k) Contributions actually paid into the Trust on behalf of the Employee for the Plan Year to the Employee's Annual Compensation for the Plan Year.

A.1.3 "ACTUAL DEFERRAL RATIO" means the ratio of Section 401(k) Contributions actually paid into the Trust on behalf of an Employee for a Plan Year to the Employee's Annual Compensation for the same Plan Year. For this purpose, Annual Compensation for any portion of the Plan Year in which the Employee was not an eligible Employee (as defined in Section A.2.3) will not be taken into account.

A.1.4 "ANNUAL ADDITIONS" means the sum of the following amounts credited on behalf of a Participant for the Limitation Year: (a) Employer contributions excluding Catch-up Salary Deferral Contributions and including Salary Deferral Contributions, (b) Employee after-tax contributions, and (c) forfeitures. For this purpose, Employee contributions are determined without regard to any rollover contributions (as defined in sections 402(c), 403(a)(4), 403(b)(8), 408(d)(3) and 457(e)(16) of the Code without regard to employee contributions to a simplified employee pension which are excludable from gross income under section 408(k)(6) of the Code). Excess 401(k) Contributions for a Plan Year are treated as Annual Additions for that Plan Year even if they are corrected through distribution. Excess Deferrals that are timely distributed as set forth in Section A.3.1 will not be treated as Annual Additions.

A.1.5 "CONTRIBUTION PERCENTAGE" shall mean, for a specified group of Employees for a Plan Year, the average of the ratios (calculated separately for each Employee in the group) of the amount of Section 401(m) Contributions actually paid into the Trust on behalf of the Employee for the Plan Year to the Employee's Annual Compensation for the Plan Year.

A.1.6 "EXCESS AGGREGATE 401(m) CONTRIBUTIONS" means, with respect to any Plan Year, the excess of (a) the aggregate amount of Section 401(m) Contributions actually paid into the Trust on behalf of Highly Compensated Employees for the Plan Year over (b) the maximum amount of those contributions permitted under the limitations set out in the first sentence of Section A.2.4.

A.1.7 "EXCESS AMOUNT" shall mean the excess of the Annual Additions credited to the Participant's Account for the Limitation Year over the Maximum Permissible Amount.

A.1.8 "EXCESS 401(k) CONTRIBUTIONS" means, with respect to any Plan Year, the excess of (a) the aggregate amount of Section 401(k) Contributions actually paid to the Trustee on behalf of Highly Compensated Employees for the Plan Year over (b) the maximum amount of those contributions permitted under the limitations set out in the first sentence of Section A.2.3.A or Section A.2.3.B as applicable.

A.1.9 "LIMITATION YEAR" shall mean the Plan Year. All qualified plans maintained by any Affiliated Employer must use the same Limitation Year. If the Limitation Year is amended to a different 12-consecutive

month period, the new Limitation Year must begin on a date within the Limitation Year in which the amendment is made.

A.1.10 "MAXIMUM PERMISSIBLE AMOUNT" means, for Limitation Years that commence prior to January 1, 2002, the lesser of (1) $30,000.00 as adjusted by the Secretary of Treasury for increases in the cost of living, or (2) 25 percent of the Participant's Annual Compensation for the Limitation Year. "Maximum Permissible Amount" means, for Limitation Years that commence on or after January 1, 2001, the lesser of (1) $40,000.00 as adjusted by the Secretary of Treasury for increases in the cost of living or (2) 100 percent of the Participant's Annual Compensation for the Limitation Year. The Annual Compensation limitation referred to in clauses (2) of the immediately preceding sentences shall not apply to any contribution for medical benefits (within the meaning of section 401(h) or section 419A(f)(2) of the Code) that is otherwise treated as an Annual Addition under section 415(l)(1) or section 419A(d)(2) of the Code. If a short Limitation Year is created because of an amendment changing the Limitation Year to a different 12-consecutive month period, the Maximum Permissible Amount shall not exceed the dollar limitation in effect under section 415(c)(1)(A) of the Code multiplied by a fraction, the numerator of which is the number of months in the short Limitation Year, and the denominator of which is 12.

A.1.11 "SECTION 401(k) CONTRIBUTIONS" means the sum of Salary Deferral Contributions made on behalf of the Participant during the Plan Year, and QNECs that the Employer elects to have treated as section 401(k) Contributions pursuant to section 401(k)(3)(d)(ii) of the Code.

A.1.12 "SECTION 401(m) CONTRIBUTIONS" shall mean the Matching Contributions made on behalf of the Participant during the Plan Year and other amounts that the Employer elects to have treated as Section 401(m) Contributions pursuant to section 401(m)(3)(B) of the Code. However, effective for Plan Years that commence prior to January 1, 2002, Matching Contributions and Salary Deferral Contributions that the Employer could otherwise elect to have treated as Section 401(m) Contributions are not Section 401(m) Contributions to the extent that they are used to enable the Plan to satisfy the minimum contribution requirements of section 416 of the Code.

PART A.2 LIMITATIONS ON CONTRIBUTIONS

A.2.1 LIMITATIONS BASED UPON DEDUCTIBILITY AND THE MAXIMUM ALLOCATION PERMITTED TO A PARTICIPANT'S ACCOUNT. Notwithstanding any other provision of the Plan, no Employer shall make any contribution that would be a nondeductible contribution within the meaning of section 4972 of the Code or that would cause the limitation on allocations to each Participant's Account under section 415 of the Code and Section A.4.1 to be exceeded.

A.2.2 DOLLAR LIMITATION UPON SALARY DEFERRAL CONTRIBUTIONS. The maximum Salary Deferral Contribution that a Participant may elect to have made on his behalf during the Participant's taxable year may not, when added to the amounts deferred under other plans or arrangements described in sections 401(k), 408(k) and 403(b) of the Code, exceed $7,000 (as adjusted by the Secretary of Treasury). For purposes of applying the requirements of Section A.2.3, Excess Deferrals shall not be disregarded merely because they are Excess Deferrals or because they are distributed in accordance with this Section. However, Excess Deferrals made to the Plan on behalf of Non-Highly Compensated Employees are not to be taken into account under Section A.2.3.

A.2.3.A. LIMITATION BASED UPON ACTUAL DEFERRAL PERCENTAGE FOR EMPLOYEES OTHER THAN CERTAIN PERSONS WORKING IN LINCOLNSHIRE, ILLINOIS. The following rules of this Section A.2.3.A are applicable for Employees other than Employees who are working in Lincolnshire, Illinois and are included in a unit of employees covered by a collective bargaining agreement between the Sponsor and the employees' representative. Effective for Plan Years commencing on or after January 1, 1997, the Actual Deferral Percentage for eligible Highly Compensated Employees for any Plan Year must bear a relationship to the Actual Deferral Percentage for all other eligible Employees for (1) the preceding Plan Year in the case of testing for the 1997 Plan Year and Plan Years commencing on or after January 1, 2001, or (2) the current Plan Year in the case of testing for Plan Years commencing prior to January 1, 2001, other than the 1997 Plan Year, which meets either of the following tests:

(a) the Actual Deferral Percentage of the eligible Highly Compensated Employees is not more than the Actual Deferral Percentage of all other eligible Employees multiplied by 1.25; or

(b) the excess of the Actual Deferral Percentage of the eligible Highly Compensated Employees over that of all other eligible Employees is not more than two percentage points, and the Actual Deferral Percentage of the eligible Highly Compensated Employees is not more than the Actual Deferral Percentage of all other eligible Employees multiplied by two.

For purposes of this test an eligible Employee is an Employee who is directly or indirectly eligible to make Salary Deferral Contributions for all or part of the Plan Year. A person who is suspended from making Salary Deferral Contributions because he has made a withdrawal is an eligible Employee. If no Salary Deferral Contributions are made for an eligible Employee, the Actual Deferral Ratio that shall be included for him in determining the Actual Deferral Percentage is zero. If the Plan and any other plan or plans which include cash or deferred arrangements are considered as one plan for purposes of section 401(a)(4) or 410(b) of the Code, the cash or deferred arrangements included in the Plan and the other plans shall be treated as one plan for purposes of this Section. If any Participant who is a Highly Compensated Employee is a participant in any other cash or deferred arrangements of the Employer, when determining the deferral percentage of such Participant, all such cash or deferred arrangements are treated as one plan for these dates.

Notwithstanding the foregoing, effective for Plan Years commencing on or after January 1, 1998, an individual who is not a Highly Compensated Employee and who has not satisfied the minimum age and service requirements of section 410(a)(1)(A) of the Code will not be treated as an eligible Employee for purposes of this Section A.2.3.A if the Sponsor elects to apply section 410(b)(4)(3) of the Code in determining whether the Plan meets the requirements of section 401(k)(3) of the Code.

A Salary Deferral Contribution will be taken into account under the Actual Deferral Percentage test of section 401(k) of the Code and this Section for a Plan Year only if it relates to Considered Compensation that either would have been received by the Employee in the Plan Year (but for the deferral election) or is attributable to services performed by the Employee in the Plan Year and would have been received by the Employee within 2 1/2 months after the close of the Plan Year (but for the deferral election). In addition, a Section 401(k) Contribution will be taken into account under the Actual Deferral Percentage test of section 401(k) of the Code and this Section for a Plan Year only if it is allocated to an Employee as of a date within that Plan Year. For this purpose a Section 401(k) Contribution is considered allocated as of a date within a Plan Year if the allocation is not contingent on participation or performance of services after such date and the Section 401(k) Contribution is actually paid to the Trust no later than 12 months after the Plan Year to which the Section 401(k) Contribution relates.

Failure to correct Excess 401(k) Contributions by the close of the Plan Year following the Plan Year for which they were made will cause the Plan's cash or deferred arrangement to be disqualified for the Plan Year for which the Excess 401(k) Contributions were made and for all subsequent years during which they remain in the Trust. Also, the Employer will be liable for a ten percent excise tax on the amount of Excess 401(k) Contributions unless they are corrected within 2 1/2 months after the close of the Plan Year for which they were made.

For the Plan Year that commences on January 1, 2001, the Actual Deferral Percentage of persons who are not Highly Compensated Employees will be determined by taking into account only (1) Salary Deferral Contributions for such persons that were taken into account for purposes of the actual deferral percentage test set forth in section 401(k) of the Code and this Section A.2.3.A for the Plan Year that commenced on January 1, 2000 and (2) QNECS that were allocated to the Accounts of such persons for the Plan Year that commenced on January 1, 2000 but that were not used to satisfy the actual deferral percentage test set forth in section 401(k) of the Code and this Section A.2.3.A or the actual contribution percentage test set forth in section 401(m) of the Code and Section A.2.4 for the Plan Year that commenced on January 1, 2000.

A.2.3.B. LIMITATION BASED UPON ACTUAL DEFERRAL PERCENTAGE FOR CERTAIN EMPLOYEES WORKING IN LINCOLNSHIRE, ILLINOIS. The following rules of this Section A.2.3.B are applicable for Employees other than Employees who are working in Lincolnshire, Illinois and are included in a unit of employees covered by a collective bargaining agreement between the Sponsor and the employees' representative. Effective for Plan Years

commencing on or after January 1, 1997, the Actual Deferral Percentage for eligible Highly Compensated Employees for any Plan Year must bear a relationship to the Actual Deferral Percentage for all other eligible Employees for the preceding Plan Year, which meets either of the following tests:

(c) the Actual Deferral Percentage of the eligible Highly Compensated Employees is not more than the Actual Deferral Percentage of all other eligible Employees multiplied by 1.25; or

(d) the excess of the Actual Deferral Percentage of the eligible Highly Compensated Employees over that of all other eligible Employees is not more than two percentage points, and the Actual Deferral Percentage of the eligible Highly Compensated Employees is not more than the Actual Deferral Percentage of all other eligible Employees multiplied by two.

For purposes of this test an eligible Employee is an Employee who is directly or indirectly eligible to make Salary Deferral Contributions for all or part of the Plan Year. A person who is suspended from making Salary Deferral Contributions because he has made a withdrawal is an eligible Employee. If no Salary Deferral Contributions are made for an eligible Employee, the Actual Deferral Ratio that shall be included for him in determining the Actual Deferral Percentage is zero. If the Plan and any other plan or plans which include cash or deferred arrangements are considered as one plan for purposes of section 401(a)(4) or 410(b) of the Code, the cash or deferred arrangements included in the Plan and the other plans shall be treated as one plan for purposes of this Section. If any Participant who is a Highly Compensated Employee is a participant in any other cash or deferred arrangements of the Employer, when determining the deferral percentage of such Participant, all such cash or deferred arrangements are treated as one plan for these dates.

Notwithstanding the foregoing, effective for Plan Years commencing on or after January 1, 1998, an individual who is not a Highly Compensated Employee and who has not satisfied the minimum age and service requirements of section 410(a)(1)(A) of the Code will not be treated as an eligible Employee for purposes of this Section A.2.3.B if the Sponsor elects to apply section 410(b)(4)(3) of the Code in determining whether the Plan meets the requirements of section 401(k)(3) of the Code.

A Salary Deferral Contribution will be taken into account under the Actual Deferral Percentage test of section 401(k) of the Code and this Section for a Plan Year only if it relates to Considered Compensation that either would have been received by the Employee in the Plan Year (but for the deferral election) or is attributable to services performed by the Employee in the Plan Year and would have been received by the Employee within 2 1/2 months after the close of the Plan Year (but for the deferral election). In addition, a Section 401(k) Contribution will be taken into account under the Actual Deferral Percentage test of section 401(k) of the Code and this Section for a Plan Year only if it is allocated to an Employee as of a date within that Plan Year. For this purpose a Section 401(k) Contribution is considered allocated as of a date within a Plan Year if the allocation is not contingent on participation or performance of services after such date and the Section 401(k) Contribution is actually paid to the Trust no later than 12 months after the Plan Year to which the Section 401(k) Contribution relates.

Failure to correct Excess 401(k) Contributions by the close of the Plan Year following the Plan Year for which they were made will cause the Plan's cash or deferred arrangement to be disqualified for the Plan Year for which the Excess 401(k) Contributions were made and for all subsequent years during which they remain in the Trust. Also, the Employer will be liable for a ten percent excise tax on the amount of Excess 401(k) Contributions unless they are corrected within 2 1/2 months after the close of the Plan Year for which they were made.

For the Plan Year that commences on January 1, 1997, the Actual Deferral Percentage of persons who are not Highly Compensated Employees will be determined by taking into account only (1) Salary Deferral Contributions for such persons that were taken into account for purposes of the actual deferral percentage test set forth in section 401(k) of the Code and this Section A.2.3.A for the Plan Year that commenced on January 1, 1996 and (2) QNECS that were allocated to the Accounts of such persons for the Plan Year that commenced on January 1, 1996 but that were not used to satisfy the actual deferral percentage test set forth in section 401(k) of the Code and this Section A.2.3.B.

A.2.4 LIMITATION BASED UPON CONTRIBUTION PERCENTAGE. The following rules are applicable for Employees other than Employees who are working in Lincolnshire, Illinois and are included in a unit of employees covered by a collective bargaining agreement between the Sponsor and the employees' representative. Effective for Plan Years commencing on or after January 1, 1997, the Contribution Percentage for eligible Highly Compensated Employees for any Plan Year must bear a relationship to the Actual Contribution Percentage for all other eligible Employees for (1) the preceding Plan Year in the case of testing for Plan Years commencing on or after January 1, 2001, or (2) the current Plan Year in the case of testing for Plan Years commencing prior to January 1, 2001, which meets either of the following tests:

(e) the Contribution Percentage for all other eligible Employees multiplied by 1.25; or

(f) the lesser of the Contribution Percentage for all other eligible Employees multiplied by two, or the Contribution Percentage for all other eligible Employees plus two percentage points.

For purposes of this test an eligible Employee is an Employee who is directly or indirectly eligible to receive an allocation of Matching Contributions for all or part of the Plan Year. Except as provided below, an Employee who would be eligible to receive an allocation of Matching Contributions but for his election not to participate is an eligible Employee. An Employee who would be eligible to receive an allocation of Matching Contributions but for the limitations on his Annual Additions imposed by section 415 of the Code is an eligible Employee.

Notwithstanding the foregoing, effective for Plan Years commencing on or after January 1, 1998, an individual who is not a Highly Compensated Employee and who has not satisfied the minimum age and service requirements of section 410(a)(1)(A) of the Code will not be treated as an eligible Employee for purposes of this Section A.2.4 if the Sponsor elects to apply section 410(b)(4)(B) of the Code in determining whether the Plan meets the requirements of section 401(m)(2) of the Code.

If no Section 401(m) Contributions are made on behalf of an eligible Employee the Actual Contribution Ratio that shall be included for him in determining the Contribution Percentage is zero. If the Plan and any other plan or plans to which Section 401(m) Contributions are made are considered as one plan for purposes of section 401(a)(4) or 410(b) of the Code, the Plan and those plans are to be treated as one. The Actual Contribution Ratio of a Highly Compensated Employee who is eligible to participate in more than one plan of an Affiliated employer to which employee or matching contributions are made is calculated by treating all the plans in which the Employee is eligible to participate as one plan. However, plans that are not permitted to be aggregated under Regulation section 1.410(m)-1(b)(3)(ii) are not aggregated for this purpose.

A Matching Contribution will be taken into account under this Section for a Plan Year only if (1) it is allocated to the Employee's Account as of a date within the Plan Year, (2) it is paid to the Trust no later than the end of the 12-month period beginning after the close of the Plan Year, and (3) it is made on behalf of an Employee on account of his Salary Deferral Contributions for the Plan Year.

At the election of the Employer, a Participant's Salary Deferral Contributions, and QNECs made on behalf of the Participant during the Plan Year shall be treated as Section 401(m) Contributions that are Matching Contributions provided that the conditions set forth in Regulation section 1.401(m)-1(b)(5) are satisfied. Salary Deferral Contributions may not be treated as Matching Contributions for purposes of the contribution percentage test set forth in this Section unless such contributions, including those taken into account for purposes of the test set forth in this Section, satisfy the actual deferral percentage test set forth in Section A.2.3. Moreover, Salary Deferral Contributions and QNECs may not be taken into account for purposes of the test set forth in this Section to the extent that such contributions are taken into account in determining whether any other contributions satisfy the actual deferral percentage test set forth in Section A.2.3. Finally, Salary Deferral Contributions and QNECs may be taken into account for purposes of the test set forth in this Section only if they are allocated to the Employee's Account as of a date within the Plan Year being tested within the meaning of Regulation section 1.401(k)-1(b)(4).

Failure to correct Excess Aggregate 401(m) Contributions by the close of the Plan Year following the Plan Year for which they were made will cause the Plan to fail to be qualified for the Plan Year for which the Excess

Aggregate 401(m) Contributions were made and for all subsequent years during which they remain in the Trust. Also, the Employer will be liable for a ten percent excise tax on the amount of Excess Aggregate 401(m) Contributions unless they are corrected within 2 1/2 months after the close of the Plan Year for which they were made.

For the Plan Year that commences on January 1, 2001, the Contribution Percentage of persons who are not Highly Compensated Employees will be determined by taking into account only Matching Contributions made on behalf of such persons that were taken into account for purposes of the actual contribution percentage test set forth in section 401(m) of the Code and this Section A.2.4 for the Plan Year that commenced on January 1, 2000 and QNECS that were allocated to the Accounts of such persons for the Plan Year that commenced on January 1, 2000 but that were not used to satisfy the actual deferral percentage test set forth in section 401(k) of the Code and Section A.2.3 or the actual contribution percentage that set forth in section 401(m) of the Code and this Section A.2.4 for the Plan Year that commenced on January 1, 2000.

A.2.5 ADDITIONAL TEST IN THE EVENT OF MULTIPLE USE OF THE ALTERNATIVE LIMITATION. Effective for Plan Years that commence prior to January 1, 2002, if the second alternative permitted in Sections A.2.3 and A.2.4 is used for both the actual deferral percentage test and the contribution percentage test the following additional limitation on Salary Deferral Contributions shall apply. The Actual Deferral Percentage plus the Contribution Percentage of the eligible Highly Compensated Employees cannot exceed the greater of (a) or (b), where

(g) is the sum of:

(i) 1.25 times the greater of the Actual Deferral Percentage or the Contribution Percentage of the eligible Non-Highly Compensated Employees for the preceding Plan Year, and

(ii) the lesser of (x) two percentage points plus the lesser of the Actual Deferral Percentage or the Contribution Percentage of the eligible Non-Highly Compensated Employees for the preceding Plan Year or (y) two times the lesser of the Actual Deferral Percentage or the Contribution Percentage of the group of eligible Non-Highly Compensated Employees for the preceding Plan Year; and

(h) is the sum of:

(i) 1.25 times the lesser of the Actual Deferral Percentage or the Contribution Percentage of the eligible Non-Highly Compensated Employees for the preceding Plan Year, and

(ii) the lesser of (x) two percentage points plus the greater of the Actual Deferral Percentage or the Contribution Percentage of the eligible Non-Highly Compensated Employees for the preceding Plan Year or (y) two times the greater of the Actual Deferral Percentage or the Contribution Percentage of the group of eligible Non-Highly Compensated Employees for the preceding Plan Year.

Notwithstanding the foregoing, the references in this Section A.2.5 to "the preceding Plan Year" shall be deemed to be references to "the current Plan Year" in the case of testing for Plan Years commencing prior to January 1, 2001.

PART A.3 CORRECTION PROCEDURES FOR ERRONEOUS CONTRIBUTIONS

A.3.1 EXCESS DEFERRAL FAIL SAFE PROVISION. As soon as practical after the close of each Plan Year, the Committee shall determine if there would be any Excess Deferrals. If there would be an Excess Deferral by a Participant, the Excess Deferral as adjusted by any earnings or losses, will be distributed to the Participant no later than April 15 following the Participant's taxable year in which the Excess Deferral was made. The income allocable to the Excess Deferrals for the taxable year of the Participant shall be determined by multiplying the income for the taxable year of the Participant allocable to Salary Deferral Contributions by a fraction. The numerator of the fraction is the amount of the Excess Deferrals made on behalf of the Participant for the taxable year. The

denominator of the fraction is the Participant's total Salary Deferral Account balance as of the beginning of the taxable year plus the Participant's Salary Deferral Contributions for the taxable year.

A.3.2 ACTUAL DEFERRAL PERCENTAGE FAIL SAFE PROVISION. As soon as practicable after the close of each Plan Year, the Committee shall determine whether the Actual Deferral Percentage for the Highly Compensated Employees would exceed the limitation set forth in Section A.2.3. If the limitation would be exceeded for a Plan Year, before the close of the following Plan Year (a) the amount of Excess 401(k) Contributions for that Plan Year (and any income allocable to those contributions as calculated in the specific manner required by Section A.3.5) shall be distributed or (b) the Employer may make a QNEC which it elects to have treated as a Section 401(k) Contribution. However, in the case of testing for any Plan Year that commences on or after January 1, 2001, a QNEC shall not be taken into account for purposes of the test set forth in section 401(k) of the Code and Section A.2.3 for such Plan Year unless it is made and allocated by the close of such Plan Year.

The amount of Excess 401(k) Contributions to be distributed shall be determined in the following manner:

First, the Plan will determine how much the Actual Deferral Ratio of the Highly Compensated Employee with the highest Actual Deferral Ratio would have to be reduced to satisfy the Actual Deferral Percentage Test or cause such Actual Deferral Ratio to equal the Actual Deferral Ratio of the Highly Compensated Employee with the next highest Actual Deferral Ratio. If a lesser reduction would enable the Plan to satisfy the Actual Deferral Percentage Test, only this lesser reduction may be made. Second, this process is repeated until the Actual Deferral Percentage Test is satisfied. The amount of Excess 401(k) Contributions is equal to the sum of these hypothetical reductions multiplied, in each case, by the Highly Compensated Employee's Annual Compensation.

Then, effective for Plan Years that commence on or after January 1, 1997, the total amount of Excess 401(k) Contributions shall be distributed on the basis of the respective amounts attributable to each Highly Compensated Employee. The Highly Compensated Employees subject to the actual distribution are determined using the "dollar leveling method." The Salary Deferral Contributions of the Highly Compensated Employee with the greatest dollar amount of Salary Deferral Contributions and other contributions treated as Section 401(k) Contributions for the Plan Year are reduced by the amount required to cause that Highly Compensated Employee's Salary Deferral Contributions to equal the dollar amount of the Salary Deferral Contributions and other contributions treated as Section 401(k) Contributions for the Plan Year of the Highly Compensated Employee with the next highest dollar amount. This amount is then distributed to the Highly Compensated Employee with the highest dollar amount. However, if a lesser reduction, when added to the total dollar amount already distributed under this Section A.3.2, would equal the total Excess 401(k) Contributions, the lesser reduction amount shall be distributed. This process shall be continued until the amount of the Excess 401(k) Contributions have been distributed.

QNECs will be treated as Section 401(k) Contributions only if: (a) the conditions described in Regulation section 1.401(k)-1(b)(5) are satisfied and (b) they are allocated to Participants' Accounts as of a date within that Plan Year and are actually paid to the Trust no later than the end of the 12-month period immediately following the Plan Year to which the contributions relate. If the Employer makes a QNEC that it elects to have treated as a Section 401(k) Contribution, the Contribution will be in an amount necessary to satisfy the Actual Deferral Percentage test and will be allocated first to those Non-Highly Compensated Employees who had the lowest Actual Deferral Ratio.

Any distributions of the Excess 401(k) Contributions for any Plan Year are to be made to Highly Compensated Employees on the basis of the amount of contributions by, or on behalf of, each Highly Compensated Employee. The amount of Excess 401(k) Contributions to be distributed for any Plan Year must be reduced by any excess Salary Deferral Contributions previously distributed for the taxable year ending in the same Plan Year. To the extent that Excess Section 401(k) Contributions are distributed pursuant to this Section A.3.2, the Matching Contributions made with respect to those Excess Section 401(k) Contributions shall be forfeited.

A.3.3 CONTRIBUTION PERCENTAGE FAIL SAFE PROVISION. If the limitation set forth in Section A.2.4 would be exceeded for any Plan Year any one or more of the following corrective action shall be taken before the close of the following Plan Year as determined by the Committee in its sole discretion: (a) the amount of the Excess

Aggregate 401(m) Contributions for that Plan Year (and any income allocable to those Contributions as calculated in the manner set forth in Section A.3.5) shall be forfeited or (b) the Employer may make a QNEC which it elects to have treated as a Section 401(m) Contribution. However, in the case of testing for any Plan Year that commences on or after January 1, 2001, a QNEC shall not be taken into account for purposes of the test set forth in section 401(m) of the Code and Section A.2.4 for such Plan Year unless it is made and allocated by the close of such Plan Year.

The amount of Excess Aggregate 401(m) Contributions to be distributed shall be determined in the following manner:

First, the Plan will determine how much the Actual Contribution Ratio of the Highly Compensated Employee with the highest Actual Contribution Ratio would have to be reduced to satisfy the Actual Contribution Percentage Test or cause such Actual Contribution Ratio to equal the Actual Contribution Ratio of the Highly Compensated Employee with the next highest Actual Contribution Ratio. If a lesser reduction would enable the Plan to satisfy the Actual Contribution Percentage Test, only this lesser reduction may be made. Second, this process is repeated until the Actual Contribution Test is satisfied. The amount of Excess Aggregate 401(m) Contributions is equal to the sum of these hypothetical reductions multiplied, in each case, by the Highly Compensated Employee's Annual Compensation.

Then, effective for the Plan Years that commence on or after January 1, 1997, the total amount of Excess Aggregate 401(m) Contributions shall be forfeited on the basis of the respective amounts attributable to each Highly Compensated Employee. The Highly Compensated Employees subject to the forfeitures are determined using the "dollar leveling method." The Matching Contributions of the Highly Compensated Employee with the greatest dollar amount of Matching Contributions and other contributions treated as matching contributions for the Plan Year are reduced by the amount required to cause that Highly Compensated Employee's Matching Contributions and other contributions treated as Section 401(m) Contributions for the Plan Year to equal the dollar amount of the Matching Contributions and other contributions treated as Section 401(m) Contributions for the Plan Year of the Highly Compensated Employee with the next highest dollar amount. This amount is then forfeited from the Account of the Highly Compensated Employee with the highest dollar amount. However, if a lesser reduction, when added to the total dollar amount already forfeited under this Section A.3.3, would equal the total Excess Aggregate 401(m) Contributions, the lesser reduction amount shall be forfeited. This process shall be continued until the amount of the Excess Aggregate 401(m) Contributions have been forfeited.

A.3.4 ALTERNATIVE LIMITATION FAIL SAFE. As soon as practicable after the close of each Plan Year, the Committee shall determine whether the alternative limitation would be exceeded. If the limitation would be exceeded for any Plan Year, before the close of the following Plan Year the Actual Deferral Percentage or Contribution Percentage of the eligible Highly Compensated Employees, or a combination of both, shall be reduced by distributions made in the manner described in the Regulations. These distributions shall be in addition to and not in lieu of distributions required for Excess 401(k) Contributions and Excess Aggregate 401(m) Contributions.

A.3.5 INCOME ALLOCABLE TO EXCESS 401(k) CONTRIBUTIONS AND EXCESS AGGREGATE 401(m) CONTRIBUTIONS. The income allocable to Excess 401(k) Contributions for the Plan Year shall be determined by multiplying the income for the Plan Year allocable to Section 401(k) Contributions by a fraction. The numerator of the fraction shall be the amount of Excess 401(k) Contributions made on behalf of the Participant for the Plan Year. The denominator of the fraction shall be the Participant's total Account balance attributable to Section 401(k) Contributions as of the beginning of the Plan Year plus the Participant's Section 401(k) Contributions for the Plan Year. The income allocable to Excess Aggregate 401(m) Contributions for a Plan Year shall be determined by multiplying the income for the Plan Year allocable to Section 401(m) Contributions by a fraction. The numerator of the fraction shall be the amount of Excess Aggregate 401(m) Contributions made on behalf of the Participant for the Plan Year. The denominator of the fraction shall be the Participant's total Account balance attributable to Section 401(m) Contributions as of the beginning of the Plan Year plus the Participant's Section 401(m) Contributions for the Plan Year.

PART A.4 LIMITATION ON ALLOCATIONS

A.4.1 BASIC LIMITATION ON ALLOCATIONS. The Annual Additions which may be credited to a Participant's Accounts under the Plan for any Limitation Year will not exceed the Maximum Permissible Amount reduced by the Annual Additions credited to a Participant's Account for the same Limitation Year under any other qualified defined contribution plans maintained by any Affiliated Employer. If the Annual Additions with respect to the Participant under such other qualified defined contribution plans are less than the Maximum Permissible Amount and the Employer Contribution that would otherwise be contributed or allocated to the Participant's Accounts under the Plan would cause the Annual Additions for the Limitation Year to exceed this limitation, the amount contributed or allocated under the Plan will be reduced so that the Annual Additions under all qualified defined contribution plans maintained by any Affiliated Employer for the Limitation Year will equal the Maximum Permissible Amount. If the Annual Additions with respect to the Participant under such other qualified defined contribution plans maintained by any Affiliated Employer in the aggregate are equal to or greater than the Maximum Permissible Amount, no amount will be contributed or allocated to the Participant's Account under the Plan for the Limitation Year. Effective as of January 1, 1987, until January 1, 2000 (the effective date of the repeal of section 415(e) of the Code) a permanent adjustment shall be made to the defined contribution fraction for purposes of applying the limitation of section 415(e) of the Code to the Plan. The adjustment is to permanently subtract from the defined contribution numerator an amount equal to the product of (1) the sum of the defined contribution fraction plus the defined benefit fraction as of the determination date minus one, times (2) the denominator of the defined contribution fraction as of the determination date. For this purpose, the determination date is December 31, 1986. Both fractions in clauses (1) and (2) above are computed in accordance with section 415 of the Code as amended by the Tax Reform Act of 1986 and section 1106(i)(3) of the Tax Reform Act of 1986.

A.4.2 ESTIMATION OF MAXIMUM PERMISSIBLE AMOUNT. Prior to determining the Participant's actual Annual Compensation for the Limitation Year, the Employer may determine the Maximum Permissible Amount on the basis of a reasonable estimation of the Participant's Annual Compensation for such Limitation Year, uniformly determined for all Participants similarly situated. As soon as is administratively feasible after the end of the Limitation Year, the Maximum Permissible Amount for the Limitation Year shall be determined on the basis of the Participant's actual Annual Compensation for such Limitation Year.

A.4.3 ATTRIBUTION OF EXCESS AMOUNTS. If a Participant's Annual Additions under the Plan and all other qualified defined contribution plans maintained by any Affiliated Employer result in an Excess Amount, the total Excess Amount shall be attributed to the Plan.

A.4.4 TREATMENT OF EXCESS AMOUNTS. If an Excess Amount attributed to the Plan is held or contributed as a result of or because of (i) the allocation of forfeitures, (ii) reasonable error in estimating a Participant's Considered Compensation, (iii) reasonable error in calculating the maximum Salary Deferral Contribution that may be made with respect to a Participant under section 415 of the Code or (iv) any other facts and circumstances which the Commissioner of Internal Revenue finds to be justified, the Excess Amount shall be reduced as follows:

(a) First, the Excess Amount shall be reduced to the extent necessary by distributing to the Participant all Salary Deferral Contributions together with their earnings. These distributed amounts are disregarded for purposes of the testing and limitations contained in this Appendix A.

(b) Second, if the Participant is still employed by the Employer at the end of the Limitation Year, then such Excess Amounts shall not be distributed to the Participant, but shall be reallocated to a suspense account and shall be reapplied to reduce future Employer Contributions (including any allocation of forfeitures) under the Plan for such Participant in the next Limitation Year, and for each succeeding Limitation Year, if necessary.

(c) If, after application of paragraph (b) of this Section, an Excess Amount still exists, and the Participant is not still employed by the Employer at the end of the Limitation Year, then such Excess Amounts in the Participant's Accounts shall not be distributed to the Participant, but shall be reallocated to a suspense account and shall be reapplied to reduce future Employer Contributions (including allocation of

any forfeitures), for all remaining Participants in the next Limitation Year and each succeeding Limitation Year if necessary.

(d) If a suspense account is in existence at any time during the Limitation Year pursuant to this Section, it will not participate in the allocation of the Trust Fund's investment gains and losses. If a suspense account is in existence at any time during a particular Limitation Year, all amounts in the suspense account must be allocated and reallocated to Participants' Accounts before any Employer Contribution may be made to the Plan for that Limitation Year. Excess Amounts may not be distributed to Participants or former Participants. If the Plan is terminated while a suspense account described in this Section is in existence, the amount in such suspense account shall revert to the Employer(s) to which it is attributable.

APPENDIX B

TOP-HEAVY REQUIREMENTS

PART B.1 DEFINITIONS

DEFINITIONS. As used herein, the following words and phrases have the meaning attributed to them below:

B.1.1 "AGGREGATE ACCOUNTS" means the total of all account balances.

B.1.2 "AGGREGATION GROUP" means (a) each plan of the Employer or any Affiliated Employer in which a Key Employee is a Participant and (b) each other plan of the Employer or any Affiliated Employer which enables any plan in (a) to meet the requirements of either section 401(a)(4) or 410 of the Code. Any Employer may treat a plan not required to be included in the Aggregation Group as being a part of the group if the group would continue to meet the requirements of section 401(a)(4) and 410 of the Code with that plan being taken into account.

B.1.3 "DETERMINATION DATE" means for a given Plan Year the last day of the preceding Plan Year or in the case of the first Plan Year the last day of that Plan Year.

B.1.4 "KEY EMPLOYEE" means, for Plan Years commencing prior to January 1, 2002, an Employee or former Employee (including a deceased Employee) or Beneficiary of an Employee who at any time during the Plan Year or any of the four preceding Plan Years is (a) an officer of an Employer or any Affiliated Employer having Annual Compensation greater than 50 percent of the annual addition limitation of section 415(b)(1)(A) of the Code for the Plan Year, (b) one of the ten employees having Annual Compensation from an Employer or any Affiliated Employer of greater than 100 percent of the annual addition limitation of section 415(c)(1)(A) of the Code for the Plan Year and owning or considered as owning (within the meaning of section 318 of the Code) the largest interest in an Employer or any Affiliated Employer, treated separately, (c) a Five Percent Owner of an Employer or any Affiliated Employer, treated separately, or (d) a one percent owner of an Employer or any Affiliated Employer, treated separately, having Annual Compensation from an Employer or any Affiliated Employer of more than $150,000.00. For this purpose no more than 50 employees or, if lesser, the greater of three employees or ten percent of the employees shall be treated as officers. Section 416(i) of the Code shall be used to determine percentage of ownership. For the purpose of the test set out in (b) above, if two or more employees have the same interest in an Employer, the employee with the greater Annual Compensation from the Employer shall be treated as having the larger interest.

"Key Employee" means for Plan Years commencing on or after January 1, 2002, an Employee or former Employee (including a deceased Employee) who at any time during the Plan Year is (a) an officer of any Affiliated Employer having Annual Compensation greater than $130,000.00 (as adjusted by the Secretary of Treasury from time to time for increases in the cost of living), (b) a Five Percent Owner of any Affiliated Employer, treated separately, or (c) a One Percent Owner of any Affiliated Employer, treated separately, having Annual Compensation greater than $150,000.00. For this purpose no more than fifty (50) employees or, if lesser, the greater of three (3) employees or ten percent (10%) of the employees shall be treated as officers.

For purposes of determining the number of officers taken into account, the following employees shall be excluded: (1) employees who have not completed six (6) months of Vesting Service, (2) employees who normally work less than seventeen and one-half (17-1/2) hours per week, (3) employees who normally work not more than six (6) months during any year, (4) employees who have not attained the age of twenty-one (21), and (5) except to the extent provided in Regulations, employees who are included in a unit of employees covered by an agreement which the Secretary of Labor finds to be a collective bargaining agreement between employee representatives and an Affiliated Employer. Section 416(i) of the Code shall be used to determine percentage of ownership.

The determination of who is a Key Employee will be made in accordance with section 416(i) of the Code and applicable Regulations.

B.1.5 "NON-KEY EMPLOYEE" means any Employee who is not a Key Employee.

B.1.6 "TOP-HEAVY PLAN" means any plan which has been determined to be top-heavy under the test described in Appendix B of the Plan.

PART B.2 APPLICATION

B.2.1 APPLICATION. The requirements described in this Appendix B shall apply to each Plan Year that the Plan is determined to be a Top-Heavy Plan.

B.2.2 TOP-HEAVY TEST. If on the Determination Date the Aggregate Accounts of Key Employees in the Plan exceed 60 percent of the Aggregate Accounts of all Employees in the Plan, the Plan shall be a Top-Heavy Plan for that Plan Year. In addition, if the Plan is required to be included in an Aggregation Group and that group is a top-heavy group, the Plan shall be treated as a Top-Heavy Plan. An Aggregation Group is a top-heavy group if on the Determination Date the sum of (a) the present value of the cumulative accrued benefits for Key Employees under all defined benefit plans in the Aggregation Group which contains the Plan, plus (b) the total of all of the accounts of Key Employees under all defined contribution plans included in the Aggregation Group (which contains the Plan) is more than 60 percent of a similar sum determined for all employees covered in the Aggregation Group which contains the Plan.

In applying the above tests, the following rules shall apply:

(a) effective for Plan Years that begin on or after January 1, 2002, in determining the present value of the accumulated accrued benefits for any Employee or the amount in the account of any Employee, the value or amount shall be increased by all distributions made to or for the benefit of the Employee under the Plan after his Separation From Service and during the one-year period ending on the Determination Date;

(b) effective for Plan Years that begin on or after January 1, 2002, in determining the present value of the accumulated accrued benefits for any Employee or the amount in the account of any Employee, the value or amount shall be increased by all distributions made to or for the benefit of the Employee under the Plan prior to his Separation From Service and during the five-year period ending on the Determination Date;

(c) effective for Plan Years that begin prior to January 1, 2002, in determining the present value of the accumulated accrued benefits for any Employee or the amount in the account of any Employee, the value or amount shall be increased by all distributions made to or for the benefit of the Employee under the Plan during the five-year period ending on the Determination Date;

(d) all rollover contributions made by the Employee to the Plan shall not be considered by the Plan for either test;

(e) if an Employee is a Non-Key Employee under the Plan for the Plan Year but was a Key Employee under the Plan for a prior Plan Year, his Account shall not be considered;

(f) effective for Plan Years that begin on or after January 1, 2002, notwithstanding any other provision of the Plan, benefits shall not be taken into account in determining the top-heavy ratio for any Employee who has not performed services for the Employer during the last one-year period ending upon the Determination Date; and

(g) effective for Plan Years that begin prior to January 1, 2002, notwithstanding any other provision of the Plan, benefits shall not be taken into account in determining the top-heavy ratio for any

Employee who has not performed services for the Employer during the last five-year period ending upon the Determination Date.

B.2.3 VESTING RESTRICTIONS IF PLAN BECOMES TOP-HEAVY. If a Participant has at least one Hour of Service during a Plan Year when the Plan is a Top-Heavy Plan, he shall either vest under each of the normal vesting provisions of the Plan or under the following vesting schedule, whichever is more favorable:

Percentage of Amount Invested In Accounts Containing Completed Years of Active Service Employer Contributions
Less than two years	0
Two years but less than three years	20
Three years but less than four years	40
Four years but less than five years	60
Five years but less than six years	80
Six years or more	100

If the Plan ceases to be a Top-Heavy Plan, this requirement shall no longer apply. After that date, the normal vesting provisions of the Plan shall be applicable to all subsequent Contributions by the Employer.

B.2.4 MINIMUM CONTRIBUTIONS IF PLAN BECOMES TOP-HEAVY. If the Plan is a Top-Heavy Plan and the normal allocation of the Employer Contribution and forfeitures is less than five percent of any Non-Key Employee Participant's Annual Compensation, the Committee, without regard to the normal allocation procedures, shall allocate the Employer Contribution and the forfeitures among the Participants who are Non-Key Employees and who are in the employ of the Employer at the end of the Plan Year in proportion to each such Participant's Annual Compensation until each Non-Key Employee Participant has had an amount equal to five percent of his Annual Compensation allocated to his Account. At that time, any more Employer Contributions or forfeitures shall be allocated under the normal allocation procedures described earlier in the Plan. Amounts that may be treated as Section 401(k) Contributions made on behalf of Non-Key Employees may not be included in determining the minimum contribution required under this Section to the extent that they are treated as Section 401(k) Contributions for purposes of the Actual Deferral Percentage test.

In applying this restriction, the following rules shall apply:

(a) Each Employee who is eligible for participation (without regard to whether he has made mandatory contributions, if any are required, or whether his compensation is less than a stated amount) shall be entitled to receive an allocation under this Section; and

(b) All defined contribution plans required to be included in the Aggregation Group shall be treated as one plan for purposes of meeting the three percent maximum; this required aggregation shall not apply if the Plan is also required to be included in an Aggregation Group which includes a defined benefit plan and the Plan enables that defined benefit plan to meet the requirements of sections 401(a)(4) or 410 of the Code.

B.2.5 DISREGARD OF GOVERNMENT PROGRAMS. If the Plan is a Top-Heavy Plan, it must meet the vesting and benefit requirements described in this Article without taking into account contributions or benefits under Chapter 2 of the Code (relating to the tax on self-employment income), Chapter 21 of the Code (relating to the Federal Insurance Contributions Act), Title II of the Social Security Act, or any other Federal or State law.

B.2.6 MODIFICATION OF THE SECTION 415(e) LIMIT IF PLAN BECOMES TOP-HEAVY. For Plan Years beginning before January 1, 2000, in any Plan Year that the Plan is a Top-Heavy Plan the limitations in section 415(e) of the Code and Appendix A of the Plan shall be applied by substituting the number "1.00" for the number

"1.25" wherever it appears therein. Such substitution shall not cause a reduction in any accrued benefit attributable to contributions for a Plan Year prior to the Plan Year in which the Plan is a Top-Heavy Plan.

APPENDIX C

ADMINISTRATION OF THE PLAN

C.1 APPOINTMENT, TERM, RESIGNATION, AND REMOVAL. The Board shall appoint a Committee of not less than two persons, the members of which shall serve until their resignation, death, or removal. The Sponsor shall notify the Trustee in writing of its composition from time to time. Any member of the Committee may resign at any time by giving written notice of such resignation to the Sponsor. Any member of the Committee may be removed by the Board, with or without cause. Vacancies in the Committee arising by resignation, death, removal, or otherwise shall be filled by such persons as may be appointed by the Board.

C.2 POWERS. The Committee shall have exclusive responsibility for the administration of the Plan, according to the terms and provisions of this document, and shall have all powers necessary to accomplish such purposes, including, but not by way of limitation, the right, power, and authority:

(a) to make rules and regulations for the administration of the Plan which are not inconsistent with the terms and provisions thereof, provided such rules and regulations are evidenced in writing;

(b) to construe all terms, provisions, conditions, and limitations of the Plan; and its construction thereof made in good faith and without discrimination in favor of or against any Participant or former Participant shall be final and conclusive on all parties at interest;

(c) to correct any defect, supply any omission, or reconcile any inconsistency which may appear in the Plan in such manner and to such extent as it shall deem expedient to carry the Plan into effect for the greatest benefit of all parties at interest, and its judgment in such matters shall be final and conclusive as to all parties at interest;

(d) to select, employ, and compensate from time to time such consultants, actuaries, accountants, attorneys, and other agents and employees as the Committee may deem necessary or advisable for the proper and efficient administration of the Plan, and any agent, firm, or employee so selected by the Committee may be a disqualified person, but only if the requirements of section 4975(d) of the Code have been met;

(e) to resolve all questions relating to the eligibility of Employees to become Participants, and to determine the period of Active Service and the amount of Considered Compensation upon which the benefits of each Participant shall be calculated;

(f) to resolve all controversies relating to the administration of the Plan, including but not limited to (1) differences of opinion arising between the Employer and a Participant or former Participant, and (2) any questions it deems advisable to determine in order to promote the uniform and nondiscriminatory administration of the Plan for the benefit of all parties at interest;

(g) to direct and instruct or to appoint an investment manager or managers which would have the power to direct and instruct the Trustee in all matters relating to the preservation, investment, reinvestment, management, and disposition of the Trust assets; provided, however, that the Committee shall have no authority that would prevent the Trustee from being an "agent independent of the issuer," as that term is defined in Rule 10b-18 promulgated under the Securities Exchange Act of 1934, at any time that the Trustee's failure to maintain such status would result in the Sponsor or any other person engaging in a "manipulative or deceptive device or contrivance" under the provisions of Rule 10b-6 of such Act;

(h) to direct and instruct the Trustee in all matters relating to the payment of Plan benefits and to determine a Participant's or former Participant's entitlement to a benefit should he appeal a denial of his claim for a benefit or any portion thereof; and

(i) to delegate such of its clerical and recordation duties under the Plan as it may deem necessary or advisable for the proper and efficient administration of the Plan.

C.3 ORGANIZATION. The Committee shall select from among its members a chairman, who shall preside at all of its meetings, and shall select a secretary, without regard as to whether that person is a member of the Committee, who shall keep all records, documents, and data pertaining to its supervision of the administration of the Plan.

C.4 QUORUM AND MAJORITY ACTION. A majority of the members of the Committee shall constitute a quorum for the transaction of business, and the vote of a majority of the members present at any meeting will decide any question brought before that meeting. In addition, the Committee may decide any question by a vote, taken without a meeting, of a majority of its members.

C.5 SIGNATURES. The chairman, the secretary, and any one or more of the members of the Committee to which the Committee has delegated the power, shall each, severally, have the power to execute any document on behalf of the Committee, and to execute any certificate or other written evidence of the action of the Committee. The Trustee, after being notified of any such delegation of power in writing, shall thereafter accept and may rely upon any document executed by such member or members as representing the action of the Committee until the Committee files with the Trustee a written revocation of that delegation of power.

C.6 DISQUALIFICATION OF COMMITTEE MEMBERS. A member of the Committee who is also a Participant of the Plan shall not vote or act upon any matter relating solely to himself.

C.7 DISCLOSURE TO PARTICIPANTS. The Committee shall make available to each Participant, former Participant, and Beneficiary for his examination such records, documents, and other data as are required under ERISA, but only at reasonable times during business hours. No Participant, former Participant, or Beneficiary shall have the right to examine any data or records reflecting the compensation paid to any other Participant, former Participant, or Beneficiary, and the Committee shall not be required to make any data or records available other than those required by ERISA.

C.8 STANDARD OF PERFORMANCE. The Committee and each of its members shall use the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent man acting in a like capacity and familiar with such matters would use in conducting his business as the administrator of the Plan; shall, when exercising its power to direct investments, diversify the investments of the Plan so as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so; and shall otherwise act in accordance with the provisions of the Plan and ERISA.

C.9 LIABILITY OF ADMINISTRATIVE COMMITTEE AND LIABILITY INSURANCE. No member of the Committee shall be liable for any act or omission of any other member of the Committee, the Trustee, any investment manager, or any Participant or former Participant who directs the investment of his Account or other agent appointed by the Committee except to the extent required by the terms of ERISA, and any other applicable state or federal law, which liability cannot be waived. No Participant of the Committee shall be liable for any act or omission on his own part except to the extent required by the terms of ERISA, and any other applicable state or federal law, which liability cannot be waived. In this connection, each provision hereof is severable and if any provision is found to be void as against public policy, it shall not affect the validity of any other provision hereof.

Further, it is specifically provided that the Trustee may, at the direction of the Committee, purchase out of the Trust assets insurance for the members of the Committee and any other fiduciaries appointed by the Committee, and for the Trust itself to cover liability or losses occurring by reason of the act or omission of any one or more of the members of the Committee or any other fiduciary appointed by them under the Plan, provided such insurance permits recourse by the insurer against the members of the Committee or the other fiduciaries concerned in the case of a breach of a fiduciary obligation by one or more members of the Committee or other fiduciary covered thereby.

C.10 BONDING. No member of the Committee shall be required to give bond for the performance of his duties hereunder unless required by a law which cannot be waived.

C.11 COMPENSATION. The Committee shall serve without compensation for their services, but shall be reimbursed by the Employers for all expenses properly and actually incurred in the performance of their duties under the Plan unless the Employers elect to have such expenses paid out of the Trust assets.

C.12 PERSONS SERVING IN DUAL FIDUCIARY ROLES. Any person, group of persons, corporations, firm, or other entity may serve in more than one fiduciary capacity with respect to the Plan, including the ability to serve both as a successor trustee and as a member of the Committee.

C.13 ADMINISTRATOR. For all purposes of ERISA, the administrator of the Plan within the meaning of ERISA shall be the Sponsor. The Sponsor shall have final responsibility for compliance with all reporting and disclosure requirements imposed with respect to the Plan under any federal or state law, or any regulations promulgated thereunder.

C.14 NAMED FIDUCIARY. The members of the Committee shall be the "named fiduciary" for purposes of section 402(a)(1) of ERISA, and as such shall have the authority to control and manage the operation and administration of the Plan, except to the extent such authority and control is allocated or delegated to other parties pursuant to the terms of the Plan.

C.15 STANDARD OF JUDICIAL REVIEW OF COMMITTEE ACTIONS. The Committee has full and absolute discretion in the exercise of each and every aspect of its authority under the Plan, including without limitation, the authority to determine any person's right to benefits under the Plan, the correct amount and form of any such benefits; the authority to decide any appeal; the authority to review and correct the actions of any prior administrative committee; and all of the rights, powers, and authorities specified in this Appendix and elsewhere in the Plan. Notwithstanding any provision of law or any explicit or implicit provision of this document, any action taken, or ruling or decision made, by the Committee in the exercise of any of its powers and authorities under the Plan will be final and conclusive as to all parties other than the Sponsor or Trustee, including without limitation all Participants, former Participants and Beneficiaries, regardless of whether the Committee or one or more members thereof may have an actual or potential conflict of interest with respect to the subject matter of such action, ruling, or decision. No such final action, ruling, or decision of the Committee will be subject to de novo review in any judicial proceeding; and no such final action, ruling, or decision of the Committee may be set aside unless it is held to have been arbitrary and capricious by a final judgment of a court having jurisdiction with respect to the issue.

C.16 INDEMNIFICATION OF COMMITTEE BY THE SPONSOR. The Sponsor shall indemnify and hold harmless the Committee, the Committee members, and any persons to whom the Committee has allocated or delegated its responsibilities in accordance with the provisions hereof, as well as any other fiduciary who is also an officer, director, or Employee of an Employer, and hold each of them harmless from and against all claims, loss, damages, expense, and liability arising from their responsibilities in connection with the administration of the Plan which is not otherwise paid or reimbursed by insurance, unless the same shall result from their own willful misconduct.

APPENDIX D

FUNDING

D.1 BENEFITS PROVIDED SOLELY BY TRUST. All benefits payable under the Plan shall be paid or provided for solely from the Trust, and the Employer assumes no liability or responsibility therefor.

D.2 FUNDING OF PLAN. The Plan shall be funded by one or more separate Trusts. If more than one Trust is used, each Trust shall be designated by the name of the Plan followed by a number assigned by the Committee at the time the Trust is established.

D.3 INCORPORATION OF TRUST. Each Trust is a part of the Plan. All rights or benefits which accrue to a person under the Plan shall be subject also to the terms of the agreements creating the Trust or Trusts and any amendments to them which are not in direct conflict with the Plan.

D.4 AUTHORITY OF TRUSTEE. Each Trustee shall have full title and legal ownership of the assets in the separate Trust which, from time to time, are in his separate possession. No other Trustee shall have joint title to or joint legal ownership of any asset in one of the other Trusts held by another Trustee. Each Trustee shall be governed separately by the trust agreement entered into between the Employer and that Trustee and the terms of the Plan without regard to any other agreement entered into between any other Trustee and the Employer as a part of the Plan.

D.5 ALLOCATION OF RESPONSIBILITY. To the fullest extent permitted under section 405 of ERISA, the agreements entered into between the Employer and each of the Trustees shall be interpreted to allocate to each Trustee its specific responsibilities, obligations and duties so as to relieve all other Trustees from liability either through the agreement, Plan or ERISA, for any act of any other Trustee which results in a loss to the Plan because of his act or failure to act.

D.6 TRUSTEE'S FEES AND EXPENSES. The Trustee shall receive for its services as Trustee hereunder the compensation which from time to time may be agreed upon by the Sponsor and the Trustee. All of such compensation, together with the expenses incurred by the Trustee in connection with the administration of this Trust, including fees for legal services rendered to the Trustee, all other charges and disbursements of the Trustee, and all other expenses of the Plan shall be charged to and deducted from the Trust Fund, unless the Sponsor elects in writing to have any part or all of such compensation, expenses, charges, and disbursements paid directly by the Sponsor. The Trustee shall deduct from and charge against the Trust assets any and all taxes paid by it which may be levied or assessed upon or in respect of the Trust hereunder or the income thereof, and shall equitably allocate the same among the several Participants and former Participants.

APPENDIX E

OPTIONAL FORMS OF DISTRIBUTION

Subject to Sections 5.04, 5.07 and 5.08 of the Plan, in addition to the forms of distribution available under Section 5.03 of the Plan, the optional forms of distributions set forth below shall be available on and after the date on which the Sponsor elects to treat the Plan and the Quanex Corporation Salaried Employees' Pension Plan as one plan for purposes of section 410(b) of the Code:

1. OPTION A. A pension under which the Participant or former Participant shall receive equal monthly payments for his lifetime.

2. OPTION B. A last survivor pension under which the Participant or former Participant shall receive 85 percent of the monthly pension benefit otherwise payable under Option A, and upon the death of the Participant or former Participant, the Beneficiary shall receive 1/2 of the monthly pension benefit paid to the Participant or former Participant prior to this death, provided however, that if the Beneficiary is younger than the Participant or former Participant, the 85 percent factor shall be reduced by one percent for each full year's difference in the age of the Participant or former Participant and the Beneficiary, and if the Beneficiary is older than the Participant or former Participant, the 85 percent factor shall be increased by one percent for each full years difference in the age of the Participant or former Participant and the Beneficiary (up to a maximum of 100 percent).

3. OPTION C. A last survivor pension under which the Participant or former Participant shall receive 70 percent of the monthly pension benefit otherwise payable under Option A, and upon the death of the Participant or former Participant, the Beneficiary shall receive a monthly pension benefit equal to that paid to the Participant or former Participant.

4. OPTION D. A reduced monthly pension payable to the Participant or former Participant during his lifetime, provided that, if the Participant or former Participant dies prior to his receipt of an amount equal to 120 monthly payments, the then-present value of the remainder of such 120 monthly payments shall be payable to his Beneficiary in a lump sum. If the former Participant dies prior to his receipt of all of such 120 payments without having designated a Beneficiary, of if the Beneficiary predeceases the former Participant, the then-present value of any remaining payments shall be paid in a lump sum to the former Participant's estate. If the designated Beneficiary dies after the former Participant and before all of such 120 monthly payments have been made, the then-present value of the unpaid balance of such payments shall be paid in a lump sum to the Beneficiary's estate.

5. LIMITATIONS ON OPTIONS B, C AND D.

   (a) Options A, B and C will not be available to any Participant if the reduced pension is less than $10 per month.

   (b) Except as otherwise provided elsewhere in the Plan, any election shall be automatically revoked if either the Participant or former Participant or Beneficiary dies before the Participant's or former Participant's Annuity Starting Date.

   (c) Where the Beneficiary is a person other than the Participant's or former Participant's Spouse, the Beneficiary under either Option B or Option C must be of such age and sex that the amount payable to the Participant or former Participant will exceed 50 percent of the amount that would otherwise be payable if the Participant or former Participant had elected a life annuity for his life.

No pension can exceed the life of the Participant or former Participant or the life of the Participant or former Participant and his designated Beneficiary, or in the case of a period certain, the life expectancy of the Participant or former Participant or the life expectancy of the Participant or former Participant and his designated Beneficiary.

EXHIBIT 10.3

QUANEX CORPORATION 401(k) SAVINGS PLAN FOR HOURLY EMPLOYEES

AMENDMENT AND RESTATEMENT
EFFECTIVE JANUARY 1, 1998

QUANEX CORPORATION 401(k) SAVINGS PLAN
FOR HOURLY EMPLOYEES

THIS AGREEMENT adopted by Quanex Corporation, a Delaware corporation (the "Sponsor"),

WITNESSETH:

WHEREAS, effective October 1, 1987, Nichols-Homeshield, Inc. established the Nichols-Homeshield, Inc. Savings Plan for Davenport Hourly Employees (the "Plan");

WHEREAS, the Sponsor assumed sponsorship of the Plan effective January 1, 1992;

WHEREAS, effective July 1, 1999, the Decatur Aluminum Corporation Hourly Employees' 401(k) Retirement Plan and Trust was merged into the Plan;

WHEREAS, effective January 1, 1999, the name of the Plan was changed to the "Nichols 401(k) Savings Plan for Hourly Employees";

WHEREAS, effective July 1, 2001, the Temroc Metals, Inc. Bargaining Unit Employees 401(k) Plan was merged into the Plan;

WHEREAS, effective January 1, 2002, the name of the Plan was changed to the "Quanex Corporation 401(k) Savings Plan for Hourly Employees";

WHEREAS, the Plan is intended to be a profit sharing plan;

WHEREAS, the Sponsor desires to amend and restate the Plan;

NOW, THEREFORE, the Plan is hereby amended and restated in its entirety as set forth below.

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ARTICLE I

DEFINITIONS

The words and phrases defined in this Article shall have the meaning set out in the definition unless the context in which the word or phrase appears reasonably requires a broader, narrower or different meaning.

1.01 "ACCOUNT" means all ledger accounts pertaining to a Participant or former Participant which are maintained by the Committee to reflect the Participant's or former Participant's interest in the Trust. The Committee shall establish the following Accounts and any additional Accounts that the Committee considers necessary to reflect the entire interest of the Participant or former Participant in the Trust. Each of the Accounts listed below and any additional Accounts established by the Committee shall reflect the Contributions or amounts transferred to the Trust, if any, and the appreciation or depreciation of the assets in the Trust and the income earned or loss incurred on the assets in the Trust attributable to the Contributions and/or other amounts transferred to the Account.

(a) Salary Deferral Contribution Account - the Participant's or former Participant's before-tax contributions, if any, made pursuant to Section 3.01.

(b) Catch-up Salary Deferral Account - the Participant's or former Participant's before-tax contributions, if any, made pursuant to Section 3.02.

(c) Supplemental Contribution Account - the Employer's contributions, if any, made pursuant to Section 3.03.

(d) Gainsharing Contribution Account - the Employer's contributions, if any, made pursuant to Section 3.04.

(e) Rollover Account - funds transferred from another qualified plan or individual retirement account for the benefit of a Participant or former Participant.

1.02 "ACTIVE SERVICE" means the Periods of Service for which an Employee is entitled to receive credit under Article X for purposes of determining his initial eligibility to participate in the Plan and for purposes of determining his Nonforfeitable Interest in amounts credited to his Account.

1.03 "AFFILIATED EMPLOYER" means the Employer and any employer which is a member of the same controlled group of corporations within the meaning of section 414(b) of the Code or which is a trade or business (whether or not incorporated) which is under common control (within the meaning of section 414(c) of the Code), which is a member of an affiliated service group (within the meaning of section 414(m) of the Code) with the Employer, or which is required to be aggregated with the Employer under section 414(o) of the Code. For purposes of the limitation on allocations contained in Appendix A, the definition of Affiliated Employer is modified by substituting the phrase "more than 50 percent" in place of the phrase "at least 80 percent" each place the latter phrase appears in section 1563(a)(1) of the Code.

1.04 "ANNUAL COMPENSATION" means the Employee's wages from the Affiliated Employers as defined in section 3401(a) of the Code for purposes of federal income tax withholding at the source (but determined without regard to any rules that limit the remuneration included in wages based on the nature or location of the employment or the services performed) modified by including elective contributions under a cafeteria plan maintained by an Affiliated Employer that are excludable from the Employee's gross income pursuant to section 125 of the Code, elective contributions under a qualified transportation fringe benefit plan maintained by an Affiliated Employer that are excludable from the Employee's gross income pursuant to section 132(f) of the Code and elective contributions made on behalf of the Employee to any plan maintained by an Affiliated Employer that is qualified under or governed by section 401(k), 408(k), or 403(b) of the Code. Except for purposes of Section A.4.1 of Appendix A of the Plan, effective for Plan Years commencing on or after January 1, 1994, but prior to January 1, 2002, Annual Compensation in excess of $150,000.00 (as adjusted by the Secretary of Treasury for increases in the cost of living) shall be disregarded. Except for purposes of Section A.4.1 of Appendix A of the Plan, effective for Plan Years commencing on or after January 1, 2002, Annual Compensation in excess of $200,000.00 (as adjusted by the Secretary of Treasury for increases in the cost of living) will be disregarded. If the Plan Year is ever less than twelve months, the $150,000.00 limitation (as adjusted by the Secretary of Treasury for increases in the cost of living) or, for Plan Years that commence on or after January 1, 2002, the $200,000.00 limitation (as adjusted by the Secretary of Treasury for increases in the cost of living) will be prorated by multiplying the limitation by a fraction, the numerator of which is the number of months in the Plan Year, and the denominator of which is twelve (12). Effective January 1, 1997, the family aggregation rules previously contained in section 401(a)(17) of the Code are disregarded.

1.05 "BENEFIT PAYMENT DATE" means the first day of the first period for which an amount is payable in installments, or in the case of a benefit payable in the form of a lump sum, the date on which the Trustee disburses the lump sum.

1.06 "BENEFICIARY" OR "BENEFICIARIES" means the person or persons, or the trust or trusts created for the benefit of a natural person or persons or the Participant's or former Participant's estate, designated by the Participant or former Participant to receive the benefits payable under the Plan upon his death.

1.07 "BOARD" or "BOARD OF DIRECTORS" means the board of directors of the Sponsor.

1.08 "CATCH-UP ELIGIBLE PARTICIPANT" means a Participant who is age 50 or who is projected to attain the age of 50 by December 31 of the applicable Plan Year.

1.09 "CODE" means the Internal Revenue Code of 1986, as amended from time to time.

1.10 "COMMITTEE" means the committee appointed by the Sponsor to administer the Plan.

1.11 "CONSIDERED COMPENSATION" means Annual Compensation paid to a Participant by an Affiliated Employer for a Plan Year, including regular base pay, overtime pay, holiday pay, vacation pay, special pay, retroactive pay, sick pay, short-term disability pay, shift

premiums, Improshare productivity bonuses other than bonuses paid to a Participant who is covered by the Steelworkers Collective Bargaining Agreement, reduced by all of the following items (even if includable in gross income): all reimbursements or other expense allowances (such as the payment of moving expenses or automobile mileage reimbursements), cash and noncash fringe benefits (such as the use of an automobile owned by the Employer, club memberships, attendance and safety awards and fitness reimbursements), deferred compensation (such as Employer contributions under the Sponsor's nonqualified stock purchase plan and pay for accrued vacation upon Separation From Service) and welfare benefits (such as severance pay). In addition, bonuses paid to a Participant who is covered by the Steelworkers Collective Bargaining Agreement are not included in "Considered Compensation." An Employee's Considered Compensation paid to him during any period in which he is not eligible to participate in the Plan under Article II shall be disregarded. Effective for Plan Years commencing on or after January 1, 1994, but prior to January 1, 2002, Considered Compensation in excess of $150,000.00 (as adjusted by the Secretary of Treasury) shall be disregarded. Effective for Plan Years commencing on or after January 1, 2002, Considered Compensation in excess of $200,000.00 (as adjusted by the Secretary of Treasury for increases in the cost of living) will be disregarded. If the Plan Year is ever less than twelve months, the $150,000.00 limitation (as adjusted by the Secretary of Treasury for increases in the cost of living) or, for Plan Years that commence on or after January 1, 2002, the $200,000.00 limitation (as adjusted by the Secretary of Treasury for increases in the cost of living) will be prorated by multiplying the limitation by a fraction, the numerator of which is the number of months in the Plan Year, and the denominator of which is twelve (12).

1.12 "CONTRIBUTION" means the total amount of contributions made under the terms of the Plan. Each specific type of Contribution shall be designated by the type of contribution made as follows:

(a) Salary Deferral Contribution - a before-tax contribution made by the Employer pursuant to Section 3.01 and the Employee's salary deferral agreement.

(b) Catch-up Salary Deferral Contribution - a contribution made by the Employer pursuant to Section 3.02 and the Participant's or former Participant's salary deferral agreement.

(c) Supplemental Contribution - a contribution made by the Employer pursuant to Section 3.03.

(d) Gainsharing Contribution - a contribution made by the Employer pursuant to Section 3.04.

(e) Rollover Contribution - a contribution made by a Participant or former Participant which consists of any part of an eligible rollover distribution (as defined in section 402 of the Code) from a qualified employee trust described in section 401(a) of the Code.

1.13 "DECATUR PLAN" means the Decatur Aluminum Corporation Hourly Employees' 401(k) Retirement Plan and Trust.

1.14 "DIRECT ROLLOVER" means a payment by the Plan to the Eligible Retirement Plan specified by the Distributee.

1.15 "DISABILITY" means a mental or physical disability which, in the opinion of a physician selected by the Committee, shall prevent the Participant or former Participant from earning a reasonable livelihood with any Affiliated Employer and which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than 12 months and which: (a) was not contracted, suffered or incurred while the Participant or former Participant was engaged in, or did not result from having engaged in, a felonious criminal enterprise; (b) did not result from alcoholism or addiction to narcotics; and (c) did not result from an injury incurred while a member of the Armed Forces of the United States for which the Participant or former Participant receives a military pension.

1.16 "DISTRIBUTEE" means an Employee or former Employee. In addition, the Employee's or former Employee's surviving Spouse and the Employee's or former Employee's Spouse or former Spouse who is the alternate payee under a Qualified Domestic Relations Order, are Distributees with regard to the interest of the Spouse or former Spouse.

1.17 "ELIGIBLE EMPLOYEE" means an Employee who is (1) compensated by the Sponsor on an hourly basis and (2) is included in a unit of employees covered by the Teamsters Collective Bargaining Agreement. Effective July 1, 1999, "Eligible Employee" also means an Employee who (1) is compensated on an hourly basis by Nichols Aluminum Alabama, Inc., a Delaware corporation, and (2) is included in a unit of employees covered by the Steelworkers Collective Bargaining Agreement. Effective July 1, 2001, "Eligible Employee" also means an Employee who (1) is compensated on an hourly basis by Temroc Metals, Inc., a Minnesota corporation, and (2) is included in a unit of employees covered by the UAW Collective Bargaining Agreement.

1.18 "ELIGIBLE RETIREMENT PLAN" means (a) an individual retirement account described in section 408(a) of the Code, (b) an individual retirement annuity described in section 408(b) of the Code (other than an endowment contract), (c) an annuity plan described in section 403(a) of the Code, (d) a qualified plan described in section 401(a) of the Code that is a defined contribution plan that accepts the Distributee's Eligible Rollover Distribution, (e) effective for a distribution on or after January 1, 2002, an eligible deferred compensation plan described in section 457(b) of the Code that is maintained by an eligible employer described in section 457(e)(1)(A) of the Code but only if the plan agrees to separately account for amounts rolled into such plan, or (f) effective for a distribution on or after January 1, 2002, an annuity contract described in section 403(b) of the Code. However, in the case of an Eligible Rollover Distribution made prior to January 1, 2002, and after the death of a Participant to a Distributee who is the Participant's surviving Spouse, an Eligible Retirement Plan is an individual retirement account or individual retirement annuity.

1.19 "ELIGIBLE ROLLOVER DISTRIBUTION" means any distribution of all or any portion of the balance to the credit of the Distributee, except that an Eligible Rollover Distribution does not include: (a) any distribution that is one of a series of substantially equal periodic payments (not less frequently than annually) made for the life (or life expectancy) of the Distributee or the joint lives (or joint life expectancies) of the Distributee and the Distributee's Beneficiary, or for a

specified period of ten years or more; (b) any distribution to the extent the distribution is required under section 401(a)(9) of the Code; (c) the portion of any distribution that is not includable in gross income (determined without regard to the exclusion for net unrealized appreciation with respect to employer securities) unless, for a distribution made on or after January 1, 2002, the Eligible Retirement Plan to which the distribution is transferred (a) agrees to separately account for amounts so transferred, including separately accounting for the portion of such distribution which is not includable in gross income or (b) is an individual retirement account described in section 408(a) of the Code or an individual retirement annuity described in section 408(b) of the Code (other than an endowment contract); and, (d) effective for distributions after December 31, 1998, and prior to January 1, 2002, any financial hardship distribution described in section 401(k)(2) of the Code from a Participant's Salary Deferral Contribution Account and (e) effective for a distribution made after December 31, 2001, a distribution from any of the Participant's Accounts due to a financial hardship of the Participant.

1.20 "EMPLOYEE" means, except as otherwise specified in this Section, all common law employees of an Affiliated Employer and all Leased Employees.

1.21 "EMPLOYER" OR "EMPLOYERS" means the Sponsor, Nichols Aluminum-Alabama, Inc., a Delaware corporation (previously named Decatur Aluminum Corp.), Temroc Metals, Inc., a Minnesota corporation and any other business organization that adopts the Plan.

1.22 "ENTRY DATE" means the first day of each calendar quarter, January 1, April 1, July 1, and October 1.

1.23 "ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time.

1.24 "FIVE PERCENT OWNER" means an Employee who is a five percent owner as defined in section 416(i) of the Code.

1.25 "FORFEITABLE INTEREST" means a Participant's or former Participant's forfeitable interest in amounts credited to his Account determined in accordance with Article VIII.

1.26 "HIGHLY COMPENSATED EMPLOYEE" means, effective January 1, 1997, an Employee or an Affiliated Employer who, during the Plan Year or the preceding Plan Year, (a) was at any time a Five Percent Owner at any time during the Plan Year or the preceding Plan Year or (b) had Annual Compensation from the Affiliated Employers in excess of $80,000.00 (as adjusted from time to time by the Secretary of the Treasury) for the preceding Plan Year.

1.27 "HOUR OF SERVICE" means each hour that an Employee is paid or entitled to payment by an Affiliated Employer for the performance of duties.

1.28 "LEASED EMPLOYEE" means, effective January 1, 1997, any person who (a) is not a common law employee of an Affiliated Employer, (b) pursuant to an agreement between an Affiliated Employer and any other person, has performed services for an Affiliated Employer (or for an Affiliated Employer and related persons determined in accordance with section 414(n)(6) of the Code) on a substantially full-time basis for a period of at least one year and (c) performs the services under primary direction and control of the recipient.

1.29 "MATERNITY OR PATERNITY ABSENCE" means a period in which an Employee is absent from work (a) by reason of the pregnancy of the Employee, (b) by reason of the birth of a child of the Employee, (c) by reason of the placement of a child with the Employee in connection with the adoption of the child by the Employee, or (d) for purposes of caring for such child for a period immediately following such birth or placement for adoption.

1.30 "NONFORFEITABLE INTEREST" means a Participant's nonforfeitable interest in amounts credited to his Account determined in accordance with Article VIII.

1.31 "NON-HIGHLY COMPENSATED EMPLOYEE" means an Employee who is not a Highly Compensated Employee.

1.32 "PARTICIPANT" means an Employee who is eligible to participate in the Plan under the provisions of Article II.

1.33 "PERIOD OF SERVICE" means a period of employment with an Affiliated Employer which commences on the day on which an Employee performs his initial Hour of Service or performs his initial Hour of Service after he Severs Service, whichever is applicable, and ends on the date the Employee subsequently Severs Service.

1.34 "PERIOD OF SEVERANCE" means the period of time commencing on the Employee's Severance From Service Date and ending on the date the Employee subsequently performs an Hour of Service.

1.35 "PLAN" means the Quanex Corporation 401(k) Savings Plan for Hourly Employees, as amended from time to time.

1.36 "PLAN YEAR" means the calendar year.

1.37 "QUALIFIED DOMESTIC RELATIONS ORDER" means a qualified domestic relations order as defined in section 414(p) of the Code.

1.38 "REGULATION" means the Department of Treasury regulation specified, as it may be changed from time to time.

1.39 "REQUIRED BEGINNING DATE" means:

(a) effective January 1, 2001, in the case of an individual who is not a Five Percent Owner in the Plan Year that ends in the calendar year in which he attains age 70 1/2, the Required Beginning Date is April 1 of the calendar year following the later of (1) the calendar year in which the individual attains age 70 1/2, or (2) the calendar year in which the individual incurs a Separation From Service; and

(b) in the case of an individual who is a Five Percent Owner in the Plan Year that ends in the calendar year in which he attains age 70 1/2, the Required Beginning Date is April 1 of the calendar year following the calendar year in which he attains age 70 1/2.

1.40 "RETIREMENT AGE" means, in the case of any Participant or former Participant, age 65.

1.41 "ROLLOVER CONTRIBUTION" means the amount contributed by a Participant of the Plan which consists of any part of an Eligible Rollover Distribution from a qualified employee trust described in section 401(a) of the Code other than an amount that is not includable in the Participant's gross income.

1.42 "SEPARATION FROM SERVICE" means an individual's termination of employment with an Affiliated Employer without commencing or continuing employment with (a) any other Affiliated Employer or (b), effective for distributions prior to January 1, 2002, any other entity under circumstances where, under Regulations and Internal Revenue Service rulings, the individual is not deemed to have incurred a Separation From Service within the meaning of Section 401(k)(2) of the Code.

1.43 "SEVERANCE FROM SERVICE DATE" means the earlier of the date of the Employee's Separation From Service, or the first anniversary of the date on which the Employee is absent from service (with or without pay) for any reason other than his Separation From Service or a Maternity or Paternity Absence, such as vacation, holiday, sickness, or leave of absence. The Severance From Service Date of an Employee who is absent beyond the first anniversary of his first day of absence by reason of a Maternity or Paternity Absence is the second anniversary of the first day of the absence.

1.44 "SEVERS SERVICE" means the occurrence of a Participant's or former Participant's Severance From Service Date.

1.45 "SPONSOR" means Quanex Corporation, a Delaware corporation.

1.46 "SPONSOR STOCK" means the common stock of the Sponsor or such other publicly-traded stock of an Affiliated Employer as meets the requirements of section 407(d)(5) of ERISA with respect to the Plan.

1.47 "SPOUSE" means the person to whom the Participant or former Participant is married under applicable local law. In addition, to the extent provided in a Qualified Domestic Relations Order, a surviving former spouse of a Participant or former Participant will be treated as the Spouse of the Participant or former Participant, and to the same extent any current spouse of the Participant or former Participant will not be treated as a Spouse of the Participant or former Participant.

1.48 "STEELWORKERS COLLECTIVE BARGAINING AGREEMENT" means the collective bargaining agreement between Nichols Aluminum Alabama, Inc., a Delaware corporation, and the United Steelworkers of America, Local 203A.

1.49 "TEAMSTERS COLLECTIVE BARGAINING AGREEMENT" means the collective bargaining agreement in effect between the Sponsor and the Chauffers, Teamsters and Helpers Union, Local No. 371.

1.50 "TRUST" means the trust estate created to fund the Plan.

1.51 "TRUSTEE" means collectively one or more persons or corporations with trust powers which have been appointed by the initial Sponsor and have accepted the duties of Trustee and any successor appointed by the Sponsor.

1.52 "UAW COLLECTIVE BARGAINING AGREEMENT means the collective bargaining agreement between Temroc Metals, Inc., a Minnesota corporation, and the United Steelworkers of America, Local 203A.

1.53 "VALUATION DATE" means each business day of the Plan Year.

ARTICLE II

ELIGIBILITY

2.01 EMPLOYEES OF TEMROC METALS, INC. COVERED BY THE UAW COLLECTIVE BARGAINING AGREEMENT. Each Eligible Employee who was a participant in the Temroc Metals, Inc. Bargaining Unit Employees' 401(k) Plan on June 30, 2001 shall be eligible to participate in the Plan on July 1, 2001. Each other Eligible Employee who is employed by Temroc Metals, Inc. shall be eligible to participate in the Plan on the Entry Date that coincides with or next follows the date on which the Eligible Employee completes 90 days of Active Service.

2.02 EMPLOYEES OF THE SPONSOR COVERED BY THE TEAMSTERS COLLECTIVE BARGAINING AGREEMENT. Each Eligible Employee of the Sponsor who is included in a unit of employees covered by the Teamsters Collective Bargaining Agreement shall be eligible to participate in the Plan for purposes of making Salary Deferral Contributions (and, if applicable, Catch-up Salary Deferral Contributions) and Rollover Contributions on the Entry Date next following (not coincident with) the date on which he completes an Hour of Service. Each such Eligible Employee shall be eligible to participate in the Plan for Supplemental Contribution purposes on the Entry Date that occurs with or next follows the date on which the Eligible Employee completes one year of Active Service.

2.03 EMPLOYEES OF NICHOLS ALUMINUM ALABAMA, INC. COVERED BY THE STEELWORKERS COLLECTIVE BARGAINING AGREEMENT. Each Eligible Employee who was a participant in the Decatur Plan for all purposes on June 30, 1999, shall be eligible to participate in the Plan on July 1, 1999 for all purposes. Each other Eligible Employee who is employed by Nichols Aluminum Alabama, Inc. and included in a unit of employees covered by the Steelworkers Collective Bargaining Agreement shall be a participant in the Plan for purposes of making Salary Deferral Contributions (and, if applicable, Catch-up Salary Deferral Contributions) and Rollover Contributions on the Entry Date next following (not coincident with) the date on which he completes an Hour of Service. Each such Eligible Employee shall be eligible to participate in the Plan for Supplemental Contribution purposes on the Entry Date that occurs with or next follows the date on which the Eligible Employee completes one year of Active Service.

2.04 ELIGIBILITY UPON REEMPLOYMENT. If an Employee incurs a Separation From Service prior to the date he initially begins participating in the Plan, he shall be eligible to begin participation in the Plan on the later of the date he would have become a Participant if he did not incur a Separation From Service or the date on which he performs an Hour of Service after he incurs a Separation From Service. Subject to Section 2.05, once an Employee becomes a Participant, his eligibility to participate in the Plan shall continue until he Severs Service.

2.05 CESSATION OF PARTICIPATION. An individual who has become a Participant will cease to be a Participant on the earliest of the date on which he (a) Severs Service, (b) is transferred from the employ of an Employer to the employ of an Affiliated Employer that has not adopted the Plan, (c) becomes included in a unit of employees covered by a collective bargaining agreement that does not require coverage of those employees under the Plan, (d) becomes a Leased Employee, or (e) becomes included in another classification of Employees who, under the terms of the Plan, are not eligible to participate. Under these circumstances, the Participant's

Account becomes frozen; he cannot contribute to the Plan or share in the allocation of any Contributions for the frozen period. However, his Accounts shall continue to share in any Plan income allocable to his Accounts during the frozen period of time.

2.06 RECOMMENCEMENT OF PARTICIPATION. A former Participant will again become a Participant on the day on which he again becomes included in a classification of Employees that, under the terms of the Plan, is eligible to participate.

ARTICLE III

CONTRIBUTIONS

3.01 SALARY DEFERRAL CONTRIBUTIONS. Each Plan Year each Employer shall make a Salary Deferral Contribution in an amount equal to the amount by which the Considered Compensation of its Employees who are Participants was reduced on a pre-tax basis pursuant to salary deferral agreements (excluding amounts of Considered Compensation deferred pursuant to Section 3.02 that are properly characterized as Catch-up Salary Deferral Contributions). Any such salary deferral agreement shall be an agreement in a form satisfactory to the Committee to prospectively receive Considered Compensation from the Employer in a reduced amount and to have the Employer contribute an amount equal to the amount of the reduction to the Trust on account of the Participant. Any such salary deferral agreement shall be revocable in accordance with its terms, provided that no revocation shall be retroactive or permit payment to the Participant of the amount required to be contributed to the Trust. A Participant's or former Participant's right to benefits attributable to Salary Deferral Contributions made to the Plan on his behalf shall be nonforfeitable.

The maximum amount a Participant may elect to reduce his Considered Compensation under his salary deferral agreement and have contributed to the Plan on a pre-tax basis shall be determined by the Committee, in its sole discretion from time to time. The election to have Salary Deferral Contributions made, the ability to change the rate of Salary Deferral Contributions, the right to suspend Salary Deferral Contributions, and the manner of commencing new Salary Deferral Contributions shall be permitted under any uniform method determined by the Committee from time to time.

3.02 CATCH-UP SALARY DEFERRAL CONTRIBUTIONS. Each Plan Year, each Employer shall make a Catch-up Salary Deferral Contribution in an amount equal to the amounts by which its Participants' Considered Compensation was reduced as a result of salary deferral agreements authorizing Catch-up Salary Deferral Contributions (to the extent that their deferrals are properly characterized as Catch-up Salary Deferral Contributions). Any such salary deferral agreement shall be an agreement in a form satisfactory to the Committee to prospectively receive Considered Compensation from the Employer in a reduced amount and to have the Employer contribute an amount equal to the amount of the reduction to the Trust on behalf of the Participant. Further, any such salary deferral agreement shall be revocable in accordance with its terms, provided that no revocation shall be retroactive or permit payment to the Participant of the amount required to be contributed to the Trust. A Participant's or former Participant's right to benefits derived from Catch-up Salary Deferral Contributions made to the Plan on his behalf shall be nonforfeitable.

Catch-up Salary Deferral Contributions on behalf of a Participant shall be permitted to the extent that the Catch-up Salary Deferral Contributions do not exceed the lesser of (a) the "applicable dollar amount" under section 414(v) of the Code for the Plan Year (as adjusted from time to time by the Secretary of Treasury), or (b) an amount equal to the Participant's Annual Compensation for the Plan Year minus the Participant's Salary Deferral Contributions for the Plan Year.

A final determination as to whether amounts deferred under the Plan by a Participant are properly characterized as Salary Deferral Contributions or Catch-up Salary Deferral Contributions for a Plan Year shall be made as of the end of the Plan Year. To the extent that amounts deferred under the Plan on a pre-tax basis at the election of a Participant exceed the least of (a) the lowest statutory limit on Salary Deferral Contributions (including limits imposed under sections 401(a)(30) and 415 of the Code), (b) the maximum limitation on Salary Deferral Contributions, if any, imposed by the Committee pursuant to Section 3.01, or (c) the highest amount of Salary Deferral Contributions on behalf of the Participant that may be retained in the Plan under the rules of section 401(k)(8)(C) of the Code, the amounts deferred shall be characterized as Catch-up Salary Deferral Contributions. Any amounts deferred under the Plan on a pre-tax basis at the election of a Participant that are not properly characterized as Catch-up Salary Deferral Contributions pursuant to the rules of the preceding sentence shall be characterized as Salary Deferral Contributions for all purposes under the Plan.

3.03 SUPPLEMENTAL CONTRIBUTIONS. Each Plan Year the Sponsor shall make a Supplemental Contribution for its Eligible Employees who are Participants in such amount as is required under the terms of the Teamsters Collective Bargaining Agreement. Each Plan Year Nichols Aluminum Alabama, Inc. shall make a Supplemental Contribution for its Eligible Employees who are Participants in such amount as is required under the terms of the Steelworkers Collective Bargaining Agreement.

3.04 GAINSHARING CONTRIBUTIONS. Each Plan Year Temroc Metals, Inc. shall make a Gainsharing Contribution for its Eligible Employees who are Participants in such amount as is required under the terms of the UAW Collective Bargaining Agreement.

3.05 ROLLOVER CONTRIBUTIONS AND PLAN-TO-PLAN TRANSFERS. The Committee may permit Rollover Contributions by Participants and/or direct transfers to or from another qualified plan on behalf of Participants from time to time. If Rollover Contributions and/or direct transfers to or from another qualified plan are permitted, the opportunity to make those contributions and/or direct transfers must be made available to Participants on a nondiscriminatory basis. For this purpose only, all Employees who are included in a classification of Employees who are eligible to participate in the Plan shall be considered to be Participants of the Plan even though they may not have met the Active Service requirements for eligibility. However, they shall not be entitled to elect to have Salary Deferral Contributions made or to share in Employer Contributions or forfeitures unless and until they have met the requirements for eligibility, contributions and allocations. A Rollover Contribution shall not be accepted unless it is directly rolled over to the Plan in a rollover described in section 401(a)(31) of the Code. A Participant shall not be permitted to make a Rollover Contribution if the property he intends to contribute is for any reason unacceptable to the Trustee. A Participant's or former Participant's right to benefits attributable to his Rollover Contributions made to the Plan shall be nonforfeitable.

3.06 RESTORATION CONTRIBUTIONS. The Employer shall, for each Plan Year, make a restoration contribution in an amount equal to the sum of (a) such amount, if any, as shall be necessary to fully restore all Supplemental Contribution Accounts required to be restored pursuant to the provisions of Section 9.02 after the application of all forfeitures available for such restoration; plus (b) an amount equal in value to the value of forfeited benefits required to

be restored under Section 9.03, after the application of all forfeitures available for such restoration.

3.07 RESTORATIVE PAYMENTS. If due to an oversight or inadvertent error an Employer fails to make a Contribution to the Plan on behalf of an Employee, as soon as administratively practicable following the Employee's discovery of the error, the Employer shall make a restorative payment to the Plan on behalf of the Employee in an amount equal to the amount of required Contribution the Employer should have made to the Plan on behalf of the Employee plus interest thereon (both determined in a manner that is consistent with then current guidance from the Department of Treasury concerning such restorative payments) after the application of forfeitures available for such restoration.

3.08 NONDEDUCTIBLE CONTRIBUTIONS NOT REQUIRED. Notwithstanding any other provision of the Plan, no Employer shall be required to make any contribution that would be a "nondeductible contribution" within the meaning of section 4972 of the Code.

3.09 FORM OF PAYMENT OF CONTRIBUTIONS. Contributions may be paid to the Trustee either in cash or in qualifying employer securities (as such term is defined in section 407(d) of ERISA) or any combination thereof, provided that payment may not be made in any form constituting a prohibited transaction under section 4975 of the Code or section 406 of ERISA.

3.10 DEADLINE FOR PAYMENT OF CONTRIBUTIONS. Salary Deferral Contributions shall be paid to the Trustee in installments. The installment for each payroll period shall be paid as soon as administratively feasible. The Supplemental Contributions and Gainsharing Contributions for a Plan Year shall be paid to the Trustee in one or more installments, as the Employer may from time to time determine; provided, however, that such contributions may not be paid later than the time prescribed by law (including extensions thereof) for filing the Employer's income tax return for its taxable year ending with or within such Plan Year.

3.11 RETURN OF CONTRIBUTIONS FOR MISTAKE, DISQUALIFICATION OR DISALLOWANCE OF DEDUCTION. Subject to the limitations of section 415 of the Code, the assets of the Trust shall not revert to any Employer or be used for any purpose other than the exclusive benefit of Participants, former Participants and their Beneficiaries and the reasonable expenses of administering the Plan except:

(a) any Employer Contribution made because of a mistake of fact may be repaid to the Employer within one year after the payment of the Contribution; and

(b) all Employer Contributions are conditioned upon their deductibility under section 404 of the Code; therefore, to the extent the deduction is disallowed, the Contributions may be repaid to the Employer within one year after the disallowance.

The Employer has the exclusive right to determine if a Contribution or any part of it is to be repaid or is to remain as a part of the Trust except that the amount to be repaid is limited, if the Contribution is made by mistake of fact or if the deduction for the Contribution is disallowed, to the excess of the amount contributed over the amount that would have been contributed had there been no mistake or over the amount disallowed. Earnings which are attributable to any excess contribution cannot be repaid. Losses attributable to an excess contribution must reduce

the amount that may be repaid. All repayments of Contributions made due to a mistake of fact or with respect to which a deduction is disallowed are limited so that the balance in a Participant's or former Participant's Account cannot be reduced to less than the balance that would have been in the Participant's or former Participant's Account had the mistaken amount or the amount disallowed never been contributed.

ARTICLE IV

ALLOCATION AND VALUATION OF ACCOUNTS

4.01 INFORMATION STATEMENTS FROM EMPLOYER. Upon request by the Committee, the Employer shall provide the Committee with a schedule setting forth the amount of its Salary Deferral Contribution, and restoration contribution; the names of its Participants, the number of years of Active Service of each of its Participants, the amount of Considered Compensation and Annual Compensation paid to each Participant, and the amount of Considered Compensation and Annual Compensation paid to all its Participants. Such schedules shall be conclusive evidence of such facts.

4.02 ALLOCATION OF SALARY DEFERRAL CONTRIBUTIONS. The Committee or its designee shall allocate the Salary Deferral Contribution among the Participants by allocating to each Participant the amount by which his Considered Compensation was reduced pursuant to a salary deferral agreement (as described in Section 3.01) and shall credit each such Participant's share to his Salary Deferral Contribution Account.

4.03 ALLOCATION OF CATCH-UP SALARY DEFERRAL CONTRIBUTION. The Committee shall allocate the Catch-up Salary Deferral Contribution among the Participants by allocating to each Participant the amount by which his Considered Compensation was reduced pursuant to a salary deferral agreement under Section 3.02 and shall credit each such Participant's share to his Catch-up Salary Deferral Contribution Account.

4.04 ALLOCATION OF SUPPLEMENTAL CONTRIBUTIONS. For each Plan Year, the Committee shall allocate the Supplemental Contribution made by an Employer among the Participants who are employed by the Employer during the Plan Year, based upon each such Participant's Considered Compensation paid by the Employer as compared to the Considered Compensation for all such Participants who are employed by the Employer.

4.05 ALLOCATION OF GAINSHARING CONTRIBUTIONS. The Committee or its designee shall allocate the Gainsharing Contribution among Participants who are covered by the UAW Collective Bargaining Agreement in the manner required under the UAW Collective Bargaining Agreement.

4.06 ALLOCATION OF FORFEITURES. At the time a forfeiture occurs pursuant to Article VIII or Section A.3.2 of Appendix A, the amount forfeited will first be used to reinstate any Account required to be reinstated under Article VIII, and any remaining amount will be applied to reduce the Employer's obligation to make future Supplemental Contributions.

4.07 VALUATION OF ACCOUNTS. A Participant's or former Participant's Accounts shall be valued by the Trustee at fair market value on each Valuation Date. The earnings and losses attributable to any asset in the Trust will be allocated solely to the Account of the Participant or former Participant on whose behalf the investment in the asset was made. In determining the fair market value of the Participant's or former Participant's Accounts, the Trustee shall utilize such sources of information as it may deem reliable including, but not limited to, stock market quotations, statistical evaluation services, newspapers of general circulation, financial

publications, advice from investment counselors or brokerage firms, or any combination of sources which in the opinion of the Trustee will provide the price such assets were last traded at on a registered stock exchange; provided, however, that with respect to regulated investment company shares, the Trustee shall rely exclusively on information provided to it by the investment adviser to such funds.

4.08 NO RIGHTS UNLESS OTHERWISE PRESCRIBED. No allocations, adjustments, credits, or transfers shall ever vest in any Participant or former Participant any right, title, or interest in the Trust except at the times and upon the terms and conditions set forth in the Plan.

ARTICLE V

BENEFITS

5.01 RETIREMENT BENEFIT. Upon his Separation From Service, a Participant or former Participant is entitled to receive his Nonforfeitable Interest in his Account balances.

5.02 DEATH BENEFIT. If a Participant or former Participant dies, the death benefit payable to his Beneficiary shall be the Participant's Nonforfeitable Interest in 100 percent of the remaining amount of his Account balances.

5.03 FORM OF DISTRIBUTION. Any distribution under the Plan shall be made in the form of a cash lump sum. However, a Participant who accrued any benefits under the Decatur Plan has the right to elect to receive payments in the form of property instead of cash, but only with respect to his Decatur Plan account balances that were transferred to the Plan.

5.04 DISTRIBUTION METHODS. Subject to Section 5.05, the distribution methods available under the Plan are (a) a lump sum payment and (b) periodic installment payments.

If a Participant or former Participant elects periodic installments payments, his Account balances shall be paid in substantially equal monthly, quarterly, semi-annual or annual periodic installments (as elected by him) for a specified number of years which may not exceed his life expectancy or the joint and last survivor life expectancy of him and his Beneficiary. Life expectancies will be determined, under Regulations issued under section 79 of the Code, as of the time payments commence. If installments are elected, the Committee may direct that the Participant's or former Participant's interest in the Plan be segregated and invested separately. Upon the death of a Participant or former Participant prior to the complete distribution of his Account balances, his Beneficiary may elect to receive the Beneficiary's interest in the Account in (a) an immediate lump sum cash payment or (b) installment payments for any period not in excess of the period (if any) selected by the Participant or former Participant.

5.05 IMMEDIATE PAYMENT OF SMALL AMOUNT UPON SEPARATION FROM SERVICE. Each Participant or former Participant whose Nonforfeitable Interest in his Account balance at the time of a distribution to him on account of his Separation From Service is, in the aggregate, less than or equal to $5,000.00, shall be paid in the form of an immediate single sum cash payment and/or as a Direct Rollover, as elected by him under section 5.05. However, if a Distributee who is subject to this Section 5.04 does not furnish instructions in accordance with Plan procedures to directly roll over his Plan benefit within 45 days after he has been given direct rollover forms, he will be deemed to have elected to receive an immediate lump sum cash distribution of his entire Plan benefit. If a Participant's or former Participant's Nonforfeitable Interest in his Account balance payable upon his Separation From Service is zero (because he has no Nonforfeitable Interest in his Account balance), he will be deemed to receive an immediate distribution of his entire Nonforfeitable Interest in his Account balance.

5.06 DIRECT ROLLOVER OPTION. To the extent required under Regulations, a Distributee has the right to direct that any portion of his Eligible Rollover Distribution will be directly paid

to an Eligible Retirement Plan specified by him that will accept the Eligible Rollover Distribution.

5.07 TIME OF DISTRIBUTION. Notwithstanding any other provision of the Plan, any benefit payable under the Plan shall be distributed in compliance with the following provisions:

(a) DISTRIBUTION DEADLINES FOR PARTICIPANTS OR FORMER PARTICIPANTS WHO ARE 70 1/2 OR OLDER. If a Participant or former Participant attains 70 1/2, the Participant or former Participant must elect to receive the distribution required under section 401(a)(9) of the Code in one lump sum which must be paid by his Required Beginning Date.

(b) DISTRIBUTION DEADLINE FOR DEATH BENEFITS. If a Participant or former Participant dies before the distribution of his Plan benefit has commenced, his entire interest shall be distributed within five years after his death.

(c) LIMITATIONS ON DEATH BENEFITS. Benefits payable under the Plan shall not be provided in any form that would cause a Participant's or former Participant's death benefit to be more than incidental. Any distribution required to satisfy the incidental benefit requirement shall be considered a required distribution for purposes of section 401(a)(9) of the Code.

(d) COMPLIANCE WITH SECTION 401(a)(9). All distributions under the Plan will be made in accordance with the requirements of section 401(a)(9) of the Code and all Regulations promulgated thereunder, including, effective January 1, 2001, Regulations that were proposed in January of 2001 (until final Regulations are issued) but not including Regulations that were proposed prior to January of 2001. The provisions of the Plan reflecting section 401(a)(9) of the Code override any distribution options in the Plan inconsistent with such Section.

(e) COMPLIANCE WITH SECTION 401(a)(14). Unless the Participant or former Participant otherwise elects, the payment of benefits under the Plan to the Participant or former Participant will begin not later than the 60th day after the close of the Plan Year in which occurs the latest of (a) the date on which the Participant or former Participant attains the later of age 62 or Retirement Age, (b) the tenth anniversary of the year in which the Participant or former Participant commenced participation in the Plan, or (c) the Participant's or former Participant's Separation From Service.

5.08 CONSENT TO DISTRIBUTION. Notwithstanding any other provision of the Plan, no benefit shall be distributed or commence to be distributed to a Participant or former Participant prior to his attainment of the later of age 62 or Retirement Age without his consent, unless the benefit is payable immediately under Section 5.05. Any such consent shall be valid only if given not more than 90 days prior to the Participant's or former Participant's Benefit Payment Date and after his receipt of the notice regarding benefits described in Section 5.09(a).

5.09 INFORMATION PROVIDED TO PARTICIPANTS. Information regarding the form of benefits available under the Plan shall be provided to Participants or former Participants in accordance with the following provisions:

(a) General Information. The Sponsor shall provide each Participant or former Participant with a written general explanation of the Participant's or former Participant's right, if any, to defer receipt of the distribution.

(b) Time for Giving Notice. The written general explanation or description regarding any optional forms of benefit available under the Plan shall be provided to a Participant or former Participant no less than 30 days and no more than 90 days before his Benefit Payment Date unless he legally waives this requirement.

5.10 DESIGNATION OF BENEFICIARY. Each Participant and former Participant has the right to designate and to revoke the designation of his Beneficiary or Beneficiaries. Each designation or revocation must be evidenced by a written document in the form required by the Committee, signed by the Participant or former Participant and filed with the Committee. If no designation is on file at the time of a Participant's or former Participant's death or if the Committee determines that the designation is ineffective, the designated Beneficiary shall be the Participant's or former Participant's Spouse, if living, or if not, the executor, administrator or other personal representative of the Participant's or former Participant's estate. If a Participant or former Participant is considered to be married under local law, his designation of any Beneficiary, other than his Spouse, shall not be valid unless the Spouse acknowledges in writing that the Spouse understands the effect of the Participant's or former Participant's beneficiary designation and consents to it. The consent must be to a specific Beneficiary. The written acknowledgement and consent must be filed with the Committee, signed by the Spouse and at least two witnesses, one of whom must be a member of the Committee or a notary public. However, if the Spouse cannot be located or there exist other circumstances as described in sections 401(a)(11) and 417(a)(2) of the Code, the requirement of the Participant's or former Participant's Spouse's acknowledgement and consent may be waived. If a Beneficiary other than the Participant's or former Participant's Spouse is named, the designation shall become invalid if the Participant or former Participant is later determined to be married under local law, the Participant's or former Participant's missing Spouse is located or the circumstances which resulted in the waiver of the requirement of obtaining the consent of his Spouse no longer exist.

5.11 DISTRIBUTIONS TO MINORS AND INCAPACITATED PERSONS. If the Committee determines that any person to whom a payment is due a minor or is unable to care for his affairs because of physical or mental disability, it shall have the authority to cause the payments to be made to the Spouse, brother, sister or other person the Committee determines to have incurred, or to be expected to incur, expenses for that person unless a prior claim is made by a qualified guardian or other legal representative. The Committee and the Trustee shall not be responsible to oversee the application of those payments. Payments made pursuant to this power shall be a complete discharge of all liability under the Plan and the Trust and the obligations of the Employer, the Trustee, the Trust and the Committee.

5.12 DISTRIBUTIONS PURSUANT TO QUALIFIED DOMESTIC RELATIONS ORDERS. The Committee will instruct the Trustee to pay benefits in accordance with the terms of any order that has been determined, in accordance with Plan procedures, to be a Qualified Domestic Relations Order. A Qualified Domestic Relations Order may require the payment of an immediate cash lump sum to an alternate payee even if the Participant or former Participant is not then entitled to receive an immediate payment of Plan benefits.

5.13 CLAIMS PROCEDURE. When a benefit is due, the Participant, former Participant or Beneficiary should submit his claim to the person or office designated by the Committee to receive claims. Under normal circumstances, a final decision shall be made as to a claim within 90 days after receipt of the claim. If the Committee notifies the claimant in writing during the initial 90-day period, it may extend the period up to 180 days after the initial receipt of the claim. The written notice must contain the circumstances necessitating the extension and the anticipated date for the final decision. If a claim is denied during the claims period, the Committee must notify the claimant in writing. The denial must include the specific reasons for it, the Plan provisions upon which the denial is based, and the claims review procedure. If no action is taken during the claims period, the claim is treated as if it were denied on the last day of the claims period.

If a Participant's, former Participant's or Beneficiary's claim is denied and he wants a review, he must apply to the Committee in writing. That application may include any comment or argument the claimant wants to make. The claimant may either represent himself or appoint a representative, either of whom has the right to inspect all documents pertaining to the claim and its denial. The Committee may schedule any meeting with the claimant or his representative that it finds necessary or appropriate to complete its review.

The request for review must be filed within 60 days after the denial. If it is not, the denial becomes final. If a timely request is made, the Committee must make its decision, under normal circumstances, within 60 days of the receipt of the request for review. However, if the Committee notifies the claimant prior to the expiration of the initial review period, it may extend the period of review up to 120 days following the initial receipt of the request for a review. All decisions of the Committee must be in writing and must include the specific reasons for their action and the Plan provisions on which their decision is based. If a decision is not given to the claimant within the review period, the claim is treated as if it were denied on the last day of the review period.

ARTICLE VI

LOANS

Except as specified below, the Committee may direct the Trustees to make loans to Participants (and Beneficiaries who are "parties in interest" within the meaning of ERISA) who have Nonforfeitable Interests in their Account balances. The Loan Committee established by the Committee will be responsible for administering the Plan loan program. All loans will comply with the following requirements:

(a) All loans will be made solely from the Participant's or Beneficiary's Account.

(b) Loans will be available on a nondiscriminatory basis to all Beneficiaries who are "parties in interest" within the meaning of ERISA, and to all Participants.

(c) Loans will not be made for less than $1,000.00.

(d) The maximum amount of a loan may not exceed the lesser of (A) $50,000.00 reduced by the person's highest outstanding loan balance from the Plan during the preceding one-year period, or (B) one-half of the person's Nonforfeitable Interest in his Account balance under the Plan determined as of the date on which the loan is approved by the Loan Committee.

(e) Any loan from the Plan will be evidenced by a note or notes (signed by the person applying for the loan) having such maturity, bearing such rate of interest, and containing such other terms as the Loan Committee will require by uniform and nondiscriminatory rules consistent with this Article and proper lending practices.

(f) All loans will bear a reasonable rate of interest which will be established by the Loan Committee. In determining the proper rate of interest to be charged, at the time any loan is made or renewed, the Loan Committee will contact at least two of the largest banks in the geographic location in which the Participant or Beneficiary resides to determine what interest rate the banks would charge for a similar loan taking into account the collateral offered.

(g) Each loan will be fully secured by a pledge of the borrowing person's Nonforfeitable Interest in his Account balance. No more than 50 percent of the person's Nonforfeitable Interest in his Account balance (determined immediately after the origination of the loan) will be considered as security for any loan.

(h) The term of the loan will not be less than 18 months. Generally, the term of the loan will not be more than five years. The Loan Committee may agree to a longer term (but not more than seven years) only if such term is otherwise reasonable and the proceeds of the loan are to be used to acquire a dwelling which will be used within a reasonable time (determined at the time the loan is made) as the principal residence of the borrowing person.

(i) The loan agreement will require level amortization over the term of the loan. A Participant's loan agreement will also require that loan repayments be made through payroll deductions.

(j) If a person fails to make a required payment within 30 days of the due date set forth in the loan agreement, the loan will be in default.

(k) If a Participant or former Participant has an outstanding loan from the Plan at the time of his Separation From Service, the outstanding loan principal balance and any accrued but unpaid interest will become immediately due in full. The Participant or former Participant will have the right to immediately pay the Trustee that amount. If the Participant or former Participant fails to repay the loan, the Trustee will foreclose on the loan and the Participant will be deemed to have received a Plan distribution of the amount foreclosed upon. The Trustee will not foreclose upon a Participant's or former Participant's Salary Deferral Contribution Account or Catch-up Salary Deferral Contributions Account until the Participant's Separation From Service.

(l) If a Beneficiary defaults on his loan, the Trustee will foreclose on the loan and the Beneficiary will be deemed to have received a Plan distribution of the amount foreclosed upon.

(m) No amount that is pledged as collateral for a Plan loan to a Participant will be available for withdrawal before he has fully repaid his loan.

(n) All interest payments made pursuant to the terms of the loan agreement will be credited to the borrowing person's Account and will not be considered as general earnings of the Trust Fund to be allocated to other Participants.

ARTICLE VII

IN-SERVICE DISTRIBUTIONS

7.01 IN-SERVICE FINANCIAL HARDSHIP DISTRIBUTIONS.

(a) General. Prior to his Separation From Service, a Participant is entitled to receive a distribution from his Salary Deferral Contribution Account (except for income that was not credited to his Salary Deferral Account as of December 31, 1988), his Catch-up Salary Deferral Contribution Account (except for income credited to his Catch-up Salary Deferral Contribution Account), his Rollover Account, his Gainsharing Account, and his Nonforfeitable Interest in his Supplemental Contribution Account in the event of an immediate and heavy financial need incurred by the Participant and the Committee's determination that the withdrawal is necessary to alleviate that hardship.

(b) Permitted Reasons For Financial Hardship Distributions. A distribution shall be made on account of financial hardship only if the distribution is for: (i) expenses for medical care described in section 213(d) of the Code previously incurred by the Participant, the Participant's Spouse, or any dependents of the Participant (as defined in section 152 of the Code) or necessary for these persons to obtain medical care described in section 213(d) of the Code, (ii) costs directly related to the purchase (excluding mortgage payments) of a principal residence for the Participant, (iii) payment of tuition and related educational fees for the next 12 months of post-secondary education for the Participant, his Spouse, children, or dependents (as defined in section 152 of the Code), (iv) payments necessary to prevent the eviction of the Participant from his principal residence or foreclosure on the mortgage of the Participant's principal residence, or (v) any other event added to this list by the Commissioner of Internal Revenue. In addition to the foregoing reasons, a Participant who is employed by Temroc Metals, Inc. may receive a financial hardship distribution under this Section 7.01 to pay funeral or burial expenses for a Participant's Spouse or dependent child.

(c) Amount. A distribution to satisfy an immediate and heavy financial need shall not be made in excess of the amount of the immediate and heavy financial need of the Participant and the Participant must have obtained all distributions, other than hardship distributions, and all nontaxable (at the time of the loan) loans currently available under all plans maintained by the Employer. The amount of a Participant's immediate and heavy financial need includes any amounts necessary to pay any federal, state or local income taxes or penalties reasonably anticipated to result from the financial hardship distribution.

(d) Suspension of Participation in Certain Benefit Programs. The Participant's hardship distribution shall terminate his right to have the Employer make any Salary Deferral Contributions on his behalf until the next time Salary Deferral Contributions are permitted after (1) the lapse of 12 months following the hardship distribution and (2) his timely filing of a written request to resume his Salary Deferral Contributions. In addition, for 12 months after he receives a hardship distribution from the Plan, the Participant is prohibited from making elective contributions and employee contributions to or under all other qualified and nonqualified plans of deferred compensation maintained by the Employer, including stock option plans, stock purchase plans and Code section 401(k) cash or deferred arrangements that are part

of cafeteria plans described in section 125 of the Code. However, the Participant is not prohibited from making contributions to a health or welfare benefit plan, including one that is part of a cafeteria plan within the meaning of section 125 of the Code.

(e) Resumption of Salary Deferral Contributions. Effective for Plan Years that commence prior to January 1, 2002, when the Participant resumes Salary Deferral Contributions, he cannot have the Employer make any Salary Deferral Contributions in excess of the limit in section 402(g) of the Code for that taxable year reduced by the amount of Salary Deferral Contributions made by the Employer on the Participant's behalf during the taxable year of the Participant in which he received the hardship distribution.

(f) Order of Distributions. Financial hardship distributions will be made in the following order: First withdrawals will be made from the Participant's Rollover Contribution Account, then from his Supplemental Contribution Account, then from his Gainsharing Contribution Account, then from his Salary Deferral Contribution Account, and finally, from his Catch-up Salary Deferral Contribution Account.

7.02 IN-SERVICE DISTRIBUTIONS FOR CERTAIN PARTICIPANTS WHO HAVE ATTAINED AGE 59 1/2. Prior to his Separation From Service, a Participant who is at least age 59 1/2 is entitled to withdraw all or any portion of his Nonforfeitable Interest in amounts credited to his Accounts.

7.03 METHOD OF PAYMENT. Any distribution made pursuant to this Article VII, will be paid in the form of a cash lump sum.

ARTICLE VIII

VESTING

A Participant or former Participant has a fully Nonforfeitable Interest in his entire Account balance when he (a) incurs a Disability on or prior to the date of his Separation From Service, (b) attains his Normal Retirement Age on or prior to the date of his Separation From Service, or (c) incurs a Separation From Service due to death. A Participant or former Participant shall at all times have a fully Nonforfeitable Interest in amounts credited to his Salary Deferral Contribution Account, his Catch-up Salary Deferral Contribution Account, and his Rollover Account. A Participant or former Participant who, during his participation in the Plan, was included in a unit of employees covered by the UAW Collective Bargaining Agreement, shall at all times have a fully Nonforfeitable Interest in amounts credited to his Gainsharing Contribution Account. A Participant or former Participant who, during his participation in the Plan, was not included in a unit of employees covered by the UAW Collective Bargaining Agreement shall have a Nonforfeitable Interest in the following percentage of amounts credited to his Supplemental Contribution Account:

Years of Active Service Completed by the Participant or Former Participant	Vested Percentage
Less than one	0
One but less than two	20
Two but less than three	40
Three but less than four	60
Four but less than five	80
Five or more	100

Subject to the possible application of Section 13.05, except as specified above, a Participant or former Participant has a Forfeitable interest in his Account balance and shall not be entitled to any benefits under the Plan upon or following his Separation From Service.

ARTICLE IX

FORFEITURES AND RESTORATIONS

9.01 FORFEITURE ON TERMINATION OF PARTICIPATION.

(a) If as a result of his Separation From Service a Participant or former Participant receives (or is deemed to receive under Section 5.05), a distribution of his entire Nonforfeitable Interest in the Plan not later than the end of the second Plan Year following the Plan Year in which his Separation From Service occurs, the remaining Forfeitable Interest in his Account balance will be immediately forfeited upon the distribution.

(b) If a Participant or former Participant neither receives nor is deemed to receive a distribution as a result of his Separation From Service, the Participant's or former Participant's Forfeitable Interest in his Account balance will be permanently forfeited (with no right of reinstatement under Section 9.02) on the later of the date of his Separation From Service or the date on which he has incurred a Period of Severance of five consecutive years.

9.02 RESTORATION OF FORFEITED AMOUNTS. If a Participant or former Participant who forfeited any portion of his Account balance pursuant to the provisions of Section 8.01 subsequently performs an Hour of Service, then the following provisions shall apply:

(a) Repayment Requirement. The Participant's Account balance (unadjusted for gains or losses subsequent to the forfeiture) shall be restored if he repays to the Trustee the full amount of any distribution with respect to which the forfeiture arose prior to the earlier of (1) the date on which he incurs a Period of Severance of five years commencing after his distribution, or (2) the fifth anniversary of the first date on which the Participant subsequently performs his first Hour of Service after his Separation From Service. A Participant who is deemed to have received a distribution under Section 5.04 (because he had no Nonforfeitable Interest in his Account balance) will be deemed to have repaid his Account balance upon his reemployment if he is reemployed before the earlier of the dates specified in clauses (1) and (2) in the preceding sentence.

(b) Amount Restored. The amount to be restored under the preceding provisions of this Section 9.02 shall be the dollar value of the Account balance, both the amount distributed and the amount forfeited. The Participant's Account balance shall be restored as soon as administratively practicable after the later of the date the Participant first performs an Hour of Service after his Separation From Service or the date on which any required repayment is completed.

(c) No Other Basis for Restoration. Except as otherwise provided above, a Participant's Account balance shall not be restored after it has been forfeited pursuant to Section 9.01.

9.03 FORFEITURES BY LOST PARTICIPANTS OR BENEFICIARIES. If a person who is entitled to a distribution cannot be located during a reasonable search after the Committee has initially

attempted making payment, his Account balance shall be forfeited. However, if at any time prior to the termination of the Plan and the complete distribution of the Trust assets, the missing former Participant or Beneficiary files a claim with the Committee for the forfeited Account balance, that Account balance shall be reinstated (without adjustment for trust income or losses during the period of forfeiture) effective as of the date of the receipt of the claim.

9.04 TRANSITION RULE FOR DECATUR PLAN PARTICIPANTS. Any Plan forfeitures occurring during or prior to the 1999 Plan Year that are attributable to persons who are or were employed by Nichols Aluminum-Alabama, Inc. will be allocated to the Supplemental Contribution Accounts of Participants who are Employees of Nichols Aluminum-Alabama, Inc. in the manner specified in the provisions of the Decatur Plan as in effective immediately prior to January 1, 1999. Any forfeitures that occur during the 2000 Plan Year or subsequent Plan Years will be applied as specified in the other provisions of this Article IX.

ARTICLE X

ACTIVE SERVICE

10.01 GENERAL RULES. For purposes of determining an Employee's eligibility to participate in the Plan and his Nonforfeitable Interest in his Account balance, the Employee shall receive credit for Active Service commencing on the date he first performs an Hour of Service and ending on his Severance From Service Date. If such an Employee Severs Service, he shall recommence earning Active Service when he again performs an Hour of Service. If such an Employee performs an Hour of Service within twelve months after his Severance From Service Date, the intervening Period of Severance shall be counted as Active Service. When determining such an Employee's Active Service, all Periods of Service, whether or not completed consecutively, shall be aggregated on a per-day basis. In aggregating service for purposes of determining such an Employee's Nonforfeitable Interest in amounts credited to his Account, 365 days shall be counted as one year of Active Service. Except to the extent expressly provided otherwise in the Plan, such an Employee shall be granted credit for all Periods of Service with Affiliated Employers (including Periods of Service performed while the Employee is not eligible to participate in the Plan because he does not satisfy the requirements of Section 2.01).

10.02 DISREGARD OF CERTAIN SERVICE. If such an Employee incurs a Separation From Service at a time when he does not have a Nonforfeitable Interest in a portion of his Supplemental Contribution Account balance and his Period of Severance continues for a continuous period of five years or more, the Period of Service completed by the Employee before the Period of Severance shall not be taken into account as Active Service, if his Period of Severance equals or exceeds his Period of Service, whether or not consecutive, completed before the Period of Severance.

10.03 CERTAIN BRIEF ABSENCES COUNTED AS ACTIVE SERVICE. If an Employee performs an Hour of Service within 365 days after he Severs Service, the intervening Period of Severance shall be counted as a Period of Service.

10.04 SPECIAL MATERNITY OR PATERNITY ABSENCE RULES. Except as specified below, the period of time between (a) the first anniversary of the first day of a Maternity or Paternity Absence of such an Employee and (b) the second anniversary of the first day of the absence shall not be counted as a Period of Severance or as Active Service. However, if the Employee returns to active employment with an Affiliated Employer prior to the expiration of twelve months following the earlier of (1) the date of his Separation From Service or (2) the second anniversary of the first day of his Maternity or Paternity Absence, he shall be granted Active Service for the entire period of his Maternity or Paternity Absence.

10.05 EMPLOYMENT RECORDS CONCLUSIVE. The employment records of the Employer shall be conclusive for all determinations of Active Service.

10.06 SERVICE CREDIT REQUIRED BY LAW. An Employee will be granted credit for Active Service for time he is not actively performing services for an Affiliated Employer to the extent required under federal law. An Employee will be granted credit for Active Service for

services performed for a predecessor employer to the extent required by section 414(a) of the Code and Regulations issued thereunder.

10.07 CREDIT FOR SERVICE WITH ALUMI-BRITE CORPORATION. For purposes of determining an Employee's Active Service for eligibility to participate and vesting, his service with Alumi-Brite Corporation, an Illinois corporation, will be counted as Active Service under the Plan.

10.08 CREDIT FOR SERVICE WITH FRUEHAUF TRAILER CORPORATION. For purposes of determining an Employee's Active Service for eligibility to participate and vesting, his service with Fruehauf Trailer Corporation, a Delaware corporation, will be counted as Active Service under the Plan.

10.09 CREDIT FOR SERVICE WITH DECATUR ALUMINUM HOLDINGS CORP. AND ITS SUBSIDIARIES. For purposes of determining an Employee's Active Service for eligibility to participate and for purposes of determining an Employee's Nonforfeitable Interest in amounts credited to his Account, his service with Decatur Aluminum Holdings Corp., a Delaware corporation, and its wholly-owned subsidiaries will be counted as Active Service under the Plan.

10.10 CREDIT FOR SERVICE WITH TEMROC METALS, INC. For purposes of determining an Employee's Active Service for eligibility to participate and for purposes of determining an Employee's Nonforfeitable Interest in amounts credited to his Account, his service with Temroc Metals, Inc., a Minnesota corporation, will be counted as Active Service under the Plan.

10.11 SPECIAL TRANSITIONAL RULE. Any Eligible Employee who is covered by the Teamsters Collective Bargaining Agreement and who was an Employee prior to July 1, 1999 shall have his Active Service calculated under the provisions of the Plan in effect on June 30, 1999 if that method of calculating his Active Service is more beneficial for him than the method otherwise set out in this Article X.

ARTICLE XI

INVESTMENT ELECTIONS

11.01 INVESTMENT FUNDS ESTABLISHED. It is contemplated that the assets of the Plan shall be invested in such categories of assets as may be determined from time to time by the Committee and announced and made available on an equal basis to all Participants and former Participants. In accordance with procedures established by the Committee, each Participant and former Participant may designate the percentage of his Account to be invested in each investment fund available under the Plan. Up to one hundred percent of the Trust assets may be invested in Sponsor Stock.

11.02 ELECTION PROCEDURES ESTABLISHED. The Committee shall, from time to time, establish rules to be applied in a nondiscriminatory manner as to all matters relating to the administration of the investment of funds including, but not limited to, the following:

(a) the percentage of a Participant's or former Participant's Account as it exists, from time to time, that may be transferred from one fund to another and the limitations based on amounts, percentages, time, or frequency, if any, on such transfers;

(b) the percentage of a Participant's future contributions, when allocated to his Account, that may be invested in any one or more funds and the limitations based upon amounts, percentages, time, or frequency, if any, on such investments in various funds;

(c) the procedures for making investment elections and changing existing investment elections;

(d) the period of notice required for making investment elections and changing existing investment elections;

(e) the handling of income and change of value in funds when funds are in the process of being transferred between investment funds and to investment funds; and

(f) all other matters necessary to permit the orderly operation of investment funds within the Plan.

When the Committee changes any previous applicable rule, it shall state the effective time of the change and the procedures for complying with any such change. Any change shall remain effective until such date as stated in the change, or if none is stated, then until revoked or changed in a like manner.

ARTICLE XII

ADOPTION OF PLAN BY OTHER EMPLOYERS

12.01 ADOPTION PROCEDURE. Any business organization may, with the approval of the Board, adopt the Plan by:

(a) a certified resolution or consent of the board of directors of the adopting Employer or an executed adoption instrument (approved by the board of directors of the adopting Employer) agreeing to be bound as an Employer by all the terms, conditions and limitations of the Plan except those, if any, specifically described in the adoption instrument; and

(b) providing all information required by the Committee and the Trustee.

12.02 NO JOINT VENTURE IMPLIED. The document which evidences the adoption of the Plan by an Employer shall become a part of the Plan. However, neither the adoption of the Plan and the Trust by an Employer nor any act performed by it in relation to the Plan and the Trust shall ever create a joint venture or partnership relation between it and any other Employer.

12.03 ALL TRUST ASSETS AVAILABLE TO PAY ALL BENEFITS. The Accounts of Participants employed by the Employers that adopt the Plan shall be commingled for investment purposes. All assets in the Trust shall be available to pay benefits to all Participants employed by any Employer.

12.04 QUALIFICATION A CONDITION PRECEDENT TO ADOPTION AND CONTINUED PARTICIPATION. The adoption of the Plan and the Trust by a business organization is contingent upon and subject to the express condition precedent that the initial adoption meets all statutory and regulatory requirements for qualification of the Plan and the exemption of the Trust that are applicable to it and that the Plan and Trust continue in operation to maintain their qualified and exempt status. In the event the adoption fails to initially qualify, the adoption shall fail retroactively for failure to meet the condition precedent and the portion of the Trust assets applicable to the adoption shall be immediately returned to the adopting business organization and the adoption shall be void ab initio. In the event the adoption as to a given business organization later becomes disqualified and loses its exemption for any reason, the adoption shall fail retroactively for failure to meet the condition precedent and the portion of the Trust assets allocable to the adoption by that business organization shall be immediately spun off, retroactively as of the last date for which the Plan qualified, to a separate trust for its sole benefit and an identical but separate Plan shall be created, retroactively effective as of the last date the Plan as adopted by that business organization qualified, for the benefit of the Participants covered by that adoption.

ARTICLE XIII

AMENDMENT AND TERMINATION

13.01 RIGHT TO AMEND AND LIMITATIONS THEREON. The Sponsor has the sole right to amend the Plan. An amendment may be made by a certified resolution or consent of the Board, or by an instrument in writing executed by the appropriate officer of the Sponsor. The amendment must describe the nature of the amendment and its effective date. No amendment shall:

(a) vest in an Employer any interest in the Trust;

(b) cause or permit the Trust assets to be diverted to any purpose other than the exclusive benefit of the present, former or future Participants and their Beneficiaries except under the circumstances described in Section 3.11;

(c) decrease the Account of any Participant or former Participant, or eliminate an optional form of payment in violation of section 411(d)(6) of the Code; or

(d) change the vesting schedule to one which would result in a Participant's or former Participant's Nonforfeitable Interest in his Account balance (determined as of the later of the date of the adoption of the amendment or of the effective date of the amendment) of any Participant or former Participant being less than his Nonforfeitable Interest computed under the Plan without regard to the amendment. If the Plan's vesting schedule is amended or if the Plan is deemed amended by an automatic change to or from a top-heavy vesting schedule, each Participant or former Participant who has at least three years of Active Service as of the date of the amendment or change shall have his nonforfeitable percentage computed under the Plan without regard to the amendment or the change if that results in a higher Nonforfeitable Interest in his Account balance.

Each Employer shall be deemed to have adopted any amendment made by the Sponsor unless the Employer notifies the Committee of its rejection in writing within 30 days after it receives a copy of the amendment. A rejection shall constitute a withdrawal from the Plan by that Employer unless the Sponsor acquiesces in the rejection.

13.02 MANDATORY AMENDMENTS. The Contributions of each Employer to the Plan are intended to be:

(a) deductible under the applicable provisions of the Code;

(b) except as otherwise prescribed by applicable law, exempt from the Federal Social Security Act;

(c) except as otherwise prescribed by applicable law, exempt from with- holding under the Code; and

(d) excludable from any Employee's regular rate of pay, as that term is defined under the Fair Labor Standards Act of 1938, as amended.

The Sponsor shall make any amendment necessary to carry out this intention, and it may be made retroactively.

13.03 WITHDRAWAL OF EMPLOYER. An Employer may withdraw from the Plan and the Trust if the Sponsor does not acquiesce in its rejection of an amendment or by giving written notice of its intent to withdraw to the Committee. The Committee shall then determine the portion of the Trust assets that is attributable to the Participants employed by the withdrawing Employer and shall notify the Trustee to segregate and transfer those assets to the successor trustee when it receives a designation of the successor from the withdrawing Employer.

A withdrawal shall not terminate the Plan and the Trust with respect to the withdrawing Employer, if the Employer either appoints a successor trustee and reaffirms the Plan and the Trust as its new and separate plan and trust intended to qualify under section 401(a) of the Code, or establishes another plan and trust intended to qualify under section 401(a) of the Code.

The determination of the Committee, in its sole discretion, of the portion of the Trust assets that is attributable to the Participants employed by the withdrawing Employer shall be final and binding upon all parties; and, the Trustee's transfer of those assets to the designated successor Trustee shall relieve the Trustee of any further obligation, liability or duty to the withdrawing Employer, the Participants employed by that Employer and their Beneficiaries, and the successor trustee.

13.04 TERMINATION OF PLAN. The Sponsor may terminate the Plan and the Trust with respect to all Employers by executing and delivering to the Committee and the Trustee, a notice of termination, specifying the date of termination.

13.05 PARTIAL OR COMPLETE TERMINATION OR COMPLETE DISCONTINUANCE OF CONTRIBUTIONS. Without regard to any other provision of the Plan, if there is a partial or total termination of the Plan (within the meaning of section 411 of the Code and Regulations thereunder) or there is a complete discontinuance of the Employer's Contributions (within the meaning of section 411 of the Code and Regulations thereunder), each of the affected Participants shall immediately have a fully Nonforfeitable Interest in his Account as of the end of the last Plan Year for which a substantial Employer Contribution was made and in any amounts later allocated to his Account. If the Employer then resumes making substantial Contributions at any time, the appropriate vesting schedule shall again apply to all amounts allocated to each affected Participant's Account beginning with the Plan Year for which they were resumed.

ARTICLE XIV

MISCELLANEOUS

14.01 PLAN NOT AN EMPLOYMENT CONTRACT. The maintenance of the Plan and the Trust is not a contract between any Employer and its Employees which gives any Employee the right to be retained in its employment. Likewise, it is not intended to interfere with the rights of any Employer to discharge any Employee at any time or to interfere with the Employee's right to terminate his employment at any time.

14.02 BENEFITS PROVIDED SOLELY FROM TRUST. All benefits payable under the Plan shall be paid or provided for solely from the Trust. No Employer assumes any liability or responsibility to pay any benefit provided by the Plan.

14.03 ASSIGNMENTS PROHIBITED. No principal or income payable or to become payable from the Trust Fund shall be subject to anticipation or assignment by a Participant, former Participant or Beneficiary to attachment by, interference with, or control of any creditor of a Participant, former Participant or Beneficiary; or to being taken or reached by any legal or equitable process in satisfaction of any debt or liability of a Participant, former Participant, or Beneficiary prior to its actual receipt by the Participant, former Participant or Beneficiary. Any attempted conveyance, transfer, assignment, mortgage, pledge, or encumbrance of any Trust assets, any part of it, or any interest in it by a Participant, former Participant or Beneficiary prior to distribution shall be void, whether that conveyance, transfer, assignment, mortgage, pledge, or encumbrance is intended to take place or become effective before or after any distribution of Trust assets or the termination of the Trust itself. The Trustee shall never under any circumstances be required to recognize any conveyance, transfer, assignment, mortgage, pledge or encumbrance by a Participant, former Participant, or Beneficiary of the Trust, any part of it, or any interest in it, or to pay any money or thing of value to any creditor or assignee of a Participant, former Participant or Beneficiary for any cause whatsoever. These prohibitions against the alienation of a Participant's Account shall not apply to a Qualified Domestic Relations Order or to a voluntary revocable assignment of benefits not in excess of ten percent of the amount of any payment from the Plan if such assignment complies with Regulations issued under section 401(a)(13) of the Code. Further, effective for judgments, orders and decrees issued, and settlement agreements entered into, on or after August 5, 1997, these prohibitions shall not apply to any offset of a Participant's or former Participant's benefits provided under a Plan against an amount that the Participant or former Participant is ordered or required to pay to the Plan if--(a) the order or requirement to pay arises--(1) under a judgment of conviction for a crime involving the Plan, (2) under a civil judgment (including a consent order or decree) entered by a court in an action brought in connection with an alleged violation of part 4 of subtitle B of title I of ERISA, or (3) pursuant to a settlement agreement between the Secretary of Labor and the Participant or former Participant in connection with a violation (or alleged violation) of part 4 of subtitle B of ERISA by a fiduciary or any other person, and (b) the judgment, order, decree, or settlement agreement expressly provides for the offset of all or part of the amount ordered or required to be paid to the Plan against the Participant's or former Participant's benefits provided under the Plan.

14.04 REQUIREMENTS UPON MERGER OR CONSOLIDATION OF PLANS. The Plan shall not merge or consolidate with or transfer any assets or liabilities to any other plan unless each Participant would receive a benefit immediately after the merger, consolidation, or transfer which is equal to or greater than the benefit he would have been entitled to receive immediately before the merger, consolidation, or transfer (if the Plan had then terminated).

14.05 GENDER OF WORDS USED. If the context requires it, words of one gender when used in the Plan shall include the other gender, and words used in the singular or plural shall include the other.

14.06 SEVERABILITY. Each provision of this Agreement may be severed. If any provision is determined to be invalid or unenforceable, that determination shall not affect the validity or enforceability of any other provision.

14.07 REEMPLOYED VETERANS. Effective January 12, 1994, the requirements of the Uniformed Services Employment and Reemployment Rights Act of 1994 will be complied with in the operation of the Plan in the manner permitted under section 414(u) of the Code.

14.08 LIMITATIONS ON LEGAL ACTIONS. No person may bring an action pertaining to the Plan or Trust until he has exhausted his administrative claims and appeal remedies identified in Section 5.13. Further, no person may bring an action pertaining to a claim for benefits under the Plan or the Trust following 180 days after the Committee's final denial of his claim for benefits.

14.09 GOVERNING LAW. The provisions of the Plan shall be construed, administered, and governed under the laws of the United States unless the specific matter in question is governed by state law in which event the laws of the State of Texas shall apply.

IN WITNESS WHEREOF, Quanex Corporation has caused this Agreement to be executed this 22nd day of February, 2002, in multiple counterparts, each of which shall be deemed to be an original, to be effective the 1st day of January, 1998, except for those provisions which have an earlier effective date provided by law, or as otherwise provided under applicable provisions of the Plan.

QUANEX CORPORATION

By /s/ Viren M. Parikh

Title: Controller

APPENDIX A

LIMITATIONS ON CONTRIBUTIONS AND ALLOCATIONS

PART A.1 DEFINITIONS

DEFINITIONS. As used herein the following words and phrases have the meaning attributed to them below:

A.1.1 "ACTUAL DEFERRAL PERCENTAGE" means, for a specified group of Employees for a Plan Year, the average of the ratios (calculated separately for each Employee in the group) of the amount of Salary Deferral Contributions actually paid into the Trust on behalf of the Employee for the Plan Year to the Employee's Annual Compensation for the Plan Year.

A.1.2 "ACTUAL DEFERRAL RATIO" means the ratio of Salary Deferral Contributions actually paid into the Trust on behalf of an Employee for a Plan Year to the Employee's Annual Compensation for the same Plan Year. For this purpose, Annual Compensation for any portion of the Plan Year in which the Employee was not an eligible Employee (as defined in Section A.2.3) will not be taken into account.

A.1.3 "ANNUAL ADDITIONS" means the sum of the following amounts credited on behalf of a Participant for the Limitation Year: (a) Employer contributions excluding Catch-up Salary Deferral Contributions and including Salary Deferral Contributions, (b) Employee after-tax contributions and (c) forfeitures. For this purpose, Employee contributions are determined without regard to any rollover contributions (as defined in sections 402(c), 403(a)(4), 403(b)(8), 408(d)(3) and 457(e)(16) of the Code without regard to employee contributions to a simplified employee pension which are excludable from gross income under section 408(k)(6) of the Code). Excess 401(k) Contributions for a Plan Year are treated as Annual Additions for that Plan Year even if they are corrected through distribution. Excess Deferrals that are timely distributed as set forth in Section A.3.1 will not be treated as Annual Additions.

A.1.4 "EXCESS AMOUNT" shall mean the excess of the Annual Additions credited to the Participant's Account for the Limitation Year over the Maximum Permissible Amount.

A.1.5 "EXCESS 401(k) CONTRIBUTIONS" means, with respect to any Plan Year, the excess of (a) the aggregate amount of Salary Deferral Contributions actually paid to the Trustee on behalf of Highly Compensated Employees for the Plan Year over (b) the maximum amount of those contributions permitted under the limitations set out in the first sentence of Section A.2.3.

A.1.6 "LIMITATION YEAR" shall mean the Plan Year. All qualified plans maintained by any Affiliated Employer must use the same Limitation Year. If the Limitation Year is amended to a different 12-consecutive month period, the new Limitation Year must begin on a date within the Limitation Year in which the amendment is made.

A.1.7 "MAXIMUM PERMISSIBLE AMOUNT" means, for Limitation Years that commence prior to January 1, 2002, the lesser of (1) $30,000.00 as adjusted by the Secretary of Treasury for increases in the cost of living, or (2) 25 percent of the Participant's Annual Compensation for the Limitation Year. "Maximum Permissible Amount" means, for Limitation Years that commence on or after January 1, 2002, the lesser of (1) $40,000.00 as adjusted by the Secretary of Treasury for increases in the cost of living or (2) 100 percent of the Participant's Annual Compensation for the Limitation Year. The Annual Compensation limitation referred to in clauses (2) of the immediately preceding sentences shall not apply to any contribution for medical benefits (within the meaning of section 401(h) or section 419A(f)(2) of the Code) that is otherwise treated as an Annual Addition under section 415(l)(1) or section 419A(d)(2) of the Code. If a short Limitation Year is created because of an amendment changing the Limitation Year to a different 12-consecutive month period, the Maximum Permissible Amount shall not exceed the dollar limitation in effect under section 415(c)(1)(A) of the Code multiplied by a fraction, the numerator of which is the number of months in the short Limitation Year, and the denominator of which is 12.

PART A.2 LIMITATIONS ON CONTRIBUTIONS

A.2.1 LIMITATIONS BASED UPON DEDUCTIBILITY AND THE MAXIMUM ALLOCATION PERMITTED TO A PARTICIPANT'S ACCOUNT. Notwithstanding any other provision of the Plan, no Employer shall make any contribution that would be a nondeductible contribution within the meaning of section 4972 of the Code or that would cause the limitation on allocations to each Participant's Account under section 415 of the Code and Section A.4.1 to be exceeded.

A.2.2 DOLLAR LIMITATION UPON SALARY DEFERRAL CONTRIBUTIONS. The maximum Salary Deferral Contribution that a Participant may elect to have made on his behalf during the Participant's taxable year may not, when added to the amounts deferred under other plans or arrangements described in sections 401(k), 408(k) and 403(b) of the Code, exceed $7,000 (as adjusted by the Secretary of Treasury). For purposes of applying the requirements of Section A.2.3, Excess Deferrals shall not be disregarded merely because they are Excess Deferrals or because they are distributed in accordance with this Section. However, Excess Deferrals made to the Plan on behalf of Non-Highly Compensated Employees are not to be taken into account under Section A.2.3.

A.2.3 LIMITATION BASED UPON ACTUAL DEFERRAL PERCENTAGE. Effective for Plan Years commencing on or after January 1, 1997, the Actual Deferral Percentage for eligible Highly Compensated Employees for any Plan Year must bear a relationship to the Actual Deferral Percentage for all other eligible Employees for (1) the preceding Plan Year in the case of testing for Plan Years commencing on or after January 1, 1998, or (2) the current Plan Year in the case of testing for Plan Years commencing prior to January 1, 1998, which meets either of the following tests:

(a) the Actual Deferral Percentage of the eligible Highly Compensated Employees is not more than the Actual Deferral Percentage of all other eligible Employees multiplied by 1.25; or

(b) the excess of the Actual Deferral Percentage of the eligible Highly Compensated Employees over that of all other eligible Employees is not more than two percentage points, and the Actual Deferral Percentage of the eligible Highly Compensated Employees is not more than the Actual Deferral Percentage of all other eligible Employees multiplied by two.

For purposes of this test an eligible Employee is an Employee who is directly or indirectly eligible to make Salary Deferral Contributions for all or part of the Plan Year. A person who is suspended from making Salary Deferral Contributions because he has made a withdrawal is an eligible Employee. If no Salary Deferral Contributions are made for an eligible Employee, the Actual Deferral Ratio that shall be included for him in determining the Actual Deferral Percentage is zero. If the Plan and any other plan or plans which include cash or deferred arrangements are considered as one plan for purposes of section 401(a)(4) or 410(b) of the Code, the cash or deferred arrangements included in the Plan and the other plans shall be treated as one plan for purposes of this Section. If any Participant who is a Highly Compensated Employee is a participant in any other cash or deferred arrangements of the Employer, when determining the deferral percentage of such Participant, all such cash or deferred arrangements are treated as one plan for these dates.

Notwithstanding the foregoing, effective for Plan Years commencing on or after January 1, 1998, an individual who is not a Highly Compensated Employee and who has not satisfied the minimum age and service requirements of section 410(a)(1)(A) of the Code will not be treated as an eligible Employee for purposes of this Section A.2.3 if the Sponsor elects to apply section 410(b)(4)(3) of the Code in determining whether the Plan meets the requirements of section 401(k)(3) of the Code.

A Salary Deferral Contribution will be taken into account under the Actual Deferral Percentage test of section 401(k) of the Code and this Section for a Plan Year only if it relates to Considered Compensation that either would have been received by the Employee in the Plan Year (but for the deferral election) or is attributable to services performed by the Employee in the Plan Year and would have been received by the Employee within 2 1/2 months after the close of the Plan Year (but for the deferral election). In addition, a Salary Deferral Contribution will be taken into account under the Actual Deferral Percentage test of section 401(k) of the Code and this Section for a Plan Year only if it is allocated to an Employee as of a date within that Plan Year. For this purpose a

Salary Deferral Contribution is considered allocated as of a date within a Plan Year if the allocation is not contingent on participation or performance of services after such date and the Salary Deferral Contribution is actually paid to the Trust no later than 12 months after the Plan Year to which the Salary Deferral Contribution relates.

Failure to correct Excess 401(k) Contributions by the close of the Plan Year following the Plan Year for which they were made will cause the Plan's cash or deferred arrangement to be disqualified for the Plan Year for which the Excess 401(k) Contributions were made and for all subsequent years during which they remain in the Trust. Also, the Employer will be liable for a ten percent excise tax on the amount of Excess 401(k) Contributions unless they are corrected within 2 1/2 months after the close of the Plan Year for which they were made.

For the Plan Year that commences on January 1, 1998, the Actual Deferral Percentage of persons who are not Highly Compensated Employees will be determined by taking into account only Salary Deferral Contributions for such persons that were taken into account for purposes of the actual deferral percentage test set forth in section 401(k) of the Code and this Section A.2.3 for the Plan Year that commenced on January 1, 1997.

Notwithstanding any other provision of the Plan except the immediately following sentence, the Sponsor may if it so chooses, for any given Plan Year, apply the Actual Deferral Percentage test set forth in this Section A.2.3 separately with respect to one or more groups of Employees covered by separate collective bargaining agreements. Further, notwithstanding any other provision of the Plan, the Sponsor shall apply the Actual Deferral Percentage test set forth in this Section A.2.3 separately with respect to Employees who are covered by the Steelworkers Collective Bargaining Agreement.

PART A.3 CORRECTION PROCEDURES FOR ERRONEOUS CONTRIBUTIONS

A.3.1 EXCESS DEFERRAL FAIL SAFE PROVISION. As soon as practical after the close of each Plan Year, the Committee shall determine if there would be any Excess Deferrals. If there would be an Excess Deferral by a Participant, the Excess Deferral as adjusted by any earnings or losses, will be distributed to the Participant no later than April 15 following the Participant's taxable year in which the Excess Deferral was made. The income allocable to the Excess Deferrals for the taxable year of the Participant shall be determined by multiplying the income for the taxable year of the Participant allocable to Salary Deferral Contributions by a fraction. The numerator of the fraction is the amount of the Excess Deferrals made on behalf of the Participant for the taxable year. The denominator of the fraction is the Participant's total Salary Deferral Account balance as of the beginning of the taxable year plus the Participant's Salary Deferral Contributions for the taxable year.

A.3.2 ACTUAL DEFERRAL PERCENTAGE FAIL SAFE PROVISION. As soon as practicable after the close of each Plan Year, the Committee shall determine whether the Actual Deferral Percentage for the Highly Compensated Employees would exceed the limitation set forth in Section A.2.3. If the limitation would be exceeded for a Plan Year, before the close of the following Plan Year the amount of Excess 401(k) Contributions for that Plan Year (and any income allocable to those contributions as calculated in the specific manner required by Section A.3.3) shall be distributed.

The amount of Excess 401(k) Contributions to be distributed shall be determined in the following manner:

First, the Plan will determine how much the Actual Deferral Ratio of the Highly Compensated Employee with the highest Actual Deferral Ratio would have to be reduced to satisfy the Actual Deferral Percentage Test or cause such Actual Deferral Ratio to equal the Actual Deferral Ratio of the Highly Compensated Employee with the next highest Actual Deferral Ratio. If a lesser reduction would enable the Plan to satisfy the Actual Deferral Percentage Test, only this lesser reduction may be made. Second, this process is repeated until the Actual Deferral Percentage Test is satisfied. The amount of Excess 401(k) Contributions is equal to the sum of these hypothetical reductions multiplied, in each case, by the Highly Compensated Employee's Annual Compensation.

Then, effective for Plan Years that commence on or after January 1, 1997, the total amount of Excess 401(k) Contributions shall be distributed on the basis of the respective amounts attributable to each Highly Compensated Employee. The Highly Compensated Employees subject to the actual distribution are determined using the "dollar leveling method." The Salary Deferral Contributions of the Highly Compensated Employee with

the greatest dollar amount of Salary Deferral Contributions are reduced by the amount required to cause that Highly Compensated Employee's Salary Deferral Contributions to equal the dollar amount of the Salary Deferral Contributions for the Plan Year of the Highly Compensated Employee with the next highest dollar amount. This amount is then distributed to the Highly Compensated Employee with the highest dollar amount. However, if a lesser reduction, when added to the total dollar amount already distributed under this Section A.3.2, would equal the total Excess 401(k) Contributions, the lesser reduction amount shall be distributed. This process shall be continued until the amount of the Excess 401(k) Contributions have been distributed.

Any distributions of the Excess 401(k) Contributions for any Plan Year are to be made to Highly Compensated Employees on the basis of the amount of contributions by, or on behalf of, each Highly Compensated Employee. The amount of Excess 401(k) Contributions to be distributed for any Plan Year must be reduced by any excess Salary Deferral Contributions previously distributed for the taxable year ending in the same Plan Year.

A.3.3 INCOME ALLOCABLE TO EXCESS 401(k) CONTRIBUTIONS. The income allocable to Excess 401(k) Contributions for the Plan Year shall be determined by multiplying the income for the Plan Year allocable to Salary Deferral Contributions by a fraction. The numerator of the fraction shall be the amount of Excess 401(k) Contributions made on behalf of the Participant for the Plan Year. The denominator of the fraction shall be the Participant's total Account balance attributable to Salary Deferral Contributions as of the beginning of the Plan Year plus the Participant's Salary Deferral Contributions for the Plan Year.

PART A.4 LIMITATION ON ALLOCATIONS

A.4.1 BASIC LIMITATION ON ALLOCATIONS. The Annual Additions which may be credited to a Participant's Accounts under the Plan for any Limitation Year will not exceed the Maximum Permissible Amount reduced by the Annual Additions credited to a Participant's Account for the same Limitation Year under any other qualified defined contribution plans maintained by any Affiliated Employer. If the Annual Additions with respect to the Participant under such other qualified defined contribution plans are less than the Maximum Permissible Amount and the Employer Contribution that would otherwise be contributed or allocated to the Participant's Accounts under the Plan would cause the Annual Additions for the Limitation Year to exceed this limitation, the amount contributed or allocated under the Plan will be reduced so that the Annual Additions under all qualified defined contribution plans maintained by any Affiliated Employer for the Limitation Year will equal the Maximum Permissible Amount. If the Annual Additions with respect to the Participant under such other qualified defined contribution plans maintained by any Affiliated Employer in the aggregate are equal to or greater than the Maximum Permissible Amount, no amount will be contributed or allocated to the Participant's Account under the Plan for the Limitation Year. Effective as of January 1, 1987, until January 1, 2000 (the effective date of the repeal of section 415(e) of the Code) a permanent adjustment shall be made to the defined contribution fraction for purposes of applying the limitation of section 415(e) of the Code to the Plan. The adjustment is to permanently subtract from the defined contribution numerator an amount equal to the product of (1) the sum of the defined contribution fraction plus the defined benefit fraction as of the determination date minus one, times (2) the denominator of the defined contribution fraction as of the determination date. For this purpose, the determination date is December 31, 1986. Both fractions in clauses (1) and (2) above are computed in accordance with section 415 of the Code as amended by the Tax Reform Act of 1986 and section 1106(i)(3) of the Tax Reform Act of 1986.

A.4.2 ESTIMATION OF MAXIMUM PERMISSIBLE AMOUNT. Prior to determining the Participant's actual Annual Compensation for the Limitation Year, the Employer may determine the Maximum Permissible Amount on the basis of a reasonable estimation of the Participant's Annual Compensation for such Limitation Year, uniformly determined for all Participants similarly situated. As soon as is administratively feasible after the end of the Limitation Year, the Maximum Permissible Amount for the Limitation Year shall be determined on the basis of the Participant's actual Annual Compensation for such Limitation Year.

A.4.3 ATTRIBUTION OF EXCESS AMOUNTS. If a Participant's Annual Additions under the Plan and all other qualified defined contribution plans maintained by any Affiliated Employer result in an Excess Amount, the total Excess Amount shall be attributed to the Plan.

A.4.4 TREATMENT OF EXCESS AMOUNTS. If an Excess Amount attributed to the Plan is held or contributed as a result of or because of (i) the allocation of forfeitures, (ii) reasonable error in estimating a Participant's Considered Compensation, (iii) reasonable error in calculating the maximum Salary Deferral Contribution that may be made with respect to a Participant under section 415 of the Code or (iv) any other facts and circumstances which the Commissioner of Internal Revenue finds to be justified, the Excess Amount shall be reduced as follows:

(a) First, the Excess Amount shall be reduced to the extent necessary by distributing to the Participant all Salary Deferral Contributions together with their earnings. These distributed amounts are disregarded for purposes of the testing and limitations contained in this Appendix A.

(b) Second, if the Participant is still employed by the Employer at the end of the Limitation Year, then such Excess Amounts shall not be distributed to the Participant, but shall be reallocated to a suspense account and shall be reapplied to reduce future Employer Contributions (including any allocation of forfeitures) under the Plan for such Participant in the next Limitation Year, and for each succeeding Limitation Year, if necessary.

(c) If, after application of paragraph (b) of this Section, an Excess Amount still exists, and the Participant is not still employed by the Employer at the end of the Limitation Year, then such Excess Amounts in the Participant's Accounts shall not be distributed to the Participant, but shall be reallocated to a suspense account and shall be reapplied to reduce future Employer Contributions (including allocation of any forfeitures), for all remaining Participants in the next Limitation Year and each succeeding Limitation Year if necessary.

(d) If a suspense account is in existence at any time during the Limitation Year pursuant to this Section, it will not participate in the allocation of the Trust Fund's investment gains and losses. If a suspense account is in existence at any time during a particular Limitation Year, all amounts in the suspense account must be allocated and reallocated to Participants' Accounts before any Employer Contribution may be made to the Plan for that Limitation Year. Excess Amounts may not be distributed to Participants or former Participants. If the Plan is terminated while a suspense account described in this Section is in existence, the amount in such suspense account shall revert to the Employer(s) to which it is attributable.

APPENDIX B

ADMINISTRATION OF THE PLAN

B.1 APPOINTMENT, TERM, RESIGNATION, AND REMOVAL. The Board shall appoint a Committee of not less than two persons, the members of which shall serve until their resignation, death, or removal. The Sponsor shall notify the Trustee in writing of its composition from time to time. Any member of the Committee may resign at any time by giving written notice of such resignation to the Sponsor. Any member of the Committee may be removed by the Board, with or without cause. Vacancies in the Committee arising by resignation, death, removal, or otherwise shall be filled by such persons as may be appointed by the Board.

B.2 POWERS. The Committee shall have exclusive responsibility for the administration of the Plan, according to the terms and provisions of this document, and shall have all powers necessary to accomplish such purposes, including, but not by way of limitation, the right, power, and authority:

(a) to make rules and regulations for the administration of the Plan which are not inconsistent with the terms and provisions thereof, provided such rules and regulations are evidenced in writing;

(b) to construe all terms, provisions, conditions, and limitations of the Plan; and its construction thereof made in good faith and without discrimination in favor of or against any Participant or former Participant shall be final and conclusive on all parties at interest;

(c) to correct any defect, supply any omission, or reconcile any inconsistency which may appear in the Plan in such manner and to such extent as it shall deem expedient to carry the Plan into effect for the greatest benefit of all parties at interest, and its judgment in such matters shall be final and conclusive as to all parties at interest;

(d) to select, employ, and compensate from time to time such consultants, actuaries, accountants, attorneys, and other agents and employees as the Committee may deem necessary or advisable for the proper and efficient administration of the Plan, and any agent, firm, or employee so selected by the Committee may be a disqualified person, but only if the requirements of section 4975(d) of the Code have been met;

(e) to resolve all questions relating to the eligibility of Employees to become Participants, and to determine the period of Active Service and the amount of Considered Compensation upon which the benefits of each Participant shall be calculated;

(f) to resolve all controversies relating to the administration of the Plan, including but not limited to (1) differences of opinion arising between the Employer and a Participant or former Participant, and (2) any questions it deems advisable to determine in order to promote the uniform and nondiscriminatory administration of the Plan for the benefit of all parties at interest;

(g) to direct and instruct or to appoint an investment manager or managers which would have the power to direct and instruct the Trustee in all matters relating to the preservation, investment, reinvestment, management, and disposition of the Trust assets; provided, however, that the Committee shall have no authority that would prevent the Trustee from being an "agent independent of the issuer," as that term is defined in Rule 10b-18 promulgated under the Securities Exchange Act of 1934, at any time that the Trustee's failure to maintain such status would result in the Sponsor or any other person engaging in a "manipulative or deceptive device or contrivance" under the provisions of Rule 10b-6 of such Act;

(h) to direct and instruct the Trustee in all matters relating to the payment of Plan benefits and to determine a Participant's or former Participant's entitlement to a benefit should he appeal a denial of his claim for a benefit or any portion thereof; and

(i) to delegate such of its clerical and recordation duties under the Plan as it may deem necessary or advisable for the proper and efficient administration of the Plan.

B.3 ORGANIZATION. The Committee shall select from among its members a chairman, who shall preside at all of its meetings, and shall select a secretary, without regard as to whether that person is a member of the Committee, who shall keep all records, documents, and data pertaining to its supervision of the administration of the Plan.

B.4 QUORUM AND MAJORITY ACTION. A majority of the members of the Committee shall constitute a quorum for the transaction of business, and the vote of a majority of the members present at any meeting will decide any question brought before that meeting. In addition, the Committee may decide any question by a vote, taken without a meeting, of a majority of its members.

B.5 SIGNATURES. The chairman, the secretary, and any one or more of the members of the Committee to which the Committee has delegated the power, shall each, severally, have the power to execute any document on behalf of the Committee, and to execute any certificate or other written evidence of the action of the Committee. The Trustee, after being notified of any such delegation of power in writing, shall thereafter accept and may rely upon any document executed by such member or members as representing the action of the Committee until the Committee files with the Trustee a written revocation of that delegation of power.

B.6 DISQUALIFICATION OF COMMITTEE MEMBERS. A member of the Committee who is also a Participant of the Plan shall not vote or act upon any matter relating solely to himself.

B.7 DISCLOSURE TO PARTICIPANTS. The Committee shall make available to each Participant, former Participant, and Beneficiary for his examination such records, documents, and other data as are required under ERISA, but only at reasonable times during business hours. No Participant, former Participant, or Beneficiary shall have the right to examine any data or records reflecting the compensation paid to any other Participant, former Participant, or Beneficiary, and the Committee shall not be required to make any data or records available other than those required by ERISA.

B.8 STANDARD OF PERFORMANCE. The Committee and each of its members shall use the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent man acting in a like capacity and familiar with such matters would use in conducting his business as the administrator of the Plan; shall, when exercising its power to direct investments, diversify the investments of the Plan so as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so; and shall otherwise act in accordance with the provisions of the Plan and ERISA.

B.9 LIABILITY OF ADMINISTRATIVE COMMITTEE AND LIABILITY INSURANCE. No member of the Committee shall be liable for any act or omission of any other member of the Committee, the Trustee, any investment manager, or any Participant or former Participant who directs the investment of his Account or other agent appointed by the Committee except to the extent required by the terms of ERISA, and any other applicable state or federal law, which liability cannot be waived. No Participant of the Committee shall be liable for any act or omission on his own part except to the extent required by the terms of ERISA, and any other applicable state or federal law, which liability cannot be waived. In this connection, each provision hereof is severable and if any provision is found to be void as against public policy, it shall not affect the validity of any other provision hereof.

Further, it is specifically provided that the Trustee may, at the direction of the Committee, purchase out of the Trust assets insurance for the members of the Committee and any other fiduciaries appointed by the Committee, and for the Trust itself to cover liability or losses occurring by reason of the act or omission of any one or more of the members of the Committee or any other fiduciary appointed by them under the Plan, provided such insurance permits recourse by the insurer against the members of the Committee or the other fiduciaries concerned in the case of a breach of a fiduciary obligation by one or more members of the Committee or other fiduciary covered thereby.

B.10 BONDING. No member of the Committee shall be required to give bond for the performance of his duties hereunder unless required by a law which cannot be waived.

B.11 COMPENSATION. The Committee shall serve without compensation for their services, but shall be reimbursed by the Employers for all expenses properly and actually incurred in the performance of their duties under the Plan unless the Employers elect to have such expenses paid out of the Trust assets.

B.12 PERSONS SERVING IN DUAL FIDUCIARY ROLES. Any person, group of persons, corporations, firm, or other entity may serve in more than one fiduciary capacity with respect to the Plan, including the ability to serve both as a successor trustee and as a member of the Committee.

B.13 ADMINISTRATOR. For all purposes of ERISA, the administrator of the Plan within the meaning of ERISA shall be the Sponsor. The Sponsor shall have final responsibility for compliance with all reporting and disclosure requirements imposed with respect to the Plan under any federal or state law, or any regulations promulgated thereunder.

B.14 NAMED FIDUCIARY. The members of the Committee shall be the "named fiduciary" for purposes of section 402(a)(1) of ERISA, and as such shall have the authority to control and manage the operation and administration of the Plan, except to the extent such authority and control is allocated or delegated to other parties pursuant to the terms of the Plan.

B.15 STANDARD OF JUDICIAL REVIEW OF COMMITTEE ACTIONS. The Committee has full and absolute discretion in the exercise of each and every aspect of its authority under the Plan, including without limitation, the authority to determine any person's right to benefits under the Plan, the correct amount and form of any such benefits; the authority to decide any appeal; the authority to review and correct the actions of any prior administrative committee; and all of the rights, powers, and authorities specified in this Appendix and elsewhere in the Plan. Notwithstanding any provision of law or any explicit or implicit provision of this document, any action taken, or ruling or decision made, by the Committee in the exercise of any of its powers and authorities under the Plan will be final and conclusive as to all parties other than the Sponsor or Trustee, including without limitation all Participants, former Participants and Beneficiaries, regardless of whether the Committee or one or more members thereof may have an actual or potential conflict of interest with respect to the subject matter of such action, ruling, or decision. No such final action, ruling, or decision of the Committee will be subject to de novo review in any judicial proceeding; and no such final action, ruling, or decision of the Committee may be set aside unless it is held to have been arbitrary and capricious by a final judgment of a court having jurisdiction with respect to the issue.

B.16 INDEMNIFICATION OF COMMITTEE BY THE SPONSOR. The Sponsor shall indemnify and hold harmless the Committee, the Committee members, and any persons to whom the Committee has allocated or delegated its responsibilities in accordance with the provisions hereof, as well as any other fiduciary who is also an officer, director, or Employee of an Employer, and hold each of them harmless from and against all claims, loss, damages, expense, and liability arising from their responsibilities in connection with the administration of the Plan which is not otherwise paid or reimbursed by insurance, unless the same shall result from their own willful misconduct.

APPENDIX C

FUNDING

C.1 BENEFITS PROVIDED SOLELY BY TRUST. All benefits payable under the Plan shall be paid or provided for solely from the Trust, and the Employer assumes no liability or responsibility therefor.

C.2 FUNDING OF PLAN. The Plan shall be funded by one or more separate Trusts. If more than one Trust is used, each Trust shall be designated by the name of the Plan followed by a number assigned by the Committee at the time the Trust is established.

C.3 INCORPORATION OF TRUST. Each Trust is a part of the Plan. All rights or benefits which accrue to a person under the Plan shall be subject also to the terms of the agreements creating the Trust or Trusts and any amendments to them which are not in direct conflict with the Plan.

C.4 AUTHORITY OF TRUSTEE. Each Trustee shall have full title and legal ownership of the assets in the separate Trust which, from time to time, is in his separate possession. No other Trustee shall have joint title to or joint legal ownership of any asset in one of the other Trusts held by another Trustee. Each Trustee shall be governed separately by the trust agreement entered into between the Employer and that Trustee and the terms of the Plan without regard to any other agreement entered into between any other Trustee and the Employer as a part of the Plan.

C.5 ALLOCATION OF RESPONSIBILITY. To the fullest extent permitted under section 405 of ERISA, the agreements entered into between the Employer and each of the Trustees shall be interpreted to allocate to each Trustee its specific responsibilities, obligations and duties so as to relieve all other Trustees from liability either through the agreement, Plan or ERISA, for any act of any other Trustee which results in a loss to the Plan because of his act or failure to act.

C.6 TRUSTEE'S FEES AND EXPENSES. The Trustee shall receive for its services as Trustee hereunder the compensation which from time to time may be agreed upon by the Sponsor and the Trustee. All of such compensation, together with the expenses incurred by the Trustee in connection with the administration of this Trust, including fees for legal services rendered to the Trustee, all other charges and disbursements of the Trustee, and all other expenses of the Plan shall be charged to and deducted from the Trust Fund, unless the Sponsor elects in writing to have any part or all of such compensation, expenses, charges, and disbursements paid directly by the Sponsor. The Trustee shall deduct from and charge against the Trust assets any and all taxes paid by it which may be levied or assessed upon or in respect of the Trust hereunder or the income thereof, and shall equitably allocate the same among the several Participants and former Participants.

EXHIBIT 10.4

PIPER IMPACT 401(k) PLAN

AMENDMENT AND RESTATEMENT
EFFECTIVE JANUARY 1, 1998

PIPER IMPACT 401(k) PLAN

THIS AGREEMENT adopted by Piper Impact, Inc., a Delaware corporation (the "Sponsor"),

WITNESSETH:

WHEREAS, effective April 1, 1995, Piper Impact, Inc., a Tennessee corporation (the "Prior Employer") established the Piper Impact 401(k) Plan (the "Plan");

WHEREAS, effective as of March 29, 1996, the Sponsor purchased substantially all of the assets of the Prior Employer;

WHEREAS, on August 9, 1996, the Sponsor assumed sponsorship of the Plan and the Prior Employer terminated its participation in the Plan;

WHEREAS, the Plan is intended to be a profit sharing plan; and

WHEREAS, the Sponsor desires to amend and restate the Plan;

NOW, THEREFORE, the Plan is hereby amended and restated in its entirety as set forth below.

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ARTICLE I

DEFINITIONS

The words and phrases defined in this Article shall have the meaning set out in the definition unless the context in which the word or phrase appears reasonably requires a broader, narrower or different meaning.

1.01 "ACCOUNT" means all ledger accounts pertaining to a Participant or former Participant which are maintained by the Committee to reflect the Participant's or former Participant's interest in the Trust. The Committee shall establish the following Accounts and any additional Accounts that the Committee considers necessary to reflect the entire interest of the Participant or former Participant in the Trust. Each of the Accounts listed below and any additional Accounts established by the Committee shall reflect the Contributions or amounts transferred to the Trust, if any, and the appreciation or depreciation of the assets in the Trust and the income earned or loss incurred on the assets in the Trust attributable to the Contributions and/or other amounts transferred to the Account.

(a) Salary Deferral Contribution Account - the Participant's or former Participant's before-tax contributions, if any, made pursuant to Section 3.01.

(b) Catch-up Salary Deferral Contribution Account - the Participant's or former Participant's before-tax contributions, if any, made pursuant to Section 3.02.

(c) After-Tax Contribution Account - the Participant's or former Participant's after-tax contributions, if any, made pursuant to Section 3.03.

(d) Matching Contribution Account - the Employer's matching contributions, if any, made pursuant to Section 3.04.

(e) Supplemental Contribution Account - the Employer's contributions, if any, made pursuant to Section 3.05.

(f) QNEC Account - the Employer's contributions, known as "qualified nonelective employer contributions", made as a means of passing the actual deferral percentage test set forth in section 401(k) of the Code or the actual contribution percentage test set forth in section 401(m) of the Code.

(g) Rollover Account - funds transferred from another qualified plan or individual retirement account for the benefit of a Participant or former Participant.

1.02 "ACTIVE SERVICE" means the Periods of Service which are counted for eligibility and vesting purposes as calculated under Article X.

1.03 "AFFILIATED EMPLOYER" means the Employer and any employer which is a member of the same controlled group of corporations within the meaning of section 414(b) of the Code or which is a trade or business (whether or not incorporated) which is under common control (within the meaning of section 414(c) of the Code), which is a member of an affiliated service

group (within the meaning of section 414(m) of the Code) with the Employer, or which is required to be aggregated with the Employer under section 414(o) of the Code. For purposes of the limitation on allocations contained in Appendix A, the definition of Affiliated Employer is modified by substituting the phrase "more than 50 percent" in place of the phrase "at least 80 percent" each place the latter phrase appears in section 1563(a)(1) of the Code.

1.04 "ANNUAL COMPENSATION" means the Employee's wages from the Affiliated Employers as defined in section 3401(a) of the Code for purposes of federal income tax withholding at the source (but determined without regard to any rules that limit the remuneration included in wages based on the nature or location of the employment or the services performed) modified by including elective contributions under a cafeteria plan maintained by an Affiliated Employer that are excludable from the Employee's gross income pursuant to section 125 of the Code, elective contributions under a qualified transportation fringe benefit plan maintained by an Affiliated Employer that are excludable from the Employee's gross income pursuant to section 132(f) of the Code and elective contributions made on behalf of the Employee to any plan maintained by an Affiliated Employer that is qualified under or governed by section 401(k), 408(k), or 403(b) of the Code. Except for purposes of Section A.4.1 of Appendix A of the Plan, effective for Plan Years commencing on or after January 1, 1994, but prior to January 1, 2002, Annual Compensation in excess of $150,000.00 (as adjusted by the Secretary of Treasury for increases in the cost of living) shall be disregarded. Except for purposes of Section A.4.1 of Appendix A of the Plan, effective for Plan Years commencing on or after January 1, 2002, Annual Compensation in excess of $200,000.00 (as adjusted by the Secretary of Treasury for increases in the cost of living) will be disregarded. If the Plan Year is ever less than twelve months, the $150,000.00 limitation (as adjusted by the Secretary of Treasury for increases in the cost of living) or, for Plan Years that commence on or after January 1, 2002, the $200,000.00 limitation (as adjusted by the Secretary of Treasury for increases in the cost of living) will be prorated by multiplying the limitation by a fraction, the numerator of which is the number of months in the Plan Year, and the denominator of which is twelve (12). Effective January 1, 1997, the family aggregation rules previously contained in section 401(a)(17) of the Code are disregarded.

1.05 "ANNUITY STARTING DATE" means the first day of the first period for which an amount is payable as an annuity, or in the case of a benefit payable in the form of a lump sum, the date on which the Trustee disburses the lump sum.

1.06 "BENEFICIARY" OR "BENEFICIARIES" means the person or persons, or the trust or trusts created for the benefit of a natural person or persons or the Participant's or former Participant's estate, designated by the Participant or former Participant to receive the benefits payable under the Plan upon his death.

1.07 "BOARD" means the board of directors of the Sponsor.

1.08 "CATCH-UP ELIGIBLE PARTICIPANT" means a Participant who is age 50 or who is projected to attain the age of 50 by December 31 of the applicable Plan Year.

1.09 "CODE" means the Internal Revenue Code of 1986, as amended from time to time.

1.10 "COMMITTEE" means the committee appointed by the Sponsor to administer the Plan.

1.11 "CONSIDERED COMPENSATION" means Annual Compensation paid to a Participant by an Affiliated Employer for a Plan Year, reduced by all of the following items (even if includable in gross income): all reimbursements or other expense allowances (such as the payment of moving expenses or automobile mileage reimbursements), cash and noncash fringe benefits (such as the use of an automobile owned by the Employer, club memberships, tax gross-ups, attendance and safety awards, fitness reimbursements, housing allowances and financial planning benefits), deferred compensation (such as amounts realized upon the exercise of a nonqualified stock option or upon the premature disposition of an incentive stock option, pay for accrued vacation upon Separation From Service, and amounts realized when restricted property or other property held by a Participant either becomes freely transferable or no longer subject to a substantial risk of forfeiture under section 83 of the Code), and welfare benefits (such as severance pay). An Employee's Considered Compensation paid to him during any period in which he is not eligible to participate in the Plan under Article II shall be disregarded. Effective for Plan Years commencing on or after January 1, 1994, but prior to January 1, 2002, Considered Compensation in excess of $150,000.00 (as adjusted by the Secretary of Treasury) shall be disregarded. Effective for Plan Years commencing on or after January 1, 2002, Considered Compensation in excess of $200,000.00 (as adjusted by the Secretary of Treasury for increases in the cost of living) will be disregarded. If the Plan Year is ever less than twelve months, the $150,000.00 limitation (as adjusted by the Secretary of Treasury for increases in the cost of living) or, for Plan Years that commence on or after January 1, 2002, the $200,000.00 limitation (as adjusted by the Secretary of Treasury for increases in the cost of living) will be prorated by multiplying the limitation by a fraction, the numerator of which is the number of months in the Plan Year, and the denominator of which is twelve (12).

1.12 "CONTRIBUTION" means the total amount of contributions made under the terms of the Plan. Each specific type of Contribution shall be designated by the type of contribution made as follows:

(a) Salary Deferral Contribution - a before-tax contribution made by the Employer pursuant to Section 3.01 and the Employee's salary deferral agreement.

(b) Catch-up Salary Deferral Contribution - a contribution made by the Employer pursuant to Section 3.02 and the Participant's salary deferral agreement.

(c) After-Tax Contribution - an after-tax contribution made by the Employee pursuant to Section 3.03.

(d) Matching Contribution - a contribution made by the Employer pursuant to Section 3.04.

(e) Supplemental Contribution - a contribution made by the Employer pursuant to Section 3.05.

(f) QNEC - an extraordinary contribution, known as a "qualified nonelective employer contribution", made by the Employer as a means of passing the actual deferral

percentage test set forth in section 401(k) of the Code or the actual contribution percentage test set forth in section 401(m) of the Code.

(g) Rollover Contribution - a contribution made by a Participant which consists of any part of an eligible rollover distribution (as defined in section 402 of the Code) from a qualified employee trust described in section 401(a) of the Code.

1.13 "DIRECT ROLLOVER" means a payment by the Plan to the Eligible Retirement Plan specified by the Distributee.

1.14 "DISABILITY" means a mental or physical disability which, in the opinion of a physician selected by the Committee, shall prevent the Participant or former Participant from earning a reasonable livelihood with any Affiliated Employer and which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than 12 months and which: (a) was not contracted, suffered or incurred while the Participant or former Participant was engaged in, or did not result from having engaged in, a felonious criminal enterprise; (b) did not result from alcoholism or addiction to narcotics; and (c) did not result from an injury incurred while a member of the Armed Forces of the United States for which the Participant or former Participant receives a military pension.

1.15 "DISTRIBUTEE" means an Employee or former Employee. In addition, the Employee's or former Employee's surviving Spouse and the Employee's or former Employee's Spouse or former Spouse who is the alternate payee under a Qualified Domestic Relations Order, are Distributees with regard to the interest of the Spouse or former Spouse.

1.16 "ELIGIBLE EMPLOYEE" means an Employee who (1) is employed by the Sponsor, or (2) is employed by Quanex Corporation, a Delaware corporation, primarily in connection with its Piper Impact division.

1.17 "ELIGIBLE RETIREMENT PLAN" means (a) an individual retirement account described in section 408(a) of the Code, (b) an individual retirement annuity described in section 408(b) of the Code (other than an endowment contract), (c) an annuity plan described in section 403(a) of the Code, (d) a qualified plan described in section 401(a) of the Code that is a defined contribution plan that accepts the Distributee's Eligible Rollover Distribution, (e) effective for a distribution on or after January 1, 2002, an eligible deferred compensation plan described in section 457(b) of the Code that is maintained by an eligible employer described in section 457(e)(1)(A) of the Code but only if the plan agrees to separately account for amounts rolled into such plan, or (f) effective for a distribution on or after January 1, 2002, an annuity contract described in section 403(b) of the Code. However, in the case of an Eligible Rollover Distribution made prior to January 1, 2002, and after the death of a Participant to a Distributee who is the Participant's surviving Spouse, an Eligible Retirement Plan is an individual retirement account or individual retirement annuity.

1.18 "ELIGIBLE ROLLOVER DISTRIBUTION" means any distribution of all or any portion of the balance to the credit of the Distributee, except that an Eligible Rollover Distribution does not include: (a) any distribution that is one of a series of substantially equal periodic payments (not less frequently than annually) made for the life (or life expectancy) of the Distributee or the joint

lives (or joint life expectancies) of the Distributee and the Distributee's Beneficiary, or for a specified period of ten years or more; (b) any distribution to the extent the distribution is required under section 401(a)(9) of the Code; (c) the portion of any distribution that is not includable in gross income (determined without regard to the exclusion for net unrealized appreciation with respect to employer securities) unless, for a distribution made on or after January 1, 2002, the Eligible Retirement Plan to which the distribution is transferred (a) agrees to separately account for amounts so transferred, including separately accounting for the portion of such distribution which is not includable in gross income or (b) is an individual retirement account described in section 408(a) of the Code or an individual retirement annuity described in section 408(b) of the Code (other than an endowment contract); and, (d) effective for distributions after December 31, 1998, and prior to January 1, 2002, any financial hardship distribution described in section 401(k)(2) of the Code from a Participant's Salary Deferral Contribution Account or from the Participant's QNEC Account (to the extent that QNECs were treated as Section 401(k) Contributions under Appendix A) and (e) effective for a distribution made after December 31, 2001, a distribution from any of the Participant's Accounts due to a financial hardship of the Participant.

1.19 "EMPLOYEE" means, except as otherwise specified in this Section, all common law employees of an Affiliated Employer and all Leased Employees.

1.20 "EMPLOYER" OR "EMPLOYERS" means the Sponsor and any other business organization that adopts the Plan.

1.21 "ENTRY DATE" means the first day of each calendar quarter, January 1, April 1, July 1, and October 1.

1.22 "ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time.

1.23 "FIVE PERCENT OWNER" means an Employee who is a five percent owner as defined in section 416(i) of the Code.

1.24 "FORFEITABLE INTEREST" means a Participant's or former Participant's Forfeitable Interest in amounts credited to his Account determined in accordance with Article VIII.

1.25 "HIGHLY COMPENSATED EMPLOYEE" means, effective January 1, 1997, an Employee or an Affiliated Employer who, during the Plan Year or the preceding Plan Year, (a) was at any time a Five Percent Owner at any time during the Plan Year or the preceding Plan Year or (b) had Annual Compensation from the Affiliated Employers in excess of $80,000.00 (as adjusted from time to time by the Secretary of the Treasury) for the preceding Plan Year.

1.26 "HOUR OF SERVICE" means each hour that an Employee is paid or entitled to payment by an Affiliated Employer for the performance of duties.

1.27 "LEASED EMPLOYEE" means, effective January 1, 1997, any person who (a) is not a common law employee of an Affiliated Employer, (b) pursuant to an agreement between an Affiliated Employer and any other person, has performed services for an Affiliated Employer (or for an Affiliated Employer and related persons determined in accordance with section 414(n)(6)

of the Code) on a substantially full-time basis for a period of at least one year and (c) performs the services under primary direction and control of the recipient.

1.28 "MATERNITY OR PATERNITY ABSENCE" means a period in which an Employee is absent from work (a) by reason of the pregnancy of the Employee, (b) by reason of the birth of a child of the Employee, (c) by reason of the placement of a child with the Employee in connection with the adoption of the child by the Employee, or (d) for purposes of caring for such child for a period immediately following such birth or placement for adoption.

1.29 "NONFORFEITABLE INTEREST" means a Participant's or former Participant's nonforfeitable interest in amounts credited to his Account determined in accordance with Article VIII.

1.30 "NON-HIGHLY COMPENSATED EMPLOYEE" means an Employee who is not a Highly Compensated Employee.

1.31 "PARTICIPANT" means an Employee who is eligible to participate in the Plan under the provisions of Article II.

1.32 "PERIOD OF SERVICE" means a period of employment with an Affiliated Employer which commences on the day on which an Employee performs his initial Hour of Service or performs his initial Hour of Service after he Severs Service, whichever is applicable, and ends on the date the Employee subsequently Severs Service.

1.33 "PERIOD OF SEVERANCE" means the period of time commencing on the Employee's Severance From Service Date and ending on the date the Employee subsequently performs an Hour of Service.

1.34 "PLAN" means the Piper Impact 401(k) Plan, as amended from time to time.

1.35 "PLAN YEAR" means the calendar year.

1.36 "QUALIFIED DOMESTIC RELATIONS ORDER" means a qualified domestic relations order as defined in section 414(p) of the Code.

1.37 "QJSA " means a qualified joint and survivor annuity which is purchased with the Participant's or former Participant's Nonforfeitable Interest in his Account balance to provide equal monthly payments for the life of the Participant or former Participant, and after his death, monthly payments for the life of his surviving Spouse in a monthly amount equal to one-half the amount of the monthly payment made while he was alive.

1.38 "QPSA " means a qualified preretirement survivor annuity which is purchased with the Participant's or former Participant's Nonforfeitable Interest in his Account balance to provide equal monthly payments for the life of his surviving Spouse.

1.39 "REGULATION" means the Department of Treasury regulation specified, as it may be changed from time to time.

1.40 "REQUIRED BEGINNING DATE" means:

(a) in the case of an individual who is not a Five Percent Owner in the Plan Year that ends in the calendar year in which he attains age 70 1/2, the Required Beginning Date is April 1 of the calendar year following the later of (1) the calendar year in which the individual attains age 70 1/2, or (2) the calendar year in which the individual incurs a Separation From Service; and

(b) in the case of an individual who is a Five Percent Owner in the Plan Year that ends in the calendar year in which he attains age 70 1/2, the Required Beginning Date is April 1 of the calendar year following the calendar year in which he attains age 70 1/2.

1.41 "RETIREMENT AGE" means the time the Participant or former Participant attains the age of 65.

1.42 "ROLLOVER CONTRIBUTION" means the amount contributed by a Participant which consists of any part of an Eligible Rollover Distribution from a qualified employee trust described in section 401(a) of the Code other than an amount that is not includable in the Participant's gross income.

1.43 "SEPARATION FROM SERVICE" means an individual's termination of employment with an Affiliated Employer without commencing or continuing employment with (a) any other Affiliated Employer, (b) effective for distributions prior to January 1, 2002, any other entity under circumstances where, under Regulations and Internal Revenue Service rulings, the individual is not deemed to have incurred a Separation From Service within the meaning of Section 401(k)(2) of the Code.

1.44 "SEVERANCE FROM SERVICE DATE" means the earlier of the date of the Employee's Separation From Service, or the first anniversary of the date on which the Employee is absent from service (with or without pay) for any reason other than his Separation From Service or a Maternity or Paternity Absence, such as vacation, holiday, sickness, or leave of absence. The Severance From Service Date of an Employee who is absent beyond the first anniversary of his first day of absence by reason of a Maternity or Paternity Absence is the second anniversary of the first day of the absence.

1.45 "SEVERS SERVICE" means the occurrence of a Participant's or former Participant's Severance From Service Date.

1.46 "SPONSOR" means Piper Impact, Inc., a Delaware corporation.

1.47 "SPONSOR STOCK" means the common stock of the Sponsor or such other publicly-traded stock of an Affiliated Employer as meets the requirements of section 407(d)(5) of ERISA with respect to the Plan.

1.48 "SPOUSE" means the person to whom the Participant or former Participant is married under applicable local law. In addition, to the extent provided in a Qualified Domestic Relations Order, a surviving former spouse of a Participant or former Participant will be treated as the Spouse of the Participant or former Participant, and to the same extent any current spouse

of the Participant or former Participant will not be treated as a Spouse of the Participant or former Participant.

1.49 "TRUST" means the trust estate created to fund the Plan.

1.50 "TRUSTEE" means collectively one or more persons or corporations with trust powers which have been appointed by the initial Sponsor and have accepted the duties of Trustee and any successor appointed by the Sponsor.

1.51 "VALUATION DATE" means each business day of the Plan Year.

ARTICLE II

ELIGIBILITY

2.01 ELIGIBILITY REQUIREMENTS. Each Eligible Employee who is employed by an Employer shall be eligible to participate in the Plan beginning on the Entry Date that occurs with or next follows the date on which the Employee completes 90 days of Active Service and has attained the age of 21. However, an Employee who is included in a unit of Employees covered by a collective bargaining agreement between the Employees' representative and the Employer shall be excluded, even if he has met the requirements for eligibility, if there has been good faith bargaining between the Employer and the Employees' representative pertaining to retirement benefits and the agreement does not require the Employer to include such Employees in the Plan. In addition, a Leased Employee shall not be eligible to participate in the Plan unless the Plan's qualified status is dependent upon coverage of the Leased Employee. An Employee who is a nonresident alien (within the meaning of section 7701(b) of the Code) and receives no earned income (within the meaning of section 911(d)(2) of the Code) from any Affiliated Employer that constitutes income from sources within the United States (within the meaning of section 861(a)(3) of the Code) is not eligible to participate in the Plan. An Employee who is a nonresident alien (within the meaning of section 7701(b) of the Code) and who does receive earned income (within the meaning of section 911(d)(2) of the Code) from any Affiliated Employer that constitutes income from sources within the United States (within the meaning of section 861(a)(3) of the Code) all of which is exempt from United States income tax under an applicable tax convention is not eligible to participate in the Plan. During any period in which an individual is classified by an Employer as an independent contractor with respect to such Employer, the individual is not eligible to participate in the Plan (even if he is subsequently reclassified by the Internal Revenue Service as a common law employee of the Employer and the Employer acquiesces to the reclassification). Finally, an Employee who is employed outside the United States is not eligible to participate in the Plan unless the Committee elects to permit him to participate in the Plan.

2.02 EARLY PARTICIPATION FOR ROLLOVER PURPOSES. An Employee who satisfies the eligibility requirements specified in Section 2.01 other than the service requirement shall be eligible to make Rollover Contributions to the Plan on the Entry Date next following (not coincident with) the date on which he completes an Hour of Service.

2.03 ELIGIBILITY UPON REEMPLOYMENT. If an Employee incurs a Separation From Service prior to the date he initially begins participating in the Plan, he shall be eligible to begin participation in the Plan on the later of the date he would have become a Participant if he did not incur a Separation From Service or the date on which he performs an Hour of Service after he incurs a Separation From Service. Subject to Section 2.04, once an Employee becomes a Participant, his eligibility to participate in the Plan shall continue until he Severs Service.

2.04 CESSATION OF PARTICIPATION. An individual who has become a Participant will cease to be a Participant on the earliest of the date on which he (a) Severs Service, (b) is transferred from the employ of an Employer to the employ of an Affiliated Employer that has not adopted the Plan, (c) becomes included in a unit of employees covered by a collective bargaining agreement that does not require coverage of those employees under the Plan, (d) becomes a

Leased Employee, or (e) becomes included in another classification of Employees who, under the terms of the Plan, are not eligible to participate. Under these circumstances, the Participant's Account becomes frozen; he cannot contribute to the Plan or share in the allocation of any Contributions for the frozen period. However, his Accounts shall continue to share in any Plan income allocable to his Accounts during the frozen period of time.

2.05 RECOMMENCEMENT OF PARTICIPATION. A former Participant will again become a Participant on the day on which he again becomes included in a classification of Employees that, under the terms of the Plan, is eligible to participate.

ARTICLE III

CONTRIBUTIONS

3.01 SALARY DEFERRAL CONTRIBUTIONS. Each Employer shall make a Salary Deferral Contribution in an amount equal to the amount by which the Considered Compensation of its Employees who are Participants was reduced on a pre-tax basis pursuant to salary deferral agreements (excluding amounts of Considered Compensation deferred pursuant to Section 3.02 that are properly characterized as Catch-up Salary Deferral Contributions). Any such salary deferral agreement shall be an agreement in a form satisfactory to the Committee to prospectively receive Considered Compensation from the Employer in a reduced amount and to have the Employer contribute an amount equal to the amount of the reduction to the Trust on account of the Participant. Any such salary deferral agreement shall be revocable in accordance with its terms, provided that no revocation shall be retroactive or permit payment to the Participant of the amount required to be contributed to the Trust. A Participant's or former Participant's right to benefits attributable to Salary Deferral Contributions made to the Plan on his behalf shall be nonforfeitable.

The maximum amount a Participant may elect to reduce his Considered Compensation under his salary deferral agreement and have contributed to the Plan on a pre-tax basis shall be determined by the Committee, in its sole discretion from time to time. The election to have Salary Deferral Contributions made, the ability to change the rate of Salary Deferral Contributions, the right to suspend Salary Deferral Contributions, and the manner of commencing new Salary Deferral Contributions shall be permitted under any uniform method determined by the Committee from time to time.

3.02 CATCH-UP SALARY DEFERRAL CONTRIBUTIONS. The Employer shall make a Catch-up Salary Deferral Contribution in an amount equal to the amounts by which its Participants' Considered Compensation was reduced as a result of salary deferral agreements authorizing Catch-up Salary Deferral Contributions (to the extent that their deferrals are properly characterized as Catch-up Salary Deferral Contributions). Any such salary deferral agreement shall be an agreement in a form satisfactory to the Committee to prospectively receive Considered Compensation from the Employer in a reduced amount and to have the Employer contribute an amount equal to the amount of the reduction to the Trust on behalf of the Participant. Further, any such salary deferral agreement shall be revocable in accordance with its terms, provided that no revocation shall be retroactive or permit payment to the Participant of the amount required to be contributed to the Trust. A Participant's or former Participant's right to benefits derived from Catch-up Salary Deferral Contributions made to the Plan on his behalf shall be nonforfeitable.

Catch-up Salary Deferral Contributions on behalf of a Participant shall be permitted to the extent that the Catch-up Salary Deferral Contributions do not exceed the lesser of (a) the "applicable dollar amount" under section 414(v) of the Code for the Plan Year (as adjusted from time to time by the Secretary of Treasury), or (b) an amount equal to the Participant's Annual Compensation for the Plan Year minus the Participant's Salary Deferral Contributions for the Plan Year.

A final determination as to whether amounts deferred under the Plan by a Participant are properly characterized as Salary Deferral Contributions or Catch-up Salary Deferral Contributions for a Plan Year shall be made as of the end of the Plan Year. To the extent that amounts deferred under the Plan on a pre-tax basis at the election of a Participant exceed the least of (a) the lowest statutory limit on Salary Deferral Contributions (including limits imposed under sections 401(a)(30) and 415 of the Code), (b) the maximum limitation on Salary Deferral Contributions, if any, imposed by the Committee pursuant to Section 3.01, or (c) the highest amount of Salary Deferral Contributions on behalf of the Participant that may be retained in the Plan under the rules of section 401(k)(8)(C) of the Code, the amounts deferred shall be characterized as Catch-up Salary Deferral Contributions. Any amounts deferred under the Plan on a pre-tax basis at the election of a Participant that are not properly characterized as Catch-up Salary Deferral Contributions pursuant to the rules of the preceding sentence shall be characterized as Salary Deferral Contributions for all purposes under the Plan.

3.03 AFTER-TAX CONTRIBUTIONS. To the extent permitted by the Committee, each Participant may make voluntary after-tax contributions to the Plan through payroll deductions or in a lump sum in cash. A Participant's or former Participant's right to benefits attributable to After-Tax Contributions made to the Plan on his behalf shall be nonforfeitable.

The maximum amount a Participant may elect to contribute to the Plan on an after-tax basis shall be determined by the Committee from time to time. The election to have After-Tax Contributions made, the ability to change the rate of After-Tax Contributions, the right to suspend After-Tax Contributions, and the manner of commencing new After-Tax Contributions shall be permitted under any uniform method determined by the Committee from time to time.

3.04 MATCHING CONTRIBUTIONS. Each Employer will make a Matching Contribution on behalf of each of its Employees who is a Participant in an amount equal to 25 percent of the first six percent of such Participant's Considered Compensation contributed to the Plan pursuant to such Participant's Salary Deferral Contributions and/or After-Tax Contributions for the Plan Year.

3.05 SUPPLEMENTAL CONTRIBUTIONS. Each Employer may contribute for a Plan Year a Supplemental Contribution in such amount, if any, as shall be determined by the Employer. The rate of the Supplemental Contribution need not be uniform among all divisions and plants of the Employer.

3.06 ROLLOVER CONTRIBUTIONS AND PLAN-TO-PLAN TRANSFERS. The Committee may permit Rollover Contributions by Participants and/or direct transfers to or from another qualified plan on behalf of Participants from time to time. If Rollover Contributions and/or direct transfers to or from another qualified plan are permitted, the opportunity to make those contributions and/or direct transfers must be made available to Participants on a nondiscriminatory basis. For this purpose only, all Employees who are included in a classification of Employees who are eligible to participate in the Plan shall be considered to be Participants of the Plan even though they may not have met the Active Service requirements for eligibility. However, they shall not be entitled to elect to have Salary Deferral Contributions made or to share in Employer Contributions or forfeitures unless and until they have met the requirements for eligibility, contributions and allocations. A Rollover Contribution shall not be accepted unless it is directly

rolled over to the Plan in a rollover described in section 401(a)(31) of the Code. A Participant shall not be permitted to make a Rollover Contribution if the property he intends to contribute is for any reason unacceptable to the Trustee. A Participant's or former Participant's right to benefits attributable to his Rollover Contributions made to the Plan shall be nonforfeitable.

3.07 QNECS - EXTRAORDINARY EMPLOYER CONTRIBUTIONS. Any Employer may make a QNEC in such amount, if any, as shall be determined by it. A Participant's or former Participant's right to benefits attributable to QNECs made to the Plan on his behalf shall be nonforfeitable. In no event will QNECs be distributed before Salary Deferral Contributions may be distributed from the Plan.

3.07 QNECS - EXTRAORDINARY EMPLOYER CONTRIBUTIONS. Any Employer may make a QNEC in such amount, if any, as shall be determined by it. A Participant's or former Participant's right to benefits attributable to QNECs made to the Plan on his behalf shall be nonforfeitable. In no event will QNECs be distributed before Salary Deferral Contributions may be distributed from the Plan.

3.08 RESTORATION CONTRIBUTIONS. The Employer shall, for each Plan Year, make a restoration contribution in an amount equal to the sum of (a) such amount, if any, as shall be necessary to fully restore all Matching Contribution Accounts and Supplemental Contribution Accounts required to be restored pursuant to the provisions of Section 8.02 after the application of all forfeitures available for such restoration; plus (b) an amount equal in value to the value of forfeited benefits required to be restored under Section 8.03, after the application of all forfeitures available for such restoration.

3.09 RESTORATIVE PAYMENTS. If due to an oversight or inadvertent error an Employer fails to make a Contribution to the Plan on behalf of an Employee, as soon as administratively practicable following the Employee's discovery of the error, the Employer shall make a restorative payment to the Plan on behalf of the Employee in an amount equal to the amount of required Contributions the Employer should have made to the Plan on behalf of the Employee plus interest thereon (both determined in a manner that is consistent with then current guidance from the Department of Treasury concerning such restorative payments) after the application of forfeitures available for such restoration.

3.10 NONDEDUCTIBLE CONTRIBUTIONS NOT REQUIRED. Notwithstanding any other provision of the Plan, no Employer shall be required to make any contribution that would be a "nondeductible contribution" within the meaning of section 4972 of the Code.

3.11 FORM OF PAYMENT OF CONTRIBUTIONS. Contributions may be paid to the Trustee either in cash or in qualifying employer securities (as such term is defined in section 407(d) of ERISA) or any combination thereof, provided that payment may not be made in any form constituting a prohibited transaction under section 4975 of the Code or section 406 of ERISA.

3.12 DEADLINE FOR PAYMENT OF CONTRIBUTIONS. Salary Deferral Contributions and Catch-up Salary Deferral Contributions shall be paid to the Trustee in installments. The installment for each payroll period shall be paid as soon as administratively feasible. The Matching Contributions, Supplemental Contributions and QNECs for a Plan Year shall be paid to the Trustee in one or more installments, as the Employer may from time to time determine; provided, however, that such contributions may not be paid later than the time prescribed by law (including extensions thereof) for filing the Employer's income tax return for its taxable year ending with or within such Plan Year.

3.13 RETURN OF CONTRIBUTIONS FOR MISTAKE, DISQUALIFICATION OR DISALLOWANCE OF DEDUCTION. Subject to the limitations of section 415 of the Code, the assets of the Trust shall not revert to any Employer or be used for any purpose other than the exclusive benefit of Participants, former Participants and their Beneficiaries and the reasonable expenses of administering the Plan except:

(a) any Employer Contribution made because of a mistake of fact may be repaid to the Employer within one year after the payment of the Contribution; and

(b) all Employer Contributions are conditioned upon their deductibility under section 404 of the Code; therefore, to the extent the deduction is disallowed, the Contributions may be repaid to the Employer within one year after the disallowance.

The Employer has the exclusive right to determine if a Contribution or any part of it is to be repaid or is to remain as a part of the Trust except that the amount to be repaid is limited, if the Contribution is made by mistake of fact or if the deduction for the Contribution is disallowed, to the excess of the amount contributed over the amount that would have been contributed had there been no mistake or over the amount disallowed. Earnings which are attributable to any excess contribution cannot be repaid. Losses attributable to an excess contribution must reduce the amount that may be repaid. All repayments of Contributions made due to a mistake of fact or with respect to which a deduction is disallowed are limited so that the balance in a Participant's or former Participant's Account cannot be reduced to less than the balance that would have been in the Participant's or former Participant's Account had the mistaken amount or the amount disallowed never been contributed.

ARTICLE IV

ALLOCATION AND VALUATION OF ACCOUNTS

4.01 INFORMATION STATEMENTS FROM EMPLOYER. Upon request by the Committee, the Employer shall provide the Committee with a schedule setting forth the amount of its Salary Deferral Contribution, Supplemental Contribution, QNEC, and restoration contribution; the names of its Participants, the number of years of Active Service of each of its Participants and former Participants, the amount of Considered Compensation and Annual Compensation paid to each Participant and former Participant, and the amount of Considered Compensation and Annual Compensation paid to all its Participants and former Participants. Such schedules shall be conclusive evidence of such facts.

4.02 ALLOCATION OF SALARY DEFERRAL CONTRIBUTIONS. The Committee or its designee shall allocate the Salary Deferral Contribution among the Participants by allocating to each Participant the amount by which his Considered Compensation was reduced pursuant to a salary deferral agreement (as described in Section 3.01) and shall credit each such Participant's share to his Salary Deferral Contribution Account.

4.03 ALLOCATION OF CATCH-UP SALARY DEFERRAL CONTRIBUTION. The Committee shall allocate the Catch-up Salary Deferral Contribution among the Participants by allocating to each Participant the amount by which his Considered Compensation was reduced pursuant to a salary deferral agreement under Section 3.02 and shall credit each such Participant's share to his Catch-up Salary Deferral Contribution Account.

4.04 ALLOCATION OF AFTER-TAX CONTRIBUTIONS. The Committee or its designee shall allocate After-Tax Contributions made by a Participant in the amount of such After-Tax Contributions and shall credit such After-Tax Contributions to the Participant's After-Tax Contribution Account.

4.05 ALLOCATION OF MATCHING CONTRIBUTIONS. The Committee or its designee shall separately allocate the Matching Contribution made by an Employer among the Employer's Participants in the proportion which the matched Salary Deferral Contributions, matched Catch-up Salary Deferral Contributions, and matched After-Tax Contributions of each such Participant bear to the total matched Salary Deferral Contributions and matched After-Tax Contributions of all such Participants. Each Participant's proportionate share shall be credited to his Matching Contribution Account.

4.06 ALLOCATION OF SUPPLEMENTAL CONTRIBUTIONS. For each Plan Year, the Committee or its designee shall allocate the Supplemental Contribution made by an Employer among the Participants who are employed by the Employer during the Plan Year and working at or in connection with a particular plant or division of the Employer, based upon each such Participant's Considered Compensation paid by the Employer as compared to the Considered Compensation for all such Participants employed by the Employer.

4.07 ALLOCATION OF QNECS. The Committee or its designee shall separately allocate the QNEC among the Non-Highly Compensated Employees who are Participants based upon

each such Participant's Considered Compensation as compared to the Considered Compensation of all such Participants.

4.08 ALLOCATION OF FORFEITURES. At the time a forfeiture occurs pursuant to Article VIII, Section A.3.2 of Appendix A or Section A.3.3 of Appendix A, the amount forfeited will first be used to reinstate any Account required to be reinstated under Article VIII, and any remaining amount will be applied to reduce the Employer's obligation to make future Matching Contributions or Supplemental Contributions. However, in no event will amounts forfeited pursuant to Section A.3.2 or Section A.3.3 of Appendix A be allocated to the Accounts of Participants whose Matching Contributions are forfeited pursuant to Section A.3.2 or Section A.3.3 of Appendix A.

4.09 VALUATION OF ACCOUNTS. A Participant's or former Participant's Accounts shall be valued by the Trustee at fair market value on each Valuation Date. The earnings and losses attributable to any asset in the Trust will be allocated solely to the Account of the Participant or former Participant on whose behalf the investment in the asset was made. In determining the fair market value of the Participant's or former Participant's Accounts, the Trustee shall utilize such sources of information as it may deem reliable including, but not limited to, stock market quotations, statistical evaluation services, newspapers of general circulation, financial publications, advice from investment counselors or brokerage firms, or any combination of sources which in the opinion of the Trustee will provide the price such assets were last traded at on a registered stock exchange; provided, however, that with respect to regulated investment company shares, the Trustee shall rely exclusively on information provided to it by the investment adviser to such funds.

4.10 NO RIGHTS UNLESS OTHERWISE PRESCRIBED. No allocations, adjustments, credits, or transfers shall ever vest in any Participant or former Participant any right, title, or interest in the Trust except at the times and upon the terms and conditions set forth in the Plan.

ARTICLE V

BENEFITS

5.01 RETIREMENT BENEFIT. Upon his Separation From Service, a Participant or former Participant is entitled to receive his Nonforfeitable Interest in his Account balances.

5.02 DEATH BENEFIT. If a Participant or former Participant dies, the death benefit payable to his Beneficiary shall be the Participant's Nonforfeitable Interest in 100 percent of the remaining amount of his Account balances.

5.03 DISTRIBUTION METHOD. Subject to Section 5.10, any distribution under the Plan shall be made in the form of a cash lump sum.

5.04 IMMEDIATE PAYMENT OF SMALL AMOUNT UPON SEPARATION FROM SERVICE. Each Participant or former Participant whose Nonforfeitable Interest in his Account balance at the time of a distribution to him on account of his Separation From Service is, in the aggregate, less than or equal to $5,000.00, shall be paid in the form of an immediate single sum cash payment and/or as a Direct Rollover, as elected by him under section 5.05. However, if a Distributee who is subject to this Section 5.04 does not furnish instructions in accordance with Plan procedures to directly roll over his Plan benefit within 45 days after he has been given direct rollover forms, he will be deemed to have elected to receive an immediate lump sum cash distribution of his entire Plan benefit. If a Participant's or former Participant's Nonforfeitable Interest in his Account balance payable upon his Separation From Service is zero (because he has no Nonforfeitable Interest in his Account balance), he will be deemed to receive an immediate distribution of his entire Nonforfeitable Interest in his Account balance.

5.05 DIRECT ROLLOVER OPTION. To the extent required under Regulations, a Distributee has the right to direct that any portion of his Eligible Rollover Distribution will be directly paid to an Eligible Retirement Plan specified by him that will accept the Eligible Rollover Distribution.

5.06 CONSENT TO DISTRIBUTION. Notwithstanding any other provision of the Plan, no benefit shall be distributed or commence to be distributed to a Participant or former Participant prior to his attainment of the later of age 62 or Retirement Age without his consent, unless the benefit is payable immediately under Section 5.04. Any such consent shall be valid only if given not more than 90 days prior to the Participant's or former Participant's Annuity Starting Date and after his receipt of the notice regarding benefits described in Section 5.09(a).

5.07 QJSA REQUIREMENTS. On and after the date on which an Employer elects to treat the Plan and the Quanex Corporation Salaried Employees' Pension Plan as one plan for purposes of section 410(b) of the Code, this Section 5.07 will apply. Except for small benefits payable under Section 5.04, each Participant or former Participant who (a) is married on his Annuity Starting Date and (b) does not die before his Annuity Starting Date will be paid in the form of a QJSA, unless he and his Spouse make a valid election to waive this form of payment. Except for small benefits payable under Section 5.04, each other Participant who does not die before the Annuity Starting Date, will be paid in the form of a life only annuity unless he makes a valid

election to waive this form of payment. A Participant's waiver of the QJSA form of payment will not be effective unless the waiver (1) designates a specific nonspouse Beneficiary who will receive Plan benefits and (2) specifies the particular optional form of benefits selected instead of the QJSA. Also, a Participant's or former Participant's waiver of the QJSA will not be effective unless his Spouse signs either a specific or a general consent to his waiver. A specific spousal consent must (1) be in writing, (2) consent to the waiver of the QJSA, (3) consent to the specific nonspouse Beneficiary designated by the Participant or former Participant to receive Plan benefits, (4) consent to the particular optional form of benefit selected by the Participant or former Participant, (5) acknowledge the effect of the Spouse's consent to the Participant's or former Participant's waiver of the QJSA, and (6) be witnessed by a notary public or a Plan representative. A general spousal consent must (1) be in writing, (2) consent to the Participant's or former Participant's waiver of the QJSA, (3) specify that the Participant or former Participant can change the Beneficiary designated by him to receive Plan benefits, without any requirement of further consent by the Spouse, (4) specify that the Participant or former Participant can change the optional form of benefit elected by the Participant or former Participant, without any requirement of further consent by the Spouse, (5) acknowledge that the Spouse has the right to limit consent to a specific Beneficiary and a specific optional form of benefit, and that the Spouse voluntarily elects to relinquish both of those rights, (6) acknowledge the effect of the Spouse's consent to the Participant's or former Participant's waiver of the QJSA, and (7) be witnessed by a notary public or a Plan representative. However, a Participant's or former Participant's election to waive the QJSA shall be effective if it is established to the satisfaction of the Committee that spousal consent to his waiver may not be obtained because (1) there is no Spouse, (2) the Spouse cannot be located, or (3) there exist such other circumstances which obviate the necessity of obtaining the spousal consent. Any consent by the Participant's or former Participant's Spouse (or establishment that the consent of the Participant's or former Participant's Spouse may not be obtained) shall be effective only with respect to such Spouse.

5.08 QPSA REQUIREMENTS.

(a) General Rules. On and after the date on which an Employee elects to treat the Plan and the Quanex Corporation Salaried Employees' Pension Plan as one plan for purposes of section 410(b) of the Code, this Section 5.08 will apply. Except for small benefits payable under Section 5.04, the death benefit of a Participant or former Participant who (1) is married on the date of his death and (2) dies before his Annuity Starting Date will be paid in the form of a QPSA, unless he and his Spouse make a valid election to waive this form of payment. Subject to Section 5.11, the surviving Spouse of such a Participant or former Participant may elect to have payments commence to her as soon as administratively practicable, or at any later date selected by her.

(b) Waivers. Any valid election to waive the QPSA must be made in writing by the Participant or former Participant and consented to by the Participant's or former Participant's Spouse. Any spousal consent to the waiver must: (1) be witnessed by a member of the Committee, the Trustee, or a notary public, and (2) consent to the specific nonspouse Beneficiary or Beneficiaries selected by the Participant or former Participant (or permit future changes in designations by the Participant or former Participant provided that general consent requirements similar to those described in Section 5.08 are satisfied). However, if the Participant or former Participant establishes to the satisfaction of the Committee or the Trustee that the

spouse's written consent cannot be obtained because there is no Spouse or the Spouse cannot be located, a waiver signed only by the Participant or former Participant will be considered a valid election. The consent to a waiver is valid only with respect to the Spouse who signs it; therefore, if the Participant or former Participant remarries after executing a waiver, the Participant's or former Participant's new Spouse must execute a new consent. The Participant or former Participant may revoke a prior waiver without his Spouse's consent at any time before benefit payments begin. Except as specified below, an election to waive the QPSA will be valid only if it is made after the first day of the Plan Year in which the Participant or former Participant attains age 35 and before the Participant's or former Participant's death.

(c) Pre-Age 35 Waivers. A Participant or former Participant may waive the QPSA, with spousal consent, before the first day of the Plan Year in which he attains age 35 if the Sponsor provides him a written explanation of the QPSA (that meets the requirements of Section 5.09(e)) within the period beginning one year before he Severs Service and ending one year after he Severs Service. However, any such waiver will expire and become invalid beginning on the first day of the Plan Year in which the Participant or former Participant attains age 35.

5.09 INFORMATION PROVIDED TO PARTICIPANTS. Information regarding the form of benefits available under the Plan shall be provided to Participants or former Participants in accordance with the following provisions:

(a) General Information. Except as otherwise provided in paragraph (c), the Sponsor shall provide each Participant or former Participant with a written general explanation or description of (1) the eligibility conditions and other material features of the optional forms of benefit available under the Plan, (2) the relative values of the optional forms of benefit available under the Plan, and (3) the Participant's or former Participant's right, if any, to defer receipt of the distribution.

(b) Time for Giving Notice. The written general explanation or description regarding any optional forms of benefit available under the Plan shall be provided to a Participant or former Participant no less than 30 days and no more than 90 days before his Annuity Starting Date unless he legally waives this requirement.

(c) Exception for Participants with Small Benefit Amounts. Notwithstanding the preceding provisions of this Section, no information regarding any optional forms of benefit otherwise available under the Plan shall be provided to the Participant or former Participant if his benefit is payable in a single sum under Section 5.04.

(d) QJSA Notice. This paragraph applies on and after the date on which an Employer elects to treat the Plan and the Quanex Corporation Salaried Employees' Pension Plan as one plan for purposes of section 410(b) of the Code. No less than 30 days (seven days if the Participant or former Participant legally waives the 30-day notice requirement) and no more than 90 days before the Annuity Starting Date of a Participant or former Participant who is subject to Section 5.07, the Sponsor shall provide him a written notice explaining the terms and conditions of each retirement option, and in particular (1) the automatic QJSA or life annuity, (2) the Participant's or former Participant's right to make, and the effect of, a waiver of the automatic

QJSA, (3) the right of the Participant's or former Participant's Spouse to consent or not to consent to such a waiver, (4) the right to make, and the effect of, a revocation of a previous waiver or election, (5) the eligibility conditions and other material features of the optional forms of benefit, (6) the relative values of the optional forms of benefit, and (7) the Participant's or former Participant's right to request a written explanation of the financial effect upon a Participant's or former Participant's annuity of electing to waive the QJSA or life annuity.

(e) QPSA Notice. This paragraph applies on and after the date on which an Employer elects to treat the Plan and the Quanex Corporation Salaried Employees' Pension Plan as one plan for purposes of section 410(b) of the Code. The Sponsor will provide each Participant or former Participant who is subject to Section 5.08 a written explanation of: (a) the terms and conditions of the QPSA, (b) the Participant's or former Participant's right to waive the QPSA and the effect of the waiver, (c) the rights of the Participant's or former Participant's Spouse, and (d) the right to revoke a prior waiver and the effect of the revocation. This written explanation will be provided within the latest of the period (a) beginning on the first day of the Plan Year in which the Participant or former Participant attains age 32 and ending with the close of the Plan Year preceding the Plan Year in which the Participant or former Participant attains age 35, (b) ending one year after the individual becomes a Participant, or (c) ending one year after the QPSA rules first become effective with respect to the Participant or former Participant.

5.10 OPTIONAL FORMS OF DISTRIBUTION. On and after the date on which an Employer elects to treat the Plan and the Quanex Corporation Salaried Employees' Pension Plan as one plan for purposes of section 410(b) of the Code, all of the optional forms of payment available under the Quanex Corporation Salaried Employees' Pension Plan (as discussed more fully in Appendix E hereto) will be available under the Plan.

5.11 TIME OF DISTRIBUTIONS. Notwithstanding any other provision of the Plan, all benefits payable under the Plan shall be distributed, or commence to be distributed, in compliance with the following provisions:

(a) DISTRIBUTION DEADLINES FOR PARTICIPANTS OR FORMER PARTICIPANTS WHO ARE 70 1/2 OR OLDER. If a Participant or former Participant attains 70 1/2, the Participant or former Participant must elect to receive the distribution required under section 401(a)(9) of the Code in one lump sum or in installments which must commence by his Required Beginning Date. If installments are elected, each installment paid must be equal to or greater than the minimum required distribution under section 401(a)(9) of the Code.

(b) DISTRIBUTION DEADLINE FOR DEATH BENEFITS. If a Participant or former Participant dies before the distribution of his Plan benefit has commenced, his entire interest shall be distributed within five years after his death. If a Participant or former Participant dies after the distribution of his Plan benefit has commenced, the remaining portion of his interest in the Plan, if any, will be distributed at least as rapidly as under the installment method of distribution selected by him.

(c) LIMITATIONS ON DEATH BENEFITS. Benefits payable under the Plan shall not be provided in any form that would cause a Participant's death benefit to be more than

incidental. Any distribution required to satisfy the incidental benefit requirement shall be considered a required distribution for purposes of section 401(a)(9) of the Code.

(d) COMPLIANCE WITH SECTION 401(a)(9). All distributions under the Plan will be made in accordance with the requirements of section 401(a)(9) of the Code and all Regulations promulgated thereunder, including, effective January 1, 2001, Regulations that were proposed in January of 2001 (until Final Regulations are issued) but not including Regulations that were proposed prior to January of 2001. The provisions of the Plan reflecting section 401(a)(9) of the Code override any distribution options in the Plan inconsistent with such Section.

(e) COMPLIANCE WITH SECTION 401(a)(14). Unless the Participant or former Participant otherwise elects, the payment of benefits under the Plan to the Participant or former Participant will begin not later than the 60th day after the close of the Plan Year in which occurs the latest of (a) the date on which the Participant or former Participant attains the later of age 62 or Retirement Age, (b) the tenth anniversary of the year in which the Participant or former Participant commenced participation in the Plan, or (c) the Participant's or former Participant's Separation From Service.

5.12 DESIGNATION OF BENEFICIARY. Each Participant and former Participant has the right to designate and to revoke the designation of his Beneficiary or Beneficiaries. Each designation or revocation must be evidenced by a written document in the form required by the Committee, signed by the Participant or former Participant and filed with the Committee. If no designation is on file at the time of a Participant's or former Participant's death or if the Committee determines that the designation is ineffective, the designated Beneficiary shall be the Participant's or former Participant's Spouse, if living, or if not, the executor, administrator or other personal representative of the Participant's or former Participant's estate. If a Participant or former Participant is considered to be married under local law, his designation of any Beneficiary, other than his Spouse, shall not be valid unless the Spouse acknowledges in writing that the Spouse understands the effect of the Participant's or former Participant's beneficiary designation and consents to it. The consent must be to a specific Beneficiary. The written acknowledgement and consent must be filed with the Committee, signed by the Spouse and at least two witnesses, one of whom must be a Participant of the Committee or a notary public. However, if the Spouse cannot be located or there exist other circumstances as described in sections 401(a)(11) and 417(a)(2) of the Code, the requirement of the Participant's or former Participant's Spouse's acknowledgement and consent may be waived. If a Beneficiary other than the Participant's or former Participant's Spouse is named, the designation shall become invalid if the Participant or former Participant is later determined to be married under local law, the Participant's or former Participant's missing Spouse is located or the circumstances which resulted in the waiver of the requirement of obtaining the consent of his Spouse no longer exist.

5.13 DISTRIBUTIONS TO MINORS AND INCAPACITATED PERSONS. If the Committee determines that any person to whom a payment is due is a minor or is unable to care for his affairs because of physical or mental disability, it shall have the authority to cause the payments to be made to the Spouse, brother, sister or other person the Committee determines to have incurred, or to be expected to incur, expenses for that person unless a prior claim is made by a qualified guardian or other legal representative. The Committee and the Trustee shall not be

responsible to oversee the application of those payments. Payments made pursuant to this power shall be a complete discharge of all liability under the Plan and the Trust and the obligations of the Employer, the Trustee, the Trust and the Committee.

5.14 DISTRIBUTIONS PURSUANT TO QUALIFIED DOMESTIC RELATIONS ORDERS. The Committee will instruct the Trustee to pay benefits in accordance with the terms of any order that has been determined, in accordance with Plan procedures, to be a Qualified Domestic Relations Order. A Qualified Domestic Relations Order may require the payment of an immediate cash lump sum to an alternate payee even if the Participant or former Participant is not then entitled to receive an immediate payment of Plan benefits.

5.15 CLAIMS PROCEDURE. When a benefit is due, the Participant, former Participant or Beneficiary should submit his claim to the person or office designated by the Committee to receive claims. Under normal circumstances, a final decision shall be made as to a claim within 90 days after receipt of the claim. If the Committee notifies the claimant in writing during the initial 90-day period, it may extend the period up to 180 days after the initial receipt of the claim. The written notice must contain the circumstances necessitating the extension and the anticipated date for the final decision. If a claim is denied during the claims period, the Committee must notify the claimant in writing. The denial must include the specific reasons for it, the Plan provisions upon which the denial is based, and the claims review procedure. If no action is taken during the claims period, the claim is treated as if it were denied on the last day of the claims period.

If a Participant's, former Participant's or Beneficiary's claim is denied and he wants a review, he must apply to the Committee in writing. That application may include any comment or argument the claimant wants to make. The claimant may either represent himself or appoint a representative, either of whom has the right to inspect all documents pertaining to the claim and its denial. The Committee may schedule any meeting with the claimant or his representative that it finds necessary or appropriate to complete its review.

The request for review must be filed within 60 days after the denial. If it is not, the denial becomes final. If a timely request is made, the Committee must make its decision, under normal circumstances, within 60 days of the receipt of the request for review. However, if the Committee notifies the claimant prior to the expiration of the initial review period, it may extend the period of review up to 120 days following the initial receipt of the request for a review. All decisions of the Committee must be in writing and must include the specific reasons for their action and the Plan provisions on which their decision is based. If a decision is not given to the claimant within the review period, the claim is treated as if it were denied on the last day of the review period.

ARTICLE VI

IN-SERVICE DISTRIBUTIONS

6.01 IN-SERVICE FINANCIAL HARDSHIP DISTRIBUTIONS.

(a) General. Prior to his Separation From Service, a Participant is entitled to receive a distribution from his Salary Deferral Contribution Account (except for income that was not credited to his Salary Deferral Account as of December 31, 1988), his Catch-up Salary Deferral Contribution Account (except for income credited to his Catch-up Salary Deferral Contribution Account), his Rollover Account, his After-Tax Contribution Account, his Nonforfeitable Interest in his Matching Contribution Account and his Nonforfeitable Interest in his Supplemental Contribution Account in the event of an immediate and heavy financial need incurred by the Participant and the Committee's determination that the withdrawal is necessary to alleviate that hardship.

(b) Permitted Reasons For Financial Hardship Distributions. A distribution shall be made on account of financial hardship only if the distribution is for: (i) expenses for medical care described in section 213(d) of the Code previously incurred by the Participant, the Participant's Spouse, or any dependents of the Participant (as defined in section 152 of the Code) or necessary for these persons to obtain medical care described in section 213(d) of the Code, (ii) costs directly related to the purchase (excluding mortgage payments) of a principal residence for the Participant, (iii) payment of tuition and related educational fees for the next 12 months of post-secondary education for the Participant, his Spouse, children, or dependents (as defined in section 152 of the Code), (iv) payments necessary to prevent the eviction of the Participant from his principal residence or foreclosure on the mortgage of the Participant's principal residence, or (v) any other event added to this list by the Commissioner of Internal Revenue.

(c) Amount. A distribution to satisfy an immediate and heavy financial need shall not be made in excess of the amount of the immediate and heavy financial need of the Participant and the Participant must have obtained all distributions, other than hardship distributions, and all nontaxable (at the time of the loan) loans currently available under all plans maintained by the Employer. The amount of a Participant's immediate and heavy financial need includes any amounts necessary to pay any federal, state or local income taxes or penalties reasonably anticipated to result from the financial hardship distribution.

(d) Suspension of Participation in Certain Benefit Programs. The Participant's hardship distribution shall terminate his right to have the Employer make any Salary Deferral Contributions on his behalf until the next time Salary Deferral Contributions are permitted after (1) the lapse of 12 months following the hardship distribution and (2) his timely filing of a written request to resume his Salary Deferral Contributions. In addition, for 12 months after he receives a hardship distribution from the Plan, the Participant is prohibited from making elective contributions and employee contributions to or under all other qualified and nonqualified plans of deferred compensation maintained by the Employer, including stock option plans, stock purchase plans and Code section 401(k) cash or deferred arrangements that are part of cafeteria plans described in section 125 of the Code. However, the Participant is not

prohibited from making contributions to a health or welfare benefit plan, including one that is part of a cafeteria plan within the meaning of section 125 of the Code.

(e) Resumption of Salary Deferral Contributions. Effective for Plan Years that commence prior to January 1, 2002, when the Participant resumes Salary Deferral Contributions, he cannot have the Employer make any Salary Deferral Contributions in excess of the limit in section 402(g) of the Code for that taxable year reduced by the amount of Salary Deferral Contributions made by the Employer on the Participant's behalf during the taxable year of the Participant in which he received the hardship distribution.

(f) Order of Distributions. Financial hardship distributions will be made in the following order: First withdrawals will be made from the Participant's After-Tax Contribution Account, then from his Rollover Contribution Account, then from his Matching Contribution Account, then from his Supplemental Contribution Account, then from his Salary Deferral Contribution Account, and finally, from his Catch-up Salary Deferral Contribution Account. A Participant shall not be entitled to receive a financial hardship distribution of any amount credited to his QNEC Account.

6.02 AGE 59 1/2 DISTRIBUTIONS. Prior to his Separation From Service, a Participant may withdraw part or all of his Nonforfeitable Interest in his Account balances on or after the date that he attains age 59 1/2.

6.03 METHOD OF PAYMENT. A distribution made pursuant to this Article VI will normally be paid in the form of a cash lump sum However, the QJSA requirements of Section 5.07 will apply to any distributions made under the Plan on or after the date as of which an Employer elects to treat the Plan and the Quanex Corporation Salaried Employees' Pension Plan as one plan for purposes of section 410(b) of the Code.

ARTICLE VII

LOANS

The Committee may direct the Trustees to make loans to Participants (and Beneficiaries who are "parties in interest" within the meaning of ERISA) who have Nonforfeitable Interests in their Account balances. The Loan Committee established by the Committee will be responsible for administering the Plan loan program. All loans will comply with the following requirements:

(a) All loans will be made solely from the Participant's or Beneficiary's Account.

(b) Loans will be available on a nondiscriminatory basis to all Beneficiaries who are "parties in interest" within the meaning of ERISA, and to all Participants.

(c) Loans will not be made for less than $1,000.00.

(d) The maximum amount of a loan may not exceed the lesser of (A) $50,000.00 reduced by the person's highest outstanding loan balance from the Plan during the preceding one-year period, or (B) one-half of the person's Nonforfeitable Interest in his Account balance under the Plan determined as of the date on which the loan is approved by the Loan Committee.

(e) Any loan from the Plan will be evidenced by a note or notes (signed by the person applying for the loan) having such maturity, bearing such rate of interest, and containing such other terms as the Loan Committee will require by uniform and nondiscriminatory rules consistent with this Section and proper lending practices.

(f) All loans will bear a reasonable rate of interest which will be established by the Loan Committee.

(g) Each loan will be fully secured by a pledge of the borrowing person's Nonforfeitable Interest in his Account balance. No more than 50 percent of the person's Nonforfeitable Interest in his Account balance (determined immediately after the origination of the loan) will be considered as security for any loan.

(h) The term of the loan will not be less than 18 months. Generally, the term of the loan will not be more than five years. The Loan Committee may agree to a longer term (but not more than seven years) only if such term is otherwise reasonable and the proceeds of the loan are to be used to acquire a dwelling which will be used within a reasonable time (determined at the time the loan is made) as the principal residence of the borrowing person.

(i) A Participant's loan agreement will also require that loan repayments be made through payroll deductions.

(j) If a person fails to make a required payment within 30 days of the due date set forth in the loan agreement, the loan will be in default.

(k) If a Participant or former Participant has an outstanding loan from the Plan at the time of his Separation From Service, the outstanding loan principal balance and any accrued but unpaid interest will become immediately due in full. The Participant or former Participant will have the right to immediately pay the Trustee that amount. If the Participant or former Participant fails to repay the loan, the Trustee will foreclose on the loan and the Participant will be deemed to have received a Plan distribution of the amount foreclosed upon. The Trustee will not foreclose upon a Participant's or former Participant's Salary Deferral Contribution Account, Catch-up Salary Deferral Contribution Account or QNEC Account until the Participant's Separation From Service.

(l) If a Beneficiary defaults on his loan, the Trustee will foreclose on the loan and the Beneficiary will be deemed to have received a Plan distribution of the amount foreclosed upon.

(m) No person shall be entitled to apply for a new Plan loan until at least 90 days have transpired since he fully repaid his last loan from the Plan.

(n) No amount that is pledged as collateral for a Plan loan to a Participant will be available for withdrawal before he has fully repaid his loan.

(o) All interest payments made pursuant to the terms of the loan agreement will be credited to the borrowing person's Account and will not be considered as general earnings of the Trust Fund to be allocated to other Participants.

(p) The terms of each Plan loan agreement will require substantially level amortization of the loan (with payments not less frequently than quarterly) over the term of the loan. However, the level amortization requirement will not apply for a period, not longer than one year (or such longer period as may apply under the Uniformed Services Employment and Reemployment Rights Act of 1994 that an eligible borrower is on a bona fide leave of absence, either without pay from the Employer or at a rate of pay (after income and employment tax withholding) that is less than the amount of the installment payments required under the terms of the loan. However, the loan (including interest that accrues during the leave of absence) must be repaid by the five-year loan maturity deadline specified in paragraph (h) above (unless the loan was a home loan described in paragraph (h) above), and the amount of the installments due after the leave ends (or, if earlier, after the first anniversary of the leave or such longer period as may apply under the Uniformed Services Employment and Reemployment Rights Act of 1994) must not be less than the amount required under the terms of the original loan.

(q) The Spouse of a Participant must consent to any loan from the Plan that is made, extended or renewed after the date on which an Employer elects to treat the Plan and the Quanex Corporation Salaried Employees' Pension Plan as one plan for purposes of section 410(b) of the Code. The Spouse's consent must (1) be in writing, (2) consent to the loan, (3) acknowledge the effect of the Spouse's consent to the Participant's borrowing from the Plan, and (4) be witnessed by a notary public or a Plan representative.

ARTICLE VIII

VESTING

A Participant or former Participant has a fully Nonforfeitable Interest in his entire Account balance when he (a) incurs a Disability on or prior to the date of his Separation From Service, (b) attains his Normal Retirement Age on or prior to the date of his Separation From Service, or (c) incurs a Separation From Service due to death. A Participant or former Participant shall at all times have a fully Nonforfeitable Interest in amounts credited to his Salary Deferral Contribution Account, his Catch-up Salary Deferral Contribution Account, his QNEC Account, his Rollover Account and his After-Tax Contribution Account. A Participant or former Participant shall have a Nonforfeitable Interest in the following percentage of amounts credited to his Matching Contribution Account and his Supplemental Contribution Account:

Years of Active Service Completed by the Participant or Former Participant	Vested Percentage
Less than two	0
Two but less than three	20
Three but less than four	40
Four but less than five	60
Five but less than six	80
Six or more	100

Subject to the possible application of Section B.2.3 of Appendix B or Section 13.05, except as specified above, a Participant or former Participant has a Forfeitable Interest in his Account balance and shall not be entitled to any benefits under the Plan upon or following his Separation From Service.

ARTICLE IX

FORFEITURES AND RESTORATIONS

9.01 FORFEITURE ON TERMINATION OF PARTICIPATION.

(a) If as a result of his Separation From Service a Participant or former Participant receives (or is deemed to receive under Section 5.04), a distribution of his entire Nonforfeitable Interest in his Account balance not later than the end of the second Plan Year following the Plan Year in which his Separation From Service occurs, the remaining Forfeitable Interest in his Account balance will be immediately forfeited upon the distribution.

(b) If a Participant or former Participant neither receives nor is deemed to receive a distribution as a result of his Separation From Service, his Forfeitable Interest in his Account balance will be permanently forfeited (with no right of reinstatement under Section 9.02) on the later of the date of his Separation From Service or the date on which he has incurred a Period of Severance of five consecutive years.

9.02 RESTORATION OF FORFEITED AMOUNTS. If a Participant or former Participant who forfeited any portion of his Account balance pursuant to the provisions of Section 9.01 subsequently performs an Hour of Service, then the following provisions shall apply:

(a) Repayment Requirement. The Participant's Account balance (unadjusted for gains or losses subsequent to the forfeiture) shall be restored if he repays to the Trustee the full amount of any distribution with respect to which the forfeiture arose prior to the earlier of (1) the date on which he incurs a Period of Severance of five years commencing after his distribution, or (2) the fifth anniversary of the first date on which the Participant subsequently performs his first Hour of Service after his Separation From Service. A Participant who is deemed to have received a distribution under Section 5.04 (because he had no Nonforfeitable Interest in his Account balance) will be deemed to have repaid his Account balance upon his reemployment if he is reemployed before the earlier of the dates specified in clauses (1) and (2) in the preceding sentence.

(b) Amount Restored. The amount to be restored under the preceding provisions of this Section 9.02 shall be the dollar value of the Account balance, both the amount distributed and the amount forfeited. The Participant's Account balance shall be restored as soon as administratively practicable after the later of the date the Participant first performs an Hour of Service after his Separation From Service or the date on which any required repayment is completed.

(c) No Other Basis for Restoration. Except as otherwise provided above, a Participant's Account balance shall not be restored after it has been forfeited pursuant to Section 9.01.

9.03 FORFEITURES BY LOST PARTICIPANTS OR BENEFICIARIES. If a person who is entitled to a distribution cannot be located during a reasonable search after the Committee has initially attempted making payment, his Account balance shall be forfeited. However, if at any time prior to the termination of the Plan and the complete distribution of the Trust assets, the missing

former Participant or Beneficiary files a claim with the Committee for the forfeited Account balance, that Account balance shall be reinstated (without adjustment for trust income or losses during the period of forfeiture) effective as of the date of the receipt of the claim.

ARTICLE X

ACTIVE SERVICE

10.01 GENERAL. For purposes of determining an Employee's eligibility to participate in the Plan and his Nonforfeitable Interest in his Account balance, the Employee shall receive credit for Active Service commencing on the date he first performs an Hour of Service and ending on his Severance From Service Date. If an Employee Severs Service, he shall recommence earning Active Service when he again performs an Hour of Service. When determining an Employee's Active Service, all Periods of Service, whether or not completed consecutively, shall be aggregated on a per-day basis. In aggregating Active Service, 365 days shall be counted as one year of Active Service. Except to the extent expressly provided otherwise in the Plan, an Employee shall be granted credit for all Periods of Service with Affiliated Employers (including Periods of Service performed while the Employee is not eligible to participate in the Plan because he does not satisfy the requirements of Section 2.01).

10.02 DISREGARD OF CERTAIN SERVICE. If an Employee incurs a Separation From Service at a time when he does not have a Nonforfeitable Interest in a portion of his Matching Contribution Account balance or his Supplemental Contribution Account balance and his Period of Severance continues for a continuous period of five years or more, the Period of Service completed by the Employee before the Period of Severance shall not be taken into account as Active Service, if his Period of Severance equals or exceeds his Period of Service, whether or not consecutive, completed before the Period of Severance.

10.03 CERTAIN BRIEF ABSENCES COUNTED AS ACTIVE SERVICE. If an Employee performs an Hour of Service within 365 days after he Severs Service, the intervening Period of Severance shall be counted as a Period of Service.

10.04 SERVICE CREDIT REQUIRED BY LAW. An Employee will be granted credit for Active Service for time he is not actively performing services for an Affiliated Employer to the extent required under federal law. An Employee will be granted credit for Active Service for services performed for a predecessor employer to the extent required by section 414(a) of the Code and Regulations issued thereunder.

10.05 SPECIAL MATERNITY OR PATERNITY ABSENCE RULES. Except as specified below, the period of time between (a) the first anniversary of the first day of a Maternity or Paternity Absence of an Employee and (b) the second anniversary of the first day of the absence shall not be counted as a Period of Severance or as Active Service. However, if the Employee returns to active employment with an Affiliated Employer prior to the expiration of twelve months following the earlier of (1) the date of his Separation From Service or (2) the second anniversary of the first day of his Maternity or Paternity Absence, he shall be granted Active Service for the entire period of his Maternity or Paternity Absence.

10.06 EMPLOYMENT RECORDS CONCLUSIVE. The employment records of the Employer shall be conclusive for all determinations of Active Service.

10.07 SPECIAL TRANSITIONAL RULE. Any person who was an Employee before March 1, 1997, will have all or a portion of his Active Service figured under the provisions of the Plan in effect before March 1, 1997, if that method of calculating service is more beneficial for the Employee than the method otherwise set out in this Article II.

10.08 CREDIT FOR SERVICE WITH PIPER IMPACT, INC. A TENNESSEE CORPORATION. For purposes of determining an Employee's Active Service for eligibility to participate and vesting, his service with Piper Impact, Inc., a Tennessee corporation will be counted as Active Service under the Plan.

ARTICLE XI

INVESTMENT ELECTIONS

11.01 INVESTMENT FUNDS ESTABLISHED. It is contemplated that the assets of the Plan shall be invested in such categories of assets as may be determined from time to time by the Committee and announced and made available on an equal basis to all Participants and former Participants. In accordance with procedures established by the Committee, each Participant and former Participant may designate the percentage of his Account to be invested in each investment fund available under the Plan. Up to one hundred percent of the Trust assets may be invested in Sponsor Stock.

11.02 ELECTION PROCEDURES ESTABLISHED. The Committee shall, from time to time, establish rules to be applied in a nondiscriminatory manner as to all matters relating to the administration of the investment of funds including, but not limited to, the following:

(a) the percentage of a Participant's or former Participant's Account as it exists, from time to time, that may be transferred from one fund to another and the limitations based on amounts, percentages, time, or frequency, if any, on such transfers;

(b) the percentage of a Participant's future contributions, when allocated to his Account, that may be invested in any one or more funds and the limitations based upon amounts, percentages, time, or frequency, if any, on such investments in various funds;

(c) the procedures for making investment elections and changing existing investment elections;

(d) the period of notice required for making investment elections and changing existing investment elections;

(e) the handling of income and change of value in funds when funds are in the process of being transferred between investment funds and to investment funds; and

(f) all other matters necessary to permit the orderly operation of investment funds within the Plan.

When the Committee changes any previous applicable rule, it shall state the effective time of the change and the procedures for complying with any such change. Any change shall remain effective until such date as stated in the change, or if none is stated, then until revoked or changed in a like manner.

ARTICLE XII

ADOPTION OF PLAN BY OTHER EMPLOYERS

12.01 ADOPTION PROCEDURE. Any business organization may, with the approval of the Board, adopt the Plan by:

(a) a certified resolution or consent of the board of directors of the adopting Employer or an executed adoption instrument (approved by the board of directors of the adopting Employer) agreeing to be bound as an Employer by all the terms, conditions and limitations of the Plan except those, if any, specifically described in the adoption instrument; and

(b) providing all information required by the Committee and the Trustee.

12.02 NO JOINT VENTURE IMPLIED. The document which evidences the adoption of the Plan by an Employer shall become a part of the Plan. However, neither the adoption of the Plan and the Trust by an Employer nor any act performed by it in relation to the Plan and the Trust shall ever create a joint venture or partnership relation between it and any other Employer.

12.03 ALL TRUST ASSETS AVAILABLE TO PAY ALL BENEFITS. The Accounts of Participants employed by the Employers that adopt the Plan shall be commingled for investment purposes. All assets in the Trust shall be available to pay benefits to all Participants employed by any Employer.

12.04 QUALIFICATION A CONDITION PRECEDENT TO ADOPTION AND CONTINUED PARTICIPATION. The adoption of the Plan and the Trust by a business organization is contingent upon and subject to the express condition precedent that the initial adoption meets all statutory and regulatory requirements for qualification of the Plan and the exemption of the Trust that are applicable to it and that the Plan and Trust continue in operation to maintain their qualified and exempt status. In the event the adoption fails to initially qualify, the adoption shall fail retroactively for failure to meet the condition precedent and the portion of the Trust assets applicable to the adoption shall be immediately returned to the adopting business organization and the adoption shall be void ab initio. In the event the adoption as to a given business organization later becomes disqualified and loses its exemption for any reason, the adoption shall fail retroactively for failure to meet the condition precedent and the portion of the Trust assets allocable to the adoption by that business organization shall be immediately spun off, retroactively as of the last date for which the Plan qualified, to a separate trust for its sole benefit and an identical but separate Plan shall be created, retroactively effective as of the last date the Plan as adopted by that business organization qualified, for the benefit of the Participants covered by that adoption.

ARTICLE XIII

AMENDMENT AND TERMINATION

13.01 RIGHT TO AMEND AND LIMITATIONS THEREON. The Sponsor has the sole right to amend the Plan. An amendment may be made by a certified resolution or consent of the Board, or by an instrument in writing executed by the appropriate officer of the Sponsor. The amendment must describe the nature of the amendment and its effective date. No amendment shall:

(a) vest in an Employer any interest in the Trust;

(b) cause or permit the Trust assets to be diverted to any purpose other than the exclusive benefit of the present, former or future Participants and their Beneficiaries except under the circumstances described in Section 3.12;

(c) decrease the Account of any Participant or former Participant, or eliminate an optional form of payment in violation of section 411(d)(6) of the Code; or

(d) change the vesting schedule to one which would result in a Participant's or former Participant's Nonforfeitable Interest in his Account balance (determined as of the later of the date of the adoption of the amendment or of the effective date of the amendment) of any Participant or former Participant being less than his Nonforfeitable Interest computed under the Plan without regard to the amendment. If the Plan's vesting schedule is amended or if the Plan is deemed amended by an automatic change to or from a top-heavy vesting schedule, each Participant or former Participant who has at least three years of Active Service as of the date of the amendment or change shall have his nonforfeitable percentage computed under the Plan without regard to the amendment or the change if that results in a higher Nonforfeitable Interest in his Account balance.

Each Employer shall be deemed to have adopted any amendment made by the Sponsor unless the Employer notifies the Committee of its rejection in writing within 30 days after it receives a copy of the amendment. A rejection shall constitute a withdrawal from the Plan by that Employer unless the Sponsor acquiesces in the rejection.

13.02 MANDATORY AMENDMENTS. The Contributions of each Employer to the Plan are intended to be:

(a) deductible under the applicable provisions of the Code;

(b) except as otherwise prescribed by applicable law, exempt from the Federal Social Security Act;

(c) except as otherwise prescribed by applicable law, exempt from with- holding under the Code; and

(d) excludable from any Employee's regular rate of pay, as that term is defined under the Fair Labor Standards Act of 1938, as amended.

The Sponsor shall make any amendment necessary to carry out this intention, and it may be made retroactively.

13.03 WITHDRAWAL OF EMPLOYER. An Employer may withdraw from the Plan and the Trust if the Sponsor does not acquiesce in its rejection of an amendment or by giving written notice of its intent to withdraw to the Committee. The Committee shall then determine the portion of the Trust assets that is attributable to the Participants employed by the withdrawing Employer and shall notify the Trustee to segregate and transfer those assets to the successor trustee when it receives a designation of the successor from the withdrawing Employer.

A withdrawal shall not terminate the Plan and the Trust with respect to the withdrawing Employer, if the Employer either appoints a successor trustee and reaffirms the Plan and the Trust as its new and separate plan and trust intended to qualify under section 401(a) of the Code, or establishes another plan and trust intended to qualify under section 401(a) of the Code.

The determination of the Committee, in its sole discretion, of the portion of the Trust assets that is attributable to the Participants employed by the withdrawing Employer shall be final and binding upon all parties; and, the Trustee's transfer of those assets to the designated successor Trustee shall relieve the Trustee of any further obligation, liability or duty to the withdrawing Employer, the Participants employed by that Employer and their Beneficiaries, and the successor trustee.

13.04 TERMINATION OF PLAN. The Sponsor may terminate the Plan and the Trust with respect to all Employers by executing and delivering to the Committee and the Trustee, a notice of termination, specifying the date of termination.

13.05 PARTIAL OR COMPLETE TERMINATION OR COMPLETE DISCONTINUANCE OF CONTRIBUTIONS. Without regard to any other provision of the Plan, if there is a partial or total termination of the Plan or there is a complete discontinuance of the Employer's Contributions, each of the affected Participants shall immediately have a fully Nonforfeitable Interest in his Account as of the end of the last Plan Year for which a substantial Employer Contribution was made and in any amounts later allocated to his Account. If the Employer then resumes making substantial Contributions at any time, the appropriate vesting schedule shall again apply to all amounts allocated to each affected Participant's Account beginning with the Plan Year for which they were resumed.

ARTICLE XIV

MISCELLANEOUS

14.01 PLAN NOT AN EMPLOYMENT CONTRACT. The maintenance of the Plan and the Trust is not a contract between any Employer and its Employees which gives any Employee the right to be retained in its employment. Likewise, it is not intended to interfere with the rights of any Employer to discharge any Employee at any time or to interfere with the Employee's right to terminate his employment at any time.

14.02 BENEFITS PROVIDED SOLELY FROM TRUST. All benefits payable under the Plan shall be paid or provided for solely from the Trust. No Employer assumes any liability or responsibility to pay any benefit provided by the Plan.

14.03 ASSIGNMENTS PROHIBITED. No principal or income payable or to become payable from the Trust Fund shall be subject to anticipation or assignment by a Participant, former Participant or Beneficiary to attachment by, interference with, or control of any creditor of a Participant, former Participant or Beneficiary; or to being taken or reached by any legal or equitable process in satisfaction of any debt or liability of a Participant, former Participant, or Beneficiary prior to its actual receipt by the Participant, former Participant or Beneficiary. Any attempted conveyance, transfer, assignment, mortgage, pledge, or encumbrance of any Trust assets, any part of it, or any interest in it by a Participant, former Participant or Beneficiary prior to distribution shall be void, whether that conveyance, transfer, assignment, mortgage, pledge, or encumbrance is intended to take place or become effective before or after any distribution of Trust assets or the termination of the Trust itself. The Trustee shall never under any circumstances be required to recognize any conveyance, transfer, assignment, mortgage, pledge or encumbrance by a Participant, former Participant, or Beneficiary of the Trust, any part of it, or any interest in it, or to pay any money or thing of value to any creditor or assignee of a Participant, former Participant or Beneficiary for any cause whatsoever. These prohibitions against the alienation of a Participant's Account shall not apply to a Qualified Domestic Relations Order or to a voluntary revocable assignment of benefits not in excess of ten percent of the amount of any payment from the Plan if such assignment complies with Regulations issued under section 401(a)(13) of the Code. Further, effective for judgments, orders and decrees issued, and settlement agreements entered into, on or after August 5, 1997, these prohibitions shall not apply to any offset of a Participant's or former Participant's benefits provided under a Plan against an amount that the Participant or former Participant is ordered or required to pay to the Plan if--(a) the order or requirement to pay arises--(1) under a judgment of conviction for a crime involving the Plan, (2) under a civil judgment (including a consent order or decree) entered by a court in an action brought in connection with an alleged violation of part 4 of subtitle B of title I of ERISA, or (3) pursuant to a settlement agreement between the Secretary of Labor and the Participant or former Participant in connection with a violation (or alleged violation) of part 4 of subtitle B of ERISA by a fiduciary or any other person, and (b) the judgment, order, decree, or settlement agreement expressly provides for the offset of all or part of the amount ordered or required to be paid to the Plan against the Participant's or former Participant's benefits provided under the Plan.

14.04 REQUIREMENTS UPON MERGER OR CONSOLIDATION OF PLANS. The Plan shall not merge or consolidate with or transfer any assets or liabilities to any other plan unless each Participant and former Participant would receive a benefit immediately after the merger, consolidation, or transfer which is equal to or greater than the benefit he would have been entitled to receive immediately before the merger, consolidation, or transfer (if the Plan had then terminated).

14.05 GENDER OF WORDS USED. If the context requires it, words of one gender when used in the Plan shall include the other gender, and words used in the singular or plural shall include the other.

14.06 SEVERABILITY. Each provision of this Agreement may be severed. If any provision is determined to be invalid or unenforceable, that determination shall not affect the validity or enforceability of any other provision.

14.07 REEMPLOYED VETERANS. Effective January 12, 1994, the requirements of the Uniformed Services Employment and Reemployment Rights Act of 1994 will be complied with in the operation of the Plan in the manner permitted under section 414(u) of the Code.

14.08 LIMITATIONS ON LEGAL ACTIONS. No person may bring an action pertaining to the Plan or Trust until he has exhausted his administrative claims and appeal remedies identified in section 5.12. Further, no person may bring an action pertaining to a claim for benefits under the Plan or the Trust following 180 days after the Committee's final denial of his claim for benefits.

14.09 GOVERNING LAW. The provisions of the Plan shall be construed, administered, and governed under the laws of the United States unless the specific matter in question is governed by state law in which event the laws of the State of Texas shall apply.

IN WITNESS WHEREOF, Piper Impact, Inc. has caused this Agreement to be executed this 14th day of February, 2002, in multiple counterparts, each of which shall be deemed to be an original, to be effective the 1st day of January, 1998, except for those provisions which have an earlier effective date provided by law, or as otherwise provided under applicable provisions of the Plan.

PIPER IMPACT, INC.

By /s/ Viren M. Parikh

Title: Controller

APPENDIX A

LIMITATIONS ON CONTRIBUTIONS AND ALLOCATIONS

PART A.1 DEFINITIONS

DEFINITIONS. As used herein the following words and phrases have the meaning attributed to them below:

A.1.1 "ACTUAL CONTRIBUTION RATIO" shall mean the ratio of Section 401(m) Contributions actually paid into the Trust on behalf of an Employee for a Plan Year to the Employee's Annual Compensation for the same Plan Year. For this purpose, Annual Compensation for any portion of the Plan Year in which the Employee was not an eligible Employee (as defined in Section A.2.4) will not be taken into account.

A.1.2 "ACTUAL DEFERRAL PERCENTAGE" means, for a specified group of Employees for a Plan Year, the average of the ratios (calculated separately for each Employee in the group) of the amount of Section 401(k) Contributions actually paid into the Trust on behalf of the Employee for the Plan Year to the Employee's Annual Compensation for the Plan Year.

A.1.3 "ACTUAL DEFERRAL RATIO" means the ratio of Section 401(k) Contributions actually paid into the Trust on behalf of an Employee for a Plan Year to the Employee's Annual Compensation for the same Plan Year. For this purpose, Annual Compensation for any portion of the Plan Year in which the Employee was not an eligible Employee (as defined in Section A.2.3) will not be taken into account.

A.1.4 "ANNUAL ADDITIONS" means the sum of the following amounts credited on behalf of a Participant for the Limitation Year: (a) Employer contributions excluding Catch-up Salary Deferral Contributions and including Salary Deferral Contributions, (b) Employee after-tax contributions, and (c) forfeitures. For this purpose, Employee contributions are determined without regard to any rollover contributions (as defined in sections 402(c), 403(a)(4), 403(b)(8), 408(d)(3) and 457(e)(16) of the Code without regard to employee contributions to a simplified employee pension which are excludable from gross income under section 408(k)(6) of the Code). Excess 401(k) Contributions for a Plan Year are treated as Annual Additions for that Plan Year even if they are corrected through distribution. Excess Deferrals that are timely distributed as set forth in Section A.3.1 will not be treated as Annual Additions.

A.1.5 "CONTRIBUTION PERCENTAGE" shall mean, for a specified group of Employees for a Plan Year, the average of the ratios (calculated separately for each Employee in the group) of the amount of Section 401(m) Contributions actually paid into the Trust on behalf of the Employee for the Plan Year to the Employee's Annual Compensation for the Plan Year.

A.1.6 "EXCESS AGGREGATE 401(m) CONTRIBUTIONS" means, with respect to any Plan Year, the excess of (a) the aggregate amount of Section 401(m) Contributions actually paid into the Trust on behalf of Highly Compensated Employees for the Plan Year over (b) the maximum amount of those contributions permitted under the limitations set out in the first sentence of Section A.2.4.

A.1.7 "EXCESS AMOUNT" shall mean the excess of the Annual Additions credited to the Participant's Account for the Limitation Year over the Maximum Permissible Amount.

A.1.8 "EXCESS 401(k) CONTRIBUTIONS" means, with respect to any Plan Year, the excess of (a) the aggregate amount of Section 401(k) Contributions actually paid to the Trustee on behalf of Highly Compensated Employees for the Plan Year over (b) the maximum amount of those contributions permitted under the limitations set out in the first sentence of Section A.2.3.

A.1.9 "LIMITATION YEAR" shall mean the Plan Year. All qualified plans maintained by any Affiliated Employer must use the same Limitation Year. If the Limitation Year is amended to a different 12-consecutive

month period, the new Limitation Year must begin on a date within the Limitation Year in which the amendment is made.

A.1.10 "MAXIMUM PERMISSIBLE AMOUNT" means, for Limitation Years that commence prior to January 1, 2002, the lesser of (1) $30,000.00 as adjusted by the Secretary of Treasury for increases in the cost of living, or (2) 25 percent of the Participant's Annual Compensation for the Limitation Year. "Maximum Permissible Amount" means, for Limitation Years that commence on or after January 1, 2002, the lesser of (1) $40,000.00 as adjusted by the Secretary of Treasury for increases in the cost of living or (2) 100 percent of the Participant's Annual Compensation for the Limitation Year. The Annual Compensation limitation referred to in clauses (2) of the immediately preceding sentences shall not apply to any contribution for medical benefits (within the meaning of section 401(h) or section 419A(f)(2) of the Code) that is otherwise treated as an Annual Addition under section 415(l)(1) or section 419A(d)(2) of the Code. If a short Limitation Year is created because of an amendment changing the Limitation Year to a different 12-consecutive month period, the Maximum Permissible Amount shall not exceed the dollar limitation in effect under section 415(c)(1)(A) of the Code multiplied by a fraction, the numerator of which is the number of months in the short Limitation Year, and the denominator of which is 12.

A.1.11 "SECTION 401(k) CONTRIBUTIONS" means the sum of Salary Deferral Contributions made on behalf of the Participant during the Plan Year, and QNECs that the Employer elects to have treated as section 401(k) Contributions pursuant to section 401(k)(3)(d)(ii) of the Code.

A.1.12 "SECTION 401(m) CONTRIBUTIONS" shall mean the sum of Matching Contributions and After-Tax Contributions made on behalf of the Participant during the Plan Year and other amounts that the Employer elects to have treated as Section 401(m) Contributions pursuant to section 401(m)(3)(B) of the Code. However, effective for Plan Years that commence prior to January 1, 2002, Matching Contributions and Salary Deferral Contributions that the Employer could otherwise elect to have treated as Section 401(m) Contributions are not Section 401(m) Contributions to the extent that they are used to enable the Plan to satisfy the minimum contribution requirements of section 416 of the Code.

PART A.2 LIMITATIONS ON CONTRIBUTIONS

A.2.1 LIMITATIONS BASED UPON DEDUCTIBILITY AND THE MAXIMUM ALLOCATION PERMITTED TO A PARTICIPANT'S ACCOUNT. Notwithstanding any other provision of the Plan, no Employer shall make any contribution that would be a nondeductible contribution within the meaning of section 4972 of the Code or that would cause the limitation on allocations to each Participant's Account under section 415 of the Code and Section A.4.1 to be exceeded.

A.2.2 DOLLAR LIMITATION UPON SALARY DEFERRAL CONTRIBUTIONS. The maximum Salary Deferral Contribution that a Participant may elect to have made on his behalf during the Participant's taxable year may not, when added to the amounts deferred under other plans or arrangements described in sections 401(k), 408(k) and 403(b) of the Code, exceed $7,000 (as adjusted by the Secretary of Treasury). For purposes of applying the requirements of Section A.2.3, Excess Deferrals shall not be disregarded merely because they are Excess Deferrals or because they are distributed in accordance with this Section. However, Excess Deferrals made to the Plan on behalf of Non-Highly Compensated Employees are not to be taken into account under Section A.2.3.

A.2.3 LIMITATION BASED UPON ACTUAL DEFERRAL PERCENTAGE. Effective for Plan Years commencing on or after January 1, 1997, the Actual Deferral Percentage for eligible Highly Compensated Employees for any Plan Year must bear a relationship to the Actual Deferral Percentage for all other eligible Employees for (1) the preceding Plan Year in the case of testing for Plan Years commencing on or after January 1, 2000, or (2) the current Plan Year in the case of testing for Plan Years commencing prior to January 1, 2000, which meets either of the following tests:

(a) the Actual Deferral Percentage of the eligible Highly Compensated Employees is not more than the Actual Deferral Percentage of all other eligible Employees multiplied by 1.25; or

(b) the excess of the Actual Deferral Percentage of the eligible Highly Compensated Employees over that of all other eligible Employees is not more than two percentage points, and the Actual Deferral Percentage of the eligible Highly Compensated Employees is not more than the Actual Deferral Percentage of all other eligible Employees multiplied by two.

For purposes of this test an eligible Employee is an Employee who is directly or indirectly eligible to make Salary Deferral Contributions for all or part of the Plan Year. A person who is suspended from making Salary Deferral Contributions because he has made a withdrawal is an eligible Employee. If no Salary Deferral Contributions are made for an eligible Employee, the Actual Deferral Ratio that shall be included for him in determining the Actual Deferral Percentage is zero. If the Plan and any other plan or plans which include cash or deferred arrangements are considered as one plan for purposes of section 401(a)(4) or 410(b) of the Code, the cash or deferred arrangements included in the Plan and the other plans shall be treated as one plan for purposes of this Section. If any Participant who is a Highly Compensated Employee is a participant in any other cash or deferred arrangements of the Employer, when determining the deferral percentage of such Participant, all such cash or deferred arrangements are treated as one plan for these dates.

Notwithstanding the foregoing, effective for Plan Years commencing on or after January 1, 1998, an individual who is not a Highly Compensated Employee and who has not satisfied the minimum age and service requirements of section 410(a)(1)(A) of the Code will not be treated as an eligible Employee for purposes of this Section A.2.3 if the Sponsor elects to apply section 410(b)(4)(3) of the Code in determining whether the Plan meets the requirements of section 401(k)(3) of the Code.

A Salary Deferral Contribution will be taken into account under the Actual Deferral Percentage test of section 401(k) of the Code and this Section for a Plan Year only if it relates to Considered Compensation that either would have been received by the Employee in the Plan Year (but for the deferral election) or is attributable to services performed by the Employee in the Plan Year and would have been received by the Employee within 2 1/2 months after the close of the Plan Year (but for the deferral election). In addition, a Section 401(k) Contribution will be taken into account under the Actual Deferral Percentage test of section 401(k) of the Code and this Section for a Plan Year only if it is allocated to an Employee as of a date within that Plan Year. For this purpose a Section 401(k) Contribution is considered allocated as of a date within a Plan Year if the allocation is not contingent on participation or performance of services after such date and the Section 401(k) Contribution is actually paid to the Trust no later than 12 months after the Plan Year to which the Section 401(k) Contribution relates.

Failure to correct Excess 401(k) Contributions by the close of the Plan Year following the Plan Year for which they were made will cause the Plan's cash or deferred arrangement to be disqualified for the Plan Year for which the Excess 401(k) Contributions were made and for all subsequent years during which they remain in the Trust. Also, the Employer will be liable for a ten percent excise tax on the amount of Excess 401(k) Contributions unless they are corrected within 2 1/2 months after the close of the Plan Year for which they were made.

For the Plan Year that commences on January 1, 2000, the Actual Deferral Percentage of persons who are not Highly Compensated Employees will be determined by taking into account only (1) Salary Deferral Contributions for such persons that were taken into account for purposes of the actual deferral percentage test set forth in section 401(k) of the Code and this Section A.2.3 for the Plan Year that commenced on January 1, 1999, and (2) QNECS that were allocated to the Accounts of such persons for the Plan Year that commenced on January 1, 1999, but that were not used to satisfy the actual deferral percentage test set forth in section 401(k) of the Code and this Section A.2.3 or the actual contribution percentage test set forth in section 401(m) of the Code and Section A.2.4 for the Plan Year that commenced on January 1, 1999.

A.2.4 LIMITATION BASED UPON CONTRIBUTION PERCENTAGE. Effective for Plan Years commencing on or after January 1, 1997, the Contribution Percentage for eligible Highly Compensated Employees for any Plan Year must bear a relationship to the Actual Contribution Percentage for all other eligible Employees for (1) the preceding Plan Year in the case of testing for Plan Years commencing on or after January 1, 2000, or (2) the current Plan Year in the case of testing for Plan Years commencing prior to January 1, 2000, which meets either of the following tests:

(a) the Contribution Percentage for all other eligible Employees multiplied by 1.25; or

(b) the lesser of the Contribution Percentage for all other eligible Employees multiplied by two, or the Contribution Percentage for all other eligible Employees plus two percentage points.

For purposes of this test an eligible Employee is an Employee who is directly or indirectly eligible to receive an allocation of Matching Contributions for all or part of the Plan Year. Except as provided below, an Employee who would be eligible to receive an allocation of Matching Contributions but for his election not to participate is an eligible Employee. An Employee who would be eligible to receive an allocation of Matching Contributions but for the limitations on his Annual Additions imposed by section 415 of the Code is an eligible Employee.

Notwithstanding the foregoing, effective for Plan Years commencing on or after January 1, 1998, an individual who is not a Highly Compensated Employee and who has not satisfied the minimum age and service requirements of section 410(a)(1)(A) of the Code will not be treated as an eligible Employee for purposes of this Section A.2.4 if the Sponsor elects to apply section 410(b)(4)(B) of the Code in determining whether the Plan meets the requirements of section 401(m)(2) of the Code.

If no Section 401(m) Contributions are made on behalf of an eligible Employee the Actual Contribution Ratio that shall be included for him in determining the Contribution Percentage is zero. If the Plan and any other plan or plans to which Section 401(m) Contributions are made are considered as one plan for purposes of section 401(a)(4) or 410(b) of the Code, the Plan and those plans are to be treated as one. The Actual Contribution Ratio of a Highly Compensated Employee who is eligible to participate in more than one plan of an Affiliated employer to which employee or matching contributions are made is calculated by treating all the plans in which the Employee is eligible to participate as one plan. However, plans that are not permitted to be aggregated under Regulation section 1.410(m)-1(b)(3)(ii) are not aggregated for this purpose.

A Matching Contribution will be taken into account under this Section for a Plan Year only if (1) it is allocated to the Employee's Account as of a date within the Plan Year, (2) it is paid to the Trust no later than the end of the 12-month period beginning after the close of the Plan Year, and (3) it is made on behalf of an Employee on account of his Salary Deferral Contributions for the Plan Year.

At the election of the Employer, a Participant's Salary Deferral Contributions, and QNECs made on behalf of the Participant during the Plan Year shall be treated as Section 401(m) Contributions that are Matching Contributions provided that the conditions set forth in Regulation section 1.401(m)-1(b)(5) are satisfied. Salary Deferral Contributions may not be treated as Matching Contributions for purposes of the contribution percentage test set forth in this Section unless such contributions, including those taken into account for purposes of the test set forth in this Section, satisfy the actual deferral percentage test set forth in Section A.2.3. Moreover, Salary Deferral Contributions and QNECs may not be taken into account for purposes of the test set forth in this Section to the extent that such contributions are taken into account in determining whether any other contributions satisfy the actual deferral percentage test set forth in Section A.2.3. Finally, Salary Deferral Contributions and QNECs may be taken into account for purposes of the test set forth in this Section only if they are allocated to the Employee's Account as of a date within the Plan Year being tested within the meaning of Regulation section 1.401(k)-1(b)(4).

Failure to correct Excess Aggregate 401(m) Contributions by the close of the Plan Year following the Plan Year for which they were made will cause the Plan to fail to be qualified for the Plan Year for which the Excess Aggregate 401(m) Contributions were made and for all subsequent years during which they remain in the Trust. Also, the Employer will be liable for a ten percent excise tax on the amount of Excess Aggregate 401(m) Contributions unless they are corrected within 2 1/2 months after the close of the Plan Year for which they were made.

For the Plan Year that commences on January 1, 2000, the Contribution Percentage of persons who are not Highly Compensated Employees will be determined by taking into account only (1) After-Tax Contributions made on behalf of those persons during the Plan Year that commenced on January 1, 1999, (2) Matching Contributions made on behalf of such persons that were taken into account for purposes of the actual contribution percentage test set forth in section 401(m) of the Code and this Section A.2.4 for the Plan Year that commenced on January 1, 1999 and (3) QNECS that were allocated to the Accounts of such persons for the Plan Year that commenced on January 1, 1999 but that were not used to satisfy the actual deferral percentage test set forth in section 401(k) of the Code and

Section A.2.3 or the actual contribution percentage that set forth in section 401(m) of the Code and this Section A.2.4 for the Plan Year that commenced on January 1, 1999.

A.2.5 ADDITIONAL TEST IN THE EVENT OF MULTIPLE USE OF THE ALTERNATIVE LIMITATION. Effective for Plan Years that commence prior to January 1, 2002, if the second alternative permitted in Sections A.2.3 and A.2.4 is used for both the actual deferral percentage test and the contribution percentage test the following additional limitation on Salary Deferral Contributions shall apply. The Actual Deferral Percentage plus the Contribution Percentage of the eligible Highly Compensated Employees cannot exceed the greater of (a) or (b), where

(a) is the sum of:

(i) 1.25 times the greater of the Actual Deferral Percentage or the Contribution Percentage of the eligible Non-Highly Compensated Employees for the preceding Plan Year, and

(ii) the lesser of (x) two percentage points plus the lesser of the Actual Deferral Percentage or the Contribution Percentage of the eligible Non-Highly Compensated Employees for the preceding Plan Year or (y) two times the lesser of the Actual Deferral Percentage or the Contribution Percentage of the group of eligible Non-Highly Compensated Employees for the preceding Plan Year; and

(b) is the sum of:

(i) 1.25 times the lesser of the Actual Deferral Percentage or the Contribution Percentage of the eligible Non-Highly Compensated Employees for the preceding Plan Year, and

(ii) the lesser of (x) two percentage points plus the greater of the Actual Deferral Percentage or the Contribution Percentage of the eligible Non-Highly Compensated Employees for the preceding Plan Year or (y) two times the greater of the Actual Deferral Percentage or the Contribution Percentage of the group of eligible Non-Highly Compensated Employees for the preceding Plan Year.

Notwithstanding the foregoing, the references in this Section A.2.5 to "the preceding Plan Year" shall be deemed to be references to "the current Plan Year" in the case of testing for Plan Years commencing prior to January 1, 2001.

PART A.3 CORRECTION PROCEDURES FOR ERRONEOUS CONTRIBUTIONS

A.3.1 EXCESS DEFERRAL FAIL SAFE PROVISION. As soon as practical after the close of each Plan Year, the Committee shall determine if there would be any Excess Deferrals. If there would be an Excess Deferral by a Participant, the Excess Deferral as adjusted by any earnings or losses, will be distributed to the Participant no later than April 15 following the Participant's taxable year in which the Excess Deferral was made. The income allocable to the Excess Deferrals for the taxable year of the Participant shall be determined by multiplying the income for the taxable year of the Participant allocable to Salary Deferral Contributions by a fraction. The numerator of the fraction is the amount of the Excess Deferrals made on behalf of the Participant for the taxable year. The denominator of the fraction is the Participant's total Salary Deferral Account balance as of the beginning of the taxable year plus the Participant's Salary Deferral Contributions for the taxable year.

A.3.2 ACTUAL DEFERRAL PERCENTAGE FAIL SAFE PROVISION. As soon as practicable after the close of each Plan Year, the Committee shall determine whether the Actual Deferral Percentage for the Highly Compensated Employees would exceed the limitation set forth in Section A.2.3. If the limitation would be exceeded for a Plan Year, before the close of the following Plan Year (a) the amount of Excess 401(k) Contributions for that Plan Year (and any income allocable to those contributions as calculated in the specific manner required by Section A.3.5) shall be distributed or (b) the Employer may make a QNEC which it elects to have treated as a Section 401(k) Contribution. However, in the case of testing for any Plan Year that commences on or after January 1, 2001, a

QNEC shall not be taken into account for purposes of the test set forth in section 401(k) of the Code and Section A.2.3 for such Plan Year unless it is made and allocated by the close of such Plan Year.

The amount of Excess 401(k) Contributions to be distributed shall be determined in the following manner:

First, the Plan will determine how much the Actual Deferral Ratio of the Highly Compensated Employee with the highest Actual Deferral Ratio would have to be reduced to satisfy the Actual Deferral Percentage Test or cause such Actual Deferral Ratio to equal the Actual Deferral Ratio of the Highly Compensated Employee with the next highest Actual Deferral Ratio. If a lesser reduction would enable the Plan to satisfy the Actual Deferral Percentage Test, only this lesser reduction may be made. Second, this process is repeated until the Actual Deferral Percentage Test is satisfied. The amount of Excess 401(k) Contributions is equal to the sum of these hypothetical reductions multiplied, in each case, by the Highly Compensated Employee's Annual Compensation.

Then, effective for Plan Years that commence on or after January 1, 1997, the total amount of Excess 401(k) Contributions shall be distributed on the basis of the respective amounts attributable to each Highly Compensated Employee. The Highly Compensated Employees subject to the actual distribution are determined using the "dollar leveling method." The Salary Deferral Contributions of the Highly Compensated Employee with the greatest dollar amount of Salary Deferral Contributions and other contributions treated as Section 401(k) Contributions for the Plan Year are reduced by the amount required to cause that Highly Compensated Employee's Salary Deferral Contributions to equal the dollar amount of the Salary Deferral Contributions and other contributions treated as Section 401(k) Contributions for the Plan Year of the Highly Compensated Employee with the next highest dollar amount. This amount is then distributed to the Highly Compensated Employee with the highest dollar amount. However, if a lesser reduction, when added to the total dollar amount already distributed under this Section A.3.2, would equal the total Excess 401(k) Contributions, the lesser reduction amount shall be distributed. This process shall be continued until the amount of the Excess 401(k) Contributions have been distributed.

QNECs will be treated as Section 401(k) Contributions only if: (a) the conditions described in Regulation section 1.401(k)-1(b)(5) are satisfied and (b) they are allocated to Participants' Accounts as of a date within that Plan Year and are actually paid to the Trust no later than the end of the 12-month period immediately following the Plan Year to which the contributions relate. If the Employer makes a QNEC that it elects to have treated as a Section 401(k) Contribution, the Contribution will be in an amount necessary to satisfy the Actual Deferral Percentage test and will be allocated first to those Non-Highly Compensated Employees who had the lowest Actual Deferral Ratio.

Any distributions of the Excess 401(k) Contributions for any Plan Year are to be made to Highly Compensated Employees on the basis of the amount of contributions by, or on behalf of, each Highly Compensated Employee. The amount of Excess 401(k) Contributions to be distributed for any Plan Year must be reduced by any excess Salary Deferral Contributions previously distributed for the taxable year ending in the same Plan Year. To the extent that Excess Section 401(k) Contributions are distributed pursuant to this Section A.3.2, the Matching Contributions made with respect to those Excess Section 401(k) Contributions shall be forfeited.

A.3.3 CONTRIBUTION PERCENTAGE FAIL SAFE PROVISION. If the limitation set forth in Section A.2.4 would be exceeded for any Plan Year any one or more of the following corrective action shall be taken before the close of the following Plan Year as determined by the Committee in its sole discretion: (a) the amount of the Excess Aggregate 401(m) Contributions for that Plan Year (and any income allocable to those Contributions as calculated in the manner set forth in Section A.3.5) shall be forfeited or (b) the Employer may make a QNEC which it elects to have treated as a Section 401(m) Contribution. However, in the case of testing for any Plan Year that commences on or after January 1, 2001, a QNEC shall not be taken into account for purposes of the test set forth in section 401(m) of the Code and Section A.2.4 for such Plan Year unless it is made and allocated by the close of such Plan Year.

The amount of Excess Aggregate 401(m) Contributions to be distributed shall be determined in the following manner:

First, the Plan will determine how much the Actual Contribution Ratio of the Highly Compensated Employee with the highest Actual Contribution Ratio would have to be reduced to satisfy the Actual Contribution Percentage Test or cause such Actual Contribution Ratio to equal the Actual Contribution Ratio of the Highly Compensated Employee with the next highest Actual Contribution Ratio. If a lesser reduction would enable the Plan to satisfy the Actual Contribution Percentage Test, only this lesser reduction may be made. Second, this process is repeated until the Actual Contribution Test is satisfied. The amount of Excess Aggregate 401(m) Contributions is equal to the sum of these hypothetical reductions multiplied, in each case, by the Highly Compensated Employee's Annual Compensation.

Then, effective for the Plan Years that commence on or after January 1, 1997, the total amount of Excess Aggregate 401(m) Contributions shall be forfeited on the basis of the respective amounts attributable to each Highly Compensated Employee. The Highly Compensated Employees subject to the forfeitures are determined using the "dollar leveling method." The After-Tax Contributions and the Matching Contributions of the Highly Compensated Employee with the greatest dollar amount of After-Tax Contributions and the Matching Contributions and other contributions treated as Section 401(m) Contributions for the Plan Year are reduced by the amount required to cause that Highly Compensated Employee's After-Tax Contributions and Matching Contributions and other contributions treated as Section 401(m) Contributions for the Plan Year to equal the dollar amount of the After-Tax Contributions and the Matching Contributions and other contributions treated as Section 401(m) Contributions for the Plan Year of the Highly Compensated Employee with the next highest dollar amount. This amount is then forfeited from the Account of the Highly Compensated Employee with the highest dollar amount. However, if a lesser reduction, when added to the total dollar amount already forfeited under this Section A.3.3, would equal the total Excess Aggregate 401(m) Contributions, the lesser reduction amount shall be forfeited. This process shall be continued until the amount of the Excess Aggregate 401(m) Contributions have been forfeited.

A.3.4 ALTERNATIVE LIMITATION FAIL SAFE. As soon as practicable after the close of each Plan Year, the Committee shall determine whether the alternative limitation would be exceeded. If the limitation would be exceeded for any Plan Year, before the close of the following Plan Year the Actual Deferral Percentage or Contribution Percentage of the eligible Highly Compensated Employees, or a combination of both, shall be reduced by distributions made in the manner described in the Regulations. These distributions shall be in addition to and not in lieu of distributions required for Excess 401(k) Contributions and Excess Aggregate 401(m) Contributions.

A.3.5 INCOME ALLOCABLE TO EXCESS 401(k) CONTRIBUTIONS AND EXCESS AGGREGATE 401(m) CONTRIBUTIONS. The income allocable to Excess 401(k) Contributions for the Plan Year shall be determined by multiplying the income for the Plan Year allocable to Section 401(k) Contributions by a fraction. The numerator of the fraction shall be the amount of Excess 401(k) Contributions made on behalf of the Participant for the Plan Year. The denominator of the fraction shall be the Participant's total Account balance attributable to Section 401(k) Contributions as of the beginning of the Plan Year plus the Participant's Section 401(k) Contributions for the Plan Year. The income allocable to Excess Aggregate 401(m) Contributions for a Plan Year shall be determined by multiplying the income for the Plan Year allocable to Section 401(m) Contributions by a fraction. The numerator of the fraction shall be the amount of Excess Aggregate 401(m) Contributions made on behalf of the Participant for the Plan Year. The denominator of the fraction shall be the Participant's total Account balance attributable to Section 401(m) Contributions as of the beginning of the Plan Year plus the Participant's Section 401(m) Contributions for the Plan Year.

PART A.4 LIMITATION ON ALLOCATIONS

A.4.1 BASIC LIMITATION ON ALLOCATIONS. The Annual Additions which may be credited to a Participant's Accounts under the Plan for any Limitation Year will not exceed the Maximum Permissible Amount reduced by the Annual Additions credited to a Participant's Account for the same Limitation Year under any other qualified defined contribution plans maintained by any Affiliated Employer. If the Annual Additions with respect to the Participant under such other qualified defined contribution plans are less than the Maximum Permissible Amount and the Employer Contribution that would otherwise be contributed or allocated to the Participant's Accounts under the Plan would cause the Annual Additions for the Limitation Year to exceed this limitation, the amount contributed or allocated under the Plan will be reduced so that the Annual Additions under all qualified defined contribution plans maintained by any Affiliated Employer for the Limitation Year will equal the Maximum Permissible Amount. If the

Annual Additions with respect to the Participant under such other qualified defined contribution plans maintained by any Affiliated Employer in the aggregate are equal to or greater than the Maximum Permissible Amount, no amount will be contributed or allocated to the Participant's Account under the Plan for the Limitation Year. Effective as of January 1, 1987, until January 1, 2000 (the effective date of the repeal of section 415(e) of the Code) a permanent adjustment shall be made to the defined contribution fraction for purposes of applying the limitation of section 415(e) of the Code to the Plan. The adjustment is to permanently subtract from the defined contribution numerator an amount equal to the product of (1) the sum of the defined contribution fraction plus the defined benefit fraction as of the determination date minus one, times (2) the denominator of the defined contribution fraction as of the determination date. For this purpose, the determination date is December 31, 1986. Both fractions in clauses (1) and (2) above are computed in accordance with section 415 of the Code as amended by the Tax Reform Act of 1986 and section 1106(i)(3) of the Tax Reform Act of 1986.

A.4.2 ESTIMATION OF MAXIMUM PERMISSIBLE AMOUNT. Prior to determining the Participant's actual Annual Compensation for the Limitation Year, the Employer may determine the Maximum Permissible Amount on the basis of a reasonable estimation of the Participant's Annual Compensation for such Limitation Year, uniformly determined for all Participants similarly situated. As soon as is administratively feasible after the end of the Limitation Year, the Maximum Permissible Amount for the Limitation Year shall be determined on the basis of the Participant's actual Annual Compensation for such Limitation Year.

A.4.3 ATTRIBUTION OF EXCESS AMOUNTS. If a Participant's Annual Additions under the Plan and all other qualified defined contribution plans maintained by any Affiliated Employer result in an Excess Amount, the total Excess Amount shall be attributed to the Plan.

A.4.4 TREATMENT OF EXCESS AMOUNTS. If an Excess Amount attributed to the Plan is held or contributed as a result of or because of (i) the allocation of forfeitures, (ii) reasonable error in estimating a Participant's Considered Compensation, (iii) reasonable error in calculating the maximum Salary Deferral Contribution that may be made with respect to a Participant under section 415 of the Code or (iv) any other facts and circumstances which the Commissioner of Internal Revenue finds to be justified, the Excess Amount shall be reduced as follows:

(a) First, the Excess Amount shall be reduced to the extent necessary by distributing to the Participant all Salary Deferral Contributions together with their earnings. These distributed amounts are disregarded for purposes of the testing and limitations contained in this Appendix A.

(b) Second, if the Participant is still employed by the Employer at the end of the Limitation Year, then such Excess Amounts shall not be distributed to the Participant, but shall be reallocated to a suspense account and shall be reapplied to reduce future Employer Contributions (including any allocation of forfeitures) under the Plan for such Participant in the next Limitation Year, and for each succeeding Limitation Year, if necessary.

(c) If, after application of paragraph (b) of this Section, an Excess Amount still exists, and the Participant is not still employed by the Employer at the end of the Limitation Year, then such Excess Amounts in the Participant's Accounts shall not be distributed to the Participant, but shall be reallocated to a suspense account and shall be reapplied to reduce future Employer Contributions (including allocation of any forfeitures), for all remaining Participants in the next Limitation Year and each succeeding Limitation Year if necessary.

(d) If a suspense account is in existence at any time during the Limitation Year pursuant to this Section, it will not participate in the allocation of the Trust Fund's investment gains and losses. If a suspense account is in existence at any time during a particular Limitation Year, all amounts in the suspense account must be allocated and reallocated to Participants' Accounts before any Employer Contribution may be made to the Plan for that Limitation Year. Excess Amounts may not be distributed to Participants or former Participants. If the Plan is terminated while a suspense account described in this Section is in existence, the amount in such suspense account shall revert to the Employer(s) to which it is attributable.

APPENDIX B

TOP-HEAVY REQUIREMENTS

PART B.1 DEFINITIONS

DEFINITIONS. As used herein, the following words and phrases have the meaning attributed to them below:

B.1.1 "AGGREGATE ACCOUNTS" means the total of all account balances.

B.1.2 "AGGREGATION GROUP" means (a) each plan of the Employer or any Affiliated Employer in which a Key Employee is a Participant and (b) each other plan of the Employer or any Affiliated Employer which enables any plan in (a) to meet the requirements of either section 401(a)(4) or 410 of the Code. Any Employer may treat a plan not required to be included in the Aggregation Group as being a part of the group if the group would continue to meet the requirements of section 401(a)(4) and 410 of the Code with that plan being taken into account.

B.1.3 "DETERMINATION DATE" means for a given Plan Year the last day of the preceding Plan Year or in the case of the first Plan Year the last day of that Plan Year.

B.1.4 "KEY EMPLOYEE" means, for Plan Years commencing prior to January 1, 2002, an Employee or former Employee (including a deceased Employee) or Beneficiary of an Employee who at any time during the Plan Year or any of the four preceding Plan Years is (a) an officer of an Employer or any Affiliated Employer having Annual Compensation greater than 50 percent of the annual addition limitation of section 415(b)(1)(A) of the Code for the Plan Year, (b) one of the ten employees having Annual Compensation from an Employer or any Affiliated Employer of greater than 100 percent of the annual addition limitation of section 415(c)(1)(A) of the Code for the Plan Year and owning or considered as owning (within the meaning of section 318 of the Code) the largest interest in an Employer or any Affiliated Employer, treated separately, (c) a Five Percent Owner of an Employer or any Affiliated Employer, treated separately, or (d) a one percent owner of an Employer or any Affiliated Employer, treated separately, having Annual Compensation from an Employer or any Affiliated Employer of more than $150,000.00. For this purpose no more than 50 employees or, if lesser, the greater of three employees or ten percent of the employees shall be treated as officers. Section 416(i) of the Code shall be used to determine percentage of ownership. For the purpose of the test set out in (b) above, if two or more employees have the same interest in an Employer, the employee with the greater Annual Compensation from the Employer shall be treated as having the larger interest.

"Key Employee" means for Plan Years commencing on or after January 1, 2002, an Employee or former Employee (including a deceased Employee) who at any time during the Plan Year is (a) an officer of any Affiliated Employer having Annual Compensation greater than $130,000.00 (as adjusted by the Secretary of Treasury from time to time for increases in the cost of living), (b) a Five Percent Owner of any Affiliated Employer, treated separately, or (c) a One Percent Owner of any Affiliated Employer, treated separately, having Annual Compensation greater than $150,000.00. For this purpose no more than fifty (50) employees or, if lesser, the greater of three (3) employees or ten percent (10%) of the employees shall be treated as officers.

For purposes of determining the number of officers taken into account, the following employees shall be excluded: (1) employees who have not completed six (6) months of Vesting Service, (2) employees who normally work less than seventeen and one-half (17-1/2) hours per week, (3) employees who normally work not more than six (6) months during any year, (4) employees who have not attained the age of twenty-one (21), and (5) except to the extent provided in Regulations, employees who are included in a unit of employees covered by an agreement which the Secretary of Labor finds to be a collective bargaining agreement between employee representatives and an Affiliated Employer. Section 416(i) of the Code shall be used to determine percentage of ownership.

The determination of who is a Key Employee will be made in accordance with section 416(i) of the Code and applicable Regulations.

B.1.5 "NON-KEY EMPLOYEE" means any Employee who is not a Key Employee.

B.1.6 "TOP-HEAVY PLAN" means any plan which has been determined to be top-heavy under the test described in Appendix B of the Plan.

PART B.2 APPLICATION

B.2.1 APPLICATION. The requirements described in this Appendix B shall apply to each Plan Year that the Plan is determined to be a Top-Heavy Plan.

B.2.2 TOP-HEAVY TEST. If on the Determination Date the Aggregate Accounts of Key Employees in the Plan exceed 60 percent of the Aggregate Accounts of all Employees in the Plan, the Plan shall be a Top-Heavy Plan for that Plan Year. In addition, if the Plan is required to be included in an Aggregation Group and that group is a top-heavy group, the Plan shall be treated as a Top-Heavy Plan. An Aggregation Group is a top-heavy group if on the Determination Date the sum of (a) the present value of the cumulative accrued benefits for Key Employees under all defined benefit plans in the Aggregation Group which contains the Plan, plus (b) the total of all of the accounts of Key Employees under all defined contribution plans included in the Aggregation Group (which contains the Plan) is more than 60 percent of a similar sum determined for all employees covered in the Aggregation Group which contains the Plan.

In applying the above tests, the following rules shall apply:

(a) effective for Plan Years that begin on or after January 1, 2002, in determining the present value of the accumulated accrued benefits for any Employee or the amount in the account of any Employee, the value or amount shall be increased by all distributions made to or for the benefit of the Employee under the Plan after his Separation From Service and during the one-year period ending on the Determination Date;

(b) effective for Plan Years that begin on or after January 1, 2002, in determining the present value of the accumulated accrued benefits for any Employee or the amount in the account of any Employee, the value or amount shall be increased by all distributions made to or for the benefit of the Employee under the Plan prior to his Separation From Service and during the five-year period ending on the Determination Date;

(c) effective for Plan Years that begin prior to January 1, 2002, in determining the present value of the accumulated accrued benefits for any Employee or the amount in the account of any Employee, the value or amount shall be increased by all distributions made to or for the benefit of the Employee under the Plan during the five-year period ending on the Determination Date;

(d) all rollover contributions made by the Employee to the Plan shall not be considered by the Plan for either test;

(e) if an Employee is a Non-Key Employee under the Plan for the Plan Year but was a Key Employee under the Plan for a prior Plan Year, his Account shall not be considered;

(f) effective for Plan Years that begin on or after January 1, 2002, notwithstanding any other provision of the Plan, benefits shall not be taken into account in determining the top-heavy ratio for any Employee who has not performed services for the Employer during the last one-year period ending upon the Determination Date; and

(g) effective for Plan Years that begin prior to January 1, 2002, notwithstanding any other provision of the Plan, benefits shall not be taken into account in determining the top-heavy ratio for any

Employee who has not performed services for the Employer during the last five-year period ending upon the Determination Date.

B.2.3 VESTING RESTRICTIONS IF PLAN BECOMES TOP-HEAVY. If a Participant has at least one Hour of Service during a Plan Year when the Plan is a Top-Heavy Plan, he shall either vest under each of the normal vesting provisions of the Plan or under the following vesting schedule, whichever is more favorable:

Vested Percentage of Amount Invested In Accounts Containing Completed Years of Active Service Employer Contributions
Less than two years
0
Two years but less than three years
20
Three years but less than four years
40
Four years but less than five years
60
Five years but less than six years
80
Six years or more
100

If the Plan ceases to be a Top-Heavy Plan, this requirement shall no longer apply. After that date, the normal vesting provisions of the Plan shall be applicable to all subsequent Contributions by the Employer.

B.2.4 MINIMUM CONTRIBUTIONS IF PLAN BECOMES TOP-HEAVY. If the Plan is a Top-Heavy Plan and the normal allocation of the Employer Contribution and forfeitures is less than five percent of any Non-Key Employee Participant's Annual Compensation, the Committee, without regard to the normal allocation procedures, shall allocate the Employer Contribution and the forfeitures among the Participants who are Non-Key Employees and who are in the employ of the Employer at the end of the Plan Year in proportion to each such Participant's Annual Compensation until each Non-Key Employee Participant has had an amount equal to five percent of his Annual Compensation allocated to his Account. At that time, any more Employer Contributions or forfeitures shall be allocated under the normal allocation procedures described earlier in the Plan. Amounts that may be treated as Section 401(k) Contributions made on behalf of Non-Key Employees may not be included in determining the minimum contribution required under this Section to the extent that they are treated as Section 401(k) Contributions for purposes of the Actual Deferral Percentage test.

In applying this restriction, the following rules shall apply:

(a) Each Employee who is eligible for participation (without regard to whether he has made mandatory contributions, if any are required, or whether his compensation is less than a stated amount) shall be entitled to receive an allocation under this Section; and

(b) All defined contribution plans required to be included in the Aggregation Group shall be treated as one plan for purposes of meeting the three percent maximum; this required aggregation shall not apply if the Plan is also required to be included in an Aggregation Group which includes a defined benefit plan and the Plan enables that defined benefit plan to meet the requirements of sections 401(a)(4) or 410 of the Code.

B.2.5 DISREGARD OF GOVERNMENT PROGRAMS. If the Plan is a Top-Heavy Plan, it must meet the vesting and benefit requirements described in this Article without taking into account contributions or benefits under Chapter 2 of the Code (relating to the tax on self-employment income), Chapter 21 of the Code (relating to the Federal Insurance Contributions Act), Title II of the Social Security Act, or any other Federal or State law.

B.2.6 MODIFICATION OF THE SECTION 415(e) LIMIT IF PLAN BECOMES TOP-HEAVY. For Plan Years beginning before January 1, 2000, in any Plan Year that the Plan is a Top-Heavy Plan the limitations in section 415(e) of the Code and Appendix A of the Plan shall be applied by substituting the number "1.00" for the number

"1.25" wherever it appears therein. Such substitution shall not cause a reduction in any accrued benefit attributable to contributions for a Plan Year prior to the Plan Year in which the Plan is a Top-Heavy Plan.

APPENDIX C

ADMINISTRATION OF THE PLAN

C.1 APPOINTMENT, TERM, RESIGNATION, AND REMOVAL. The Board shall appoint a Committee of not less than two persons, the members of which shall serve until their resignation, death, or removal. The Sponsor shall notify the Trustee in writing of its composition from time to time. Any member of the Committee may resign at any time by giving written notice of such resignation to the Sponsor. Any member of the Committee may be removed by the Board, with or without cause. Vacancies in the Committee arising by resignation, death, removal, or otherwise shall be filled by such persons as may be appointed by the Board.

C.2 POWERS. The Committee shall have exclusive responsibility for the administration of the Plan, according to the terms and provisions of this document, and shall have all powers necessary to accomplish such purposes, including, but not by way of limitation, the right, power, and authority:

(a) to make rules and regulations for the administration of the Plan which are not inconsistent with the terms and provisions thereof, provided such rules and regulations are evidenced in writing;

(b) to construe all terms, provisions, conditions, and limitations of the Plan; and its construction thereof made in good faith and without discrimination in favor of or against any Participant or former Participant shall be final and conclusive on all parties at interest;

(c) to correct any defect, supply any omission, or reconcile any inconsistency which may appear in the Plan in such manner and to such extent as it shall deem expedient to carry the Plan into effect for the greatest benefit of all parties at interest, and its judgment in such matters shall be final and conclusive as to all parties at interest;

(d) to select, employ, and compensate from time to time such consultants, actuaries, accountants, attorneys, and other agents and employees as the Committee may deem necessary or advisable for the proper and efficient administration of the Plan, and any agent, firm, or employee so selected by the Committee may be a disqualified person, but only if the requirements of section 4975(d) of the Code have been met;

(e) to resolve all questions relating to the eligibility of Employees to become Participants, and to determine the period of Active Service and the amount of Considered Compensation upon which the benefits of each Participant shall be calculated;

(f) to resolve all controversies relating to the administration of the Plan, including but not limited to (1) differences of opinion arising between the Employer and a Participant or former Participant, and (2) any questions it deems advisable to determine in order to promote the uniform and nondiscriminatory administration of the Plan for the benefit of all parties at interest;

(g) to direct and instruct or to appoint an investment manager or managers which would have the power to direct and instruct the Trustee in all matters relating to the preservation, investment, reinvestment, management, and disposition of the Trust assets; provided, however, that the Committee shall have no authority that would prevent the Trustee from being an "agent independent of the issuer," as that term is defined in Rule 10b-18 promulgated under the Securities Exchange Act of 1934, at any time that the Trustee's failure to maintain such status would result in the Sponsor or any other person engaging in a "manipulative or deceptive device or contrivance" under the provisions of Rule 10b-6 of such Act;

(h) to direct and instruct the Trustee in all matters relating to the payment of Plan benefits and to determine a Participant's or former Participant's entitlement to a benefit should he appeal a denial of his claim for a benefit or any portion thereof; and

(i) to delegate such of its clerical and recordation duties under the Plan as it may deem necessary or advisable for the proper and efficient administration of the Plan.

C.3 ORGANIZATION. The Committee shall select from among its members a chairman, who shall preside at all of its meetings, and shall select a secretary, without regard as to whether that person is a member of the Committee, who shall keep all records, documents, and data pertaining to its supervision of the administration of the Plan.

C.4 QUORUM AND MAJORITY ACTION. A majority of the members of the Committee shall constitute a quorum for the transaction of business, and the vote of a majority of the members present at any meeting will decide any question brought before that meeting. In addition, the Committee may decide any question by a vote, taken without a meeting, of a majority of its members.

C.5 SIGNATURES. The chairman, the secretary, and any one or more of the members of the Committee to which the Committee has delegated the power, shall each, severally, have the power to execute any document on behalf of the Committee, and to execute any certificate or other written evidence of the action of the Committee. The Trustee, after being notified of any such delegation of power in writing, shall thereafter accept and may rely upon any document executed by such member or members as representing the action of the Committee until the Committee files with the Trustee a written revocation of that delegation of power.

C.6 DISQUALIFICATION OF COMMITTEE PARTICIPANTS. A member of the Committee who is also a Participant of the Plan shall not vote or act upon any matter relating solely to himself.

C.7 DISCLOSURE TO PARTICIPANTS. The Committee shall make available to each Participant, former Participant, and Beneficiary for his examination such records, documents, and other data as are required under ERISA, but only at reasonable times during business hours. No Participant, former Participant, or Beneficiary shall have the right to examine any data or records reflecting the compensation paid to any other Participant, former Participant, or Beneficiary, and the Committee shall not be required to make any data or records available other than those required by ERISA.

C.8 STANDARD OF PERFORMANCE. The Committee and each of its members shall use the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent man acting in a like capacity and familiar with such matters would use in conducting his business as the administrator of the Plan; shall, when exercising its power to direct investments, diversify the investments of the Plan so as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so; and shall otherwise act in accordance with the provisions of the Plan and ERISA.

C.9 LIABILITY OF ADMINISTRATIVE COMMITTEE AND LIABILITY INSURANCE. No member of the Committee shall be liable for any act or omission of any other Participant of the Committee, the Trustee, any investment manager, or any Participant or former Participant who directs the investment of his Account or other agent appointed by the Committee except to the extent required by the terms of ERISA, and any other applicable state or federal law, which liability cannot be waived. No member of the Committee shall be liable for any act or omission on his own part except to the extent required by the terms of ERISA, and any other applicable state or federal law, which liability cannot be waived. In this connection, each provision hereof is severable and if any provision is found to be void as against public policy, it shall not affect the validity of any other provision hereof.

Further, it is specifically provided that the Trustee may, at the direction of the Committee, purchase out of the Trust assets insurance for the members of the Committee and any other fiduciaries appointed by the Committee, and for the Trust itself to cover liability or losses occurring by reason of the act or omission of any one or more of the members of the Committee or any other fiduciary appointed by them under the Plan, provided such insurance permits recourse by the insurer against the members of the Committee or the other fiduciaries concerned in the case of a breach of a fiduciary obligation by one or more members of the Committee or other fiduciary covered thereby.

C.10 BONDING. No member of the Committee shall be required to give bond for the performance of his duties hereunder unless required by a law which cannot be waived.

C.11 COMPENSATION. The Committee shall serve without compensation for their services, but shall be reimbursed by the Employers for all expenses properly and actually incurred in the performance of their duties under the Plan unless the Employers elect to have such expenses paid out of the Trust assets.

C.12 PERSONS SERVING IN DUAL FIDUCIARY ROLES. Any person, group of persons, corporations, firm, or other entity may serve in more than one fiduciary capacity with respect to the Plan, including the ability to serve both as a successor trustee and as a Participant of the Committee.

C.13 ADMINISTRATOR. For all purposes of ERISA, the administrator of the Plan within the meaning of ERISA shall be the Sponsor. The Sponsor shall have final responsibility for compliance with all reporting and disclosure requirements imposed with respect to the Plan under any federal or state law, or any regulations promulgated thereunder.

C.14 NAMED FIDUCIARY. The members of the Committee shall be the "named fiduciary" for purposes of section 402(a)(1) of ERISA, and as such shall have the authority to control and manage the operation and administration of the Plan, except to the extent such authority and control is allocated or delegated to other parties pursuant to the terms of the Plan.

C.15 STANDARD OF JUDICIAL REVIEW OF COMMITTEE ACTIONS. The Committee has full and absolute discretion in the exercise of each and every aspect of its authority under the Plan, including without limitation, the authority to determine any person's right to benefits under the Plan, the correct amount and form of any such benefits; the authority to decide any appeal; the authority to review and correct the actions of any prior administrative committee; and all of the rights, powers, and authorities specified in this Appendix and elsewhere in the Plan. Notwithstanding any provision of law or any explicit or implicit provision of this document, any action taken, or ruling or decision made, by the Committee in the exercise of any of its powers and authorities under the Plan will be final and conclusive as to all parties other than the Sponsor or Trustee, including without limitation all Participants, former Participants and Beneficiaries, regardless of whether the Committee or one or more members thereof may have an actual or potential conflict of interest with respect to the subject matter of such action, ruling, or decision. No such final action, ruling, or decision of the Committee will be subject to de novo review in any judicial proceeding; and no such final action, ruling, or decision of the Committee may be set aside unless it is held to have been arbitrary and capricious by a final judgment of a court having jurisdiction with respect to the issue.

C.16 INDEMNIFICATION OF COMMITTEE BY THE SPONSOR. The Sponsor shall indemnify and hold harmless the Committee, the Committee members, and any persons to whom the Committee has allocated or delegated its responsibilities in accordance with the provisions hereof, as well as any other fiduciary who is also an officer, director, or Employee of an Employer, and hold each of them harmless from and against all claims, loss, damages, expense, and liability arising from their responsibilities in connection with the administration of the Plan which is not otherwise paid or reimbursed by insurance, unless the same shall result from their own willful misconduct.

APPENDIX D

FUNDING

D.1 BENEFITS PROVIDED SOLELY BY TRUST. All benefits payable under the Plan shall be paid or provided for solely from the Trust, and the Employer assumes no liability or responsibility therefor.

D.2 FUNDING OF PLAN. The Plan shall be funded by one or more separate Trusts. If more than one Trust is used, each Trust shall be designated by the name of the Plan followed by a number assigned by the Committee at the time the Trust is established.

D.3 INCORPORATION OF TRUST. Each Trust is a part of the Plan. All rights or benefits which accrue to a person under the Plan shall be subject also to the terms of the agreements creating the Trust or Trusts and any amendments to them which are not in direct conflict with the Plan.

D.4 AUTHORITY OF TRUSTEE. Each Trustee shall have full title and legal ownership of the assets in the separate Trust which, from time to time, are in his separate possession. No other Trustee shall have joint title to or joint legal ownership of any asset in one of the other Trusts held by another Trustee. Each Trustee shall be governed separately by the trust agreement entered into between the Employer and that Trustee and the terms of the Plan without regard to any other agreement entered into between any other Trustee and the Employer as a part of the Plan.

D.5 ALLOCATION OF RESPONSIBILITY. To the fullest extent permitted under section 405 of ERISA, the agreements entered into between the Employer and each of the Trustees shall be interpreted to allocate to each Trustee its specific responsibilities, obligations and duties so as to relieve all other Trustees from liability either through the agreement, Plan or ERISA, for any act of any other Trustee which results in a loss to the Plan because of his act or failure to act.

D.6 TRUSTEE'S FEES AND EXPENSES. The Trustee shall receive for its services as Trustee hereunder the compensation which from time to time may be agreed upon by the Sponsor and the Trustee. All of such compensation, together with the expenses incurred by the Trustee in connection with the administration of this Trust, including fees for legal services rendered to the Trustee, all other charges and disbursements of the Trustee, and all other expenses of the Plan shall be charged to and deducted from the Trust Fund, unless the Sponsor elects in writing to have any part or all of such compensation, expenses, charges, and disbursements paid directly by the Sponsor. The Trustee shall deduct from and charge against the Trust assets any and all taxes paid by it which may be levied or assessed upon or in respect of the Trust hereunder or the income thereof, and shall equitably allocate the same among the several Participants and former Participants.

APPENDIX E

OPTIONAL FORMS OF DISTRIBUTION

Subject to Sections 5.04, 5.07 and 5.08 of the Plan, the optional forms of distributions set forth below shall be available on and after the date on which an Employer elects to treat the Plan and the Quanex Corporation Salaried Employees' Pension Plan as one plan for purposes of section 410(b) of the Code:

1. OPTION A. A pension under which the Participant or former Participant shall receive equal monthly payments for his lifetime.

2. OPTION B. A last survivor pension under which the Participant or former Participant shall receive 85 percent of the monthly pension benefit otherwise payable under Option A, and upon the death of the Participant or former Participant, the Beneficiary shall receive 1/2 of the monthly pension benefit paid to the Participant or former Participant prior to this death, provided however, that if the Beneficiary is younger than the Participant or former Participant, the 85 percent factor shall be reduced by one percent for each full year's difference in the age of the Participant or former Participant and the Beneficiary, and if the Beneficiary is older than the Participant or former Participant, the 85 percent factor shall be increased by one percent for each full years difference in the age of the Participant or former Participant and the Beneficiary (up to a maximum of 100 percent).

3. OPTION C. A last survivor pension under which the Participant or former Participant shall receive 70 percent of the monthly pension benefit otherwise payable under Option A, and upon the death of the Participant or former Participant, the Beneficiary shall receive a monthly pension benefit equal to that paid to the Participant or former Participant.

4. OPTION D. A reduced monthly pension payable to the Participant or former Participant during his lifetime, provided that, if the Participant or former Participant dies prior to his receipt of an amount equal to 120 monthly payments, the then-present value of the remainder of such 120 monthly payments shall be payable to his Beneficiary in a lump sum. If the former Participant dies prior to his receipt of all of such 120 payments without having designated a Beneficiary, of if the Beneficiary predeceases the former Participant, the then-present value of any remaining payments shall be paid in a lump sum to the former Participant's estate. If the designated Beneficiary dies after the former Participant and before all of such 120 monthly payments have been made, the then-present value of the unpaid balance of such payments shall be paid in a lump sum to the Beneficiary's estate.

5. LIMITATIONS ON OPTIONS B, C AND D.

   (a) Options A, B and C will not be available to any Participant if the reduced pension is less than $10 per month.

   (b) Except as otherwise provided elsewhere in the Plan, any election shall be automatically revoked if either the Participant or former Participant or Beneficiary dies before the Participant's or former Participant's Annuity Starting Date.

   (c) Where the Beneficiary is a person other than the Participant's or former Participant's Spouse, the Beneficiary under either Option B or Option C must be of such age and sex that the amount payable to the Participant or former Participant will exceed 50 percent of the amount that would otherwise be payable if the Participant or former Participant had elected a life annuity for his life.

No pension can exceed the life of the Participant or former Participant or the life of the Participant or former Participant and his designated Beneficiary, or in the case of a period certain, the life expectancy of the Participant or former Participant or the life expectancy of the Participant or former Participant and his designated Beneficiary.

EXHIBIT 10.5

QUANEX CORPORATION

DEFERRED COMPENSATION PLAN

AMENDED AND RESTATED

EFFECTIVE NOVEMBER 1, 2001

QUANEX CORPORATION
DEFERRED COMPENSATION PLAN

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QUANEX CORPORATION

DEFERRED COMPENSATION PLAN

WHEREAS, Quanex Corporation originally established the Quanex Deferred Compensation Plan (the "Plan") effective October 1, 1981, which provides a mechanism by which certain highly compensated management personnel may defer their compensation under the Quanex Corporation Executive Incentive Compensation Plan prior to such compensation being earned and directors may defer their director's fees prior to their being earned;

WHEREAS, Quanex Corporation amended and restated the Plan effective October 12, 1995 and June 1, 1999;

WHEREAS, Quanex Corporation desires to amend and restate the Plan effective November 1, 2001 to provide a mechanism by which certain highly compensated management personnel may defer their compensation under the Quanex Corporation Long-Term Incentive Plan prior to such compensation being earned.

NOW, THEREFORE, Quanex Corporation amends and restates the Plan as follows:

ARTICLE I

DEFINITIONS

1.1 "ACCOUNT" means a Participant's account in the Deferred Compensation Ledger maintained by the Committee which reflects the benefits a Participant is entitled to under the Plan.

1.2 "BENEFICIARY" means a person or entity designated by the Participant under the terms of the Plan to receive any amounts distributed under the Plan upon the death of the Participant.

1.3 "BOARD" means the Board of Directors of Quanex Corporation.

1.4 "CHANGE OF CONTROL" means the occurrence of one or more of the following events after June 1, 1999:

(a) the acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act) (a " Covered Person") of beneficial ownership (within the meaning of rule 13d-3 promulgated under the Exchange Act) of 20 percent or more of either (i) the then outstanding shares of the common stock of Quanex (the "Outstanding Quanex Common Stock"), or (ii) the combined voting power of the then outstanding voting securities of Quanex entitled to vote generally in the election of directors (the "Outstanding Quanex Voting Securities"); provided, however, that for purposes of this subsection (a) of this Section, the following acquisitions shall not constitute a Change of Control of Quanex: (i) any acquisition directly from Quanex, (ii) any acquisition by Quanex, (iii) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by Quanex or any entity controlled by Quanex, or (iv) any acquisition by any corporation pursuant to a transaction which complies with clauses (i), (ii) and (iii) of subsection (c) of this Section; or

(b) individuals who, as of June 1, 1999, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to June 1, 1999 whose election, or nomination for election by Quanex's stockholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Covered Person other than the Board; or

(c) the consummation of (xx) a reorganization, merger or consolidation or sale of Quanex or (yy) a disposition of all or substantially all of the assets of the Company (a "Business Combination"), in each case, unless, following such Business Combination, (i) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Quanex Common Stock and Outstanding Quanex Voting Securities immediately prior to such Business Combination beneficially own, direct or indirectly, more than 80 percent of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination (including, without limitation, a corporation which as a result of such transaction owns Quanex or all or substantially all of Quanex's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership immediately prior to such Business Combination of the Outstanding Quanex Common Stock and Outstanding Quanex Voting Securities, as the case may be, (ii) no Covered Person (excluding any employee benefit plan (or related trust) of Quanex or such corporation resulting from such Business Combination) beneficially owns, directly or indirectly, 20 percent or more of, respectively, the then outstanding shares of common stock of the corporation resulting from such Business Combination or the combined voting power of the then outstanding voting securities of such corporation, except to the extent that such ownership existed prior to the Business Combination, and (iii) at least a majority of the members of the board of directors of the corporation resulting from such Business Combination, were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board of Directors, providing for such Business Combination; or

(d) the approval by the stockholders of Quanex of a complete liquidation or dissolution of Quanex.

1.5 "CHANGE OF CONTROL VALUE" means the amount determined in clause (i), (ii) or (iii), whichever is applicable, as follows: (i) the per share price offered to stockholders of Quanex in the merger, consolidation, reorganization, sale of assets or dissolution transaction that constitutes a Change of Control, (ii) the price per share offered to stockholders of Quanex in any tender offer or exchange offer that constitutes a Change of Control, or (iii) if a Change of Control occurs other than a Change of Control specified in clause (i) or (ii), the fair market value per share of the Common Stock on the date of the Change of Control, based on the closing quotation as described in Section 4.2, on that day. If the consideration offered to stockholders of the Company in any transaction described above consists of anything other than cash, the Committee

shall determine the cash equivalent of the fair market value of the portion of the consideration offered that is other than cash.

1.6 "CODE" means the Internal Revenue Code of 1986, as amended from time to time.

1.7 "COMMITTEE" means the persons who are from time to time serving as members of the committee administering the Plan.

1.8 "COMMON STOCK" means Quanex's common stock, $.50 par value (or such other par value as may be designated by the vote of Quanex stockholders or such other equity securities of Quanex into which such common stock may be converted, reclassified or exchanged).

1.9 "COMPANY" means Quanex and any Subsidiary adopting the Plan.

1.10 "COMPANY MATCH" means the 20 percent match which the Company makes to the amount deferred in Common Stock during a Plan Year by a Participant under the Plan for three or more Plan Years.

1.11 "DEFERRED COMPENSATION LEDGER" means the ledger maintained by the Committee for each Participant which reflects the amount of compensation deferred for the Participant under the Plan, the Company match, and the amount of income credited on each of these amounts.

1.12 "DIRECTOR" means any person serving as a member of the Board of Directors.

1.13 "DIRECTOR FEES" means any amount paid to a Director for services in such capacity.

1.14 "DISABILITY" means a mental or physical disability that in the opinion of a physician selected by the Committee, shall prevent the Participant from engaging in any substantial gainful activity, can be expected to result in death or has lasted or can be expected to last for a continuous period of not less than twelve months, and which: (a) was not contracted, suffered or incurred while the Participant was engaged in or did not result from having engaged in, a felonious criminal enterprise; (b) did not result from alcoholism or addiction to narcotics; and (c) did not result from an injury incurred while a member of the Armed Forces of the United States for which the Participant received a military pension.

1.15 "INCENTIVE BONUS" means a bonus awarded or to be awarded to the Participant under the Quanex Corporation Executive Incentive Compensation Plan.

1.16 "LTIP COMPENSATION" means compensation earned under the Quanex Corporation Long-Term Incentive Plan.

1.17 "NORMAL RETIREMENT DATE" means the first day of the month that coincides with or next follows the date on which the Participant or former Participant attains age 65.

1.18 "NYSE" means the New York Stock Exchange.

1.19 "PARTICIPANT" means an employee or director of a Company who is participating in the Plan.

1.20 "PLAN" means the Quanex Corporation Deferred Compensation Plan set forth in this document, as amended from time to time.

1.21 "PLAN YEAR" means a one-year period that coincides with the fiscal year of Quanex, which begins on the first day of November of each calendar year and ends on October 31 of the next ensuing calendar year.

1.22 "QUANEX" means the Quanex Corporation, a Delaware corporation, the sponsor of the Plan.

1.23 "RABBI TRUST" means the Quanex Corporation Deferred Compensation Trust, which agreement was entered into between NBD Bank and Quanex.

1.24 "RETIREMENT" means the retirement of a Participant from any Company covered by the Plan under the terms of the Retirement Plan.

1.25 "RETIREMENT PLAN" means the Quanex Corporation Salaried Employees' Pension Plan, or if the Company does not maintain that plan, the defined contribution plan maintained by the Company that is intended to satisfy the requirements of section 401(a) of the Code.

1.26 "SECURITIES ACT" means the Securities Exchange Act of 1934, as amended from time to time.

1.27 "SUBSIDIARY" means any wholly owned subsidiary of Quanex.

1.28 "TERM OF DEFERRAL" means the period of deferral chosen by the Participant under the election procedure established in Section 3.1 or by the Committee which pertains to that portion of the Incentive Bonus, LTIP Compensation or Director Fees for each given Plan Year and its accumulated income accrued that has been deferred under an election made prior to the commencement of the period during which it is earned.

1.29 "VOTING SECURITIES" means any security which ordinarily possesses the power to vote in the election of the Board without the happening of any precondition or contingency.

ARTICLE II

ELIGIBILITY

Initially, all participants in the Quanex Corporation Executive Incentive Compensation Plan or the Quanex Corporation Long-Term Incentive Plan and all Directors will be eligible to participate in the Plan. However, the Committee retains the right to establish such additional eligibility requirements for participation in the Plan as it may determine are appropriate or necessary from time to time and has the right to determine, in its sole discretion, that any one or more persons who meet the eligibility requirements will not be eligible to participate for one or more Plan Years beginning after the date they are notified of this decision by the Committee.

ARTICLE III

DEFERRALS AND COMPANY CONTRIBUTIONS

3.1 DEFERRAL ELECTION. A Participant may elect during the election period established by the Committee prior to the beginning of any Plan Year:

(1) the percentage of his Incentive Bonus earned during the ensuing Plan Year which is to be paid as soon as conveniently possible after the Plan Year and the percentage which is to be deferred under the Plan;

(2) the percentage of his LTIP Compensation earned during the performance period that begins during the ensuing Plan Year which is to be deferred under the Plan;

(3) the percentage of his Director Fees earned during the ensuing Plan Year which is to be paid during such year and the percentage which is to be deferred under the Plan;

(4) the percentage of the amount deferred, if any, to be deferred in the form of Common Stock and the percentage, if any, to be deferred in the form of cash;

(5) the length of the period of deferral, if any amount has been elected to be deferred, whether in cash or in Common Stock, which deferral shall be for a period of years, to a date certain, to termination of employment with the Company or to his Retirement; and

(6) the form of payment of the amount that has been elected to be deferred -- a lump sum, or quarterly or annual installment payments of the principal amount plus the interest accrued after the distribution date, or last installment paid, if later, in the case of a deferral in the form of cash or of the total shares of Common Stock credited to him as of the date of distribution plus any other shares, cash or other property credited as dividends or other rights on those shares after the distribution date or last installment distributed, if later, in the case of a deferral in the form of Common Stock, over no less than three nor more than 20 years.

If a Participant elects a deferral period to Retirement, he shall also specify whether the deferral period shall end at the date of his termination of employment with the

Company or at his Normal Retirement Date, in the event of termination other than as a result of death, Disability or Retirement. If a Participant elects a deferral period of a number of years or to a date certain, the deferral period shall end upon the Participant's Retirement, if earlier.

The deferrals in the form of Common Stock elected by Participants to be allocated to their Accounts in any Plan Year must not exceed one percent of the shares of Common Stock outstanding on the first day of the Plan Year. In the event this maximum would be exceeded, each Participant who elected to defer in the form of Common Stock shall have his election reduced on a pro rata basis as compared to all Participants who elected to defer in the form of Common Stock until those deferrals in the aggregate for that Plan Year equal the maximum and the portion of his Incentive Bonus and LTIP Compensation which would have been deferred in the form of Common Stock shall instead be distributed to the Participant as provided in the Quanex Corporation Executive Incentive Compensation Plan and the Quanex Corporation Long-Term Incentive Plan.

Once an election has been made it becomes irrevocable for that Plan Year, except that the Participant may change his election of the form of payment he previously elected under Section 3.1(5) during a 30-day period ending one year prior to the end of the deferral period. In the event a Participant originally elected a deferral period of a number of years or until a date certain and, as a result of the Participant's election to take Retirement, the Participant will retire before the end of the elected deferral period, the Participant may elect to change the form of payment during a 30- day period ending one year prior to the Retirement date chosen by the Participant by written notice to the Company. In the event a Participant changes his election, if the deferral period terminates early for any reason, which is beyond the control of the Participant, such as involuntary termination of employment, death or Disability, then the

distribution or the first installment, whichever is applicable, shall not be made until one year after the election was changed; however, if the deferral period terminates early for any reason which is within the control of the Participant, such as Retirement or voluntary termination of employment, then the change of election will be ineffective. If for any reason the deferral period does not end one year after the end of such 30-day period because of a postponement of Retirement or otherwise, the change of election shall remain in effect and no further changes of election shall be permitted.

The election to participate in the Plan for a given Plan Year will be effective only upon receipt by the Committee of the Participant's election on such form as will be determined by the Committee from time to time. If the Participant does not exercise his right to defer, subject to Section 3.3 below, the Participant will be deemed to have elected not to defer any part of his Incentive Bonus, LTIP Compensation or Director Fees for that Plan Year and all of his Incentive Bonus, LTIP Compensation and Director Fees will be paid in cash. If the percentage of the Incentive Bonus, LTIP Compensation and Director Fees elected to be deferred in Common Stock results in a fractional share, it shall be reduced to the next lowest full share and the fractional share shall be paid or deferred, as the case may be, in cash.

Notwithstanding any other provision of the Plan to the contrary, a Participant shall be permitted to defer all or a portion of his LTIP Compensation earned during the performance period that begins November 1, 2001, at such time as the Committee may determine.

3.2 COMPANY MATCH. The Company will credit to the Account of each Participant who has a portion of his Incentive Bonus or Director Fees deferred under the Plan in the form of Common Stock for a period of three full years or more additional shares of Common

Stock equal to 20 percent of the amount which is deferred in the form of Common Stock, rounded to the next highest number of full shares. There shall be no such credit with respect to LTIP Compensation that is deferred under the Plan.

3.3 MANDATORY DEFERRAL. If a Participant becomes entitled to a cash payment of part or all of an Incentive Bonus or his LTIP Compensation because the Participant did not elect to defer all of the Incentive Bonus or LTIP Compensation but the Company determines that section 162(m) of the Code may not allow the Company to take a deduction for part or all of the Incentive Bonus or LTIP Compensation, then, unless a Change of Control has occurred after June 1, 1999, the payment of the Incentive Bonus or LTIP Compensation will be delayed until December 1st following the end of the Plan Year in which it occurred. Then on December 1st, if the Company's deduction is determined by the Company not to be affected, the Incentive Bonus or LTIP Compensation in total will be paid immediately. However, if the Company determines that some portion of the Incentive Bonus or Performance Units is affected, then only that portion of the Incentive Bonus or LTIP Compensation which is deductible by the Company shall be paid on December 1st and the remaining portion of the Incentive Bonus or LTIP Compensation will be delayed to the first day of the first complete month of the second Plan Year, at which time it will be paid. The Committee may waive the mandatory deferral required by this Section 3.3 with respect to a Participant who is not a member of the Committee but such waiver shall only be made on an individual basis and at the time the Incentive Bonus or LTIP Compensation is determined and awarded.

ARTICLE IV

ACCOUNT

4.1 ESTABLISHING A PARTICIPANT'S ACCOUNT. The Committee will establish an Account for each Participant in a special Deferred Compensation Ledger which will be maintained by the Company. The Account will reflect the amount of the Company's obligation to the Participant at any given time.

4.2 CREDIT OF THE PARTICIPANT'S DEFERRAL AND THE COMPANY'S MATCH. Upon completion of the Plan Year or quarter, as applicable, the Committee will determine, as soon as administratively practicable, the amount of a Participant's Incentive Bonus, LTIP Compensation or Director Fees that has been deferred for that Plan Year or quarter, as applicable, and the amount of the Company Match, if any, and will credit that or those amounts to the Participant's Account as of the end of the Plan Year or quarter, as applicable, during which the Incentive Bonus, LTIP Compensation or Director Fees were earned. If the Participant elected his deferral to be in the form of Common Stock, the number of shares credited to his Account as Common Stock shall be the number of full shares of Common Stock that could have been purchased with the dollar amount deferred, without taking into account any brokerage fees, taxes or other expenses which might be incurred in such a transaction, based upon the closing quotation on the NYSE, or if not traded on the NYSE, the principal market in which the Common Stock is traded on the date the amount would have been paid had it not been deferred pursuant to Article III, and any additional fractional amount shall be credited to the Participant's Account in the form of cash.

4.3 CREDITING OF DIVIDENDS, DISTRIBUTIONS AND INTEREST. When dividends are declared and paid, or other distributions, whether stock, property, cash, rights or other, are

made with respect to the Common Stock, those dividends and other distributions shall be accrued in a Participant's Account based upon the shares of Common Stock credited to his Account. The dividends or other distributions in the form of shares of Common Stock shall be credited to the Account as additional shares of Common Stock. The dividends or other distributions or rights in any other form shall be credited to the Participant's Account in the form of cash. For this purpose, all dividends and distributions not in the form of shares of Common Stock or cash shall be valued at the fair market value as determined by a resolution duly adopted by the Committee. Interest will be accrued on that portion of a Participant's Account held in the form of cash at the rate established by Section 4.4.

4.4 INTEREST RATE. Interest will be accrued on the last day of each calendar month on each portion of a Participant's Account held in the form of cash (whether resulting from a cash deferral, cash dividends or other cash distributions on Common Stock or the conversion of a Common Stock credit in his Account to cash) from the later of (a) the time it is credited to his Account or (b) the last previous calendar month end at a rate equal to (x) the rate of interest announced by Chase Manhattan Bank, N.A., or its successor, if applicable as its prime rate of interest on the last business day of the calendar quarter preceding the calendar quarter in which the month falls divided by (y) four. Interest so accrued on the last day of each calendar month shall be credited as cash to the Participant's Account and shall thereafter accrue interest. Interest will continue to be credited on the cash balance in the Participant's Account until the entire cash balance has been distributed.

4.5 COMMON STOCK CONVERSION ELECTION. At any time during a period of three years prior to the earliest time a Participant could retire under the Retirement Plan and ending on the Participant's Normal Retirement Date, the Participant may elect a Retirement date

under the Retirement Plan and may elect to have all or a portion of his shares of Common Stock in his Account converted to cash. In that event, all such shares of Common Stock shall be converted on the date notice is received by the Company based upon the closing quotation as described in Section 4.2, on that day, unless the Participant has specified no more than five different dates after the date of the notice on which the Participant desires all or a portion of the shares of Common Stock to be converted and the percentage of shares to be converted on each date. If the Participant has specified dates for and the percentage of shares to be converted, then the designated percentage of shares of Common Stock to be converted on each date shall be converted on the specified date based on the closing quotation as described in Section 4.2 on such specified dates.

At any time that is at least five years after Common Stock is credited to his Account pursuant to Section 4.2, a Participant may elect to have such Common Stock converted to cash and credited to his Account. In that event, all such shares of Common Stock specified by the Participant in a written notice to the Company which have been credited to the Participant's Account for at least five years prior to the giving of such notice shall be converted on the date notice is received by the Company based upon the closing quotation as described in Section 4.2, on that day.

4.6 CONVERSION AND CASH-OUT UPON A CHANGE OF CONTROL. Notwithstanding any other provision of the Plan, immediately upon the occurrence of a Change of Control, all shares of Common Stock credited to a current or former Participant's Account shall be converted to cash based on the Change of Control Value of such shares of Common Stock. Within five days after the date on which the Change of Control occurs, all current and former Participants shall be paid in cash lump sum payments the balances credited to their Accounts.

ARTICLE V

VESTING AND EVENTS CAUSING FORFEITURE

5.1 VESTING. All deferrals of the Incentive Bonus, LTIP Compensation and Director Fees and all income accrued on the deferrals will be 100 percent vested except for the events of forfeiture described in Sections 5.3 and 5.4. All Company matching accruals and all income accrued on those matching accruals will be 100 percent vested except for the events of forfeiture described in Section 5.2, 5.3 and 5.4.

5.2 FORFEITURE OF COMPANY MATCH BECAUSE OF EARLY DISTRIBUTION. If, but for the provisions of this Section 5.2, a Participant would receive a benefit from the Plan for any reason, other than death, disability or Retirement, in respect of shares of Common Stock credited to the Participant's account pursuant to Section 4.2 as a result of the Company matching accrual of 20 percent provided for in Section 3.2 within three years after such shares were so credited, or if the Participant ceases to be an employee with respect to a matching accrual resulting from deferral of an Incentive Bonus, or a director with respect to a matching accrual resulting from deferral of Director Fees within three years after such shares are so credited, such matching accruals of shares of Common Stock and any dividends or other property or rights accumulated because of those shares of Common Stock shall be immediately forfeited.

5.3 FORFEITURE FOR CAUSE. If the Committee finds, after full consideration of the facts presented on behalf of both the Company and a former Participant, that the Participant was discharged by the Company for fraud, embezzlement, theft, commission of a felony, proven dishonesty in the course of his employment by the Company which damaged the Company, or for disclosing trade secrets of the Company, the entire amount credited to his Account, exclusive of an amount equal to the sum of the total deferrals of the Participant, will be forfeited. The

decision of the Committee as to the cause of a former Participant's discharge and the damage done to the Company will be final. No decision of the Committee will affect the finality of the discharge of the Participant by the Company in any manner.

5.4 FORFEITURE FOR COMPETITION. If at the time a distribution is being made or is to be made to a Participant or former Participant, the Committee finds after full consideration of the facts presented on behalf of the Company and the Participant or former Participant, that the Participant or former Participant at any time within two years from his termination of employment from the Company, and without written consent of the Company, directly or indirectly owns, operates, manages, controls or participates in the ownership, management, operation or control of or is employed by, or is paid as a consultant or other independent contractor by a business which competes or at any time did compete with the Company by which he was formerly employed in a trade area served by the Company at the time distributions are being made or to be made and in which the Participant or former Participant had represented the Company while employed by it; and, if the Participant or former Participant continues to be so engaged 60 days after written notice has been given to him, the Committee will forfeit all amounts otherwise due the Participant or former Participant, exclusive of an amount equal to the sum of the total deferrals of the Participant or former Participant.

5.5 FULL VESTING IN THE EVENT OF A CHANGE OF CONTROL. The forfeitures created by sections 5.2, 5.3 or 5.4 shall not apply with respect to any amounts credited to the Accounts of current or former Participants after the occurrence of a Change of Control.

ARTICLE VI

DISTRIBUTIONS

6.1 FORM OF DISTRIBUTIONS OR WITHDRAWALS. Upon a distribution or withdrawal, at the option of Quanex, the number of shares of Common Stock credited to the Participant in the Deferred Compensation Ledger, if any, required to be distributed shall be distributed in kind or in cash, whether the distribution or withdrawal is in a lump sum or in installments. If distributed in cash, the amount per share of Common Stock which would otherwise be distributed in kind shall equal the closing quotation for the Common Stock on the NYSE (or if not traded on the NYSE, the principal market in which the Common Stock is traded) on the third business day prior to the date of distribution. If the distribution is in installments, all dividends and other property or rights accumulating on the shares still undistributed will be credited as provided in Section 4.3 and distributed with the next installment. If there are periodic installments to be made of the portion, if any, deferred as cash, income shall accumulate on that portion of the Account as described in Section 4.6 until the balance credited to the cash portion of the Participant's Account has been distributed. In that event, income accumulating on the cash portion of the Account shall be distributed with the next installment to be distributed.

6.2 DEATH. Upon the death of a Participant prior to the expiration of the Term of Deferral, the Participant's Beneficiary or Beneficiaries will receive in Common Stock or cash as required by Section 6.1, the balance then credited to the Participant's Account in the Deferred Compensation Ledger. The lump sum distribution or the first installment of the periodic distribution will be made 90 days after the Participant's death.

Each Participant, upon making his initial deferral election, will file with the Committee a designation of one or more Beneficiaries to whom distributions otherwise due the

Participant will be made in the event of his death prior to the complete distribution of the amount credited to his Account in the Deferred Compensation Ledger. The designation will be effective upon receipt by the Committee of a properly executed form which the Committee has approved for that purpose. The Participant may from time to time revoke or change any designation of Beneficiary by filing another approved Beneficiary designation form with the Committee. If there is no valid designation of Beneficiary on file with the Committee at the time of the Participant's death, or if all of the Beneficiaries designated in the last Beneficiary designation have predeceased the Participant or otherwise ceased to exist, the Beneficiary will be the Participant's spouse, if the spouse survives the Participant, or otherwise the Participant's estate. A Beneficiary must survive the Participant by 60 days in order to be considered to be living on the date of the Participant's death. If any Beneficiary survives the Participant but dies or otherwise ceases to exist before receiving all amounts due the Beneficiary from the Participant's Account, the balance of the amount which would have been paid to that Beneficiary will, unless the Participant's designation provides otherwise, be distributed to the individual deceased Beneficiary's estate or to the Participant's estate in the case of a Beneficiary which is not an individual. Any Beneficiary designation which designates any person or entity other than the Participant's spouse must be consented to in writing in a form acceptable to the Committee in order to be effective.

6.3 DISABILITY. Upon the Disability of a Participant prior to the expiration of the Term of Deferral, the Participant will receive in Common Stock or cash as required by Section 6.1, the balance then credited to the Participant's Account. The lump sum distribution or the first installment of the periodic distribution will be made 90 days after the Participant becomes disabled.

6.4 EXPIRATION OF TERM OF DEFERRAL. Upon the expiration of the Term of Deferral, the Participant shall receive in Common Stock or cash as required by Section 6.1, the balance credited to the Participant's Account. The lump sum distribution or the first installment of the periodic distribution will be made 90 days after the expiration of the Term of Deferral without regard to whether the Participant is still employed by the Company or not.

6.5 HARDSHIP WITHDRAWALS. Any Participant who is in the employ of a Company and is not entitled to a distribution from the Plan may request a hardship withdrawal. No hardship withdrawal can exceed the lesser of the amount credited to the Participant's Account or the amount reasonably needed to satisfy the emergency need. Whether a hardship exists and the amount reasonably needed to satisfy the emergency need will be determined by the Committee based upon the evidence presented by the Participant and the rules established in this Section. If a hardship withdrawal is approved by the Committee it will be made in Common Stock or cash as required in Section 6.1 within ten days of the Committee's determination. A hardship for this purpose is a severe financial hardship to the Participant resulting from a sudden and unexpected illness or accident of the Participant or of a dependent (as defined in section 152(a) of the Code) of the Participant, loss of the Participant's property due to casualty, or any similar extraordinary and unforeseeable circumstance arising as a result of events beyond the control of the Participant. The circumstances that will constitute a hardship will depend upon the facts of each case, but, in any case, payment may not be made to the extent that the hardship is or may be relieved: (a) through reimbursement or compensation by insurance or otherwise, (b) by liquidation of the Participant's assets, to the extent the liquidation of such assets will not itself cause severe financial hardship, or (c) by cessation of deferrals under the Plan. Such

foreseeable needs for funds as the need to send a Participant's child to college or the desire to purchase a home will not be considered to be a hardship.

6.6 PAYMENT RESTRICTIONS ON ANY PORTION OF A BENEFIT DETERMINED NOT TO BE DEDUCTIBLE. Except for hardship withdrawals under Section 6.5, if a Participant has a benefit that is due during a Plan Year and the Committee determines that section 162(m) of the Code could affect the Company's deduction on the amount paid, the distribution of his benefit will be delayed until December 1 following the end of the Plan Year. Then on December 1 if the Company's deduction is determined by the Committee not to be affected, the benefit in total will be distributed immediately; however, if the Committee determines that some portion of the benefit is affected, then only that portion of the benefit which is deductible by the Company shall be distributed on December 1st and the distribution of the remaining portion of the benefit will be delayed to the first day of the first complete month of the Plan Year or Years on which a portion or all of the remaining distribution can be made and deducted by the Company on its federal income tax return. The Committee may waive the mandatory deferral required by this Section 6.6 with respect to a Participant who is not a member of the Committee, but such waiver shall only be made on an individual basis and at the time the distribution is to be made.

6.7 RESPONSIBILITY FOR DISTRIBUTIONS AND WITHHOLDING OF TAXES. The Committee will furnish information to the Company last employing the Participant, concerning the amount and form of distribution to any Participant entitled to a distribution so that the Company may make or cause the Rabbi Trust to make the distribution required. It will also calculate the deductions from the amount of the benefit paid under the Plan for any taxes required to be withheld by federal, state or local government and will cause them to be withheld. If a Participant has deferred compensation under the Plan while in the service of more than one

Company, each Company for which the Participant was working will reimburse the disbursing agent for the amount attributable to compensation deferred while the Participant was in the service of that Company if it has not already provided that funding to the disbursing agent.

ARTICLE VII

ADMINISTRATION

7.1 COMMITTEE APPOINTMENT. The Committee will be appointed by the Board. The initial Committee members will be Compensation Committee of the Board. Each Committee member will serve until his or her resignation or removal. The Board will have the sole discretion to remove any one or more Committee members and appoint one or more replacement or additional Committee members from time to time.

7.2 COMMITTEE ORGANIZATION AND VOTING. The Committee will select from among its members a chairman who will preside at all of its meetings and will elect a secretary without regard to whether that person is a member of the Committee. The secretary will keep all records, documents and data pertaining to the Committee's supervision and administration of the Plan. A majority of the members of the Committee will constitute a quorum for the transaction of business and the vote of a majority of the members present at any meeting will decide any question brought before the meeting. In addition, the Committee may decide any question by vote, taken without a meeting, of a majority of its members. If a member of the Committee is ever appointed who is or becomes a Participant, that Committee member will not vote or act on any matter relating solely to himself.

7.3 POWERS OF THE COMMITTEE. The Committee will have the exclusive responsibility for the general administration of the Plan according to the terms and provisions of the Plan and will have all powers necessary to accomplish those purposes, including but not by way of limitation the right, power and authority:

(a) to make rules and regulations for the administration of the Plan;

(b) to construe all terms, provisions, conditions and limitations of the Plan;

(c) to correct any defect, supply any omission or reconcile any inconsistency that may appear in the Plan in the manner and to the extent it deems expedient to carry the Plan into effect for the greatest benefit of all parties at interest;

(d) to designate the persons eligible to become Participants and to establish the maximum and minimum amounts that may be elected to be deferred;

(e) to determine all controversies relating to the administration of the Plan, including but not limited to:

(1) differences of opinion arising between the Company and a Participant except when the difference of opinion relates to the entitlement to, the amount of or the method or timing of a distribution of a benefit affected by a Change of Control, in which event it shall be decided by judicial action; and

(2) any question it deems advisable to determine in order to promote the uniform administration of the Plan for the benefit of all parties at interest; and

(f) to delegate by written notice those clerical and recordation duties of the Committee, as it deems necessary or advisable for the proper and efficient administration of the Plan.

7.4 COMMITTEE DISCRETION. The Committee in exercising any power or authority granted under the Plan or in making any determination under the Plan shall perform or refrain from performing those acts using its sole discretion and judgment. Any decision made by the Committee or any refraining to act or any act taken by the Committee in good faith shall be final and binding on all parties. The Committee's decision shall never be subject to de novo review. Notwithstanding the foregoing, the Committee's decision, refraining to act or acting is to be subject to judicial review for those incidents occurring during the Plan Year in which a Change of Control occurs and during the next three succeeding Plan Years.

7.5 ANNUAL STATEMENTS. The Committee will cause each Participant to receive an annual statement as soon as administratively possible after the conclusion of each Plan Year containing the amounts deferred, the Company match, if any, and the income accrued on the deferred and matched amounts.

7.6 REIMBURSEMENT OF EXPENSES. The Committee will serve without compensation for their services but will be reimbursed by Quanex for all expenses properly and actually incurred in the performance of their duties under the Plan.

ARTICLE VIII

ADOPTION BY SUBSIDIARIES

8.1 PROCEDURE FOR AND STATUS AFTER ADOPTION. Any Subsidiary may, with the approval of the Committee, adopt the Plan by appropriate action of its board. The terms of the Plan will apply separately to each Subsidiary adopting the Plan and its Participants in the same manner as is expressly provided for Quanex and its Participants except that the powers of the Board and the Committee under the Plan will be exercised by the Board alone. Quanex and each Subsidiary adopting the Plan will bear the cost of providing plan benefits for its own Participants. It is intended that the obligation of Quanex and each Subsidiary with respect to its Participants will be the sole obligation of the Company that is employing the Participant and will not bind any other Company.

8.2 TERMINATION OF PARTICIPATION BY ADOPTING SUBSIDIARY. Any Subsidiary adopting the Plan may, by appropriate action of its board of directors, terminate its participation in the Plan. The Committee may, in its discretion, also terminate a Subsidiary's participation in the Plan at any time. The termination of the participation in the Plan by a Subsidiary will not, however, affect the rights of any Participant who is working or has worked for the Subsidiary as to amounts or shares of Common Stock previously standing to his credit in his Account or reduce the income accrued on amounts deferred by him or matched by the Company and credited to his Account whether in cash or in shares of Common Stock, prior to the distribution of the benefit to the Participant without his consent.

ARTICLE IX

AMENDMENT AND/OR TERMINATION

9.1 AMENDMENT OR TERMINATION OF THE PLAN. The Board may amend or terminate the Plan at any time by an instrument in writing without the consent of any adopting Company.

9.2 NO RETROACTIVE EFFECT ON AWARDED BENEFITS. No amendment will affect the rights of any Participant to the amounts, whether in cash or shares of Common Stock, then standing to his credit in his Account, to change the method of calculating the income already accrued or to accrue in the future on amounts already deferred by him or matched by the Company prior to the date of the amendment or to change a Participant's right under any provision relating to a Change of Control after a Change of Control has occurred, without the Participant's consent. However, the Board shall retain the right at any time to change in any manner the method of calculating the match by the Company and the income to accrue on all amounts to be deferred in the future by a Participant and/or to be matched in the future by the Company after the date of the amendment if it has been announced to the Participants.

9.3 EFFECT OF TERMINATION. If the Plan is terminated, all amounts, whether in cash or in shares of Common Stock, deferred by Participants and matched by the Company will continue to be held under the terms of the Plan until all amounts have been distributed according to the elections made by the Participants or the directives made by the Committee prior to the deferrals. The forfeiture provisions of Sections 5.2, 5.3 and 5.4 and the restriction set out in Section 6.6 would continue to apply throughout the period after the termination of the Plan but prior to the completed distribution of all benefits.

ARTICLE X

FUNDING

10.1 PAYMENTS UNDER THIS AGREEMENT ARE THE OBLIGATION OF THE COMPANY. The Company will distribute the benefits due the Participants under the Plan; however, should it fail to do so when a benefit is due and the funding trust contemplated by Section 10.2 exists, the benefit will be distributed by the trustee of that funding trust. In any event, if the trust fails to distribute a benefit for any reason, the Company still remains liable for all benefits provided by the Plan.

10.2 AGREEMENT MAY BE FUNDED THROUGH RABBI TRUST. It is specifically recognized by both the Company and the Participants that the Company may, but is not required to transfer any funds, shares or Common Stock or other assets that it finds desirable to a trust established to accumulate assets sufficient to fund the obligations of all of the Companies signatory to the Plan. However, under all circumstances, the Participants will have no rights to any of those assets; and likewise, under all circumstances, the rights of the Participants to the assets held in the trust will be no greater than the rights expressed in this agreement. Nothing contained in the trust agreement which creates the funding trust will constitute a guarantee by any Company that assets of the Company transferred to the trust will be sufficient to fund all benefits under the Plan or would place the Participant in a secured position ahead of general creditors should the Company become insolvent or bankrupt. Any trust agreement prepared to fund the Company's obligations under this agreement must specifically set out these principles so it is clear in that trust agreement that the Participants in the Plan are only unsecured general creditors of the Company in relation to their benefits under the Plan.

10.3 REVERSION OF EXCESS ASSETS. Any adopting Company may, at any time, request the actuary, who last performed the annual actuarial valuation of the Quanex defined benefit Retirement plan, to determine the present Account balance, assuming the accrual rate for income not to be reduced (whether it actually is or not), as of the month end coincident with or next preceding the request, of all Participants and Beneficiaries of deceased Participants for which all Companies are or will be obligated to make benefit distributions under the Plan. If the fair market value of the assets held in the trust, as determined by the Trustee as of that same date, exceeds the total of the Account balances of all Participants and Beneficiaries by 25 percent, any Company may direct the trustee to return to each Company its proportionate part of the assets which are in excess of 125 percent of the Account balances. Each Company's share of the excess assets will be the Participants' Accounts accrued while in the employ of that Company as compared to the total of the Account balances accrued by all Participants under the Plan times the excess assets. If there has been a Change of Control, for the purpose of determining if there are excess funds, all contributions made prior to the Change of Control will be subtracted from the fair market value of the assets held in the trust as of the determination date but before the determination is made.

10.4 PARTICIPANTS MUST RELY ONLY ON GENERAL CREDIT OF THE COMPANY. It is also specifically recognized by both the Company and the Participants that the Plan is only a general corporate commitment and that each Participant must rely upon the general credit of the Company for the fulfillment of its obligations under the Plan. Under all circumstances the rights of Participants to any asset held by the Company will be no greater than the rights expressed in this agreement. Nothing contained in this agreement will constitute a guarantee by the Company that the assets of the Company will be sufficient to distribute any benefits under the Plan or

would place the Participant in a secured position ahead of general creditors of the Company. Though the Company may establish or become a signatory to a Rabbi Trust, as indicated in Section 10.1, to accumulate assets to fulfill its obligations, the Plan and any such trust will not create any lien, claim, encumbrance, right, title or other interest of any kind in any Participant in any asset held by the Company, contributed to any such trust or otherwise designated to be used in fulfillment of any of its obligations created in this agreement. No specific assets of the Company have been or will be set aside, or will in any way be transferred to the trust or will be pledged in any way for the performance of the Company's obligations under the Plan which would remove such assets from being subject to the general creditors of the Company.

ARTICLE XI

MISCELLANEOUS

11.1 LIMITATION OF RIGHTS. Nothing in the Plan will be construed:

(a) to give any employee of any Company any right to be designated a Participant in the Plan;

(b) to give a Participant any right with respect to the compensation deferred, the Company match or the income accrued and credited in the Deferred Compensation Ledger except in accordance with the terms of the Plan;

(c) to limit in any way the right of the Company to terminate a Participant's employment with the Company at any time;

(d) to evidence any agreement or understanding, expressed or implied, that the Company will employ a Participant in any particular position or for any particular remuneration; or

(e) to give a Participant or any other person claiming through him any interest or right under the Plan other than that of any unsecured general creditor of the Company.

11.2 DISTRIBUTIONS TO INCOMPETENTS OR MINORS. Should a Participant become incompetent or should a Participant designate a Beneficiary who is a minor or incompetent, the Committee is authorized to distribute the benefit due to the parent of the minor or to the guardian of the minor or incompetent or directly to the minor or to apply those assets for the benefit of the minor or incompetent in any manner the Committee determines in its sole discretion.

11.3 NONALIENATION OF BENEFITS. No right or benefit provided in the Plan will be transferable by the Participant except, upon his death, to a named Beneficiary as provided in the Plan. No right or benefit under the Plan will be subject to anticipation, alienation, sale, assignment, pledge, encumbrance or charge, and any attempt to anticipate, alienate, sell, assign, pledge, encumber, or charge the same will be void. No right or benefit under the Plan will in any manner be liable for or subject to any debts, contracts, liabilities or torts of the person entitled to

such benefits. If any Participant or any Beneficiary becomes bankrupt or attempts to anticipate, alienate, sell, assign, pledge, encumber or charge any right or benefit under the Plan, that right or benefit will, in the discretion of the Committee, cease. In that event, the Committee may have the Company hold or apply the right or benefit or any part of it to the benefit of the Participant or Beneficiary, his or her spouse, children or other dependents or any of them in any manner and in any proportion the Committee believes to be proper in its sole and absolute discretion, but is not required to do so.

11.4 EXPENSES INCURRED IN ENFORCING THE PLAN. The Company will, in addition, pay a Participant for all legal fees and expenses incurred by him in contesting or disputing his termination or in seeking to obtain or enforce any benefit provided by the Plan if the termination occurs in the Plan Year in which a Change of Control occurs or during the next three succeeding Plan Years following the Plan Year in which a Change of Control occurs except to the extent that the payment of those fees or expenses are restricted under Section 6.6.

11.5 RELIANCE UPON INFORMATION. The Committee will not be liable for any decision or action taken or not taken in good faith in connection with the administration of the Plan. Without limiting the generality of the foregoing, any decision or action taken or not taken by the Committee when it relies upon information supplied it by any officer of the Company, the Company's legal counsel, the Company's independent accountants or other advisors in connection with the administration of the Plan will be deemed to have been taken in good faith.

11.6 SEVERABILITY. If any term, provision, covenant or condition of the Plan is held to be invalid, void or otherwise unenforceable, the rest of the Plan will remain in full force and effect and will in no way be affected, impaired or invalidated.

11.7 NOTICE. Any notice or filing required or permitted to be given to the Committee or a Participant will be sufficient if in writing and hand-delivered or sent by U.S. mail to the principal office of the Company or to the residential mailing address of the Participant. Notice will be deemed to be given as of the date of hand-delivery or if delivery is by mail, as of the date shown on the postmark.

11.8 GENDER AND NUMBER. If the context requires it, words of one gender when used in the Plan will include the other genders, and words used in the singular or plural will include the other.

11.9 GOVERNING LAW. The Plan will be construed, administered and governed in all respects by the laws of the State of Texas.

IN WITNESS WHEREOF, the Company has executed this document effective as of November 1, 2001.

QUANEX CORPORATION

By /s/ Paul J. Giddens

EXHIBIT 10.6

February 14, 2001

Mr. Raymond A. Jean
1815 North Pond Lane
Lake Forest, Illinois 60045

Dear Raymond:

We are pleased to offer you the position of President and Chief Executive Officer with Quanex Corporation, effective February 22, 2001, after approval of the Quanex Board of Directors at its next meeting on that date. Your election as a Director will also be accomplished at that time. When Mr. Vernon E. Oechsle retires as Chairman of the Board of Directors of Quanex Corporation the Board of Directors will elect you as Chairman of the Board of Directors at that time.

Your total compensation will include the following:

1. BASE SALARY. Your base salary will be $20,833.33 paid semi-monthly (annualized at $500,000).

2. EXECUTIVE INCENTIVE COMPENSATION PLAN (EICP). The EICP target for your position is 70%. You will receive a guaranteed EICP award of $350,000 for the fiscal year ending October 31, 2001, to be paid in December 2001 after approval of the Board of Directors. Should the Fiscal Year 2001 EICP award exceed the target, you will receive the greater of the guaranteed or computed amount.

3. RESTRICTED STOCK GRANT. You will receive 40,000 shares of Quanex Corporation Restricted Stock. This stock will be awarded to you in the amount of 20,000 shares on your first and second employment anniversary date. This stock award will become vested (and transferable) in the amount of 20,000 shares on the first anniversary of your employment, and 20,000 shares on the second anniversary of your employment. However, in the event of a change-in-control, you will have a fully vested investment in your restricted stock award of 40,000 shares.

4. STOCK OPTION GRANT. You will receive a Non-Incentive Stock Option to purchase 100,000 shares of Quanex common stock for a per-share exercise price equal to the closing price on the date of your employment. The option vests in thirds on the first, second and third employment anniversary dates. However, the option will become fully exercisable in the event of a change-in-control. You will also be a granted Non-Incentive Stock Option in October 2001 based upon recommendation of the Compensation and Management Development Committee and approval of the Board of Directors

5. COMPANY FURNISHED AUTOMOBILE. You may select from all U.S. manufactured (domestic brands), 4-door, luxury or sport utility vehicles, with a maximum company investment cost of $50,000. Insurance will be paid by the Company. You will be reimbursed for gasoline and maintenance costs. (ENCLOSURE #1)

6. VACATION. You will be entitled to four weeks of paid vacation each calendar year.

7. QUANEX EMPLOYEE SAVINGS PLAN. You will be eligible to participate in the Quanex Corporation 401(k) Plan beginning the first of the Plan quarter following three months of employment. You may contribute up to 20 percent of eligible compensation. Quanex will match $0.50 for each dollar you contribute up to a maximum of 5 percent of your eligible compensation. There is a five year vesting schedule on the Company match. Also, you may elect to save on a before-tax or after-tax basis, or a combination of the two. (ENCLOSURE #2)

8. QUANEX BeneFlex PLAN. You will be eligible to participate in the Quanex Corporation BeneFlex Plan beginning with the first day of employment. It is a full, flexible cafeteria plan. The company provides certain benefits that are completely employer-paid (i.e., short-term disability, long-term disability, base life insurance, and AD&D benefits). All other welfare benefits are purchased with flex dollars. The amount of flex dollars you receive from the Company is determined by the category you choose for medical benefits. (ENCLOSURE #3)

   -- For example, if you select the UniCare Indemnity Plan with family coverage, you will receive a monthly amount of flex dollars equal to $812. You may allocate these on one of three levels of medical coverage, each offering different levels of deductibles and co-pays. (ENCLOSURE #4) The remaining flex dollars may be allocated for dental, vision, dependent life insurance, and other options outlined in the attached plan description. If you select coverage which is greater than the company-provided flex dollars, the additional amount will be deducted from your pay. BeneFlex also includes a Health Care Spending Account, which enables you to set aside pre-tax dollars to reimburse deductibles and other related expenses.

9. OFFICER LIFE INSURANCE. You will participate in the Quanex Corporation Officer Life Insurance Plan. Based on your age and compensation, the plan will provide you and your designated beneficiary(ies) with a benefit of $2,250,000. (ENCLOSURE #5)

10. FINANCIAL AND TAX COUNSEL. You will be eligible to receive financial, tax, and legal consulting services at Company expense up to a maximum of $10,000 per year, which will be grossed-up for tax purposes.

11. PENSION BENEFITS. You will be eligible for pension benefits from two programs: the Quanex Corporation Salaried Employees' Pension Plan (qualified plan), and the Quanex Corporation Supplemental Benefit Plan (SERP).

    a. The QUALIFIED PLAN is a final average pay pension plan which will provide you with a monthly benefit for your life, with an option to elect continuation of benefits to your spouse after your death. The benefit formula under this plan is based upon a multiple of your years of service with Quanex Corporation and your compensation (not in excess of qualified plan limits - currently $170,000) Vesting occurs following the fifth anniversary of your employment. This plan is described in detail in the enclosed Summary Plan Description. (ENCLOSURE #6)

    b. The SERP is a nonqualified plan designed to provide substantial additional pension benefits to Corporate Officers. In addition, it implicitly restores benefits on pay in excess of the qualified plan limits (currently $170,000). The SERP provides a benefit payable as a lump sum at retirement, which is the actuarial equivalent of a monthly benefit payable to you for your life, commencing at age 65 and will be based on the following formula: [2.75% times your highest 3 year average compensation (base + EICP bonus)] times [years of service]. This amount is reduced by benefits payable from the Qualified Plan and Social Security. Benefits vest after 5 years of service and are payable in full at age 65, or on a reduced basis as early as age 55. However, in the event of a change-in-control you will have a fully vested interest in the benefit under the SERP, and your SERP benefit will not be actuarially reduced because of your age or the early payment. (ENCLOSURE #7)

12. QUANEX RELOCATION PROGRAM. You will be relocated from your home in Chicago, Illinois to Houston, Texas in accordance with the terms of the Quanex Corporation Relocation Policy. This will include participation in the home purchase program, when and if that option is necessary to facilitate your relocation. The Relocation Policy and Handbook is enclosed (ENCLOSURE #8). The Company will do all that is necessary to assist you and your family in this process.

    a. Paul Giddens, Vice President-Human Resources will assist you and your family in this process. (Direct Telephone: 713.877.5349)

    b. Ms. Sandy Hatcher, Director-Corporate Human Resources Services will coordinate your relocation process and provide necessary liaison with relocation and transportation services. (Direct Telephone: 713.877.5310) (Confidential Fax: 713.629.0113)

    c. As part of the relocation benefit, you will receive a "special incidentals allowance" of $40,000.

13. CHANGE IN CONTROL. As an Officer of Quanex Corporation you will be eligible for protection under the provisions of the Corporate Change in Control Agreement. A summary and blank copy of this Agreement is attached. (ENCLOSURE # 9)

    a. The Change-in-Control Agreement provides for a "double trigger." FIRST a change-in-control of Quanex Corporation must occur. Generally a change-in-control would occur if an unrelated person purchased 20 percent or more of Quanex Corporation's outstanding stock. SECOND, your employment must be terminated by the acquiring organization for other than cause, or you must resign for "good reason" as defined in the Change-in-Control Agreement.

    b. Examples of "good reason" defined in the Change-in-Control Agreement include: (1) When the common stock of Quanex Corporation or the entity into which Quanex Corporation is merged is no longer being actively traded on the New York Stock Exchange; and (2) The "relocation of the executive's principal office outside the portion of the metropolitan area of the City of Houston, Texas that is located within the Highway known as 'Beltway 8.'"

14. EXECUTIVE SEVERANCE PROVISION. The purpose of this provision is to establish a severance provision for you that recognizes (a) the relatively more difficult employment transition that occurs upon the termination of employment of higher paid individuals; and (b) that you, to a greater extent than other salaried employees, serve at the pleasure of the Board of Directors. Therefore, in the event that your employment is terminated by the Board of Directors for a reason other than an EVENT OF TERMINATION FOR CAUSE as defined in your Change in Control Agreement, you shall be entitled to the following benefits upon execution of a Release of Claims Agreement in such form as is satisfactory to the Company:

    a. BASE SALARY FOR TWO YEARS. Annualized base salary as in effect immediately before the date of termination of employment, paid semi-monthly for a period of 24 months starting on the date of termination of employment.

    b. PARTIAL EICP BONUS PAYMENT. The EICP bonus you earned in the fiscal year in which your termination of employment occurs will be determined on a prorated basis by the Board of Directors. However, if your termination of employment occurs during the fiscal year ending October 31, 2001, you shall receive the EICP bonus outlined in paragraph 2 of this letter agreement.

    c. STOCK AWARD VESTING. Your restricted stock award and stock option grant (described in paragraphs 3 and 4 respectively) will continue to vest as though you were employed through the twenty-four month period following the termination of your employment. On the second anniversary of your date of termination, for purposes of the stock option plan, you will be deemed to have "retired." (i.e., subject to the terms of the option, the option will continue to vest and be exercisable for up to three years, commencing on the date of "retirement.")

d. CONTINUATION OF WELFARE BENEFITS. The Company, at its expense, will pay COBRA premiums for the Company's group health plan coverage (i.e., medical, life, disability and any other company welfare plans in which you participate) for 18 months following the termination of your employment.

However, no benefits are payable to you under this "severance provision" if you are entitled to receive change-in-control benefits under your Change-in-Control Agreement.

15. ADDITIONAL PERQUISITES. Employee benefits are described in the attached booklets. Also, as an Officer of the Corporation you will receive other perquisites which we can discuss at your convenience.

16. MEDICAL EXAMINATION AND DRUG SCREEN. Our offer is contingent upon you completing a physical examination and passing a drug screen to be taken at Company expense.

Your employment may be terminated by either you or Quanex Corporation at any time upon thirty days advance, written notice. This agreement is governed by the laws of the State of Texas.

We believe that you will provide the leadership needed to meet the long-term goals established for the Corporation. The executive management team enjoys a positive and effective working relationship. The members of the Board of Directors and the executive management team look forward to welcoming you to this team.

I look forward to your positive response on or before February 20, 2001.

Very truly yours,

/s/ Michael J. Sebastian
Chairman,
Compensation & Management Development Committee
Of the Quanex Corporation Board of Directors

MJS/pjg
Enclosures

ACCEPTANCE OF OFFER

/s/ RAYMOND A. JEAN — 2/19/01

Raymond A. Jean — Date