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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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**FORM 8-K**

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**CURRENT REPORT**

**Pursuant to Section 13 OR 15(d) of  
the Securities Exchange Act of 1934**

**May 31, 2006**  
(Date of earliest event reported)

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**QUANEX CORPORATION**

(Exact name of registrant as specified in its charter)

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

**1-5725**  
(Commission File Number)

**38-1872178**  
(IRS Employer Identification  
No.)

**1900 West Loop South, Suite 1500,  
Houston, Texas**  
(Address of principal executive offices)

**77027**  
(Zip Code)

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

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

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

*Adoption of Form Award Agreements under the Quanex Corporation 2006 Omnibus Incentive Plan*

On May 31, 2006, the Compensation and Management Development Committee (the "**Committee**") of the Board of Directors of Quanex Corporation (the "**Company**"), approved 21 forms of award agreement to be used in connection with various awards that may be granted to employees, executives and non-employee directors of the Company under the Quanex Corporation 2006 Omnibus Incentive Plan (the "**Plan**"). From time to time in the future, and pursuant to the terms and conditions of these forms of award agreement and the Plan, the Committee may grant stock options, restricted stock, restricted stock units, performance stock, performance units, stock appreciation rights, other stock based awards and annual incentive awards.

In reviewing the form agreements attached as Exhibits to this Form 8-K, it is first helpful to explain the drafting convention that has been followed in creating the forms. Many of the award types covered by these forms allow for flexibility in choosing whether the award is (a) settled in cash or settled in stock, and (b) subject to cliff vesting, graded vesting or immediate vesting. To reflect these different choices, brackets and different fonts have been used to reflect the language that will be included for a particular "type" of award. As an example, it may be helpful to examine the Stock Option Agreement for Employees, attached as Exhibit 10.1. This award allows for discretion in deciding whether a particular stock option is subject to Cliff Vesting or Graded Vesting. As the legend at the bottom of the first page indicates, any language that relates to cliff vesting is bracketed in ***[bold italics]***. Any language relating to graded vesting, on the other hand, is bracketed in **[bold underline]**. Thus, in order to use this form to create a Stock Option Agreement with graded vesting, the Board would simply delete any language that appears in ***[bold italics]***, and keep all language that appears in **[bold underline]**. A similar convention is used for those awards that allow for either cash settlement or stock settlement.

The various forms of award agreement approved by the Committee are attached to this current report on Form 8-K as Exhibits 10.1 through 10.21.

**Item 9.01. Financial Statements and Exhibits.**

- (a) Financial Statements of businesses acquired.

Not applicable

(b) Pro forma financial information.

Not applicable

(c) Exhibits.

- 10.1 Form of Stock Option Agreement for Employees under the Quanex Corporation 2006 Omnibus Incentive Plan
- 10.2 Form of Stock Option Agreement for Executives under the Quanex Corporation 2006 Omnibus Incentive Plan
- 10.3 Form of Stock Option Agreement for Non-Employee Directors under the Quanex Corporation 2006 Omnibus Incentive Plan
- 10.4 Form of Restricted Stock Award Agreement for Employees under the Quanex Corporation 2006 Omnibus Incentive Plan
- 10.5 Form of Restricted Stock Award Agreement for Executives under the Quanex Corporation 2006 Omnibus Incentive Plan

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- 10.6 Form of Restricted Stock Award Agreement for Non-Employee Directors under the Quanex Corporation 2006 Omnibus Incentive Plan
  - 10.7 Form of Restricted Stock Unit Award Agreement for Employees under the Quanex Corporation 2006 Omnibus Incentive Plan
  - 10.8 Form of Restricted Stock Unit Award Agreement for Executives under the Quanex Corporation 2006 Omnibus Incentive Plan
  - 10.9 Form of Restricted Stock Unit Award Agreement for Non-Employee Directors under the Quanex Corporation 2006 Omnibus Incentive Plan
  - 10.10 Form of Performance Stock Award Agreement for Employees under the Quanex Corporation 2006 Omnibus Incentive Plan
  - 10.11 Form of Performance Stock Award Agreement for Executives under the Quanex Corporation 2006 Omnibus Incentive Plan
  - 10.12 Form of Performance Stock Award Agreement for Non-Employee Directors under the Quanex Corporation 2006 Omnibus Incentive Plan
  - 10.13 Form of Performance Unit Award Agreement for Employees under the Quanex Corporation 2006 Omnibus Incentive Plan
  - 10.14 Form of Performance Unit Award Agreement for Executives under the Quanex Corporation 2006 Omnibus Incentive Plan
  - 10.15 Form of Performance Unit Award Agreement for Non-Employee Directors under the Quanex Corporation 2006 Omnibus Incentive Plan
  - 10.16 Form of Stock Appreciation Right Agreement for Employees under the Quanex Corporation 2006 Omnibus Incentive Plan
  - 10.17 Form of Stock Appreciation Right Agreement for Executives under the Quanex Corporation 2006 Omnibus Incentive Plan
  - 10.18 Form of Stock Appreciation Right Agreement for Non-Employee Directors under the Quanex Corporation 2006 Omnibus Incentive Plan
  - 10.19 Form of Other Stock Based Award Agreement for Executives and Employees under the Quanex Corporation 2006 Omnibus Incentive Plan
  - 10.20 Form of Other Stock Based Award Agreement for Non-Employee Directors under the Quanex Corporation 2006 Omnibus Incentive Plan
  - 10.21 Form of Annual Incentive Award Agreement for Executives under the Quanex Corporation 2006 Omnibus Incentive Plan

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**SIGNATURE**

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

**QUANEX CORPORATION**

(Registrant)

**June 6, 2006**

(Date)

/s/ **KEVIN P. DELANEY**

Kevin P. Delaney

Exhibit Index

10.1	Form of Stock Option Agreement for Employees under the Quanex Corporation 2006 Omnibus Incentive Plan
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Quanex Corporation 2006 Omnibus Incentive Plan

10.19	Form of Other Stock Based Award Agreement for Executives and Employees under the Quanex Corporation 2006 Omnibus Incentive Plan
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QUANEX CORPORATION

EMPLOYEE STOCK OPTION AGREEMENT

<<Full Name>>  
Grantee

Date of Grant: << >>

Total Number of Shares Relating to the Options Granted: << >>

Exercise Price per Share <<\$ >>

(the Exercise Price per Share is equal to the last per share sales price of the common stock of Quanex Corporation for the Date of Grant and, if the stock was not traded on the Date of Grant, the first trading day immediately preceding the Date of Grant, as reported in the New York Stock Exchange Composite Transactions)

Expiration Date: << >>

General Vesting Schedule: [3 years, with vesting in installments of 33 1/3% on the anniversary date of the Date of Grant in each of the years \_\_\_\_\_, \_\_\_\_\_ and \_\_\_\_\_.]  
[100% exercisable on the [first][second][third] anniversary date of the Date of Grant. 0% exercisable prior to the [first][second][third] anniversary of the Date of Grant.]

GRANT OF OPTION

1. **GRANT OF OPTION.** The Compensation Committee of the Board of Directors of Quanex Corporation, a Delaware corporation (the “Company”), pursuant to the Quanex Corporation 2006 Omnibus Incentive Plan (the “Plan”), hereby grants to you, the above-named Grantee, effective as of the Date of Grant set forth above, a nonqualified stock option to purchase the total number of shares set forth above of the Company’s common stock, \$0.50 par value per share, at the exercise price set forth above for each share subject to this option, subject to adjustment as provided in the Plan. The option is exercisable in installments in accordance with the Vesting Schedule set forth above with the exercise price payable at the time of exercise. To the extent not exercised, installments shall be cumulative and may be exercised in whole or in part until the option terminates. The option may not be exercised after the Expiration Date, or the applicable date following your termination of employment specified in this Stock Option Agreement (this “Agreement”).

Employee  
[Cliff Vesting]  
[Graded Vesting]

2. **TERMINATION OF EMPLOYMENT.** The following provisions will apply in the event your employment with the Company and all Affiliates of the Company (collectively, the “Company Group”) terminates before the Expiration Date set forth in the Agreement:

2.1 **Termination Generally.** If your employment with the Company Group terminates before the Expiration Date for any reason other than one of the reasons described in Section 2.2 or Section 2.3 below, all of your rights in the option shall terminate and become null and void on the earlier of the Expiration Date or 90 days after the date your employment with the Company Group terminates. Except as specified in Section 2.2 or Section 2.3 below, in the event your employment with the Company Group terminates, the option shall not continue to vest after such termination of employment.

2.2 **Retirement or Disability.** If your employment with the Company Group terminates due to your Retirement or Disability, then your option shall continue to vest after such termination of employment until the earlier of the Expiration Date or three (3) years after the date your employment with the Company Group terminates as a result of Retirement or a Disability. For purposes of this Section 2.2, the term “Retirement” means the voluntary termination of your employment relationship with the Company Group on or after the date on which (a) you are age 65 or (b) you are age 55 and have five years of service with the Company Group.

2.3 **Death.** If your employment with the Company Group terminates due to your death, then your option shall continue to vest after such termination of employment until the earlier of the Expiration Date or three years after the date of your death. After your death, your executors, administrators or any person or persons to whom your option may be transferred by will or by the laws of descent and distribution, shall have the right, at any time prior to the termination of the option, to exercise the option.

3. **CASHLESS EXERCISE.** Cashless exercise, in accordance with the terms of the Plan, shall be available to you for the shares subject to the option.

4. **TAX WITHHOLDING.** To the extent that the receipt of the option or the Agreement, the vesting of the option or the exercise of the option results in income to you for federal, state or local income, employment or other tax purposes with respect to which the Company Group has a withholding obligation, you shall deliver to the Company at the time of such receipt, vesting or exercise, as the case may be, such amount of money as the Company Group may require to meet its obligation under applicable tax laws or regulations, and, if you fail to do so, the Company Group is

authorized to withhold from the shares subject to the option or from any cash or stock remuneration then or thereafter payable to you any tax required to be withheld by reason of such taxable income, sufficient to satisfy the withholding obligation based on the last per share sales price of the common stock of the Company for the trading day immediately preceding the date that the withholding obligation arises, as reported in the New York Stock Exchange Composite Transactions.

5. **NONTRANSFERABILITY.** Except as specified in this Agreement, the option and the Agreement are not transferable or assignable by you other than by will or the laws of descent and distribution, and shall be exercisable during your lifetime only by you. You may transfer this option to a member or members of your immediate family, a trust under which your immediate family members are the only beneficiaries and a partnership of which your immediate family members are the only partners. For this purpose, “immediate family” means your spouse, children, stepchildren, grandchildren, parents, grandparents, siblings (including half brothers and sisters), and individuals who are family members by adoption. Notwithstanding any other provision of this Agreement, such a transferee of the option granted under this Agreement may exercise the option during your lifetime. None of the Company, its

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employees or directors makes any representations or guarantees concerning the tax consequences associated with the inclusion of this provision in this Agreement, your transfer of the option granted under this Agreement or the transferee’s exercise of the option. It is your sole responsibility to seek advice from your own tax advisors concerning those tax consequences. You are entitled to rely upon only the tax advice of his own tax advisors.

6. **CAPITAL ADJUSTMENTS AND REORGANIZATIONS.** The existence of the option shall not affect in any way the right or power of the Company or any company the stock of which is issued pursuant to the Agreement to make or authorize any adjustment, recapitalization, reorganization or other change in its capital structure or its business, engage in any merger or consolidation, issue any debt or equity securities, dissolve or liquidate, or sell, lease, exchange or otherwise dispose of all or any part of its assets or business, or engage in any other corporate act or proceeding.
7. **EMPLOYMENT RELATIONSHIP.** For purposes of the Agreement, you shall be considered to be in the employment of the Company Group as long as you have an employment relationship with the Company Group. The Committee shall determine any questions as to whether and when there has been a termination of such employment relationship, and the cause of such termination, under the Plan and the Committee’s determination shall be final and binding on all persons.
8. **NO RIGHTS AS A STOCKHOLDER.** You shall not have any rights as a stockholder of the Company with respect to any shares of common stock covered by the option until the date of the issuance of the shares following exercise of the option pursuant to this Agreement and payment for the shares.
9. **NOT AN EMPLOYMENT AGREEMENT.** The Agreement is not an employment agreement, and no provision of the Agreement shall be construed or interpreted to create an employment relationship between you and the Company or any of its Affiliates or guarantee the right to remain employed by the Company or any of its Affiliates for any specified term.
10. **SECURITIES ACT LEGEND.** If you are an officer or affiliate of the Company under the Securities Act of 1933, you consent to the placing on any certificate for the Shares of an appropriate legend restricting resale or other transfer of the Shares except in accordance with such Act and all applicable rules thereunder.
11. **LIMIT OF LIABILITY.** Under no circumstances will the Company Group be liable for any indirect, incidental, consequential or special damages (including lost profits) of any form incurred by any person, whether or not foreseeable and regardless of the form of the act in which such a claim may be brought, with respect to the Plan.
12. **REGISTRATION.** The Shares that may be issued under the Plan are registered with the Securities and Exchange Commission under a Registration Statement on Form S-8.
13. **SALE OF SECURITIES.** The Shares that may be issued under this Agreement may not be sold or otherwise disposed of in any manner that would constitute a violation of any applicable federal or state securities laws. You also agree that (a) the Company may refuse to cause the transfer of the Shares to be registered on the stock register of the Company if such proposed transfer would in the opinion of counsel satisfactory to the Company constitute a violation of any applicable federal or state securities law and (b) the Company may give related instructions to the transfer agent, if any, to stop registration of the transfer of the Shares.

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14. **MISCELLANEOUS.** The Agreement and the option are awarded pursuant to and are subject to all of the provisions of the Plan, which are incorporated by reference herein, including all amendments to the Plan, if any. In the event of a conflict between this Agreement and the Plan provisions, the Plan provisions will control. Capitalized terms that are not defined herein or in the Agreement shall have the meanings ascribed to such terms in the Plan.

By your acceptance of the option, you agree that the option is granted under, governed by and subject to the terms of the Plan and this Agreement.

**QUANEX CORPORATION**

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Raymond Jean – Chief Executive Officer

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QUANEX CORPORATION

EXECUTIVE STOCK OPTION AGREEMENT

<<Full Name>>  
Grantee

Date of Grant: << >>

Total Number of Shares Relating to the Options Granted: << >>

Exercise Price per Share <<\$ >>

(the Exercise Price per Share is equal to the last per share sales price of the common stock of Quanex Corporation for the Date of Grant and, if the stock was not traded on the Date of Grant, the first trading day immediately preceding the Date of Grant, as reported in the New York Stock Exchange Composite Transactions)

Expiration Date: << >>

General Vesting Schedule: [3 years, with vesting in installments of 33 1/3% on the anniversary date of the Date of Grant in each of the years \_\_\_\_\_, \_\_\_\_\_ and \_\_\_\_\_.]  
[100% exercisable on the [first][second][third] anniversary date of the Date of Grant.  
0% exercisable prior to the [first][second][third] anniversary of the Date of Grant.]

GRANT OF OPTION

1. **GRANT OF OPTION.** The Compensation Committee of the Board of Directors of Quanex Corporation, a Delaware corporation (the “Company”), pursuant to the Quanex Corporation 2006 Omnibus Incentive Plan (the “Plan”), hereby grants to you, the above-named Grantee, effective as of the Date of Grant set forth above, a nonqualified stock option to purchase the total number of shares set forth above of the Company’s common stock, \$0.50 par value per share, at the exercise price set forth above for each share subject to this option, subject to adjustment as provided in the Plan. The option is exercisable in installments in accordance with the Vesting Schedule set forth above with the exercise price payable at the time of exercise. To the extent not exercised, installments shall be cumulative and may be exercised in whole or in part until the option terminates. The option may not be exercised after the Expiration Date, or the applicable date following your termination of employment specified in this Stock Option Agreement (this “Agreement”).

*Executive*  
**[Cliff Vesting]**  
**[Graded Vesting]**

2. **TERMINATION OF EMPLOYMENT/CHANGE IN CONTROL.** The following provisions will apply in the event your employment with the Company and all Affiliates of the Company (collectively, the “Company Group”) terminates or a change in control of the Company as defined in the Change in Control Agreement between you and the Company (“Change in Control”) occurs before the Expiration Date set forth in the Agreement:

2.1 **Termination Generally.** If your employment with the Company Group terminates before the Expiration Date for any reason other than one of the reasons described in Sections 2.2 through 2.4 below, all of your rights in the option shall terminate and become null and void on the earlier of the Expiration Date or 90 days after the date your employment with the Company Group terminates. Except as specified in Sections 2.2 through 2.4 below, in the event your employment with the Company Group terminates for any reason, the option shall not continue to vest after such termination of employment.

2.2 **Potential or Actual Change in Control.**

(i) **Termination Without Cause or for Good Reason in Connection With a Potential Change in Control Before the Expiration Date.** If (a) the Company Group terminates your employment without Cause (as defined in the Change in Control Agreement between you and the Company) on or before the third anniversary of the date of Grant (“Third Anniversary Date”) prior to a Change in Control (whether or not a Change in Control ever occurs) and such termination is at the request or direction of a person who has entered into an agreement with the Company the consummation of which would constitute a Change in Control or is otherwise in connection with or in anticipation of a Change in Control (whether or not a Change in Control ever occurs) or (b) you terminate your employment with the Company Group for Good Reason (as defined in the Change in Control Agreement between you and the Company) on or before the Third Anniversary Date prior to a Change in Control (whether or not a Change in Control ever occurs), and such termination or the circumstance or event which constitutes Good Reason occurs at the request or direction of a person who has entered into an agreement with the Company the consummation of which would constitute a Change in Control or is otherwise in connection with or in anticipation of a Change in Control (whether or not a Change in Control ever occurs), then the option shall become fully exercisable on the date of the termination of your employment relationship.

(ii) **Employment Not Terminated Before a Change in Control on or Before the Expiration Date.** If a Change in Control occurs on or before the Third Anniversary Date and your employment with the Company Group does not terminate before the date the Change in

2.3 **Retirement or Disability.** If your employment with the Company Group terminates due to your Retirement or Disability, then your option shall continue to vest after such termination of employment until the earlier of the Expiration Date or three (3) years after the date your employment with the Company Group terminates as a result of Retirement or a Disability. For purposes of this Section 2.3, the term “*Retirement*” means the voluntary termination of your employment relationship with the Company Group on or after the date on which (a) you are age 65 or (b) you are age 55 and have five years of service with the Company Group.

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2.4 **Death.** If your employment with the Company Group terminates due to your death, then your option shall continue to vest after such termination of employment until the earlier of the Expiration Date or three years after the date of your death. After your death, your executors, administrators or any person or persons to whom your option may be transferred by will or by the laws of descent and distribution, shall have the right, at any time prior to the termination of the option to exercise the option.

3. **CASHLESS EXERCISE.** Cashless exercise, in accordance with the terms of the Plan, shall be available to you for the shares subject to the option.
4. **TAX WITHHOLDING.** To the extent that the receipt of the option or the Agreement, the vesting of the option or the exercise of the option results in income to you for federal, state or local income, employment or other tax purposes with respect to which the Company Group has a withholding obligation, you shall deliver to the Company at the time of such receipt, vesting or exercise, as the case may be, such amount of money as the Company Group may require to meet its obligation under applicable tax laws or regulations, and, if you fail to do so, the Company Group is authorized to withhold from the shares subject to the option or from any cash or stock remuneration then or thereafter payable to you any tax required to be withheld by reason of such taxable income, sufficient to satisfy the withholding obligation based on the last per share sales price of the common stock of the Company for the trading day immediately preceding the date that the withholding obligation arises, as reported in the New York Stock Exchange Composite Transactions.
5. **NONTRANSFERABILITY.** Except as specified in this Agreement, the option and the Agreement are not transferable or assignable by you other than by will or the laws of descent and distribution, and shall be exercisable during your lifetime only by you. You may transfer this option to a member or members of your immediate family, a trust under which your immediate family members are the only beneficiaries and a partnership of which your immediate family members are the only partners. For this purpose, “immediate family” means your spouse, children, stepchildren, grandchildren, parents, grandparents, siblings (including half brothers and sisters), and individuals who are family members by adoption. Notwithstanding any other provision of this Agreement, such a transferee of the option granted under this Agreement may exercise the option during your lifetime. None of the Company, its employees or directors makes any representations or guarantees concerning the tax consequences associated with the inclusion of this provision in this Agreement, your transfer of the option granted under this Agreement or the transferee’s exercise of the option. It is your sole responsibility to seek advice from your own tax advisors concerning those tax consequences. You are entitled to rely upon only the tax advice of his own tax advisors.
6. **CAPITAL ADJUSTMENTS AND REORGANIZATIONS.** The existence of the option shall not affect in any way the right or power of the Company or any company the stock of which is issued pursuant to the Agreement to make or authorize any adjustment, recapitalization, reorganization or other change in its capital structure or its business, engage in any merger or consolidation, issue any debt or equity securities, dissolve or liquidate, or sell, lease, exchange or otherwise dispose of all or any part of its assets or business, or engage in any other corporate act or proceeding.
7. **EMPLOYMENT RELATIONSHIP.** For purposes of the Agreement, you shall be considered to be in the employment of the Company Group as long as you have an employment relationship with the Company Group. The Committee shall determine any questions as to whether and when there has been a termination of such employment relationship, and the cause of such termination, under the Plan and the Committee’s determination shall be final and binding on all persons.

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8. **NO RIGHTS AS A STOCKHOLDER.** You shall not have any rights as a stockholder of the Company with respect to any shares covered by the option until the date of the issuance of such shares following exercise of the option pursuant to the Agreement and payment for the shares.
9. **NOT AN EMPLOYMENT AGREEMENT.** The Agreement is not an employment agreement, and no provision of the Agreement shall be construed or interpreted to create an employment relationship between Grantee and the Company or any of its Affiliates or guarantee the right to remain employed by the Company or any of its Affiliates for any specified term.
10. **SECURITIES ACT LEGEND.** If you are an officer or affiliate of the Company under the Securities Act of 1933, you consent to the placing on any certificate for the Shares of an appropriate legend restricting resale or other transfer of the Shares except in accordance with such Act and all applicable rules thereunder.
11. **REGISTRATION.** The Shares that may be issued under the Plan are registered with the Securities and Exchange Commission under a Registration Statement on Form S-8.
12. **SALE OF SECURITIES.** The Shares that may be issued under this Agreement may not be sold or otherwise disposed of in any manner that would constitute a violation of any applicable federal or state securities laws. You also agree that (a) the Company may refuse to cause the transfer of the Shares to be registered on the stock register of the Company if such proposed transfer would in the opinion of counsel satisfactory to the Company constitute a violation of any applicable federal or state securities law and (b) the Company may give related instructions to the transfer agent, if any, to stop registration of the transfer of the Shares.
13. **LIMIT OF LIABILITY.** Under no circumstances will the Company Group be liable for any indirect, incidental, consequential or special damages (including lost profits) of any form incurred by any person, whether or not foreseeable and regardless of the form of the act in which such a claim

may be brought, with respect to the Plan.

14. **MISCELLANEOUS.** The Agreement and the option are awarded pursuant to and is subject to all of the provisions of the Plan, which are incorporated by reference herein, including all amendments to the Plan, if any. In the event of a conflict between this Agreement and the Plan provisions, the Plan provisions will control. Capitalized terms that are not defined herein or in the Agreement shall have the meanings ascribed to such terms in the Plan.

By your acceptance of the option, you agree that the option is granted under, governed by and subject to the terms of the Plan and this Agreement.

**QUANEX CORPORATION**

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Raymond Jean – Chief Executive Officer





QUANEX CORPORATION  
DIRECTOR STOCK OPTION AGREEMENT

<<Full Name>>  
Grantee

Date of Grant: << >>

Total Number of Shares Relating to the Options Granted: << >>

Exercise Price per Share <<\$ >>

(the Exercise Price per Share is equal to the last per share sales price of the common stock of Quanex Corporation for the Date of Grant and, if the stock was not traded on the Date of Grant, the first trading day immediately preceding the Date of Grant, as reported in the New York Stock Exchange Composite Transactions)

Expiration Date: << >>

General Vesting Schedule: [100% exercisable on Date of Grant.]

**[3 years, with vesting in installments of 33 1/3% on the anniversary date of the Date of Grant in each of the years \_\_\_\_\_, \_\_\_\_\_ and \_\_\_\_\_.]**  
[100% exercisable on the [first][second][third] anniversary date of the Date of Grant.  
0% exercisable prior to the [first][second][third] anniversary of the Date of Grant.]

**GRANT OF OPTION**

1. **GRANT OF OPTION.** Quanex Corporation, a Delaware corporation (the “Company”), pursuant to the Quanex Corporation 2006 Omnibus Incentive Plan (the “Plan”), hereby grants to you, the above-named Grantee, effective as of the Date of Grant set forth above, a nonqualified stock option to purchase the total number of shares set forth above of the Company’s common stock, \$0.50 par value per share, at the exercise price set forth above for each share subject to this option, subject to adjustment as provided in the Plan. The option is exercisable in installments in accordance with the Vesting Schedule set forth above with the exercise price payable at the time of exercise. To the extent not exercised, installments shall be cumulative and may be exercised in whole or in part until the option terminates. The option may not be exercised after the Expiration Date, or the applicable date following your termination of membership on the Board of Directors of the Company specified in this Stock Option Agreement (this “Agreement”).

Director  
[Cliff Vesting]—[Graded Vesting]—[Immediate Vesting]

2. **TERMINATION OF MEMBERSHIP/CHANGE IN CONTROL.** The following provisions will apply in the event you cease to be a member of the Board of Directors of the Company (the “Board”), or “a change in the ownership or effective control of the corporation” or a “change in the ownership of a substantial portion of the assets of the corporation” (“Change in Control”) occurs before the Expiration Date set forth in the Agreement:

2.1 **Termination Generally.** If you cease to be a member of the Board before the Expiration Date for any reason other than one of the reasons described in Sections 2.2 through 2.4 below, all of your rights in the option shall terminate and become null and void on the earlier of the Expiration Date or 90 days after the date your membership on the Board terminates. Except as specified in Sections 2.2 through 2.4 below, the option shall not continue to vest in the event you cease to be a member of the Board for any reason.

2.2 **Change in Control.** If a Change in Control occurs on or before the Expiration Date, then your rights under the option that have not then vested shall vest on the effective date of the Change in Control. All rights in the option shall terminate and become null and void on the earlier of the Expiration Date or three years after the date of the Change in Control.

2.3 **Retirement or Disability.** If you cease to be a member of the Board due to your Retirement or Disability, then your option shall continue to vest after such termination of employment until the earlier of the Expiration Date or three (3) years after the date you cease to be a member of the Board as a result of Retirement or a Disability. For purposes of this Section 2.3, the term “Retirement” means your voluntary cessation of your membership as a director with the Company on or after the later of (a) the date on which you attain age 70 or (b) the date your term as a director expires if you attain age 70 during such term; provided, that that with respect to any person who was a director on November 1, 1996, the reference to “70 years” shall be changed to “72 years.”

2.4 **Death.** If you cease to be a member of the Board due to your death, then your option shall continue to vest after such termination of employment until the earlier of the Expiration Date or three years after the date of your death. After your death, your executors, administrators or any person or persons to whom your option may be transferred by will or by the laws of descent and distribution, shall have the right, at any time prior to the termination of the option to exercise the option.

3. **CASHLESS EXERCISE.** Cashless exercise, in accordance with the terms of the Plan, shall be available to you for the shares subject to the option.
4. **NONTRANSFERABILITY.** Except as specified in this Agreement, the option and the Agreement are not transferable or assignable by you other than by will or the laws of descent and distribution, and shall be exercisable during your lifetime only by you. You may transfer this option to a member or members of your immediate family, a trust under which your immediate family members are the only beneficiaries and a partnership of which your immediate family members are the only partners. For this purpose, "immediate family" means your spouse, children, stepchildren, grandchildren, parents, grandparents, siblings (including half brothers and sisters), and individuals who are family members by adoption. Notwithstanding any other provision of this Agreement, such a transferee of the option granted under this Agreement may exercise the option during your lifetime. None of the Company, its employees or directors makes any representations or guarantees concerning the tax consequences associated with the inclusion of this provision in this Agreement, your transfer of the option granted under this Agreement or the transferee's exercise of the option. It is your sole responsibility to seek advice from your own tax advisors concerning those tax consequences. You are entitled to rely upon only the tax advice of his own tax advisors.

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5. **CAPITAL ADJUSTMENTS AND REORGANIZATIONS.** The existence of the option shall not affect in any way the right or power of the Company or any company the stock of which is issued pursuant to the Agreement to make or authorize any adjustment, recapitalization, reorganization or other change in its capital structure or its business, engage in any merger or consolidation, issue any debt or equity securities, dissolve or liquidate, or sell, lease, exchange or otherwise dispose of all or any part of its assets or business, or engage in any other corporate act or proceeding.
6. **NO RIGHTS AS A STOCKHOLDER.** You shall not have any rights as a stockholder of the Company with respect to any shares covered by the option until the date of the issuance of such shares following exercise of the option pursuant to this Agreement and payment for the shares.
7. **SECURITIES ACT LEGEND.** If you are an officer or affiliate of the Company under the Securities Act of 1933, you consent to the placing on any certificate for the Shares of an appropriate legend restricting resale or other transfer of the Shares except in accordance with such Act and all applicable rules thereunder.
8. **LIMIT OF LIABILITY.** Under no circumstances will the Company be liable for any indirect, incidental, consequential or special damages (including lost profits) of any form incurred by any person, whether or not foreseeable and regardless of the form of the act in which such a claim may be brought, with respect to the Plan.
9. **REGISTRATION.** The Shares that may be issued under the Plan are registered with the Securities and Exchange Commission under a Registration Statement on Form S-8.
10. **SALE OF SECURITIES.** The Shares that may be issued under this Agreement may not be sold or otherwise disposed of in any manner that would constitute a violation of any applicable federal or state securities laws. You also agree that (a) the Company may refuse to cause the transfer of the Shares to be registered on the stock register of the Company if such proposed transfer would in the opinion of counsel satisfactory to the Company constitute a violation of any applicable federal or state securities law and (b) the Company may give related instructions to the transfer agent, if any, to stop registration of the transfer of the Shares.
11. **MISCELLANEOUS.** The Agreement and the option are awarded pursuant to and is subject to all of the provisions of the Plan, which are incorporated by reference herein, including all amendments to the Plan, if any. In the event of a conflict between this Agreement and the Plan provisions, the Plan provisions will control. Capitalized terms that are not defined herein shall have the meanings ascribed to such terms in the Plan or this Agreement.

By your acceptance of the option, you agree that the option is granted under, governed by and subject to the terms of the Plan and this Agreement.

**QUANEX CORPORATION**

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Raymond Jean – Chief Executive Officer

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QUANEX CORPORATION

EMPLOYEE RESTRICTED STOCK AWARD AGREEMENT

<<Full Name>>  
Grantee

Date of Award: << >>

Number of Shares: << >>

General Vesting Schedule/Restriction Period: [3 years, with vesting in installments of 33 1/3% on the anniversary date of the Date of Award in each of the years \_\_\_\_\_, \_\_\_\_\_ and \_\_\_\_\_.]

*[100% exercisable on the [first][second][third] anniversary of the Date of Award. 0% exercisable prior to the [first][second][third] anniversary of the Date of Award.]*

AWARD OF RESTRICTED STOCK

1. **GRANT OF RESTRICTED STOCK AWARD.** The Compensation Committee (the “Committee”) of the Board of Directors of Quanex Corporation, a Delaware corporation (the “Company”), pursuant to the Quanex Corporation 2006 Omnibus Incentive Plan (the “Plan”), hereby awards to you, the above-named Grantee, effective as of the Date of Award set forth above (the “Date of Award”), that number of shares (the “Shares”) of the Company’s common stock, \$0.50 par value per share (the “Common Stock”), set forth above as Restricted Stock on the following terms and conditions:

During the Restricted Period, the Shares of Restricted Stock will be evidenced by entries in the stock register of the Company reflecting that such Shares of Restricted Stock have been issued in your name. For purposes of this Agreement, the term “Restricted Period” means the period designated by the Committee during which the Shares may not be sold, assigned, transferred, pledged, or otherwise encumbered.

The Shares that are awarded hereby to you as Restricted Stock shall be subject to the prohibitions and restrictions set forth herein with respect to the sale or other disposition of such Shares and the obligation to forfeit and surrender such Shares to the Company (the “Forfeiture Restrictions”). The Restricted Period and all Forfeiture Restrictions on the Restricted Stock covered hereby shall lapse as to those shares when the shares become vested and you meet all other terms and conditions of this Agreement.

2. **TERMINATION OF EMPLOYMENT.** The following provisions will apply in the event your employment with the Company and all Affiliates (collectively, the “Company Group”) terminates before the third anniversary of the Date of Award (the “Third Anniversary Date”) under the Agreement:

2.1 **Termination Generally.** Except as specified in Sections 2.2 or 2.3 below, if your employment with the Company Group terminates on or before the Third Anniversary Date, the Forfeiture Restrictions then applicable to the Shares of Restricted Stock shall not lapse and the number of Shares of Restricted Stock then subject to the Forfeiture Restrictions shall be forfeited to the Company on the date your employment terminates.

Employee  
*[Cliff Vesting]—[Graded Vesting]*

2.2 **Disability.** Notwithstanding any other provision of this Agreement to the contrary, if you incur a Disability before the Third Anniversary Date and while in the active employ of one or more members of the Company Group, all remaining Forfeiture Restrictions shall lapse on a prorated basis determined by dividing the number of days during the period commencing on the [last anniversary vesting date]/[Date of Grant] and ending on the date of your Disability by 1095.

2.3 **Death.** Notwithstanding any other provision of this Agreement to the contrary, if you die before the Third Anniversary Date and while in the active employ of one or more members of the Company Group, all remaining Forfeiture Restrictions shall lapse on a prorated basis determined by dividing the number of days during the period commencing on the [last anniversary vesting date]/[Date of Grant] and ending on the date of your death by 1095.

3. **TAX WITHHOLDING.** To the extent that the receipt of the Shares of Restricted Stock or the lapse of any Forfeiture Restrictions results in income, wages or other compensation to you for any income, employment or other tax purposes with respect to which the Company has a withholding obligation, you shall deliver to the Company at the time of such receipt or lapse, as the case may be, such amount of money as the Company may require to meet its obligation under applicable tax laws or regulations, and, if you fail to do so, the Company is authorized to withhold from the Shares awarded hereby or from any cash or stock remuneration or other payment then or thereafter payable to you any tax required to be withheld by reason of such taxable income, wages or compensation sufficient to satisfy the withholding obligation based on the last per share sales price of the Common Stock for the trading day immediately preceding the date that the withholding obligation arises, as reported in the New York Stock Exchange Composite Transactions.

4. **NONTRANSFERABILITY.** This Agreement is not transferable by you otherwise than by will or by the laws of descent and distribution. The Shares of Restricted Stock awarded hereby may not be sold, assigned, pledged, exchanged, hypothecated or otherwise transferred, encumbered or disposed of (other than by will or the applicable laws of descent and distribution) to the extent then subject to the Forfeiture Restrictions. Any such

attempted sale, assignment, pledge, exchange, hypothecation, transfer, encumbrance or disposition in violation of this Agreement shall be void and the Company Group shall not be bound thereby.

Further, the Shares awarded hereby that are no longer subject to Forfeiture Restrictions may not be sold or otherwise disposed of in any manner that would constitute a violation of any applicable federal or state securities laws. You also agree that (a) the Company may refuse to cause the transfer of the Shares to be registered on the stock register of the Company if such proposed transfer would in the opinion of counsel satisfactory to the Company constitute a violation of any applicable federal or state securities law and (b) the Company may give related instructions to the transfer agent, if any, to stop registration of the transfer of the Shares. Upon the lapse of the Forfeiture Restrictions with respect to Shares awarded hereby such Shares shall be transferable by you (except to the extent that any proposed transfer would, in the opinion of counsel satisfactory to the Company, constitute a violation of applicable federal or state securities law).

5. **CAPITAL ADJUSTMENTS AND REORGANIZATIONS.** The existence of the Shares of Restricted Stock shall not affect in any way the right or power of the Company or any company the stock of which is awarded pursuant to this Agreement to make or authorize any adjustment, recapitalization, reorganization or other change in its capital structure or its business, engage in any merger or consolidation, issue any debt or equity securities, dissolve or liquidate, or sell, lease, exchange or otherwise dispose of all or any part of its assets or business, or engage in any other corporate act or proceeding.
6. **RIGHTS REGARDING DISTRIBUTIONS MADE BY THE COMPANY DURING THE RESTRICTED PERIOD.** During the Restricted Period, (a) any securities of the Company distributed by the Company in respect of the Shares of Restricted Stock will be evidenced by entries in the appropriate securities register of the Company reflecting that such securities of the Company, if any, have been issued in your name (the "*Retained Company Securities*") and (b) any securities of any company other than the Company or any other property (other than regular cash dividends) distributed by the Company in respect of the Shares of Restricted Stock will be evidenced

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in your name by such certificates or in such other manner as the Company determines (the "*Retained Other Securities and Property*") and may bear a restrictive legend to the effect that ownership of such Retained Other Securities and Property and the enjoyment of all rights appurtenant thereto, are subject to the restrictions, terms, and conditions provided in the Plan and this Agreement. The Retained Company Securities and the Retained Other Securities and Property (collectively, the "*Retained Distributions*") shall be subject to the same restrictions, terms and conditions as are applicable to the Shares of Restricted Stock.

7. **RIGHTS WITH RESPECT TO SHARES OF RESTRICTED STOCK AND RETAINED DISTRIBUTIONS DURING RESTRICTED PERIOD.** You shall have the right to vote the Shares of Restricted Stock awarded to you and to receive and retain all regular cash dividends (which will be paid currently and in no case later than the end of the calendar year in which the dividends are paid to the holders of the Common Stock or, if later, the 15th day of the third month following the date the dividends are paid to the holders of the Common Stock), and to exercise all other rights, powers and privileges of a holder of the Common Stock, with respect to such Shares of Restricted Stock, with the exception that (a) you shall not be entitled to have custody of such Shares of Restricted Stock until the Forfeiture Restrictions applicable thereto shall have lapsed, (b) the Company shall retain custody of all Retained Distributions made or declared with respect to the Shares of Restricted Stock until such time, if ever, as the Forfeiture Restrictions applicable to the Shares of Restricted Stock with respect to which such Retained Distributions shall have been made, paid, or declared shall have lapsed, and such Retained Distributions shall not bear interest or be segregated in separate accounts and (c) you may not sell, assign, transfer, pledge, exchange, encumber, or dispose of the Shares of Restricted Stock or any Retained Distributions during the Restricted Period. During the Restricted Period, the Company may, in its sole discretion, issue certificates for some or all of the Shares of Restricted Stock, in which case all such certificates shall be delivered to the Corporate Secretary of the Company or to such other depository as may be designated by the Committee as a depository for safekeeping until the forfeiture of such Shares of Restricted Stock occurs or the Forfeiture Restrictions lapse. When requested by the Company, you shall execute such stock powers or other instruments of assignment as the Company requests relating to transfer to the Company of all or any portion of such Shares of Restricted Stock and any Retained Distributions that are forfeited in accordance with the Plan and this Agreement.
8. **EMPLOYMENT RELATIONSHIP.** For purposes of this Agreement, you shall be considered to be in the employment of the Company Group as long as you have an employment relationship with the Company Group. The Committee shall determine any questions as to whether and when there has been a termination of such employment relationship, and the cause of such termination, under the Plan and the Committee's determination shall be final and binding on all persons.
9. **SECTION 83(B) ELECTION.** You shall not exercise the election permitted under Section 83(b) of the Code with respect to the Shares of Restricted Stock without the written approval of the Chief Financial Officer or General Counsel of the Company.
10. **NOT AN EMPLOYMENT AGREEMENT.** This Agreement is not an employment agreement, and no provision of this Agreement shall be construed or interpreted to create an employment relationship between you and the Company or any Affiliate or guarantee the right to remain employed by the Company or any Affiliate for any specified term.
11. **SECURITIES ACT LEGEND.** If you are an officer or affiliate of the Company under the Securities Act of 1933, you consent to the placing on any certificate for the Shares of an appropriate legend restricting resale or other transfer of the Shares except in accordance with such Act and all applicable rules thereunder.
12. **REGISTRATION.** The Shares that may be issued under the Plan are registered with the Securities and Exchange Commission under a Registration Statement on Form S-8.
13. **LIMIT OF LIABILITY.** Under no circumstances will the Company or any Affiliate be liable for any indirect, incidental, consequential or special damages (including lost profits) of any form incurred by any person, whether or not foreseeable and regardless of the form of the act in which such a claim may be brought, with respect to the Plan.

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14. **MISCELLANEOUS.** This Agreement is awarded pursuant to and is subject to all of the provisions of the Plan, including amendments to the Plan, if any. In the event of a conflict between this Agreement and the Plan provisions, the Plan provisions will control. The term “you” and “your” refer to the Grantee named in the Agreement. Capitalized terms that are not defined herein shall have the meanings ascribed to such terms in the Plan or this Agreement.

In accepting the award of Shares of Restricted Stock set forth in this Agreement you accept and agree to be bound by all the terms and conditions of the Plan and this Agreement.

**QUANEX CORPORATION**

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Raymond Jean – Chief Executive Officer



QUANEX CORPORATION

EXECUTIVE RESTRICTED STOCK AWARD AGREEMENT

<<Full Name>>  
Grantee

Date of Award: << >>

Number of Shares: << >>

General Vesting Schedule/Restriction Period: [3 years, with vesting in installments of 33 1/3% on the anniversary date of the Date of Award in each of the years \_\_\_\_\_, \_\_\_\_\_ and \_\_\_\_\_.]

*[100% exercisable on the [first][second][third] anniversary of the Date of Award. 0% exercisable prior to the [first][second][third] anniversary of the Date of Award.]*

AWARD OF RESTRICTED STOCK

1. **GRANT OF RESTRICTED STOCK AWARD.** The Compensation Committee (the “Committee”) of the Board of Directors of Quanex Corporation, a Delaware corporation (the “Company”), pursuant to the Quanex Corporation 2006 Omnibus Incentive Plan (the “Plan”), hereby awards to you, the above-named Grantee, effective as of the Date of Award set forth above (the “Date of Award”), that number of shares (the “Shares”) of the Company’s common stock, \$0.50 par value per share (the “Common Stock”), set forth above as Restricted Stock on the following terms and conditions:

During the Restricted Period, the Shares of Restricted Stock will be evidenced by entries in the stock register of the Company reflecting that such Shares of Restricted Stock have been issued in your name. For purposes of this Agreement, the term “Restricted Period” means the period designated by the Committee during which the Shares may not be sold, assigned, transferred, pledged, or otherwise encumbered.

The Shares that are awarded hereby to you as Restricted Stock shall be subject to the prohibitions and restrictions set forth herein with respect to the sale or other disposition of such Shares and the obligation to forfeit and surrender such Shares to the Company (the “Forfeiture Restrictions”). The Restricted Period and all Forfeiture Restrictions on the Restricted Stock covered hereby shall lapse as to those shares when the shares become vested and you meet all other terms and conditions of this Agreement.

2. **TERMINATION OF EMPLOYMENT/CHANGE IN CONTROL.** The following provisions will apply in the event your employment with the Company and all Affiliates (collectively, the “Company Group”) terminates, or a change in control of the Company as defined in the Change in Control Agreement between you and the Company (“Change in Control”) occurs, before the third anniversary of the Date of Award (the “Third Anniversary Date”) under the Agreement:

2.1 **Termination Generally.** Except as specified in Sections 2.2 through 2.4 below, if your employment with the Company Group terminates on or before the Third Anniversary Date, the Forfeiture Restrictions then applicable to the Shares of Restricted Stock shall not lapse and the number of Shares of Restricted Stock then subject to the Forfeiture Restrictions shall be forfeited to the Company on the date your employment terminates.

Executive  
[Cliff Vesting]—[Graded Vesting]

2.2 **Potential or Actual Change in Control.**

(i) **Termination Without Cause or for Good Reason in Connection With a Potential Change in Control Before the Third Anniversary Date.** If (a) the Company Group terminates your employment without Cause (as defined in the Change in Control Agreement between you and the Company) on or before the Third Anniversary Date prior to a Change in Control (whether or not a Change in Control ever occurs) and such termination is at the request or direction of a person who has entered into an agreement with the Company the consummation of which would constitute a Change in Control or is otherwise in connection with or in anticipation of a Change in Control (whether or not a Change in Control ever occurs) or (b) you terminate your employment with the Company Group for Good Reason (as defined in the Change in Control Agreement between you and the Company) on or before the Third Anniversary Date prior to a Change in Control (whether or not a Change in Control ever occurs), and such termination or the circumstance or event which constitutes Good Reason occurs at the request or direction of a person who has entered into an agreement with the Company the consummation of which would constitute a Change in Control or is otherwise in connection with or in anticipation of a Change in Control (whether or not a Change in Control ever occurs), then all remaining Forfeiture Restrictions shall immediately lapse on the date of the termination of your employment relationship.

(ii) **Employment Not Terminated Before a Change in Control on or Before the Third Anniversary Date.** If a Change in Control occurs on or before the Third Anniversary Date and your employment with the Company Group does not terminate before the date the Change in Control occurs, then all remaining Forfeiture Restrictions shall immediately lapse on the date the Change in Control occurs.

2.3 **Disability.** Notwithstanding any other provision of this Agreement to the contrary, if you incur a Disability before the Third Anniversary Date and while in the active employ of one or more members of the Company Group, all remaining Forfeiture Restrictions shall lapse on a prorated basis determined by dividing the number of days during the period commencing on the [last anniversary vesting date]/[Date of Grant] and ending on the date of your Disability by 1095.

2.4 **Death.** Notwithstanding any other provision of this Agreement to the contrary, if you die before the Third Anniversary Date and while in the active employ of one or more members of the Company Group, all remaining Forfeiture Restrictions shall lapse on a prorated basis determined by dividing the number of days during the period commencing on the **[last anniversary vesting date]/[Date of Grant]** and ending on the date of your death by 1095.

3. **TAX WITHHOLDING.** To the extent that the receipt of the Shares of Restricted Stock or the lapse of any Forfeiture Restrictions results in income, wages or other compensation to you for any income, employment or other tax purposes with respect to which the Company has a withholding obligation, you shall deliver to the Company at the time of such receipt or lapse, as the case may be, such amount of money as the Company may require to meet its obligation under applicable tax laws or regulations, and, if you fail to do so, the Company is authorized to withhold from the Shares awarded hereby or from any cash or stock remuneration or other payment then or thereafter payable to you any tax required to be withheld by reason of such taxable income, wages or compensation sufficient to satisfy the withholding obligation based on the last per share sales price of the Common Stock for the trading day immediately preceding the date that the withholding obligation arises, as reported in the New York Stock Exchange Composite Transactions.

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4. **NONTRANSFERABILITY.** This Agreement is not transferable by you otherwise than by will or by the laws of descent and distribution. The Shares of Restricted Stock awarded hereby may not be sold, assigned, pledged, exchanged, hypothecated or otherwise transferred, encumbered or disposed of (other than by will or the applicable laws of descent and distribution) to the extent then subject to the Forfeiture Restrictions. Any such attempted sale, assignment, pledge, exchange, hypothecation, transfer, encumbrance or disposition in violation of this Agreement shall be void and the Company Group shall not be bound thereby.

Further, the Shares awarded hereby that are no longer subject to Forfeiture Restrictions may not be sold or otherwise disposed of in any manner that would constitute a violation of any applicable federal or state securities laws. You also agree that (a) the Company may refuse to cause the transfer of the Shares to be registered on the stock register of the Company if such proposed transfer would in the opinion of counsel satisfactory to the Company constitute a violation of any applicable federal or state securities law and (b) the Company may give related instructions to the transfer agent, if any, to stop registration of the transfer of the Shares. Upon the lapse of the Forfeiture Restrictions with respect to Shares awarded hereby such Shares shall be transferable by you (except to the extent that any proposed transfer would, in the opinion of counsel satisfactory to the Company, constitute a violation of applicable federal or state securities law).

5. **CAPITAL ADJUSTMENTS AND REORGANIZATIONS.** The existence of the Shares of Restricted Stock shall not affect in any way the right or power of the Company or any company the stock of which is awarded pursuant to this Agreement to make or authorize any adjustment, recapitalization, reorganization or other change in its capital structure or its business, engage in any merger or consolidation, issue any debt or equity securities, dissolve or liquidate, or sell, lease, exchange or otherwise dispose of all or any part of its assets or business, or engage in any other corporate act or proceeding.
6. **RIGHTS REGARDING DISTRIBUTIONS MADE BY THE COMPANY DURING THE RESTRICTED PERIOD.** During the Restricted Period, (a) any securities of the Company distributed by the Company in respect of the Shares of Restricted Stock will be evidenced by entries in the appropriate securities register of the Company reflecting that such securities of the Company, if any, have been issued in your name (the “*Retained Company Securities*”) and (b) any securities of any company other than the Company or any other property (other than regular cash dividends) distributed by the Company in respect of the Shares of Restricted Stock will be evidenced in your name by such certificates or in such other manner as the Company determines (the “*Retained Other Securities and Property*”) and may bear a restrictive legend to the effect that ownership of such Retained Other Securities and Property and the enjoyment of all rights appurtenant thereto, are subject to the restrictions, terms, and conditions provided in the Plan and this Agreement. The Retained Company Securities and the Retained Other Securities and Property (collectively, the “*Retained Distributions*”) shall be subject to the same restrictions, terms and conditions as are applicable to the Shares of Restricted Stock.
7. **RIGHTS WITH RESPECT TO SHARES OF RESTRICTED STOCK AND RETAINED DISTRIBUTIONS DURING RESTRICTED PERIOD.** You shall have the right to vote the Shares of Restricted Stock awarded to you and to receive and retain all regular cash dividends (which will be paid currently and in no case later than the end of the calendar year in which the dividends are paid to the holders of the Common Stock or, if later, the 15th day of the third month following the date the dividends are paid to the holders of the Common Stock), and to exercise all other rights, powers and privileges of a holder of the Common Stock, with respect to such Shares of Restricted Stock, with the exception that (a) you shall not be entitled to have custody of such Shares of Restricted Stock until the Forfeiture Restrictions applicable thereto shall have lapsed, (b) the Company shall retain custody of all

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Retained Distributions made or declared with respect to the Shares of Restricted Stock until such time, if ever, as the Forfeiture Restrictions applicable to the Shares of Restricted Stock with respect to which such Retained Distributions shall have been made, paid, or declared shall have lapsed, and such Retained Distributions shall not bear interest or be segregated in separate accounts and (c) you may not sell, assign, transfer, pledge, exchange, encumber, or dispose of the Shares of Restricted Stock or any Retained Distributions during the Restricted Period. During the Restricted Period, the Company may, in its sole discretion, issue certificates for some or all of the Shares of Restricted Stock, in which case all such certificates shall be delivered to the Corporate Secretary of the Company or to such other depository as may be designated by the Committee as a depository for safekeeping until the forfeiture of such Shares of Restricted Stock occurs or the Forfeiture Restrictions lapse. When requested by the Company, you shall execute such stock powers or other instruments of assignment as the Company requests relating to transfer to the Company of all or any portion of such Shares of Restricted Stock and any Retained Distributions that are forfeited in accordance with the Plan and this Agreement.

8. **EMPLOYMENT RELATIONSHIP.** For purposes of this Agreement, you shall be considered to be in the employment of the Company Group as long as you have an employment relationship with the Company Group. The Committee shall determine any questions as to whether and when there has been a termination of such employment relationship, and the cause of such termination, under the Plan and the Committee’s determination shall be final and binding on all persons.

9. **SECTION 83(B) ELECTION.** You shall not exercise the election permitted under Section 83(b) of the Code with respect to the Shares of Restricted Stock without the written approval of the Chief Financial Officer or General Counsel of the Company.
10. **NOT AN EMPLOYMENT AGREEMENT.** This Agreement is not an employment agreement, and no provision of this Agreement shall be construed or interpreted to create an employment relationship between you and the Company or any Affiliate or guarantee the right to remain employed by the Company or any Affiliate for any specified term.
11. **SECURITIES ACT LEGEND.** If you are an officer or affiliate of the Company under the Securities Act of 1933, you consent to the placing on any certificate for the Shares of an appropriate legend restricting resale or other transfer of the Shares except in accordance with such Act and all applicable rules thereunder.
12. **REGISTRATION.** The Shares that may be issued under the Plan are registered with the Securities and Exchange Commission under a Registration Statement on Form S-8.
13. **LIMIT OF LIABILITY.** Under no circumstances will the Company or any Affiliate be liable for any indirect, incidental, consequential or special damages (including lost profits) of any form incurred by any person, whether or not foreseeable and regardless of the form of the act in which such a claim may be brought, with respect to the Plan.
14. **MISCELLANEOUS.** This Agreement is awarded pursuant to and is subject to all of the provisions of the Plan, including amendments to the Plan, if any. In the event of a conflict between this Agreement and the Plan provisions, the Plan provisions will control. The term “you” and “your” refer to the Grantee named in this Agreement. Capitalized terms that are not defined herein shall have the meanings ascribed to such terms in the Plan.

In accepting the award of Shares of Restricted Stock set forth in this Agreement you accept and agree to be bound by all the terms and conditions of the Plan and this Agreement.

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**QUANEX CORPORATION**

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Raymond Jean – Chief Executive Officer

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## QUANEX CORPORATION

## DIRECTOR RESTRICTED STOCK AWARD AGREEMENT

<<Full Name>>  
Grantee

Date of Award: << >>

Number of Shares: << >>

General Vesting Schedule/Restricted Period: [100% vested on the Date of Award (Subject to Transfer Restrictions as specified in this Agreement)]

[100% vested on third anniversary of the Date of Award. 0% vested prior to the third anniversary of the Date of Award.

[3 years, with vesting in installments of 33 1/3% on the anniversary date of the Date of Award in each of the years \_\_\_\_\_, \_\_\_\_\_ and \_\_\_\_\_.]

## AWARD OF RESTRICTED STOCK

1. **GRANT OF RESTRICTED STOCK AWARD.** Quanex Corporation, a Delaware corporation (the “Company”), pursuant to the Quanex Corporation 2006 Omnibus Incentive Plan (the “Plan”), hereby awards to you, the above-named Grantee, effective as of the Date of Award set forth above (the “Date of Award”), that number of shares (the “Shares”) of the Company’s common stock, \$0.50 par value per share (the “Common Stock”), set forth above as Restricted Stock on the following terms and conditions:

During the Restricted Period, the Shares of Restricted Stock will be evidenced by entries in the stock register of the Company reflecting that such Shares of Restricted Stock have been issued in your name. For purposes of this Agreement, the term “Restricted Period” means the period designated by the Company during which the Shares may be forfeited and /may be forfeited and may not be sold, assigned, transferred, pledged, or otherwise encumbered.

The Shares that are awarded hereby to you as Restricted Stock shall be subject to the prohibitions and restrictions set forth herein with respect to the sale or other disposition of such Shares (the “Transfer Restrictions”)and the obligation to forfeit and surrender such Shares to the Company (the “Forfeiture Restrictions”)] and the obligation to forfeit and surrender such Shares to the Company (the “Forfeiture Restrictions”). All Transfer and Forfeiture Restrictions on the Restricted Stock covered hereby shall lapse as to those shares when the Restricted Period expires as to those shares when the Restricted Period expires on the date you cease to be a member of the Board of Directors of the Company, or “a change in the ownership or effective control of the corporation” or a “change in the ownership of a substantial portion of the assets of the corporation” (within the meaning of section 409A of the Internal Revenue Code of 1986, as amended) occurs and you meet all other terms and conditions of this Agreement.

Director  
[Immediate Vesting]—Cliff Vesting]—Graded Vesting]

2. TERMINATION OF MEMBERSHIP/CHANGE IN CONTROL. The following provisions will apply in the event you cease to be a member of the Board of Directors of the Company (the “Board”), or “a change in the ownership or effective control of the corporation” or a “change in the ownership of a substantial portion of the assets of the corporation” (within the meaning of section 409A of the Internal Revenue Code of 1986, as amended) (“Change in Control”) occurs before the third anniversary of the Date of Award (the “Third Anniversary Date”) under this Agreement:

2.1 Termination Generally. Except as specified in Section 2.2, if you cease to be a member of the Board on or before the Third Anniversary Date, the Transfer and Forfeiture Restrictions then applicable to the Shares of Restricted Stock shall not lapse and the number of Shares of Restricted Stock then subject to the Transfer and Forfeiture Restrictions shall be forfeited to the Company on the date you cease to be a member of the Board.

2.2 Death, Disability or Change in Control. Notwithstanding any other provision of this Agreement to the contrary, if you die, incur a Disability or a Change in Control occurs before the Third Anniversary Date and while an active member of the Board, all remaining Transfer and Forfeiture Restrictions shall immediately lapse on the date you cease to be a member of the Board due to your death or Disability or a Change in Control occurs.]

TERMINATION OF MEMBERSHIP/CHANGE IN CONTROL. The following provisions will apply in the event you cease to be a member of the Board of Directors of the Company (the “Board”), or “a change in the ownership or effective control of the corporation” or a “change in the ownership of a substantial portion of the assets of the corporation” (within the meaning of section 409A of the Internal Revenue Code of 1986, as amended) (“Change in Control”) occurs before the third anniversary of the Date of Award (the “Third Anniversary Date”) under this Agreement:

2.1 Termination Generally. Except as specified in Section 2.2, if you cease to be a member of the Board on or before the Third Anniversary Date, the Transfer and Forfeiture Restrictions then applicable to the Shares of Restricted Stock shall not lapse and the number of Shares of

**Restricted Stock then subject to the Transfer and Forfeiture Restrictions shall be forfeited to the Company on the date you cease to be a member of the Board.**

**2.2 Death, Disability or Change in Control. Notwithstanding any other provision of this Agreement to the contrary, if you die, incur a Disability or a Change in Control occurs before the Third Anniversary Date and while an active member of the Board, all remaining Transfer and Forfeiture Restrictions shall immediately lapse on the date you cease to be a member of the Board due to your death or Disability or a Change in Control occurs.]**

3. **NONTRANSFERABILITY.** This Agreement is not transferable by you otherwise than by will or by the laws of descent and distribution. The Shares of Restricted Stock awarded hereby may not be sold, assigned, pledged, exchanged, hypothecated or otherwise transferred, encumbered or disposed of (other than by will or the applicable laws of descent and distribution) **[to the extent then subject to Forfeiture Restrictions][to the extent then subject to Forfeiture Restrictions]** [until the date you cease to be a member of the Board of Directors of the Company]. Any such attempted sale, assignment, pledge, exchange, hypothecation, transfer, encumbrance or disposition in violation of this Agreement shall be void and the Company Group shall not be bound thereby.

Further, the Shares awarded hereby that are no longer subject to Forfeiture Restrictions may not be sold or otherwise disposed of in any manner that would constitute a violation of any applicable federal or state securities laws. You also agree that (a) the Company may refuse to cause the transfer of the Shares

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to be registered on the stock register of the Company if such proposed transfer would in the opinion of counsel satisfactory to the Company constitute a violation of any applicable federal or state securities law and (b) the Company may give related instructions to the transfer agent, if any, to stop registration of the transfer of the Shares. Upon the lapse of the Forfeiture Restrictions with respect to Shares awarded hereby such Shares shall be transferable by you (except to the extent that any proposed transfer would, in the opinion of counsel satisfactory to the Company, constitute a violation of applicable federal or state securities law).

4. **CAPITAL ADJUSTMENTS AND REORGANIZATIONS.** The existence of the Shares of Restricted Stock shall not affect in any way the right or power of the Company or any company the stock of which is awarded pursuant to this Agreement to make or authorize any adjustment, recapitalization, reorganization or other change in its capital structure or its business, engage in any merger or consolidation, issue any debt or equity securities, dissolve or liquidate, or sell, lease, exchange or otherwise dispose of all or any part of its assets or business, or engage in any other corporate act or proceeding.
5. **RIGHTS REGARDING DISTRIBUTIONS MADE BY THE COMPANY DURING THE RESTRICTED PERIOD.** During the Restricted Period, (a) any securities of the Company distributed by the Company in respect of the Shares of Restricted Stock will be evidenced by entries in the appropriate securities register of the Company reflecting that such securities of the Company, if any, have been issued in your name (the “Retained Company Securities”) and (b) any securities of any company other than the Company or any other property (other than regular cash dividends) distributed by the Company in respect of the Shares of Restricted Stock will be evidenced in your name by such certificates or in such other manner as the Company determines (the “Retained Other Securities and Property”) and shall bear a restrictive legend to the effect that ownership of such Retained Other Securities and Property and the enjoyment of all rights appurtenant thereto, are subject to the restrictions, terms, and conditions provided in the Plan and this Agreement. The Retained Company Securities and the Retained Other Securities and Property (collectively, the “Retained Distributions”) shall be subject to the same restrictions, terms and conditions as are applicable to the Shares of Restricted Stock.
6. **RIGHTS WITH RESPECT TO SHARES OF RESTRICTED STOCK AND RETAINED DISTRIBUTIONS DURING RESTRICTED PERIOD.** You shall have the right to vote the Shares of Restricted Stock awarded to you and to receive and retain all regular cash dividends (which will be paid currently and in no case later than the end of the calendar year in which the dividends are paid to the holders of the Common Stock or, if later, the 15th day of the third month following the date the dividends are paid to the holders of the Common Stock), and to exercise all other rights, powers and privileges of a holder of the Common Stock, with respect to such Shares of Restricted Stock, with the exception that (a) you shall not be entitled to have custody of such Shares of Restricted Stock until the Forfeiture Restrictions applicable thereto shall have lapsed, (b) the Company shall retain custody of all Retained Distributions made or declared with respect to the Shares of Restricted Stock until such time, if ever, as the Forfeiture Restrictions applicable to the Shares of Restricted Stock with respect to which such Retained Distributions shall have been made, paid, or declared shall have lapsed, and such Retained Distributions shall not bear interest or be segregated in separate accounts and (c) you may not sell, assign, transfer, pledge, exchange, encumber, or dispose of the Shares of Restricted Stock or any Retained Distributions during the Restricted Period. During the Restricted Period, the Company may, in its sole discretion, issue certificates for some or all of the Shares of Restricted Stock, in which case all such certificates shall be delivered to the Corporate Secretary of the Company or to such other depository as may be designated by the Committee as a depository for safekeeping until the forfeiture of such Shares of Restricted Stock occurs or the Forfeiture Restrictions lapse. When requested by the Company, you shall execute such stock powers or other instruments of assignment as the Company

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requests relating to transfer to the Company of all or any portion of such Shares of Restricted Stock and any Retained Distributions that are forfeited in accordance with the Plan and this Agreement.

7. **SECTION 83(B) ELECTION.** You shall not exercise the election permitted under Section 83(b) of the Code with respect to the Shares of Restricted Stock without the written approval of the Chief Financial Officer or General Counsel of the Company.
8. **SECURITIES ACT LEGEND.** If you are an officer or affiliate of the Company under the Securities Act of 1933, you consent to the placing on any certificate for the Shares of an appropriate legend restricting resale or other transfer of the Shares except in accordance with such Act and all applicable rules thereunder.
9. **REGISTRATION.** The Shares that may be issued under the Plan are registered with the Securities and Exchange Commission under a Registration Statement on Form S-8.

10. **LIMIT OF LIABILITY.** Under no circumstances will the Company or any Affiliate be liable for any indirect, incidental, consequential or special damages (including lost profits) of any form incurred by any person, whether or not foreseeable and regardless of the form of the act in which such a claim may be brought, with respect to the Plan.
11. **MISCELLANEOUS.** This Agreement is awarded pursuant to and is subject to all of the provisions of the Plan, including amendments to the Plan, if any. In the event of a conflict between this Agreement and the Plan provisions, the Plan provisions will control. The term “you” and “your” refer to the Grantee named in this Agreement. Capitalized terms that are not defined herein shall have the meanings ascribed to such terms in the Plan.

In accepting the award of Shares of Restricted Stock set forth in this Agreement you accept and agree to be bound by all the terms and conditions of the Plan and this Agreement.

**QUANEX CORPORATION**

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Raymond Jean – Chief Executive Officer



QUANEX CORPORATION  
**[STOCK-][CASH-]SETTLED**  
**RESTRICTED STOCK UNIT AWARD AGREEMENT**

<< Full Name>>  
*Grantee*

Date of Award: << >>

Number of Restricted Stock Units: << >>

Expiration Date: << >>

General Vesting Schedule/Restricted Period: **[3 years, with vesting in installments of 33 1/3% on the anniversary date of the Date of Grant in each of the years \_\_\_\_\_, \_\_\_\_\_ and \_\_\_\_\_.]**

*[100% exercisable on [first][second][third] anniversary of the Date of Grant. 0% exercisable prior to the [first][second][third] anniversary of the Date of Grant.]*

**AWARD OF RESTRICTED STOCK UNITS**

The Compensation Committee of the Board of Directors of Quanex Corporation, a Delaware corporation (the “Company”), pursuant to the Quanex Corporation 2006 Omnibus Incentive Plan (the “Plan”), hereby awards to you, the above-named Grantee, effective as of the Date of Award set forth above (the “Date of Award”), that number of restricted stock units set forth above (the “RSUs”), on the following terms and conditions:

During the Restricted Period, the RSUs will be evidenced by entries in a bookkeeping ledger account which reflect the number of RSUs credited under the Plan for your benefit. For purposes of this Agreement, the term “Restricted Period” means the period designated by the Committee during which the RSUs are subject to forfeiture and restrictions on transfer (the “Forfeiture Restrictions”). The Restricted Period and all Forfeiture Restrictions on the RSUs covered hereby shall lapse as to those RSUs when the RSUs become vested and you meet all other terms and conditions of this Agreement.

Upon the earlier of (1) the date the RSUs granted under this Award become vested under the General Vesting Schedule (without regard to any acceleration provisions contained herein) or (2) the date on which you separate from service (within the meaning of section 409A of the Internal Revenue Code of 1986, as amended (“Section 409A”)) for any reason, the Company shall issue to you **[cash in an amount equal to the fair market value of]** one share of the Company’s common stock, \$0.50 par value per share (the “Common Stock”), less applicable withholding, in exchange for each RSU that is awarded to you hereby and thereafter you shall have no further rights with respect to such RSU. [The Company shall cause to be delivered to you (or your legal representative or heir) a stock certificate representing those shares of the Common Stock issued in exchange for RSUs awarded hereby, and such shares of the Common Stock shall be transferable by you (except to the extent that any proposed transfer would, in the opinion of counsel satisfactory to the Company, constitute a violation of applicable federal or state securities law).]

Employee  
**Cliff Vested—Graded Vesting**  
 Stock Settled—Cash Settled

If you separate from service with the Company and all Affiliates (collectively, the “Company Group”) terminates before the third anniversary of the Date of Award (the “Third Anniversary Date”), the Forfeiture Restrictions then applicable to the RSUs shall not lapse and the number of RSUs then subject to the Forfeiture Restrictions shall be forfeited to the Company on the date of your separation from service. Notwithstanding the preceding sentence, if you die, incur a Disability or Retire before the Third Anniversary Date, each while in the active employ of one or more members of the Company Group, all remaining Forfeiture Restrictions shall lapse on a prorated basis determined by dividing the number of days during the period commencing on the last anniversary vesting date or Date of Grant, as applicable, and ending on the date of your death, Disability or Retirement by 1095. For purposes of this Section, the term “Retire” means the voluntary termination of your employment relationship with the Company Group on or after the date on which (a) you are age 65 or (b) you are age 55 and have five years of service with the Company Group.

**DELAYED PAYMENT IN CERTAIN CIRCUMSTANCES. NOTWITHSTANDING ANY OTHER PROVISION OF THIS AGREEMENT, IF YOU ARE A SPECIFIED EMPLOYEE (WITHIN THE MEANING OF SECTION 409A), NO PAYMENTS SHALL BE MADE TO YOU PURSUANT TO THIS AWARD DUE TO A SEPARATION FROM SERVICE FOR ANY REASON BEFORE THE DATE THAT IS SIX MONTHS AFTER THE DATE ON WHICH YOU INCUR SUCH SEPARATION FROM SERVICE.**

If during the Restricted Period you hold any RSUs awarded hereby the Company pays a dividend in cash with respect to the outstanding shares of the Common Stock (a “Cash Dividend”), then the Company will pay to you in cash, an amount equal to the product of (a) the RSUs awarded hereby that have not been exchanged by the Company for cash and (b) the amount of the Cash Dividend paid per share of the Common Stock (the “Dividend Equivalent”). The Company shall pay to you currently (and in no case later than the end of the calendar year in which the dividends are paid to the holders of the Common Stock, or if later, the 15<sup>th</sup> day of the third month following the date the dividends are paid to the holders of the Common Stock) an amount equal to such Dividend Equivalents.

If during the Restricted Period you hold any RSUs awarded hereby the Company pays a dividend in shares of the Common Stock with respect to the outstanding shares of the Common Stock, then the Company will increase the RSUs awarded hereby that have not then been exchanged by the Company for

shares of the Common Stock by an amount equal to the product of (a) the RSUs awarded hereby that have not been exchanged by the Company for cash and (b) the number of shares of the Common Stock paid by the Company per share of the Common Stock (collectively, the “*Stock Dividend RSUs*”). Each Stock Dividend RSU will be subject to the same restrictions, limitations and conditions applicable to the RSU for which such Stock Dividend RSU was awarded and will be **[paid in cash]**~~[exchanged for shares of the Common Stock]~~ at the same time and on the same basis as such RSU.

To the extent that the receipt of the RSUs or the Agreement, the vesting of the RSUs or a distribution under the Agreement results in income to you for federal, state or local income, employment or other tax purposes with respect to which the Company Group has a withholding obligation, you shall deliver to the Company at the time of such receipt, vesting or exercise, as the case may be, such amount of money as the Company Group may require to meet its obligation under applicable tax laws or regulations, and, if you fail to do so, the Company Group is authorized to withhold from any payment due under the Agreement or from any cash or stock remuneration then or thereafter payable to you any tax required to be withheld by reason of such taxable income, sufficient to satisfy the withholding obligation based on the last per share sales price of the common stock of the Company for the trading day immediately preceding the date that the withholding obligation arises, as reported in the New York Stock Exchange Composite Transactions.

The RSUs may not be sold, assigned, pledged, exchanged, hypothecated or otherwise transferred, encumbered or disposed of (other than by will or the applicable laws of descent and distribution). Any such attempted sale,

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assignment, pledge, exchange, hypothecation, transfer, encumbrance or disposition in violation of this Agreement shall be void and the Company shall not be bound thereby. [Further, any shares of Common Stock awarded hereunder may not be sold or otherwise disposed of in any manner that would constitute a violation of any applicable federal or state securities laws. You agree that (a) the Company may refuse to cause the transfer of such Shares to be registered on the stock register of the Company if such proposed transfer would in the opinion of counsel satisfactory to the Company constitute a violation of any applicable federal or state securities law and (b) the Company may give related instructions to the transfer agent, if any, to stop registration of the transfer of such shares.]

Capitalized terms that are not defined herein shall have the meaning ascribed to such terms in the Plan.

In accepting the award of RSUs set forth in this Agreement you accept and agree to be bound by all the terms and conditions of the Plan.

**QUANEX CORPORATION**

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Raymond Jean – Chief Executive Officer

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## QUANEX CORPORATION

**EXECUTIVE [~~STOCK~~][CASH-]SETTLED  
RESTRICTED STOCK UNIT AWARD AGREEMENT**

<< Full Name>>  
Grantee

Date of Award: << >>

Number of Restricted Stock Units: << >>

Expiration Date: << >>

General Vesting Schedule/Restricted Period: **[3 years, with vesting in installments of 33 1/3% on the anniversary date of the Date of Grant in each of the years \_\_\_\_\_, \_\_\_\_\_ and \_\_\_\_\_.]**

*[100% exercisable on [first][second][third] anniversary of the Date of Grant. 0% exercisable prior to the [first][second][third] anniversary of the Date of Grant.]*

**AWARD OF RESTRICTED STOCK UNITS**

The Compensation Committee of the Board of Directors of Quanex Corporation, a Delaware corporation (the “Company”), pursuant to the Quanex Corporation 2006 Omnibus Incentive Plan (the “Plan”), hereby awards to you, the above-named Grantee, effective as of the Date of Award set forth above (the “Date of Award”), that number of restricted stock units set forth above (the “RSUs”), on the following terms and conditions:

During the Restricted Period, the RSUs will be evidenced by entries in a bookkeeping ledger account which reflect the number of RSUs credited under the Plan for your benefit. For purposes of this Agreement, the term “Restricted Period” means the period designated by the Committee during which the RSUs are subject to forfeiture and restrictions on transfer (the “Forfeiture Restrictions”). The Restricted Period and all Forfeiture Restrictions on the RSUs covered hereby shall lapse as to those RSUs when the RSUs become vested and you meet all other terms and conditions of this Agreement.

Upon the earlier of (1) the date the RSUs granted under this Award become vested under the General Vesting Schedule (without regard to any acceleration provisions contained herein), (2) the date on which you separate from service (within the meaning of section 409A of the Internal Revenue Code of 1986, as amended (“Section 409A”)) for any reason or (3) the date on which occurs a “change in the ownership or effective control of the corporation” or a “change in the ownership of a substantial portion of the assets of the corporation” (within the meaning of Section 409A) (referred to herein as a “Section 409A Change in Control”) with respect to the Company, the Company shall issue to you **[cash in an amount equal to the fair market value of]** one share of the Company’s common stock, \$0.50 par value per share (the “Common Stock”), less applicable withholding, in exchange for each RSU that is awarded to you hereby and thereafter you shall have no further rights with respect to such RSU. [The Company shall cause to be delivered to you (or your legal representative or heir) a stock certificate representing those shares of the Common Stock issued in exchange for RSUs awarded hereby, and such shares of the Common Stock shall be transferable by you (except to the extent that any proposed

Executive  
**Cliff Vested—Graded Vesting**  
Stock Settled—Cash Settled

transfer would, in the opinion of counsel satisfactory to the Company, constitute a violation of applicable federal or state securities law).]

If you separate from service with the Company and all Affiliates (collectively, the “Company Group”) terminates before the third anniversary of the Date of Award (the “Third Anniversary Date”), the Forfeiture Restrictions then applicable to the RSUs shall not lapse and the number of RSUs then subject to the Forfeiture Restrictions shall be forfeited to the Company on the date of your separation from service. Notwithstanding the preceding sentence, if or you die, incur a Disability or Retire before the Third Anniversary Date, each while in the active employ of one or more members of the Company Group, all remaining Forfeiture Restrictions shall lapse on a prorated basis determined by dividing the number of days during the period commencing on the last anniversary vesting date or Date of Grant, as applicable, and ending on the date of your death, Disability or Retirement by 1095 and the number of RSUs remaining subject to the Forfeiture Restrictions shall be forfeited to the Company on the date of your separation from service. Further, if a Section 409A Change in Control occurs before the Third Anniversary Date, while in the active employ of one or more members of the Company Group, all remaining Forfeiture Restrictions shall immediately lapse on the date of the Section 409A Change in Control. For purposes of this Section, the term “Retire” means the voluntary termination of your employment relationship with the Company Group on or after the date on which (a) you are age 65 or (b) you are age 55 and have five years of service with the Company Group.

**DELAYED PAYMENT IN CERTAIN CIRCUMSTANCES. NOTWITHSTANDING ANY OTHER PROVISION OF THIS AGREEMENT, IF YOU ARE A SPECIFIED EMPLOYEE (WITHIN THE MEANING OF SECTION 409A), NO PAYMENTS SHALL BE MADE TO YOU PURSUANT TO THIS AWARD DUE TO A SEPARATION FROM SERVICE FOR ANY REASON BEFORE THE DATE THAT IS SIX MONTHS AFTER THE DATE ON WHICH YOU INCUR SUCH SEPARATION FROM SERVICE.**

If during the Restricted Period you hold any RSUs awarded hereby the Company pays a dividend in cash with respect to the outstanding shares of the Common Stock (a “Cash Dividend”), then the Company will pay to you in cash, an amount equal to the product of (a) the RSUs awarded hereby that have not been exchanged by the Company for cash and (b) the amount of the Cash Dividend paid per share of the Common Stock (the “Dividend Equivalent”). The Company shall pay to you currently (and in no case later than the end of the calendar year in which the dividends are paid to the holders of the Common

Stock, or if later, the 15<sup>th</sup> day of the third month following the date the dividends are paid to the holders of the Common Stock) an amount equal to such Dividend Equivalents.

If during the Restricted Period you hold any RSUs awarded hereby the Company pays a dividend in shares of the Common Stock with respect to the outstanding shares of the Common Stock, then the Company will increase the RSUs awarded hereby that have not then been exchanged by the Company for shares of the Common Stock by an amount equal to the product of (a) the RSUs awarded hereby that have not been exchanged by the Company for cash and (b) the number of shares of the Common Stock paid by the Company per share of the Common Stock (collectively, the “*Stock Dividend RSUs*”). Each Stock Dividend RSU will be subject to the same restrictions, limitations and conditions applicable to the RSU for which such Stock Dividend RSU was awarded and will be **[paid in cash]**~~[exchanged for shares of the Common Stock]~~ at the same time and on the same basis as such RSU.

To the extent that the receipt of the RSUs or the Agreement, the vesting of the RSUs or a distribution under the Agreement results in income to you for federal, state or local income, employment or other tax purposes with respect to which the Company Group has a withholding obligation, you shall deliver to the Company at the time of such receipt, vesting or exercise, as the case may be, such amount of money as the Company Group may require to meet its obligation under applicable tax laws or regulations, and, if you fail to do so, the Company Group is authorized to withhold from any payment due under the Agreement or from any cash or stock remuneration then or thereafter payable to you any tax required to be withheld by reason of such taxable

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income, sufficient to satisfy the withholding obligation based on the last per share sales price of the common stock of the Company for the trading day immediately preceding the date that the withholding obligation arises, as reported in the New York Stock Exchange Composite Transactions.

The RSUs may not be sold, assigned, pledged, exchanged, hypothecated or otherwise transferred, encumbered or disposed of (other than by will or the applicable laws of descent and distribution). Any such attempted sale, assignment, pledge, exchange, hypothecation, transfer, encumbrance or disposition in violation of this Agreement shall be void and the Company shall not be bound thereby. [Further, any shares of Common Stock awarded hereunder may not be sold or otherwise disposed of in any manner that would constitute a violation of any applicable federal or state securities laws. You agree that (a) the Company may refuse to cause the transfer of such Shares to be registered on the stock register of the Company if such proposed transfer would in the opinion of counsel satisfactory to the Company constitute a violation of any applicable federal or state securities law and (b) the Company may give related instructions to the transfer agent, if any, to stop registration of the transfer of such shares.]

Capitalized terms that are not defined herein shall have the meaning ascribed to such terms in the Plan.

In accepting the award of RSUs set forth in this Agreement you accept and agree to be bound by all the terms and conditions of the Plan.

**QUANEX CORPORATION**

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Raymond Jean – Chief Executive Officer

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## QUANEX CORPORATION

**DIRECTOR [STOCK-][CASH-]SETTLED  
RESTRICTED STOCK UNIT AWARD AGREEMENT**

<< Full Name>>  
Grantee

Date of Award: << >>

Number of Restricted Stock Units: << >>

Expiration Date: << >>

General Vesting Schedule/Restricted Period: *[100% vested on the Date of Grant.]*  
**[3 years, with vesting in installments of 33 1/3% on the anniversary date of the Date of Grant in each of the years \_\_\_\_\_, \_\_\_\_\_ and \_\_\_\_\_.]**

*[100% exercisable on [first][second][third] anniversary of the Date of Grant. 0% exercisable prior to the [first][second][third] anniversary of the Date of Grant.]*

**AWARD OF RESTRICTED STOCK UNITS**

Quanex Corporation, a Delaware corporation (the “Company”), pursuant to the Quanex Corporation 2006 Omnibus Incentive Plan (the “Plan”), hereby awards to you, the above-named Grantee, effective as of the Date of Award set forth above (the “Date of Award”), that number of restricted stock units set forth above (the “RSUs”), on the following terms and conditions:

**[During the Restricted Period, t][T]he RSUs will be evidenced by entries in a bookkeeping ledger account which reflects the number of RSUs credited under the Plan for your benefit. [For purposes of this Agreement, the term “Restricted Period” means the period designated by the Committee during which the RSUs are subject to forfeiture and restrictions on transfer (the “Forfeiture Restrictions”). The Restricted Period and all Forfeiture Restrictions on the RSUs covered hereby shall lapse as to those RSUs when the RSUs become vested and you meet all other terms and conditions of this Agreement.]**

Upon the earlier of (1) *[the first business day immediately preceding the Expiration Date]***[the date the RSUs granted under this Award become vested under the General Vesting Schedule]**, (2) the date on which you cease to be a member of the Board of Directors of the Company for any reason or (3) the date on which occurs a “change in the ownership or effective control of the corporation” or a “change in the ownership of a substantial portion of the assets of the corporation” (within the meaning of section 409A of the Internal Revenue Code of 1986, as amended) with respect to the Company, the Company shall issue to you **[cash in an amount equal to the market value of]** one share of the Company’s common stock, \$0.50 par value per share (the “Common Stock”), in exchange for each RSU that is awarded to you hereby and thereafter you shall have no further rights with respect to such RSU. **[The Company shall cause to be delivered to you (or your legal representative or heir) a stock certificate representing those shares of the Common Stock issued in exchange for RSUs awarded hereby, and such shares of the Common Stock shall be transferable by you (except to the extent that any**

Non-Employee Director  
**[Immediate Vesting ]—[Cliff Vesting]—[Graded Vesting]**  
Stock Settled—Cash Settled

proposed transfer would, in the opinion of counsel satisfactory to the Company, constitute a violation of applicable federal or state securities law].

**[If you separate from service with the Company and all Affiliates (collectively, the “Company Group”) before the third anniversary of the Date of Award (the “Third Anniversary Date”), the Forfeiture Restrictions then applicable to the RSUs shall not lapse and the number of RSUs then subject to the Forfeiture Restrictions shall be forfeited to the Company on the date of your separation from service. Notwithstanding the preceding sentence, if you die, incur a Disability or Retire before the Third Anniversary Date, each while in the active employ of one or more members of the Company Group, all remaining Forfeiture Restrictions shall lapse on a prorated basis determined by dividing the number of days during the period commencing on the last anniversary vesting date or Date of Grant, as applicable, and ending on the date of your death, Disability or Retirement by 1095 and the number of RSUs then remaining subject to the Forfeiture Restrictions shall be forfeited to the Company on the date of your separation from service. Further, if a Section 409A Change in Control occurs before the Third Anniversary Date, while in the active employ of one or more members of the Company Group, all remaining Forfeiture Restrictions shall immediately lapse on the date of the Section 409A Change in Control. For purposes of this Section, the term “Retirement” means your voluntary cessation of your membership as a director with the Company on or after the later of (a) the date on which you attain age 70 or (b) the date your term as a director expires if you attain age 70 during such term; provided, that that with respect to any person who was a director on November 1, 1996, the reference to “70 years” shall be changed to “72 years.”]**

If during the **[Restricted Period]***[period]* you hold any RSUs awarded hereby the Company pays a dividend in cash with respect to the outstanding shares of the Common Stock (a “Cash Dividend”), then the Company will pay to you in cash, an amount equal to the product of (a) the RSUs awarded hereby that have not been exchanged by the Company for cash and (b) the amount of the Cash Dividend paid per share of the Common Stock (the “Dividend Equivalent”). The Company shall pay to you currently (and in no case later than the end of the calendar year in which the dividends are paid to the holders of the Common Stock, or if later, the 15<sup>th</sup> day of the third month following the date the dividends are paid to the holders of the Common Stock) an amount equal to such Dividend Equivalents.



If during the **[Restricted Period]***[period]* you hold any RSUs awarded hereby the Company pays a dividend in shares of the Common Stock with respect to the outstanding shares of the Common Stock, then the Company will increase the RSUs awarded hereby that have not then been exchanged by the Company for shares of the Common Stock by an amount equal to the product of (a) the RSUs awarded hereby that have not been exchanged by the Company for cash and (b) the number of shares of the Common Stock paid by the Company per share of the Common Stock (collectively, the “*Stock Dividend RSUs*”). Each Stock Dividend RSU will be **paid in cash**~~exchanged for shares of the Common Stock~~ at the same time and on the same basis as such RSU.

The RSUs may not be sold, assigned, pledged, exchanged, hypothecated or otherwise transferred, encumbered or disposed of (other than by will or the applicable laws of descent and distribution). Any such attempted sale, assignment, pledge, exchange, hypothecation, transfer, encumbrance or disposition in violation of this Agreement shall be void and the Company shall not be bound thereby. Further, any shares of Common Stock awarded hereunder may not be sold or otherwise disposed of in any manner that would constitute a violation of any applicable federal or state securities laws. You agree that (a) the Company may refuse to cause the transfer of such Shares to be registered on the stock register of the Company if such proposed transfer would in the opinion of counsel satisfactory to the Company constitute a violation of any applicable federal or state securities law and (b) the Company may give related instructions to the transfer agent, if any, to stop registration of the transfer of such shares.

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Capitalized terms that are not defined herein shall have the meaning ascribed to such terms in the Plan.

In accepting the award of RSUs set forth in this Agreement you accept and agree to be bound by all the terms and conditions of the Plan.

**QUANEX CORPORATION**

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Raymond Jean – Chief Executive Officer

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QUANEX CORPORATION

EMPLOYEE PERFORMANCE STOCK AWARD AGREEMENT

<<Name>>  
Grantee

Date of Award: << >>

Target Number of Shares of Common Stock: << >>

AWARD GRANT

1. **GRANT OF PERFORMANCE STOCK AWARD.** The Compensation Committee (the “Committee”) of the Board of Directors of Quanex Corporation, a Delaware corporation (the “Company”), pursuant to the Quanex Corporation 2006 Omnibus Incentive Plan (the “Plan”), hereby awards to you, the above-named Grantee, effective as of the Date of Award set forth above, an opportunity to receive shares of the Company’s Common Stock, \$0.50 par value per share (the “Common Stock”), based upon attainment of the Performance Goals during the Performance Period on the terms and conditions set forth in this Performance Stock Award Agreement (this “Agreement”).

For purposes of this Agreement, the term “Performance Period” means the -year period beginning , 20 , and ending , 20 . For purposes of this Agreement, the term “Performance Goals” means .

2. **FINAL PERFORMANCE FACTOR.** The aggregate number of shares of the Common Stock to be issued to you under this Agreement (the “Shares”) is equal to the Target Number of Shares of Common Stock set forth above multiplied by the Final Performance Factor (which is determined as provided below):

2.1 The Final Performance Factor shall be equal to one (1) if (a) the Company achieves the Target Milestone during the Performance Period and does not achieve the Maximum Milestone during the Performance Period and (b) you remain in the active employ of one or more members of the Company Group through the last day of the Performance Period. For purposes of this Agreement, the “Target Milestone” means and the “Maximum Milestone” means .

2.2 The Final Performance Factor shall be equal to two (2) if (a) the Company achieves the Maximum Milestone during the Performance Period and (b) you remain in the active employ of one or more members of the Company Group through the last day of the Performance Period.

2.3 The Final Performance Factor shall be equal to three-fourths ( $\frac{3}{4}$ ) if (a) the Company achieves the Threshold Milestone during the Performance Period and does not achieve the Target Milestone during the Performance Period and (b) you remain in the active employ of one or more members of the Company Group through the last day of the Performance Period. For purposes of this Agreement, the “Threshold Milestone” means .

2.4 If the performance standard achieved with respect to a particular Performance Goal is between the Threshold Milestone and the Target Milestone or between the Target Milestone and the Maximum Milestone, the applicable Final Performance Factor shall be determined by interpolation.

For example, assume that the Committee grants an employee a performance based compensation award under the Plan that is contingent upon achieving Performance Goal A and Performance Goal B,

*Employee without Change in Control Agreement*

weighting the importance of the goals as 50% and 50%, respectively. The Committee establishes Threshold, Target and Maximum Milestones for each Goal. The Final Performance Factor assigned for achieving the threshold, target and maximum performance standards are  $\frac{3}{4}$ , 1 and 2, respectively. Finally, assume that the employee is awarded 2,000 Performance Shares with a Target Value of \$100, is continuously employed by the Company throughout the Performance Period and achieves the Maximum Milestone for Performance Goal A, and precisely halfway between the Target and Maximum Milestones for Performance Goal B. The total amount payable to the employee under the award is \$250,000, which is determined as follows: The amount payable to the employee with respect to Performance Goal A is \$100,000 (50% (Performance Goal Percentage) x 2,000 (Performance Shares) x \$100 (Performance Share Value) x 1 (Final Performance Factor) = \$100,000), and the amount payable to the employee with respect to Performance Goal B is \$150,000 (50% (Performance Goal Percentage) x 2000 (Performance Shares) x \$100 (Target Value) x 1.5 (Final Performance Factor)= \$150,000).

2.5 If the Threshold Milestone is not achieved during the Performance Period, then the award pursuant to this Agreement shall lapse and be forfeited as of the last day of the Performance Period.

2.6 The Committee’s determinations with respect to the Performance Period for purposes of this Agreement shall be binding upon all persons. The Committee may not increase the amount payable under this Agreement.

3. **PAYMENT.** The Company, on behalf of the Employer, shall cause the Shares to be issued to you on , 20 (the “Payment Date”), unless otherwise provided under this Agreement.

4. **TERMINATION OF EMPLOYMENT.** The following provisions will apply in the event your employment with the Company and all Affiliates (collectively, the “Company Group”) terminates on or before the last day of the Performance Period.

4.1 **Termination Generally.** If your employment with the Company Group terminates on or before the last day of the Performance Period for any reason other than one of the reasons described in Sections 4.2 through 4.4 below, all of your rights in this Agreement will lapse and be completely forfeited on the date your employment terminates.

4.2 **Permanent Disability.** Notwithstanding any other provision of this Agreement to the contrary, if your employment with the Company Group terminates because you incur a Permanent Disability before the last day of the Performance Period then the Company will issue to you shares of Common Stock in an amount equal to the product of (1) and (2) where (1) is the number of shares you would have received under this Agreement if your employment with the Company Group had not been terminated before the end of the Performance Period and (2) is a fraction, the numerator of which is the number of days from the beginning of the Performance Period through the date your employment with the Company Group terminates and the denominator of which is the number of days in the Performance Period. Any amount payable pursuant to this Section 4.2 will be paid to you on the Payment Date. After such Shares are issued to you, you will have no further rights with respect to this Agreement and the Company Group will have no further obligations to you pursuant to this Agreement. For purposes of this Section 4.2, you will have a “Permanent Disability” if you are unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months.

4.3 **Death.** Notwithstanding any other provision of this Agreement to the contrary, if you die before the last day of the Performance Period and while in the active employ of one or more members of the Company Group, then the Company will issue to your estate shares of Common Stock in an amount equal to the product of (1) and (2) where (1) is the number of shares you would have received under this Agreement if your employment with the Company Group had not been terminated before

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the end of the Performance Period and (2) is a fraction, the numerator of which is the number of days from the beginning of the Performance Period through the date your employment with the Company Group terminates and the denominator of which is the number of days in the Performance Period. Any amount payable pursuant to this Section 4.3 will be paid to your estate on the Payment Date. After such Shares are issued, the Company Group will have no further obligations to you pursuant to this Agreement.

4.4 **Retirement.** Notwithstanding any other provision of this Agreement to the contrary, if your employment with the Company Group terminates due to your Retirement before the last day of the Performance Period then the Company will issue to you shares of Common Stock in an amount equal to the product of (1) and (2) where (1) is the number of shares you would have received under this Agreement if your employment with the Company Group had not been terminated before the end of the Performance Period and (2) is a fraction, the numerator of which is the number of days from the beginning of the Performance Period through the date your employment with the Company Group terminates and the denominator of which is the number of days in the Performance Period. Any amount payable pursuant to this Section 4.4 will be paid to you on the Payment Date. After such Shares are issued to you, you will have no further rights with respect to this Agreement and the Company Group will have no further obligations to you pursuant to this Agreement. For purposes of this Section 4.4 “Retirement” means the voluntary termination of your employment relationship with the Company Group on or after the date on which (a) you are age 65 or (b) you are age 55 and have five years of service with the Company Group.

5. **TAX WITHHOLDING.** To the extent that the issuance of Shares pursuant to this Agreement results in income, wages or other compensation to you for any income, employment or other tax purposes with respect to which the Company or the legal entity that is a member of the Company Group and that is classified as your employer (the “Employer”) has a withholding obligation, you shall deliver to the Company at the time of such receipt or issuance, as the case may be, such amount of money as the Company or the Employer may require to meet its obligation under applicable tax laws or regulations, and, if you fail to do so, the Company is authorized to withhold from the Shares or from any cash or stock remuneration or other payment then or thereafter payable to you by the Company or the Employer any tax required to be withheld by reason of such taxable income, wages or compensation including (without limitation) shares of Common Stock sufficient to satisfy the withholding obligation based on the last per share sales price of the Common Stock for the trading day immediately preceding the date that the withholding obligation arises, as reported in the New York Stock Exchange Composite Transactions.

6. **NONTRANSFERABILITY.** This Agreement is not transferable by you otherwise than by will or by the laws of descent and distribution. Your rights under this Agreement may not be sold, assigned, pledged, exchanged, hypothecated or otherwise transferred, encumbered or disposed of (other than by will or the applicable laws of descent and distribution). Any such attempted sale, assignment, pledge, exchange, hypothecation, transfer, encumbrance or disposition in violation of this Agreement shall be void and the Company Group shall not be bound thereby.

7. **CAPITAL ADJUSTMENTS AND REORGANIZATIONS.** The existence of the award granted under this Agreement shall not affect in any way the right or power of the Company or any company the stock of which is awarded pursuant to this Agreement to make or authorize any adjustment, recapitalization, reorganization or other change in its capital structure or its business, engage in any merger or consolidation, issue any debt or equity securities, dissolve or liquidate, or sell, lease, exchange or otherwise dispose of all or any part of its assets or business, or engage in any other corporate act or proceeding.

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8. **AWARD UNDER THIS AGREEMENT DOES NOT AWARD ANY RIGHTS OF A SHAREHOLDER.** You shall not have the voting rights or any of the other rights, powers or privileges of a holder of the Common Stock with respect to the award granted to you under this Agreement. Only after the Shares are issued in exchange for your rights under this Agreement will you have all of the rights of a shareholder with respect to such Shares issued in exchange for your rights under this Agreement.

9. **EMPLOYMENT RELATIONSHIP.** For purposes of this Agreement, you shall be considered to be in the employment of the Company Group as long as you have an employment relationship with the Company Group. The Committee shall determine any questions as to whether and when there

has been a termination of such employment relationship, and the cause of such termination, under the Plan, and the Committee's determination shall be final and binding on all persons.

10. **NOT AN EMPLOYMENT AGREEMENT.** This Agreement is not an employment agreement, and no provision of this Agreement shall be construed or interpreted to create an employment relationship between you and the Company or any Affiliate or guarantee the right to remain employed by the Company or any Affiliate for any specified term.
11. **SECURITIES ACT LEGEND.** If you are an officer or affiliate of the Company under the Securities Act of 1933, you consent to the placing on any certificate for the Shares of an appropriate legend restricting resale or other transfer of the Shares except in accordance with such Act and all applicable rules thereunder.
12. **LIMIT OF LIABILITY.** Under no circumstances will the Company or an Affiliate be liable for any indirect, incidental, consequential or special damages (including lost profits) of any form incurred by any person, whether or not foreseeable and regardless of the form of the act in which such a claim may be brought, with respect to the Plan.
13. **REGISTRATION.** The Shares that may be issued under the Plan are registered with the Securities and Exchange Commission under a Registration Statement on Form S-8.
14. **SALE OF SECURITIES.** The Shares that may be issued under this Agreement may not be sold or otherwise disposed of in any manner that would constitute a violation of any applicable federal or state securities laws. You also agree that (a) the Company may refuse to cause the transfer of the Shares to be registered on the stock register of the Company if such proposed transfer would in the opinion of counsel satisfactory to the Company constitute a violation of any applicable federal or state securities law and (b) the Company may give related instructions to the transfer agent, if any, to stop registration of the transfer of the Shares.
15. **EMPLOYER LIABLE FOR PAYMENT.** The Employer is liable for the payment of any amounts that become due under this Agreement.
16. **MISCELLANEOUS.** This Agreement is awarded pursuant to and is subject to all of the provisions of the Plan, including amendments to the Plan, if any. In the event of a conflict between this Agreement and the Plan provisions, the Plan provisions will control. The term "you" and "your" refer to the Grantee named in this Agreement. Capitalized terms that are not defined herein shall have the meanings ascribed to such terms in the Plan.

In accepting the award granted in this Agreement you accept and agree to be bound by all the terms and conditions of the Plan, this Agreement and the Terms and Conditions.

**QUANEX CORPORATION**

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Raymond Jean – Chief Executive Officer



## QUANEX CORPORATION

## EXECUTIVE PERFORMANCE STOCK AWARD AGREEMENT

<<Name>>  
Grantee

Date of Award: << >>  
Target Number of Shares of Common Stock: << >>

## AWARD GRANT

1. **GRANT OF PERFORMANCE STOCK AWARD.** The Compensation Committee (the “Committee”) of the Board of Directors of Quanex Corporation, a Delaware corporation (the “Company”), pursuant to the Quanex Corporation 2006 Omnibus Incentive Plan (the “Plan”), hereby awards to you, the above-named Grantee, effective as of the Date of Award set forth above, an opportunity to receive shares of the Company’s Common Stock, \$0.50 par value per share (the “Common Stock”), based upon attainment of the Performance Goals during the Performance Period on the terms and conditions set forth in this Performance Stock Award Agreement (this “Agreement”).

For purposes of this Agreement, the term “Performance Period” means the -year period beginning , 20 , and ending , 20 . For purposes of this Agreement, the term “Performance Goals” means .

2. **FINAL PERFORMANCE FACTOR.** The aggregate number of shares of the Common Stock to be issued to you under this Agreement (the “Shares”) is equal to the Target Number of Shares of Common Stock set forth above multiplied by the Final Performance Factor (which is determined as provided below):

2.1 The Final Performance Factor shall be equal to one (1) if (a) the Company achieves the Target Milestone during the Performance Period and does not achieve the Maximum Milestone during the Performance Period, (b) a Change in Control has not occurred on or before the last day of the Performance Period, and (c) you remain in the active employ of one or more members of the Company Group through the last day of the Performance Period. For purposes of this Agreement, the “Target Milestone” means and the “Maximum Milestone” means .

2.2 The Final Performance Factor shall be equal to two (2) if (a) the Company achieves the Maximum Milestone during the Performance Period, (b) a Change in Control has not occurred on or before the last day of the Performance Period, and (c) you remain in the active employ of one or more members of the Company Group through the last day of the Performance Period.

2.3 The Final Performance Factor shall be equal to three-fourths ( $\frac{3}{4}$ ) if (a) the Company achieves the Threshold Milestone during the Performance Period and does not achieve the Target Milestone during the Performance Period, (b) a Change in Control has not occurred on or before the last day of the Performance Period, and (c) you remain in the active employ of one or more members of the Company Group through the last day of the Performance Period. For purposes of this Agreement, the “Threshold Milestone” means .

Executive

2.4 If the performance standard achieved with respect to a particular Performance Goal is between the Threshold Milestone and the Target Milestone or between the Target Milestone and the Maximum Milestone, the applicable Final Performance Factor shall be determined by interpolation.

For example, assume that the Committee grants an executive a performance based compensation award under the Plan that is contingent upon achieving Performance Goal A and Performance Goal B, weighting the importance of the goals as 50% and 50%, respectively. The Committee establishes Threshold, Target and Maximum Milestones for each Goal. The Final Performance Factor assigned for achieving the threshold, target and maximum performance standards are  $\frac{3}{4}$ , 1 and 2, respectively. Finally, assume that the executive is awarded 2,000 Performance Shares with a Target Value of \$100, is continuously employed by the Company throughout the Performance Period and achieves the Maximum Milestone for Performance Goal A, and precisely halfway between the Target and Maximum Milestones for Performance Goal B. The total amount payable to the executive under the award is \$250,000, which is determined as follows: The amount payable to the executive with respect to Performance Goal A is \$100,000 (50% (Performance Goal Percentage) x 2,000 (Performance Shares) x \$100 (Performance Share Value) x 1 (Final Performance Factor) = \$100,000), and the amount payable to the executive with respect to Performance Goal B is \$150,000 (50% (Performance Goal Percentage) x 2000 (Performance Shares) x \$100 (Target Value) x 1.5 (Final Performance Factor)= \$150,000).

2.5 If the Threshold Milestone is not achieved during the Performance Period and a Change in Control has not occurred on or before the last day of the Performance Period, then the award pursuant to this Agreement shall lapse and be forfeited as of the last day of the Performance Period.

2.6 The Committee’s determinations with respect to the Performance Period for purposes of this Agreement shall be binding upon all persons. The Committee may not increase the amount payable under this Agreement.

3. **PAYMENT.** Unless otherwise provided in this Agreement, the Company, on behalf of the Employer, shall cause the Shares to be issued to you on , 20 (the “Payment Date”).

Upon the issuance of Shares pursuant to this Agreement the Shares shall be transferable by you (except to the extent that any proposed transfer would, in the opinion of counsel satisfactory to the Company, constitute a violation of applicable federal or state securities law).

4. **TERMINATION OF EMPLOYMENT/CHANGE IN CONTROL.** The following provisions will apply in the event your employment with the Company and all Affiliates (collectively, the “*Company Group*”) terminates, or a change in control of the Company as defined in the Change in Control Agreement between you and the Company (“*Change in Control*”) occurs, on or before the last day of the Performance Period.

4.1 **Termination Generally.** If your employment with the Company Group terminates on or before the last day of the Performance Period for any reason other than one of the reasons described in Sections 4.2 through 4.5 below, all of your rights in the Agreement will lapse and be completely forfeited on the date your employment terminates.

(i) **Change in Control.** If the Company Group terminates your employment without Cause or you terminate your employment with Good Reason (all as defined in the Change in Control Agreement between you and the Company) on or before the last day of the Performance Period prior to a Change in Control, then ten (10) business days after the date your employment relationship with the Company Group terminates, the Company will issue to you that number of shares of the Common Stock equal to the product of (A) the Target Number of Shares of Common Stock set forth in this Agreement and (B) a fraction, the numerator of which is the number of years from the beginning of the Performance Period (rounded up to the nearest full

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year) through the date of the Change in Control and the denominator of which is the number of years in the Performance Period.

(ii) **Delayed Payment In Certain Circumstances.** Notwithstanding any other provision of this Section 4.2, no shares will be issued to you pursuant to this Section 4.2 before the earlier of (1) the Payment Date specified in the Agreement (the “*Payment Date*”), or (2) the date on which you incur a separation from service (or, if you are a specified employee, the date that is six months after the date on which you incur a separation from service). For this purpose, the terms “separation from service” and “specified employee” shall have the meanings specified in section 409A of the Internal Revenue Code of 1986, as amended, and the rules and regulations issued thereunder.

4.2 **Permanent Disability.** Notwithstanding any other provision of the Agreement or these Terms and Conditions to the contrary, if your employment with the Company Group terminates because you incur a Permanent Disability before the last day of the Performance Period then the Company will issue to you shares of Common Stock in an amount equal to the product of (1) and (2) where (1) is the number of shares you would have received under the Agreement if your employment with the Company Group had not been terminated before the end of the Performance Period and (2) is a fraction, the numerator of which is the number of days from the beginning of the Performance Period through the date your employment with the Company Group terminates and the denominator of which is the number of days in the Performance Period. Any amount payable pursuant to this Section will be paid to you on the Payment Date. After such Shares are issued to you, you will have no further rights with respect to the Agreement and the Company Group will have no further obligations to you pursuant to the Agreement. For purposes of this Section, you will have a “*Permanent Disability*” if you are unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months.

4.3 **Death.** Notwithstanding any other provision of the Agreement or these Terms and Conditions to the contrary, if you die before the last day of the Performance Period and while in the active employ of one or more members of the Company Group, then the Company will issue to your estate shares of Common Stock in an amount equal to the product of (1) and (2) where (1) is the number of shares you would have received under the Agreement if your employment with the Company Group had not been terminated before the end of the Performance Period and (2) is a fraction, the numerator of which is the number of days from the beginning of the Performance Period through the date your employment with the Company Group terminates and the denominator of which is the number of days in the Performance Period. Any amount payable pursuant to this Section 4.4 will be paid to your estate on the Payment Date. After such Shares are issued, the Company Group will have no further obligations to you pursuant to the Agreement.

4.4 **Retirement.** Notwithstanding any other provision of the Agreement or these Terms and Conditions to the contrary, if your employment with the Company Group terminates due to your Retirement before the last day of the Performance Period then the Company will issue to you shares of Common Stock in an amount equal to the product of (1) and (2) where (1) is the number of shares you would have received under the Agreement if your employment with the Company Group had not been terminated before the end of the Performance Period and (2) is a fraction, the numerator of which is the number of days from the beginning of the Performance Period through the date your employment with the Company Group terminates and the denominator of which is the number of days in the Performance Period. Any amount payable pursuant to this Section 4.5 will be paid to you on the Payment Date. After such Shares are issued to you, you will have no further rights with respect to the Agreement and the Company Group will have no further obligations to you pursuant to the Agreement. For purposes of this Section 4.5 “*Retirement*” means the voluntary termination of your employment relationship with the

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Company Group on or after the date on which (a) you are age 65 or (b) you are age 55 and have five years of service with the Company Group.

5. **TAX WITHHOLDING.** To the extent that the issuance of Shares pursuant to the Agreement results in income, wages or other compensation to you for any income, employment or other tax purposes with respect to which the Company or the legal entity that is a member of the Company Group and that is classified as your employer (the “*Employer*”) has a withholding obligation, you shall deliver to the Company at the time of such receipt or issuance, as the case may be, such amount of money as the Company or the Employer may require to meet its obligation under applicable tax laws or regulations, and, if you fail to do so, the Company is authorized to withhold from the Shares or from any cash or stock remuneration or other payment then or thereafter payable to you by the Company or the Employer any tax required to be withheld by reason of such taxable income, wages or compensation including (without limitation) shares of Common Stock sufficient to satisfy the withholding obligation based on the last per share sales price of the Common Stock for the trading day immediately preceding the date that the withholding obligation arises, as reported in the New York Stock Exchange Composite Transactions.

6. **NONTRANSFERABILITY.** The Agreement is not transferable by you otherwise than by will or by the laws of descent and distribution. Your rights under this Agreement may not be sold, assigned, pledged, exchanged, hypothecated or otherwise transferred, encumbered or disposed of (other than by will or the applicable laws of descent and distribution). Any such attempted sale, assignment, pledge, exchange, hypothecation, transfer, encumbrance or disposition in violation of this Agreement shall be void and the Company Group shall not be bound thereby.
7. **CAPITAL ADJUSTMENTS AND REORGANIZATIONS.** The existence of the award granted under the Agreement shall not affect in any way the right or power of the Company or any company the stock of which is awarded pursuant to the Agreement to make or authorize any adjustment, recapitalization, reorganization or other change in its capital structure or its business, engage in any merger or consolidation, issue any debt or equity securities, dissolve or liquidate, or sell, lease, exchange or otherwise dispose of all or any part of its assets or business, or engage in any other corporate act or proceeding.
8. **AWARD UNDER THE AGREEMENT DOES NOT AWARD ANY RIGHTS OF A SHAREHOLDER.** You shall not have the voting rights or any of the other rights, powers or privileges of a holder of the Common Stock with respect to the award granted to you under the Agreement. Only after the Shares are issued in exchange for your rights under this Agreement will you have all of the rights of a shareholder with respect to such Shares issued in exchange for your rights under this Agreement.
9. **EMPLOYMENT RELATIONSHIP.** For purposes of the Agreement, you shall be considered to be in the employment of the Company Group as long as you have an employment relationship with the Company Group. The Committee shall determine any questions as to whether and when there has been a termination of such employment relationship, and the cause of such termination, under the Plan, and the Committee's determination shall be final and binding on all persons.
10. **NOT AN EMPLOYMENT AGREEMENT.** The Agreement is not an employment agreement, and no provision of the Agreement shall be construed or interpreted to create an employment relationship between you and the Company or any Affiliate or guarantee the right to remain employed by the Company or any Affiliate for any specified term.
11. **SECURITIES ACT LEGEND.** If you are an officer or affiliate of the Company under the Securities Act of 1933, you consent to the placing on any certificate for the Shares of an appropriate legend

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restricting resale or other transfer of the Shares except in accordance with such Act and all applicable rules thereunder.

12. **LIMIT OF LIABILITY.** Under no circumstances will the Company or an Affiliate be liable for any indirect, incidental, consequential or special damages (including lost profits) of any form incurred by any person, whether or not foreseeable and regardless of the form of the act in which such a claim may be brought, with respect to the Plan.
13. **REGISTRATION.** The Shares that may be issued under the Plan are registered with the Securities and Exchange Commission under a Registration Statement on Form S-8.
14. **SALE OF SECURITIES.** The Shares that may be issued under this Agreement may not be sold or otherwise disposed of in any manner that would constitute a violation of any applicable federal or state securities laws. You also agree that (a) the Company may refuse to cause the transfer of the Shares to be registered on the stock register of the Company if such proposed transfer would in the opinion of counsel satisfactory to the Company constitute a violation of any applicable federal or state securities law and (b) the Company may give related instructions to the transfer agent, if any, to stop registration of the transfer of the Shares.
15. **EMPLOYER LIABLE FOR PAYMENT.** Except as specified in Section 4.2, the Employer is liable for the payment of any amounts that become due under the Agreement.
16. **MISCELLANEOUS.** The Agreement is awarded pursuant to and is subject to all of the provisions of the Plan, including amendments to the Plan, if any. In the event of a conflict between these Terms and Conditions and the Plan provisions, the Plan provisions will control. The term "you" and "your" refer to the Grantee named in the Agreement. Capitalized terms that are not defined herein shall have the meanings ascribed to such terms in the Plan or the Agreement.

In accepting the award granted in this Agreement you accept and agree to be bound by all the terms and conditions of the Plan, this Agreement and the Terms and Conditions.

**QUANEX CORPORATION**

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Raymond Jean – Chief Executive Officer

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QUANEX CORPORATION

DIRECTOR PERFORMANCE STOCK AWARD AGREEMENT

<<Name>>  
Grantee

Date of Award: << >>  
Target Number of Shares of Common Stock: << >>

AWARD GRANT

1. **GRANT OF PERFORMANCE STOCK AWARD.** Quanex Corporation, a Delaware corporation (the “*Company*”), pursuant to the Quanex Corporation 2006 Omnibus Incentive Plan (the “*Plan*”), hereby awards to you, the above-named Grantee, effective as of the Date of Award set forth above, an opportunity to receive shares of the Company’s Common Stock, \$0.50 par value per share (the “*Common Stock*”), based upon attainment of the Performance Goals during the Performance Period on the terms and conditions set forth in this Performance Stock Award Agreement (this “*Agreement*”).

For purposes of this Agreement, the term “*Performance Period*” means the -year period beginning , 20 , and ending , 20 . For purposes of this Agreement, the term “*Performance Goals*” means .

2. **FINAL PERFORMANCE FACTOR.** The aggregate number of shares of the Common Stock to be issued to you under this Agreement (the “*Shares*”) is equal to the Target Number of Shares of Common Stock set forth above multiplied by the Final Performance Factor (which is determined as provided below):

2.1 The Final Performance Factor shall be equal to one (1) if (a) the Company achieves the Target Milestone during the Performance Period and does not achieve the Maximum Milestone during the Performance Period, (b) “a change in the ownership or effective control of the corporation” or a “change in the ownership of a substantial portion of the assets of the corporation” (within the meaning of section 409A of the Internal Revenue Code of 1986, as amended) (“*Section 409A Change in Control*”) has not occurred on or before the last day of the Performance Period, and (c) you remain an active member of the Board of Directors of the Company (the “*Board*”) through the last day of the Performance Period. For purposes of this Agreement, the “*Target Milestone*” means and the “*Maximum Milestone*” means .

2.2 The Final Performance Factor shall be equal to two (2) if (a) the Company achieves the Maximum Milestone during the Performance Period, (b) a Section 409A Change in Control has not occurred on or before the last day of the Performance Period, and (c) you remain an active member of the Board through the last day of the Performance Period.

2.3 The Final Performance Factor shall be equal to three-fourths ( $\frac{3}{4}$ ) if (a) the Company achieves the Threshold Milestone during the Performance Period and does not achieve the Target Milestone during the Performance Period, (b) a Section 409A Change in Control has not occurred on or before the last day of the Performance Period, and (c) you remain an active member of the Board through the last day of the Performance Period. For purposes of this Agreement, the “*Threshold Milestone*” means .

*Director*

2.4 If the performance standard achieved with respect to a particular Performance Goal is between the Threshold Milestone and the Target Milestone or between the Target Milestone and the Maximum Milestone, the applicable Final Performance Factor shall be determined by interpolation.

For example, assume that the Committee grants a director a performance based compensation award under the Plan that is contingent upon achieving Performance Goal A and Performance Goal B, weighting the importance of the goals as 50% and 50%, respectively. The Committee establishes Threshold, Target and Maximum Milestones for each Goal. The Final Performance Factor assigned for achieving the threshold, target and maximum performance standards are  $\frac{3}{4}$ , 1 and 2, respectively. Finally, assume that the director is awarded 2,000 Performance Shares with a Target Value of \$100, is continuously employed by the Company throughout the Performance Period and achieves the Maximum Milestone for Performance Goal A, and precisely halfway between the Target and Maximum Milestones for Performance Goal B. The total amount payable to the director under the award is \$250,000, which is determined as follows: The amount payable to the director with respect to Performance Goal A is \$100,000 (50% (Performance Goal Percentage) x 2,000 (Performance Shares) x \$100 (Performance Share Value) x 1 (Final Performance Factor) = \$100,000), and the amount payable to the director with respect to Performance Goal B is \$150,000 (50% (Performance Goal Percentage) x 2000 (Performance Shares) x \$100 (Target Value) x 1.5 (Final Performance Factor)= \$150,000).

2.5 If the Threshold Milestone is not achieved during the Performance Period and a Section 409A Change in Control has not occurred on or before the last day of the Performance Period, then the award pursuant to this Agreement shall lapse and be forfeited as of the last day of the Performance Period.

2.6 The Committee’s determinations with respect to the Performance Period for purposes of this Agreement shall be binding upon all persons. The Committee may not increase the amount payable under this Agreement.

3. **PAYMENT.** The Company shall cause the Shares to be issued to you on , 20 (the “*Payment Date*”), unless otherwise provided under this Agreement.



4. **TERMINATION OF MEMBERSHIP/CHANGE IN CONTROL.** The following provisions will apply in the event you cease to be a member of the Board of Directors of the Company (the “Board”), or “a change in the ownership or effective control of the corporation” or Section 409A Change in Control occurs, on or before the last day of the Performance Period.

4.1 Termination Generally. If you cease to be a member of the Board on or before the last day of the Performance Period for any reason other than one of the reasons described in Sections 4.2 through 4.5 below, all of your rights in this Agreement will lapse and be completely forfeited on the date you cease to be a member of the Board.

4.2 Permanent Disability. Notwithstanding any other provision of this Agreement to the contrary, if you cease to be a member of the Board because you incur a Permanent Disability before the last day of the Performance Period then the Company will issue to you shares of Common Stock in an amount equal to the product of (1) and (2) where (1) is the number of Shares you would have received under this Agreement if your membership on the Board had not ended before the end of the Performance Period and (2) is a fraction, the numerator of which is the number of days from the beginning of the Performance Period through the date your membership on the Board ended and the denominator of which is the number of days in the Performance Period. Any amount payable pursuant to this Section 4.2 will be paid to you on the Payment Date. After such Shares are issued to you, you will have no further rights with respect to this Agreement and the Company will have no further obligations to you pursuant to this Agreement. For purposes of this Section 4.2, you will have a “Permanent Disability” if you are unable to engage in any substantial gainful activity by reason of any medically

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determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months.

4.3 Death. Notwithstanding any other provision of this Agreement to the contrary, if you die before the last day of the Performance Period and while an active member of the Board, then the Company will issue to your estate shares of Common Stock in an amount equal to the product of (1) and (2) where (1) is the number of Shares you would have received under the Agreement if your membership on the Board had not ended before the end of the Performance Period and (2) is a fraction, the numerator of which is the number of days from the beginning of the Performance Period through the date your membership on the Board ended and the denominator of which is the number of days in the Performance Period. Any amount payable pursuant to this Section 4.3 will be paid to your estate on the Payment Date. After such Shares are issued, the Company will have no further obligations to you pursuant to this Agreement.

4.4 Retirement. Notwithstanding any other provision of this Agreement to the contrary, if you cease to be a member of the Board due to your Retirement before the last day of the Performance Period then the Company will issue to you shares of Common Stock in an amount equal to the product of (1) and (2) where (1) is the number of shares you would have received under this Agreement if your service with the Company had not ceased before the end of the Performance Period and (2) is a fraction, the numerator of which is the number of days from the beginning of the Performance Period through the date you service with the Company ceased and the denominator of which is the number of days in the Performance Period. Any amount payable pursuant to this Section 4.4 will be paid to you on the Payment Date. After such Shares are issued to you, you will have no further rights with respect to this Agreement and the Company will have no further obligations to you pursuant to this Agreement. For purposes of this Section 4.4, the term “Retirement” means your voluntary cessation of your membership as a director with the Company on or after the later of (a) the date on which you attain age 70 or (b) the date your term as a director expires if you attain age 70 during such term; provided, that that with respect to any person who was a director on November 1, 1996, the reference to “70 years” shall be changed to “72 years.”

4.5 Section 409A Change in Control. Notwithstanding any other provision of this Agreement to the contrary, if a Section 409A Change in Control occurs before the last day of the Performance Period then the Company will issue to you shares of Common Stock in an amount equal to the product of (1) and (2) where (1) is the number of shares you would have received under this Agreement if the Section 409A Change in Control had not occurred before the end of the Performance Period and (2) is a fraction, the numerator of which is the number of years from the beginning of the Performance Period (rounded up to the nearest full year) through the date of the Section 409A Change in Control and the denominator of which is the number of years in the Performance Period. Any amount payable pursuant to this Section 4.5 will be paid to you on the Date of the Section 409A Change in Control. After such Shares are issued to you, you will have no further rights with respect to this Agreement and the Company will have no further obligations to you pursuant to this Agreement.

5. **NONTRANSFERABILITY.** This Agreement is not transferable by you otherwise than by will or by the laws of descent and distribution. Your rights under this Agreement may not be sold, assigned, pledged, exchanged, hypothecated or otherwise transferred, encumbered or disposed of (other than by will or the applicable laws of descent and distribution). Any such attempted sale, assignment, pledge, exchange, hypothecation, transfer, encumbrance or disposition in violation of this Agreement shall be void and the Company shall not be bound thereby.

6. **CAPITAL ADJUSTMENTS AND REORGANIZATIONS.** The existence of the award granted under this Agreement shall not affect in any way the right or power of the Company or any company the stock of which is awarded pursuant to this Agreement to make or authorize any adjustment,

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recapitalization, reorganization or other change in its capital structure or its business, engage in any merger or consolidation, issue any debt or equity securities, dissolve or liquidate, or sell, lease, exchange or otherwise dispose of all or any part of its assets or business, or engage in any other corporate act or proceeding.

7. **AWARD UNDER THIS AGREEMENT DOES NOT AWARD ANY RIGHTS OF A SHAREHOLDER.** You shall not have the voting rights or any of the other rights, powers or privileges of a holder of the Common Stock with respect to the award granted to you under this Agreement. Only after the Shares are issued in exchange for your rights under this Agreement will you have all of the rights of a shareholder with respect to such Shares issued in exchange for your rights under this Agreement.

8. **SECURITIES ACT LEGEND.** If you are or become an officer or affiliate of the Company under the Securities Act of 1933, you consent to the placing on any certificate for the Shares of an appropriate legend restricting resale or other transfer of the Shares except in accordance with such Act and all applicable rules thereunder.
9. **LIMIT OF LIABILITY.** Under no circumstances will the Company or an Affiliate be liable for any indirect, incidental, consequential or special damages (including lost profits) of any form incurred by any person, whether or not foreseeable and regardless of the form of the act in which such a claim may be brought, with respect to the Plan.
10. **SALE OF SECURITIES.** The Shares that may be issued under this Agreement may not be sold or otherwise disposed of in any manner that would constitute a violation of any applicable federal or state securities laws. You also agree that (a) the Company may refuse to cause the transfer of the Shares to be registered on the stock register of the Company if such proposed transfer would in the opinion of counsel satisfactory to the Company constitute a violation of any applicable federal or state securities law and (b) the Company may give related instructions to the transfer agent, if any, to stop registration of the transfer of the Shares.
11. **REGISTRATION.** The Shares that may be issued under the Plan are registered with the Securities and Exchange Commission under a Registration Statement on Form S-8.
12. **MISCELLANEOUS.** This Agreement is awarded pursuant to and is subject to all of the provisions of the Plan, including amendments to the Plan, if any. In the event of a conflict between this Agreement and the Plan provisions, the Plan provisions will control. The term “you” and “your” refer to the Grantee named in this Agreement. Capitalized terms that are not defined herein or in this Agreement shall have the meanings ascribed to such terms in the Plan.

In accepting the award granted in this Agreement you accept and agree to be bound by all the terms and conditions of the Plan and this Agreement.

**QUANEX CORPORATION**

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Raymond Jean – Chief Executive Officer



QUANEX CORPORATION

EMPLOYEE ~~[STOCK-]~~[CASH-]SETTLED  
PERFORMANCE UNIT AWARD AGREEMENT

<<Name>>  
Grantee

Date of Award: << >>  
Number of Performance Units Awarded: << >>  
[Target Value of Each Performance Unit:] << >>

AWARD OF PERFORMANCE UNITS

1. **GRANT OF PERFORMANCE UNITS.** The Compensation Committee (the “Committee”) of the Board of Directors of Quanex Corporation, a Delaware corporation (the “Company”), pursuant to the Quanex Corporation 2006 Omnibus Incentive Plan (the “Plan”), hereby awards to you, the above-named Grantee, effective as of the Date of Award set forth above, that number of Performance Units set forth above (each, a “Performance Unit”, and collectively, the “Performance Units”), on the terms and conditions set forth in this Performance Unit Award Agreement (this “Agreement”).

[The][Each] Performance [Units provide][Unit provides] you an opportunity to [receive shares of the Company’s common stock, \$0.50 par value per share (the “Common Stock”),][earn a cash payment] based upon attainment of the Performance Goals during the Performance Period. For purposes of this Agreement, the term “Performance Period” means the -year period beginning , 20 , and ending , 20 , and the term “Performance Goals” means .

2. **FINAL PERFORMANCE FACTOR.** The aggregate [number of shares of the Common Stock to be issued to you][amount payable] under this Agreement [(the “Shares”)] is equal to the number of Performance Units multiplied by the Target Value of each Performance Unit multiplied by the Final Performance Factor (which is determined as provided below)[divided by the Fair Market Value of a Share of Common Stock on the first business day immediately preceding the Payment Date]:

2.1 The Final Performance Factor shall be equal to one (1) if (a) the Company achieves the Target Milestone during the Performance Period and does not achieve the Maximum Milestone during the Performance Period and (b) you remain in the active employ of one or more members of the Company Group through the last day of the Performance Period. For purposes of this Agreement, the “Target Milestone” means and the “Maximum Milestone” means .

2.2 The Final Performance Factor shall be equal to two (2) if (a) the Company achieves the Maximum Milestone during the Performance Period, and (b) you remain in the active employ of one or more members of the Company Group through the last day of the Performance Period.

2.3 The Final Performance Factor shall be equal to three-fourths (¾) if (a) the Company achieves the Threshold Milestone during the Performance Period and does not achieve the Target Milestone during the Performance Period and (b) you remain in the active employ of one or more members of the Company Group through the last day of the Performance Period. For purposes of this Agreement, the “Threshold Milestone” means .

Employee  
[Stock Settled] — [Cash Settled]

- 2.4 If the performance standard achieved with respect to a particular Performance Goal is between the Threshold Milestone and the Target Milestone or between the Target Milestone and the Maximum Milestone, the applicable Final Performance Factor shall be determined by interpolation.

For example, assume that the Committee grants an employee a performance based compensation award under the Plan that is contingent upon achieving Performance Goal A and Performance Goal B, weighting the importance of the goals equally as 50% and 50%, respectively. The Committee establishes Threshold, Target and Maximum Milestones for each Goal. The Final Performance Factor assigned for achieving the threshold, target and maximum performance standards are ¾, 1 and 2, respectively. Finally, assume that the employee is awarded 2,000 Performance Units with a Target Value of \$100, is continuously employed by the Company throughout the Performance Period and achieves the Maximum Milestone for Performance Goal A, and precisely halfway between the Target and Maximum Milestones for Performance Goal B. The total amount payable to the employee under the award is \$250,000, which is determined as follows: .The amount payable to the employee with respect to Performance Goal A is \$100,000 (50% (Performance Goal Percentage) x 2,000 (Performance Units) x \$100 (Performance Unit Value) x 1 (Final Performance Factor) = \$160,000), and the amount payable to the employee with respect to Performance Goal B is \$180,000 (50% (Performance Goal Percentage) x 2000 (Performance Units) x \$100 (Target Value) x 1.5 (Final Performance Factor)= \$150,000).

- 2.5 If the Threshold Milestone is not achieved during the Performance Period, then the award pursuant to this Agreement shall lapse and be forfeited as of the last day of the Performance Period.

- 2.6 The Committee’s determinations with respect to the Performance Period for purposes of this Agreement shall be binding upon all persons. The Committee may not increase the amount payable under this Agreement.

3. **PAYMENT.** [The Company, on behalf of the Employer, shall cause the shares to be issued] [Any amount payable to you pursuant to this Agreement will be paid] to you [by the Employer] on \_\_\_\_\_, 20 [(the “Payment Date”)] unless otherwise provided under this Agreement. [The Shares that may be issued to you under this Agreement][Such payment] will be [issued][made] to you in exchange for the Performance Units and thereafter you shall have no further rights with respect to such Performance Units or the Agreement.

[Upon the issuance of Shares pursuant to this Agreement, such Shares shall be transferable by you (except to the extent that any proposed transfer would, in the opinion of counsel satisfactory to the Company, constitute a violation of applicable federal or state securities law).]

4. **SEPARATION FROM SERVICE.** The following provisions will apply in the event you separate from service with the Company and all Affiliates (collectively, the “Company Group”), before the last day of the Performance Period.

4.1 **Separation from Service Generally.** Except as specified in Sections 4.2 through 4.4 below, if you separate from service with the Company Group on or before the last day of the Performance Period, all of your rights in the Agreement, including all rights to the Performance Units granted to you, will lapse and be completely forfeited on the date of your Separation from Service.

4.2 **Permanent Disability.** Notwithstanding any other provision of the Agreement to the contrary, if you separate from service with the Company Group because you incur a Permanent Disability before the last day of the Performance Period then the [Company][Employer] will [issue][pay] to you [shares of Common Stock] in **[cash]** an amount equal to the product of (1) and (2) where (1) is the [number of shares][amount] you would have received under the Agreement if you had not separated from service with the Company Group before the end of the Performance Period and (2) is a fraction, the numerator of which is the number of days from the beginning of the Performance Period through the date you separate from service with the Company Group and the denominator of which is the number of days in

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the Performance Period. Any amount payable pursuant to this Section 4.2 will be paid **[by the Employer]** to you on the Payment Date. Such payment will be made to you in exchange for the Performance Units and thereafter you shall have no further rights with respect to such Performance Units or the Agreement and the Company Group will have no further obligations to you pursuant to the Performance Units or the Agreement. For purposes of this Section 4.2, you will have a “Permanent Disability” if you are unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months.

4.3 **Death.** Notwithstanding any other provision of the Agreement to the contrary, if you die before the last day of the Performance Period and while in the active employ of one or more members of the Company Group, then the [Company][Employer] will [issue][pay] to your estate [shares of Common Stock] in **[cash]** an amount equal to the product of (1) and (2) where (1) is the [number of shares][amount] you would have received under the Agreement if you had not died before the end of the Performance Period and (2) is a fraction, the numerator of which is the number of days from the beginning of the Performance Period through the date your death and the denominator of which is the number of days in the Performance Period. Any amount payable pursuant to this Section 4.3 will be paid **[by the Employer]** to your estate on the Payment Date. Such payment will be made in exchange for the Performance Units and thereafter your estate and heirs, executors, and administrators shall have no further rights with respect to such Performance Units or the Agreement and the Company Group will have no further obligations pursuant to the Performance Units or the Agreement.

4.4 **Retirement.** Notwithstanding any other provision of the Agreement to the contrary, if you separate from service with the Company Group due to your Retirement before the last day of the Performance Period then the [Company][Employer] will [issue][pay] to you [shares of Common Stock] in **[cash]** an amount equal to the product of (1) and (2) where (1) is the amount you would have received under the Agreement if you had not separated from service with the Company Group before the end of the Performance Period and (2) is a fraction, the numerator of which is the number of days from the beginning of the Performance Period through the date you separated from service with the Company Group and the denominator of which is the number of days in the Performance Period. Any amount payable pursuant to this Section 4.4 will be paid **[by the Employer]** to you on the Payment Date. Such payment will be made to you in exchange for the Performance Units and thereafter you shall have no further rights with respect to such Performance Units or the Agreement and the Company Group will have no further obligations to you pursuant to the Performance Units or the Agreement. For purposes of this Section 4.4 “Retirement” means the voluntary termination of your employment relationship with the Company Group on or after the date on which (a) you are age 65 or (b) you are age 55 and have five years of service with the Company Group.

5. **TAX WITHHOLDING.** To the extent that [the issuance of Shares][any payment] pursuant to the Agreement results in income, wages or other compensation to you for any income, employment or other tax purposes with respect to which the Company or the [legal entity that is a member of the Company Group and that is classified as your employer (the “Employer”)]**[Employer]** has a withholding obligation, you shall deliver to the Company **[or the Employer]** at the time of such receipt or [issuance][payment], as the case may be, such amount of money as the Company or the Employer may require to meet its obligation under applicable tax laws or regulations, and, if you fail to do so, the Company **[or the Employer]** is authorized to withhold from **[any payment under]** the [Shares][Agreement] or from any cash or stock remuneration or other payment then or thereafter payable to you [by the Company or the Employer] any tax required to be withheld by reason of such taxable income, wages or compensation [including (without limitation) shares of Common Stock sufficient to satisfy the withholding obligation based on the last per share sales price of the Common Stock for the trading day immediately preceding the date that the withholding obligation arises, as reported in the New York Stock Exchange Composite Transactions.]

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6. **NONTRANSFERABILITY.** The Performance Units and your rights under this Agreement may not be sold, assigned, pledged, exchanged, hypothecated or otherwise transferred, encumbered or disposed of. Any such attempted sale, assignment, pledge, exchange, hypothecation, transfer, encumbrance or disposition in violation of this Agreement shall be void and the Company Group shall not be bound thereby.

7. **CAPITAL ADJUSTMENTS AND REORGANIZATIONS.** The existence of the Performance Units shall not affect in any way the right or power of the Company [or any company the stock of which is awarded pursuant to the Agreement] to make or authorize any adjustment, recapitalization,

reorganization or other change in its capital structure or its business, engage in any merger or consolidation, issue any debt or equity securities, dissolve or liquidate, or sell, lease, exchange or otherwise dispose of all or any part of its assets or business, or engage in any other corporate act or proceeding.

8. **PERFORMANCE UNITS DO NOT AWARD ANY RIGHTS OF A SHAREHOLDER.** You shall not have the voting rights or any of the other rights, powers or privileges of a holder of the stock of the Company with respect to the Performance Units that are awarded hereby.
9. **EMPLOYMENT RELATIONSHIP.** For purposes of the Agreement, you shall be considered to be in the employment of the Company Group as long as you have an employment relationship with the Company Group. The Committee shall determine any questions as to whether and when there has been a termination of such employment relationship, and the cause of such termination, under the Plan, and the Committee's determination shall be final and binding on all persons.
10. **NOT AN EMPLOYMENT AGREEMENT.** The Agreement is not an employment agreement, and no provision of the Agreement shall be construed or interpreted to create an employment relationship between you and the Company or any Affiliate or guarantee the right to remain employed by the Company or any Affiliate for any specified term.
11. [SECURITIES ACT LEGEND. If you are or become an officer or affiliate of the Company under the Securities Act of 1933, you consent to the placing on any certificate for the Shares of an appropriate legend restricting resale or other transfer of the Shares except in accordance with such Act and all applicable rules thereunder.]
12. **LIMIT OF LIABILITY.** Under no circumstances will the Company or an Affiliate be liable for any indirect, incidental, consequential or special damages (including lost profits) of any form incurred by any person, whether or not foreseeable and regardless of the form of the act in which such a claim may be brought, with respect to the Plan.
13. [REGISTRATION. The Shares that may be issued under the Plan are registered with the Securities and Exchange Commission under a Registration Statement on Form S-8.]
14. [SALE OF SECURITIES. The Shares that may be issued under this Agreement may not be sold or otherwise disposed of in any manner that would constitute a violation of any applicable federal or state securities laws. You also agree that (a) the Company may refuse to cause the transfer of the Shares to be registered on the stock register of the Company if such proposed transfer would in the opinion of counsel satisfactory to the Company constitute a violation of any applicable federal or state securities law and (b) the Company may give related instructions to the transfer agent, if any, to stop registration of the transfer of the Shares.]
15. **EMPLOYER LIABLE FOR PAYMENT.** Except as specified in Section 4.2, the Employer is liable for the payment of any amounts that become due under the Agreement.

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16. **MISCELLANEOUS.** The Agreement is awarded pursuant to and is subject to all of the provisions of the Plan, including amendments to the Plan, if any. In the event of a conflict between this Agreement and the Plan provisions, the Plan provisions will control. The term "you" and "your" refer to the Grantee named in the Agreement. Capitalized terms that are not defined herein shall have the meanings ascribed to such terms in the Plan or the Agreement.

In accepting the award of Performance Units set forth in this Agreement you accept and agree to be bound by all the terms and conditions of the Plan and this Agreement.

**QUANEX CORPORATION**

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Raymond Jean – Chief Executive Officer

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QUANEX CORPORATION  
EXECUTIVE ~~[STOCK-]~~[CASH]SETTLED  
PERFORMANCE UNIT AWARD AGREEMENT

<<Name>>  
Grantee

Date of Award:	<<	>>
Number of Performance Units Awarded:	<<	>>
<b>[Target Value of Each Performance Unit:]</b>	<<	>>

**AWARD OF PERFORMANCE UNITS**

1. **GRANT OF PERFORMANCE UNITS.** The Compensation Committee (the “*Committee*”) of the Board of Directors of Quanex Corporation, a Delaware corporation (the “*Company*”), pursuant to the Quanex Corporation 2006 Omnibus Incentive Plan (the “*Plan*”), hereby awards to you, the above-named Grantee, effective as of the Date of Award set forth above, that number of Performance Units set forth above (each, a “*Performance Unit*”, and collectively, the “*Performance Units*”), on the terms and conditions set forth in this Performance Unit Award Agreement (this “*Agreement*”).

[The][Each] Performance [Units provide][Unit provides] you an opportunity to [receive shares of the Company’s common stock, \$0.50 par value per share (the “*Common Stock*”),][earn a cash payment] based upon attainment of the Performance Goals during the Performance Period. For purposes of this Agreement, the term “*Performance Period*” means the -year period beginning , 20 , and ending , 20 , and the term “*Performance Goals*” means .

2. **FINAL PERFORMANCE FACTOR.** The aggregate [number of shares of the Common Stock to be issued to you][amount payable] under this Agreement [(the “*Shares*”)] is equal to the number of Performance Units multiplied by the Target Value of each Performance Unit multiplied by the Final Performance Factor (which is determined as provided below)[divided by the Fair Market Value of a Share of Common Stock on the first business day immediately preceding the Payment Date]:

2.1 The Final Performance Factor shall be equal to one (1) if (a) the Company achieves the Target Milestone during the Performance Period and does not achieve the Maximum Milestone during the Performance Period, (b) “a change in the ownership or effective control of the corporation” or a “change in the ownership of a substantial portion of the assets of the corporation” (within the meaning of section 409A of the Internal Revenue Code of 1986, as amended) (“*Section 409A Change in Control*”) has not occurred on or before the last day of the Performance Period, and (c) you remain in the active employ of one or more members of the Company Group through the last day of the Performance Period. For purposes of this Agreement, the “*Target Milestone*” means and the “*Maximum Milestone*” means .

2.2 The Final Performance Factor shall be equal to two (2) if (a) the Company achieves the Maximum Milestone during the Performance Period, (b) a Section 409A Change in Control has not occurred on or before the last day of the Performance Period, and (c) you remain in the active employ of one or more members of the Company Group through the last day of the Performance Period.

*Executive*  
[Stock Settled] — [Cash Settled]

2.3 The Final Performance Factor shall be equal to three-fourths ( $\frac{3}{4}$ ) if (a) the Company achieves the Threshold Milestone during the Performance Period and does not achieve the Target Milestone during the Performance Period, (b) a Section 409A Change in Control has not occurred on or before the last day of the Performance Period, and (c) you remain in the active employ of one or more members of the Company Group through the last day of the Performance Period. For purposes of this Agreement, the “*Threshold Milestone*” means .

2.4 If the performance standard achieved with respect to a particular Performance Goal is between the Threshold Milestone and the Target Milestone or between the Target Milestone and the Maximum Milestone, the applicable Final Performance Factor shall be determined by interpolation.

For example, assume that the Committee grants an executive a performance based compensation award under the Plan that is contingent upon achieving Performance Goal A and Performance Goal B, weighting the importance of the goals as 50% and 50%, respectively. The Committee establishes Threshold, Target and Maximum Milestones for each Goal. The Final Performance Factor assigned for achieving the threshold, target and maximum performance standards are  $\frac{3}{4}$ , 1 and 2, respectively. Finally, assume that the executive is awarded 2,000 Performance Units with a Target Value of \$100, is continuously employed by the Company throughout the Performance Period and achieves the Maximum Milestone for Performance Goal A, and precisely halfway between the Target and Maximum Milestones for Performance Goal B. The total amount payable to the executive under the award is \$250,000, which is determined as follows: .The amount payable to the executive with respect to Performance Goal A is \$100,000 (50% (Performance Goal Percentage) x 2,000 (Performance Units) x \$100 (Performance Unit Value) x 1 (Final Performance Factor) = \$100,000), and the amount payable to the executive with respect to Performance Goal B is \$150,000 (50% (Performance Goal Percentage) x 2000 (Performance Units) x \$100 (Target Value) x 1.5 (Final Performance Factor)= \$150,000).

2.5 If the Threshold Milestone is not achieved during the Performance Period and a Section 409A Change in Control has not occurred on or before the last day of the Performance Period, then the award pursuant to this Agreement shall lapse and be forfeited as of the last day of the Performance Period.

2.6 The Committee's determinations with respect to the Performance Period for purposes of this Agreement shall be binding upon all persons. The Committee may not increase the amount payable under this Agreement.

3. **PAYMENT.** ~~[The Company, on behalf of the Employer, shall cause the Shares to be issued]~~**[Any amount payable to you pursuant to this Agreement will be paid]** to you **[by the Employer]** on \_\_\_\_\_, 20\_\_\_\_ **[the "Payment Date"]**, unless otherwise provided under this Agreement. ~~[The Shares that may be issued to you under this Agreement]~~**[Such payment]** will be ~~[issued]~~**[made]** to you in exchange for the Performance Units and thereafter you shall have no further rights with respect to such Performance Units or the Agreement.

~~[Upon the issuance of Shares pursuant to this Agreement, such Shares shall be transferable by you (except to the extent that any proposed transfer would, in the opinion of counsel satisfactory to the Company, constitute a violation of applicable federal or state securities law).]~~

4. **SEPARATION FROM SERVICE/SECTION 409A CHANGE IN CONTROL.** The following provisions will apply in the event your employment with the Company and all Affiliates (collectively, the "*Company Group*") terminates, or a Section 409A Change in Control occurs, before the last day of the Performance Period.

4.1 **Separation from Service Generally.** Except as specified in Sections 4.2 through 4.5 below, if you separate from service with the Company Group on or before the last day of the Performance Period,

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all of your rights in the Agreement, including all rights to the Performance Units granted to you, will lapse and be completely forfeited on the date your employment terminates.

(i) **Change in Control.** If the Company Group terminates your employment without Cause or you terminate your employment with Good Reason (all as defined in the Change in Control Agreement between you and the Company) on or before the last day of the Performance Period prior to a Change in Control, then ten (10) business days after the date your employment relationship with the Company Group terminates, the Company will pay to you [that number of shares of the Common Stock]**[an amount in cash]** equal to the product of the Target Value of each Performance Unit multiplied by the number of Performance Units that were awarded to you under this Agreement for the year in which the termination occurs (the "*Award Target Value*") and (b) a fraction, the numerator of which is the number of years through you date of termination in the current Performance Period (rounded up to the nearest full year) and the denominator of which is the number of years in the current Performance Period

~~[divided by the Fair Market Value of a Share of Common Stock on the first business day immediately preceding the Payment Date].~~

**[Any amount payable to you pursuant to this Section 4.2(i) will be paid by the Employer to you t]**~~[Ten (10) business days after the date your employment relationship with the Company Group terminates]~~**[the Company will issue to you the shares payable pursuant to this Section 4.2(i). Such shares will be issued]****[. Such payment will be made]** to you in exchange for the Performance Units and thereafter you shall have no further rights with respect to such Performance Units or the Agreement and the Company Group will have no further obligations to you pursuant to the Performance Units or the Agreement.

(ii) **Delayed Payment In Certain Circumstances.** Notwithstanding any other provision of this Section 4.2, no ~~[shares will be issued to you]~~**[payment]** pursuant to this Section 4.2 **[will be made to you]** before the earlier of (1) the Payment Date specified in the Agreement (the "*Payment Date*"), or (2) the date on which you incur a separation from service (or, if you are a specified employee the date that is six months after the date on which you incur a separation from service). For this purpose, the terms "separation from service" and "specified employee" shall have the meanings specified in section 409A of the Internal Revenue Code of 1986, as amended and the rules and regulations issued thereunder.

4.2 **Permanent Disability.** Notwithstanding any other provision of the Agreement to the contrary, if you separate from service with the Company Group because you incur a Permanent Disability before the last day of the Performance Period then the ~~[Company]~~**[Employer]** will ~~[issue]~~**[pay]** to you ~~[shares of Common Stock]~~ in **[cash]** an amount equal to the product of (1) and (2) where (1) is the ~~[number of shares]~~**[amount]** you would have received under the Agreement if you had not separated from service with the Company Group before the end of the Performance Period and (2) is a fraction, the numerator of which is the number of days from the beginning of the Performance Period through the date you separated from service with the Company Group and the denominator of which is the number of days in the Performance Period. Any amount payable pursuant to this Section 4.3 will be paid **[by the Employer]** to you on the Payment Date. Such payment will be made to you in exchange for the Performance Units and thereafter you shall have no further rights with respect to such Performance Units or the Agreement and the Company Group will have no further obligations to you pursuant to the Performance Units or the Agreement. For purposes of this Section 4.3, you will have a "*Permanent Disability*" if you are unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months.

4.3 **Death.** Notwithstanding any other provision of the Agreement to the contrary, if you die before the last day of the Performance Period and while in the active employ of one or more members of the Company Group, then the ~~[Company]~~**[Employer]** will ~~[issue]~~**[pay]** to your estate ~~[shares of Common~~

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~~Stock]~~ in **[cash]** an amount equal to the product of (1) and (2) where (1) is the ~~[number of shares]~~**[amount]** you would have received under the Agreement if you had not died before the end of the Performance Period and (2) is a fraction, the numerator of which is the number of days from the beginning of the Performance Period through the date of your death and the denominator of which is the number of days in the Performance Period. Any amount payable pursuant to this Section 4.4 will be paid **[by the Employer]** to your estate on the Payment Date. Such payment will be made in exchange for the Performance Units and thereafter your estate and heirs, executors, and administrators shall have no further rights with respect to such Performance Units or the Agreement and the Company Group will have no further obligations pursuant to the Performance Units or the Agreement.

4.4 **Retirement.** Notwithstanding any other provision of the Agreement to the contrary, if you separated from service with the Company Group due to your Retirement before the last day of the Performance Period then the [Company][Employer] will [issue][pay] to you [shares of Common Stock] in [cash] an amount equal to the product of (1) and (2) where (1) is the amount you would have received under the Agreement if you had not separated from service with the Company Group before the end of the Performance Period and (2) is a fraction, the numerator of which is the number of days from the beginning of the Performance Period through the date you separated from service with the Company Group and the denominator of which is the number of days in the Performance Period. Any amount payable pursuant to this Section 4.5 will be paid [by the Employer] to you on the Payment Date. Such payment will be made to you in exchange for the Performance Units and thereafter you shall have no further rights with respect to such Performance Units or the Agreement and the Company Group will have no further obligations to you pursuant to the Performance Units or the Agreement. For purposes of this Section 4.5 “Retirement” means the voluntary termination of your employment relationship with the Company Group on or after the date on which (a) you are age 65 or (b) you are age 55 and have five years of service with the Company Group.

5. **TAX WITHHOLDING.** To the extent that [the issuance of Shares][any payment] pursuant to the Agreement results in income, wages or other compensation to you for any income, employment or other tax purposes with respect to which the Company or the [legal entity that is a member of the Company Group and that is classified as your employer (the “Employer”)] [Employer] has a withholding obligation, you shall deliver to the Company [or the Employer] at the time of such receipt or [issuance][payment], as the case may be, such amount of money as the Company or the Employer may require to meet its obligation under applicable tax laws or regulations, and, if you fail to do so, the Company [or the Employer] is authorized to withhold from [any payment under] the [Agreement] [Shares] or from any cash or stock remuneration or other payment then or thereafter payable to you [by the Company or the Employer] any tax required to be withheld by reason of such taxable income, wages or compensation [including (without limitation) shares of Common Stock sufficient to satisfy the withholding obligation based on the last per share sales price of the Common Stock for the trading day immediately preceding the date that the withholding obligation arises, as reported in the New York Stock Exchange Composite Transactions].
6. **NONTRANSFERABILITY.** The Performance Units and your rights under this Agreement may not be sold, assigned, pledged, exchanged, hypothecated or otherwise transferred, encumbered or disposed of. Any such attempted sale, assignment, pledge, exchange, hypothecation, transfer, encumbrance or disposition in violation of this Agreement shall be void and the Company Group shall not be bound thereby.
7. **CAPITAL ADJUSTMENTS AND REORGANIZATIONS.** The existence of the Performance Units shall not affect in any way the right or power of the Company [or any company the stock of which is awarded pursuant to the Agreement] to make or authorize any adjustment, recapitalization, reorganization or other change in its capital structure or its business, engage in any merger or consolidation, issue any debt or equity securities, dissolve or liquidate, or sell, lease, exchange or

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otherwise dispose of all or any part of its assets or business, or engage in any other corporate act or proceeding.

8. **PERFORMANCE UNITS DO NOT AWARD ANY RIGHTS OF A SHAREHOLDER.** You shall not have the voting rights or any of the other rights, powers or privileges of a holder of the stock of the Company with respect to the Performance Units that are awarded hereby.
9. **EMPLOYMENT RELATIONSHIP.** For purposes of the Agreement, you shall be considered to be in the employment of the Company Group as long as you have an employment relationship with the Company Group. The Committee shall determine any questions as to whether and when there has been a termination of such employment relationship, and the cause of such termination, under the Plan, and the Committee’s determination shall be final and binding on all persons.
10. **NOT AN EMPLOYMENT AGREEMENT.** The Agreement is not an employment agreement, and no provision of the Agreement shall be construed or interpreted to create an employment relationship between you and the Company or any Affiliate or guarantee the right to remain employed by the Company or any Affiliate for any specified term.
11. **[SECURITIES ACT LEGEND. If you are or become an officer or affiliate of the Company under the Securities Act of 1933, you consent to the placing on any certificate for the Shares of an appropriate legend restricting resale or other transfer of the Shares except in accordance with such Act and all applicable rules thereunder.]**
12. **LIMIT OF LIABILITY.** Under no circumstances will the Company or an Affiliate be liable for any indirect, incidental, consequential or special damages (including lost profits) of any form incurred by any person, whether or not foreseeable and regardless of the form of the act in which such a claim may be brought, with respect to the Plan.
13. **[REGISTRATION. The Shares that may be issued under the Plan are registered with the Securities and Exchange Commission under a Registration Statement on Form S-8.]**
14. **[SALE OF SECURITIES. The Shares that may be issued under this Agreement may not be sold or otherwise disposed of in any manner that would constitute a violation of any applicable federal or state securities laws. You also agree that (a) the Company may refuse to cause the transfer of the Shares to be registered on the stock register of the Company if such proposed transfer would in the opinion of counsel satisfactory to the Company constitute a violation of any applicable federal or state securities law and (b) the Company may give related instructions to the transfer agent, if any, to stop registration of the transfer of the Shares.]**
15. **EMPLOYER LIABLE FOR PAYMENT.** Except as specified in Section 4.2, the Employer is liable for the payment of any amounts that become due under the Agreement.
16. **MISCELLANEOUS.** The Agreement is awarded pursuant to and is subject to all of the provisions of the Plan, including amendments to the Plan, if any. In the event of a conflict between this Agreement and the Plan provisions, the Plan provisions will control. The term “you” and “your” refer to the Grantee named in the Agreement. Capitalized terms that are not defined herein shall have the meanings ascribed to such terms in the Plan.

In accepting the award of Performance Units set forth in this Agreement you accept and agree to be bound by all the terms and conditions of the Plan and this Agreement.



**QUANEX CORPORATION**

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Raymond Jean – Chief Executive Officer



QUANEX CORPORATION

DIRECTOR [STOCK-][CASH]SETTLED  
PERFORMANCE UNIT AWARD AGREEMENT

<<Name>>  
Grantee

Date of Award: << >>  
Number of Performance Units Awarded: << >>  
[Target Value of Each Performance Unit:] << >>

AWARD OF PERFORMANCE UNITS

1. **GRANT OF PERFORMANCE UNITS.** Quanex Corporation, a Delaware corporation (the “Company”), pursuant to the Quanex Corporation 2006 Omnibus Incentive Plan (the “Plan”), hereby awards to you, the above-named Grantee, effective as of the Date of Award set forth above, that number of Performance Units set forth above (each, a “Performance Unit”, and collectively, the “Performance Units”), on the terms and conditions set forth in this Performance Unit Award Agreement (this “Agreement”).

[The][Each] Performance [Units provide][Unit provides] you an opportunity to [receive shares of the Company’s common stock, \$0.50 par value per share (the “Common Stock”),][earn a cash payment] based upon attainment of the Performance Goals during the Performance Period. For purposes of this Agreement, the term “Performance Period” means the -year period beginning , 20 , and ending , 20 , and the term “Performance Goals” means .

2. **FINAL PERFORMANCE FACTOR.** The aggregate [number of shares of the Common Stock to be issued to you][amount payable] under this Agreement [(the “Shares”)] is equal to the number of Performance Units multiplied by the Target Value of each Performance Unit multiplied by the Final Performance Factor (which is determined as provided below)[divided by the Fair Market Value of a Share of Common Stock on the first business day immediately preceding the Payment Date]:

2.1 The Final Performance Factor shall be equal to one (1) if (a) the Company achieves the Target Milestone during the Performance Period and does not achieve the Maximum Milestone during the Performance Period, (b) “a change in the ownership or effective control of the corporation” or a “change in the ownership of a substantial portion of the assets of the corporation” (within the meaning of section 409A of the Internal Revenue Code of 1986, as amended) (“Section 409A Change in Control”) has not occurred on or before the last day of the Performance Period, and (c) you remain an active member of the Board of Directors of the Company (the “Board”) through the last day of the Performance Period. For purposes of this Agreement, the “Target Milestone” means and the “Maximum Milestone” means .

2.2 The Final Performance Factor shall be equal to two (2) if (a) the Company achieves the Maximum Milestone during the Performance Period, (b) a Change in Control has not occurred on

Director  
[Stock Settled]—[Cash Settled]

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or before the last day of the Performance Period, and (c) you remain an active member of the Board through the last day of the Performance Period.

2.3 The Final Performance Factor shall be equal to three-fourths (¾) if (a) the Company achieves the Threshold Milestone during the Performance Period and does not achieve the Target Milestone during the Performance Period, (b) a Change in Control has not occurred on or before the last day of the Performance Period, and (c) you remain an active member of the Board through the last day of the Performance Period. For purposes of this Agreement, the “Threshold Milestone” means .

2.4 If the performance standard achieved with respect to a particular Performance Goal is between the Threshold Milestone and the Target Milestone or between the Target Milestone and the Maximum Milestone, the applicable Final Performance Factor shall be determined by interpolation.

For example, assume that the Committee grants a director a performance based compensation award under the Plan that is contingent upon achieving Performance Goal A and Performance Goal B, weighting the importance of the goals as 50% and 50%, respectively. The Committee establishes Threshold, Target and Maximum Milestones for each Goal. The Final Performance Factor assigned for achieving the threshold, target and maximum performance standards are ¾, 1 and 2, respectively. Finally, assume that the director is awarded 2,000 Performance Units with a Target Value of \$100, is continuously on the Board throughout the Performance Period and achieves the Maximum Milestone for Performance Goal A, and precisely halfway between the Target and Maximum Milestones for Performance Goal B. The total amount payable to the director under the award is \$250,000, which is determined as follows: The amount payable to the director with respect to Performance Goal A is \$100,000 (50% (Performance Goal Percentage) x 2,000 (Performance Units) x \$100 (Performance Unit Value) x 1 (Final Performance Factor) = \$100,000), and the amount payable to the director with respect to Performance Goal B is \$150,000 (50% (Performance Goal Percentage) x 2000 (Performance Units) x \$100 (Target Value) x 1.5 (Final Performance Factor)= \$150,000).

2.5 If the Threshold Milestone is not achieved during the Performance Period and a Section 409A Change in Control has not occurred on or before the last day of the Performance Period, then the award pursuant to this Agreement shall lapse and be forfeited as of the last day of the

Performance Period.

2.6 The Company's determinations with respect to the Performance Period for purposes of this Agreement shall be binding upon all persons. The Company may not increase the amount payable under this Agreement.

3. **PAYMENT.** [The Company shall cause the Shares to be issued][Any amount payable to you pursuant to this Agreement will be paid] to you on , 20 **[the "Payment Date"]**, unless otherwise provided in this Agreement as of the date of grant. [The Shares that may be issued to you under this Agreement]**[Such payment]** will be [issued]**[made]** to you in exchange for the Performance Units and thereafter you shall have no further rights with respect to such Performance Units or the Agreement.

[Upon the issuance of Shares pursuant to this Agreement, such Shares shall be transferable by you (except to the extent that any proposed transfer would, in the opinion of counsel satisfactory to the Company, constitute a violation of applicable federal or state securities law).]

4. **SEPARATION FROM SERVICE/SECTION 409A CHANGE IN CONTROL.** The following provisions will apply in the event you separate from service with the Company and its

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Affiliates (the "Company Group") or "a change in the ownership or effective control of the corporation" or a "change in the ownership of a substantial portion of the assets of the corporation" (all within the meaning of section 409A of the Internal Revenue Code of 1986, as amended) with respect to the Company ("Section 409A Change in Control") occurs, before the last day of the Performance Period.

4.1 **Separation from Service Generally.** If you separate from service with the Company Group on or before the last day of the Performance Period, then, except as provided in Sections 4.2 through 4.5 below, all of your rights in the Agreement, including all rights to the Performance Units granted to you, will lapse and be completely forfeited on the date of your separation from service.

4.2 **Section 409A Change in Control.** If a Section 409A Change in Control occurs while you are a director and on or before the last day of the Performance Period, then the Company will [issue]**[pay]** to you [shares of Common Stock]**[cash]** in an amount equal to the product of the Target Value of each Performance Unit multiplied by the number of Performance Units that were awarded to you under this Agreement and a fraction, the numerator of which is the number of years from the beginning of the Performance Period (rounded up to the nearest full year) through the date of the Section 409A Change in Control and the denominator of which is the number of years in the Performance Period [divided by the Fair Market Value of a Share of Common Stock on the first business day immediately preceding the Payment Date]. **[Any amount payable to you pursuant to this Section 4.2(i) will be paid by the Company to you t]**[T]en (10) business days after the date of the Section 409A Change in Control, [the Company will issue to you one share of the Common Stock for each Performance Unit granted to you under this Agreement. Such shares will be issued]. **[Such payment will be made]** to you in exchange for the Performance Units and thereafter you shall have no further rights with respect to such Performance Units or the Agreement and the Company will have no further obligations to you pursuant to the Performance Units or the Agreement.

4.3 **Permanent Disability.** Notwithstanding any other provision of the Agreement to the contrary, if you separate from service with the Company Group because you incur a Permanent Disability before the last day of the Performance Period then the Company will [issue]**[pay]** to you [shares of Common Stock] in **[cash]** an amount equal to the product of (1) and (2) where (1) is the [number of shares]**[amount]** you would have received under the Agreement if you had not separated from service with the Company Group before the end of the Performance Period and (2) is a fraction, the numerator of which is the number of days from the beginning of the Performance Period through the date you separated from service with the Company Group and the denominator of which is the number of days in the Performance Period. Any amount payable pursuant to this Section 4.3 will be paid to you on the Payment Date. Such payment will be made to you in exchange for the Performance Units and thereafter you shall have no further rights with respect to such Performance Units or the Agreement and the Company will have no further obligations to you pursuant to the Performance Units or the Agreement. For purposes of this Section 4.3, you will have a "Permanent Disability" if you are unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months.

4.4 **Death.** Notwithstanding any other provision of the Agreement to the contrary, if you die before the last day of the Performance Period and while an active member of the Board, then the Company will [issue]**[pay]** to your estate [shares of Common Stock] in **[cash]** an amount equal to the product of (1) and (2) where (1) is the [number of shares]**[amount]** you would have received

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under the Agreement if your membership on the Board had not ended before the end of the Performance Period and (2) is a fraction, the numerator of which is the number of days from the beginning of the Performance Period through the date your membership on the Board ended and the denominator of which is the number of days in the Performance Period. Any amount payable pursuant to this Section 4.4 will be paid to your estate on the Payment Date. Such payment will be made in exchange for the Performance Units and thereafter your estate and heirs, executors, and administrators shall have no further rights with respect to such Performance Units or the Agreement and the Company will have no further obligations pursuant to the Performance Units or the Agreement.

4.5 **Retirement.** Notwithstanding any other provision of the Agreement to the contrary, if you separate from service with the Company Group due to your Retirement before the last day of the Performance Period then the [Company]**[Employer]** will [issue]**[pay]** to you [shares of Common Stock] in **[cash]** an amount equal to the product of (1) and (2) where (1) is the amount you would have received under the Agreement if you had not separated from service with the Company Group before the end of the Performance Period and (2) is a fraction, the numerator of which is the number of days from the beginning of the Performance Period through the date you separated from service with the Company Group and the denominator of which is the number of days in the Performance Period. Any amount payable pursuant to this Section 4.5 will be paid **[by the Employer]** to you on the Payment Date. Such payment will be made to you in exchange for the Performance Units and thereafter you shall have no further rights with respect to such Performance Units or the Agreement and the Company Group will have no further obligations to you pursuant to the Performance Units or the Agreement. For purposes of this Section 4.5, the term "Retirement" means your voluntary cessation of your membership as a director with the Company on or after the later of (a) the date on which you attain age 70 or (b) the date your term as a director

expires if you attain age 70 during such term; provided, that that with respect to any person who was a director on November 1, 1996, the reference to "70 years" shall be changed to "72 years."

5. **NONTRANSFERABILITY.** The Performance Units and your rights under this Agreement may not be sold, assigned, pledged, exchanged, hypothecated or otherwise transferred, encumbered or disposed of. Any such attempted sale, assignment, pledge, exchange, hypothecation, transfer, encumbrance or disposition in violation of this Agreement shall be void and the Company shall not be bound thereby.
6. **CAPITAL ADJUSTMENTS AND REORGANIZATIONS.** The existence of the Performance Units shall not affect in any way the right or power of the Company [or any company the stock of which is awarded pursuant to the Agreement] to make or authorize any adjustment, recapitalization, reorganization or other change in its capital structure or its business, engage in any merger or consolidation, issue any debt or equity securities, dissolve or liquidate, or sell, lease, exchange or otherwise dispose of all or any part of its assets or business, or engage in any other corporate act or proceeding.
7. **PERFORMANCE UNITS DO NOT AWARD ANY RIGHTS OF A SHAREHOLDER.** You shall not have the voting rights or any of the other rights, powers or privileges of a holder of the stock of the Company with respect to the Performance Units that are awarded hereby.
8. **[SECURITIES ACT LEGEND.** If you are or become an officer or affiliate of the Company under the Securities Act of 1933, you consent to the placing on any certificate for the Shares of an appropriate legend restricting resale or other transfer of the Shares except in accordance with such Act and all applicable rules thereunder.]

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9. **LIMIT OF LIABILITY.** Under no circumstances will the Company or an Affiliate be liable for any indirect, incidental, consequential or special damages (including lost profits) of any form incurred by any person, whether or not foreseeable and regardless of the form of the act in which such a claim may be brought, with respect to the Plan.
10. **REGISTRATION.** The Shares that may be issued under the Plan are registered with the Securities and Exchange Commission under a Registration Statement on Form S-8.
11. **SALE OF SECURITIES.** The Shares that may be issued under this Agreement may not be sold or otherwise disposed of in any manner that would constitute a violation of any applicable federal or state securities laws. You also agree that (a) the Company may refuse to cause the transfer of the Shares to be registered on the stock register of the Company if such proposed transfer would in the opinion of counsel satisfactory to the Company constitute a violation of any applicable federal or state securities law and (b) the Company may give related instructions to the transfer agent, if any, to stop registration of the transfer of the Shares.
12. **MISCELLANEOUS.** The Agreement is awarded pursuant to and is subject to all of the provisions of the Plan, including amendments to the Plan, if any. In the event of a conflict between this Agreement and the Plan provisions, the Plan provisions will control. The term "you" and "your" refer to the Grantee named in the Agreement. Capitalized terms that are not defined herein shall have the meanings ascribed to such terms in the Plan.

In accepting the award of Performance Units set forth in this Agreement you accept and agree to be bound by all the terms and conditions of the Plan and this Agreement.

**QUANEX CORPORATION**

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Raymond Jean – Chief Executive Officer

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**QUANEX CORPORATION**  
**[STOCK-][CASH-]SETTLED**  
**STOCK APPRECIATION RIGHT AGREEMENT**

<<Full Name>>  
*Grantee*

Date of Grant: << >>

Total Number of Shares Relating to the SARs Granted: << >>

Grant Price per Share <<\$ >>

(the Grant Price per Share is equal to the last per share sales price of the common stock of Quanex Corporation for the Date of Grant and, if the stock was not traded on the Date of Grant, the first trading day immediately preceding the Date of Grant, as reported in the New York Stock Exchange Composite Transactions)

Expiration Date: << >>

General Vesting Schedule: ***[100% exercisable on the [first][second][third] anniversary of the Date of Grant. 0% exercisable prior to the [first][second][third] anniversary of the Date of Grant.]***

***[3 years, with vesting in installments of 33 1/3% on the anniversary date of the Date of Grant in each of the years \_\_\_\_\_, \_\_\_\_\_ and \_\_\_\_\_.]***

The following terms and conditions are applicable to a stock appreciation right (a "SAR") granted pursuant to the Quanex Corporation 2006 Omnibus Incentive Plan (the "*Plan*") and are incorporated as part of the Stock Appreciation Right Agreement setting forth the terms of such SAR (the "*Agreement*").

1. **GRANT OF STOCK APPRECIATION RIGHT** The Compensation Committee of the Board of Directors of Quanex Corporation, a Delaware corporation (the "*Company*"), pursuant to the Quanex Corporation 2006 Omnibus Incentive Plan (the "*Plan*"), hereby grants to you, the above-named Grantee, effective as of the Date of Grant set forth above, a stock appreciation right ("SAR") that entitles you to receive, upon exercise hereof, **[the number of shares of the Company's common stock][cash payment(s) from the Company in an amount]** determined by multiplying the excess of the Fair Market Value of a share of the Company's common stock on the date of exercise over the Grant Price per share set forth above by the number of shares of the Company's common stock with respect to which the SAR is exercised **[and dividing the resulting product by the Fair Market Value of a share of**

Employee  
**[Cliff Vesting]—[Graded Vesting]**  
**[Stock Settled]—[Cash Settled]**

**the Company's common stock on the date of exercise]**. The SAR is exercisable in installments in accordance with the Vesting Schedule set forth above by giving written notice to the Company as specified in this Agreement. To the extent not exercised, installments shall be cumulative and may be exercised in whole or in part until the SAR terminates. The SAR may not be exercised after the Expiration Date, or the applicable date following your termination of employment specified in this Agreement.

2. **TERMINATION OF EMPLOYMENT**. The following provisions will apply if your employment with the Company and all Affiliates of the Company (collectively, the "*Company Group*") terminates before the Expiration Date set forth in this Agreement:

2.1 **Generally**. If your employment with the Company Group terminates before the Expiration Date for any reason other than one of the reasons described in Sections 2.2 or 2.3 below, all of your rights in the SAR shall terminate and become null and void on the earlier of the Expiration Date or 90 days after the date your employment with the Company Group terminates. Except as specified in Sections 2.2 or 2.3 below, if your employment with the Company Group terminates for any reason, the SAR shall not continue to vest after such termination of employment.

2.2 **Retirement or Disability**. If your employment with the Company Group terminates due to your Retirement or Disability, then your rights under the SAR that have not then vested shall vest on the effective date of your Retirement or termination of employment due to Disability. All of your rights in the SAR shall terminate and become null and void on the earlier of the Expiration Date or three (3) years after the date your employment with the Company Group terminates as a result of Retirement or a Disability. For purposes of this Section, the term "*Retirement*" means the voluntary termination of your employment relationship with the Company Group on or after the date on which (a) you are age 65 or (b) you are age 55 and have five years of service with the Company Group.

2.3 **Death**. If your employment with the Company Group terminates due to your death, then your rights under the SAR that have not then vested shall vest on the date of your death. All rights in the SAR shall terminate and become null and void on the earlier of the Expiration Date or three (3) years after the date of your death. After your death, your executors, administrators or any person or persons to whom your SAR may be transferred by will or by the laws of descent and distribution, shall have the right, at any time prior to the termination of the SAR to exercise the SAR.

3. **EXERCISE.** Subject to the terms and provisions of the Plan and this Agreement, the SAR may be exercised in whole or in part from time to time by the delivery of timely written notice personally delivered or sent by first class mail or facsimile transmission to the attention of the General Counsel or Chief Financial Officer of the Company stating (1) the date you wish to exercise such SAR, (2) the number of shares of Stock with respect to which the SAR is to be exercised and (3) the [address or account][address] to which [the shares of the Company's common stock][any payment], less any applicable withholding, should be mailed[ or transmitted]. Notice under this paragraph shall be addressed as follows: ATTN: General Counsel and/or Chief Financial Officer, Quanex Corporation, 1900 West Loop South, Suite 1500, Houston, Texas 77027 or 713.439.1016 (if via facsimile transmission). The Company may provide a delegate to receive such notice or alternate procedures for complying with the exercise and notice requirements of this section. The exercise date shall be the later of the date specified in such notice or the date such notice is actually received by the Company or its delegate.
4. **TAX WITHHOLDING.** To the extent that the receipt of the SAR or this Agreement, the vesting of the SAR or the exercise of the SAR results in income to you for federal, state or local income, employment

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or other tax purposes with respect to which the Company Group has a withholding obligation, you shall deliver to the Company at the time of such receipt, vesting or exercise, as the case may be, such amount of money as the Company Group may require to meet its obligation under applicable tax laws or regulations, and, if you fail to do so, the Company Group is authorized to withhold from the [shares][payment] subject to the SAR or from any cash or stock remuneration then or thereafter payable to you any tax required to be withheld by reason of such taxable income, sufficient to satisfy the withholding obligation based on the last per share sales price of the common stock of the Company for the trading day immediately preceding the date that the withholding obligation arises, as reported in the New York Stock Exchange Composite Transactions.

5. **NONTRANSFERABILITY.** Except as specified in this Agreement, the SAR and the Agreement are not transferable or assignable by you other than by will or the laws of descent and distribution, and shall be exercisable during your lifetime only by you. You may transfer this SAR to a member or members of your immediate family, a trust under which your immediate family members are the only beneficiaries and a partnership of which your immediate family members are the only partners. For this purpose, "immediate family" means your spouse, children, stepchildren, grandchildren, parents, grandparents, siblings (including half brothers and sisters), and individuals who are family members by adoption. Notwithstanding any other provision of this Agreement, such a transferee of the SAR granted under this Agreement may exercise the SAR during your lifetime. None of the Company, its employees or directors makes any representations or guarantees concerning the tax consequences associated with the inclusion of this provision in this Agreement, your transfer of the SAR granted under this Agreement or the transferee's exercise of the SAR. It is your sole responsibility to seek advice from your own tax advisors concerning those tax consequences. You are entitled to rely upon only the tax advice of his own tax advisors.
6. **CAPITAL ADJUSTMENTS AND REORGANIZATIONS.** The existence of the SAR shall not affect in any way the right or power of the Company or any company the stock of which is issued pursuant to this Agreement to make or authorize any adjustment, recapitalization, reorganization or other change in its capital structure or its business, engage in any merger or consolidation, issue any debt or equity securities, dissolve or liquidate, or sell, lease, exchange or otherwise dispose of all or any part of its assets or business, or engage in any other corporate act or proceeding.
7. **EMPLOYMENT RELATIONSHIP.** For purposes of this Agreement, you shall be considered to be in the employment of the Company Group as long as you have an employment relationship with the Company Group. The Committee shall determine any questions as to whether and when there has been a termination of such employment relationship, and the cause of such termination, under the Plan and the Committee's determination shall be final and binding on all persons.
8. **NO RIGHTS AS A STOCKHOLDER.** You shall not have any rights as a stockholder of the Company with respect to any shares of common stock relating to the SAR[ until the date of the issuance of the shares following exercise of the SAR pursuant to this Agreement and the payment of any required withholding].
9. **NOT AN EMPLOYMENT AGREEMENT.** This Agreement is not an employment agreement, and no provision of this Agreement shall be construed or interpreted to create an employment relationship between you and the Company or any of its Affiliates or guarantee the right to remain employed by the Company or any of its Affiliates for any specified term.
10. **[SECURITIES ACT LEGEND. If you are or become an officer or affiliate of the Company under the Securities Act of 1933, you consent to the placing on any certificate for the Shares of an appropriate**

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legend restricting resale or other transfer of the Shares except in accordance with such Act and all applicable rules thereunder.]

11. **LIMIT OF LIABILITY.** Under no circumstances will the Company Group be liable for any indirect, incidental, consequential or special damages (including lost profits) of any form incurred by any person, whether or not foreseeable and regardless of the form of the act in which such a claim may be brought, with respect to the Plan.
12. **MISCELLANEOUS.** This Agreement and the SAR are awarded pursuant to and are subject to all of the provisions of the Plan, which are incorporated by reference herein, including all amendments to the Plan, if any. If there is a conflict between this Agreement and the Plan provisions, the Plan provisions will control. Capitalized terms that are not defined herein shall have the meanings ascribed to such terms in the Plan.

By your acceptance of the SAR, you agree that the SAR is granted under, governed by and subject to the terms of the Plan and this Agreement.

**QUANEX CORPORATION**





## QUANEX CORPORATION

EXECUTIVE [~~STOCK-~~][CASH-]SETTLED  
STOCK APPRECIATION RIGHT AGREEMENT<<Full Name>>  
Grantee

Date of Grant: &lt;&lt; &gt;&gt;

Total Number of Shares Relating to the SARs Granted: &lt;&lt; &gt;&gt;

Grant Price per Share &lt;&lt;\$ &gt;&gt;

(the Grant Price per Share is equal to the last per share sales price of the common stock of Quanex Corporation for the Date of Grant and, if the stock was not traded on the Date of Grant, the first trading day immediately preceding the Date of Grant, as reported in the New York Stock Exchange Composite Transactions)

Expiration Date: &lt;&lt; &gt;&gt;

General Vesting Schedule: **[100% exercisable on the [first][second][third] anniversary of the Date of Grant. 0% exercisable prior to the [first][second][third] anniversary of the Date of Grant.]**

**[3 years, with vesting in installments of 33 1/3% on the anniversary date of the Date of Grant in each of the years \_\_\_\_\_, \_\_\_\_\_ and \_\_\_\_\_.]**

The following terms and conditions are applicable to a stock appreciation right (a "SAR") granted pursuant to the Quanex Corporation 2006 Omnibus Incentive Plan (the "*Plan*") and are incorporated as part of the Stock Appreciation Right Agreement setting forth the terms of such SAR (the "*Agreement*").

1. **GRANT OF STOCK APPRECIATION RIGHT.** The Compensation Committee of the Board of Directors of Quanex Corporation, a Delaware corporation (the "*Company*"), pursuant to the Quanex Corporation 2006 Omnibus Incentive Plan (the "*Plan*"), hereby grants to you, the above-named Grantee, effective as of the Date of Grant set forth above, a stock appreciation right ("SAR") that entitles you to receive, upon exercise hereof, [the number of shares of the Company's common stock][cash payment(s) from the Company in an amount] determined by multiplying the excess of the Fair Market Value of a share of the Company's common stock on the date of exercise over the Grant Price per share set forth above by the number of shares of the Company's common stock with respect to which the SAR is exercised [and dividing the resulting product by the Fair Market Value of a share of

Executive  
[Cliff Vesting]—[Graded Vesting]  
[Stock Settled]—[Cash Settled]

the Company's common stock on the date of exercise]. The SAR is exercisable in installments in accordance with the Vesting Schedule set forth above by giving written notice to the Company as specified in this Agreement. To the extent not exercised, installments shall be cumulative and may be exercised in whole or in part until the SAR terminates. The SAR may not be exercised after the Expiration Date, or the applicable date following your termination of employment specified in this Agreement.

2. **TERMINATION OF EMPLOYMENT/CHANGE IN CONTROL.** The following provisions will apply if your employment with the Company and all Affiliates of the Company (collectively, the "*Company Group*") terminates or a change in control of the Company as defined in the Change in Control Agreement between you and the Company ("*Change in Control*") occurs before the Expiration Date set forth in this Agreement:

2.1 **Termination Generally.** If your employment with the Company Group terminates before the Expiration Date for any reason other than one of the reasons described in Sections 2.2 through 2.4 below, all of your rights in the SAR shall terminate and become null and void on the earlier of (i) the Expiration Date or (ii) 90 days after the date your employment with the Company Group terminates. Except as specified in Sections 2.2 through 2.4 below, if your employment with the Company Group terminates for any reason, the SAR shall not continue to vest after such termination of employment.

2.2 **Potential or Actual Change in Control.**

- (i) **Termination Without Cause or for Good Reason in Connection With a Potential Change in Control Before the Expiration Date.** If (a) the Company Group terminates your employment without Cause (as defined in the Change in Control Agreement between you and the Company) on or before the third anniversary of the date of Grant ("*Third Anniversary Date*") prior to a Change in Control (whether or not a Change in Control ever occurs) and such termination is at the request or direction of a person who has entered into an agreement with the Company the consummation of which would constitute a Change in Control or is otherwise in connection with or in anticipation of a Change in Control (whether or not a Change in Control ever occurs) or (b) you terminate your employment with the Company Group for Good Reason (as defined in the Change in Control Agreement between you and the Company) on or before the Third Anniversary Date prior to a Change in Control (whether or not a Change in Control ever occurs), and such termination or the circumstance or event which



constitutes Good Reason occurs at the request or direction of a person who has entered into an agreement with the Company the consummation of which would constitute a Change in Control or is otherwise in connection with or in anticipation of a Change in Control (whether or not a Change in Control ever occurs), then the SAR shall become fully exercisable on the date of the termination of your employment relationship.

(ii) Employment Not Terminated Before a Change in Control on or Before the Expiration Date. If a Change in Control occurs on or before the Third Anniversary Date and your employment with the Company Group does not terminate before the date the Change in Control occurs, then the SAR shall become fully exercisable on the date the Change in Control occurs.

2.3 Retirement or Disability. If your employment with the Company Group terminates due to your Retirement or Disability, then your rights under the SAR that have not then vested shall vest on the effective date of your Retirement or termination of employment due to Disability. All of your rights in the SAR shall terminate and become null and void on the earlier of the Expiration Date or three (3) years after the date your employment with the Company Group terminates as a result of Retirement or a

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Disability. For purposes of this Section 2.3, the term “Retirement” means the voluntary termination of your employment relationship with the Company Group on or after the date on which (a) you are age 65 or (b) you are age 55 and have five years of service with the Company Group.

2.4 Death. If your employment with the Company Group terminates due to your death, then your rights under the SAR that have not then vested shall vest on the date of your death. All rights in the SAR shall terminate and become null and void on the earlier of the Expiration Date or three (3) years after the date of your death. After your death, your executors, administrators or any person or persons to whom your SAR may be transferred by will or by the laws of descent and distribution, shall have the right, at any time prior to the termination of the SAR to exercise the SAR.]

3. **EXERCISE.** Subject to the terms and provisions of the Plan and this Agreement, the SAR may be exercised in whole or in part from time to time by the delivery of timely written notice personally delivered or sent by first class mail or facsimile transmission to the attention of the General Counsel or Chief Financial Officer of the Company stating (1) the date you wish to exercise such SAR, (2) the number of shares of Stock with respect to which the SAR is to be exercised and (3) the [address or account][address] to which [the shares of the Company’s common stock][any payment], less any applicable withholding, should be mailed[ or transmitted]. Notice under this paragraph shall be addressed as follows: ATTN: General Counsel and/or Chief Financial Officer, Quanex Corporation, 1900 West Loop South, Suite 1500, Houston, Texas 77027 or 713.439.1016 (if via facsimile transmission). The Company may provide a delegate to receive such notice or alternate procedures for complying with the exercise and notice requirements of this section. The exercise date shall be the later of the date specified in such notice or the date such notice is actually received by the Company or its delegate.
4. **TAX WITHHOLDING.** To the extent that the receipt of the SAR or this Agreement, the vesting of the SAR or the exercise of the SAR results in income to you for federal, state or local income, employment or other tax purposes with respect to which the Company Group has a withholding obligation, you shall deliver to the Company at the time of such receipt, vesting or exercise, as the case may be, such amount of money as the Company Group may require to meet its obligation under applicable tax laws or regulations, and, if you fail to do so, the Company Group is authorized to withhold from the [shares][payment] subject to the SAR or from any cash or stock remuneration then or thereafter payable to you any tax required to be withheld by reason of such taxable income, sufficient to satisfy the withholding obligation based on the last per share sales price of the common stock of the Company for the trading day immediately preceding the date that the withholding obligation arises, as reported in the New York Stock Exchange Composite Transactions.
5. **NONTRANSFERABILITY.** Except as specified in this Agreement, the SAR and the Agreement are not transferable or assignable by you other than by will or the laws of descent and distribution, and shall be exercisable during your lifetime only by you. You may transfer this SAR to a member or members of your immediate family, a trust under which your immediate family members are the only beneficiaries and a partnership of which your immediate family members are the only partners. For this purpose, “immediate family” means your spouse, children, stepchildren, grandchildren, parents, grandparents, siblings (including half brothers and sisters), and individuals who are family members by adoption. Notwithstanding any other provision of this Agreement, such a transferee of the SAR granted under this Agreement may exercise the SAR during your lifetime. None of the Company, its employees or directors makes any representations or guarantees concerning the tax consequences associated with the inclusion of this provision in this Agreement, your transfer of the SAR granted under this Agreement or the transferee’s exercise of the SAR. It is your sole responsibility to seek advice from

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your own tax advisors concerning those tax consequences. You are entitled to rely upon only the tax advice of his own tax advisors.

6. **CAPITAL ADJUSTMENTS AND REORGANIZATIONS.** The existence of the SAR shall not affect in any way the right or power of the Company or any company the stock of which is issued pursuant to this Agreement to make or authorize any adjustment, recapitalization, reorganization or other change in its capital structure or its business, engage in any merger or consolidation, issue any debt or equity securities, dissolve or liquidate, or sell, lease, exchange or otherwise dispose of all or any part of its assets or business, or engage in any other corporate act or proceeding.
7. **EMPLOYMENT RELATIONSHIP.** For purposes of this Agreement, you shall be considered to be in the employment of the Company Group as long as you have an employment relationship with the Company Group. The Committee shall determine any questions as to whether and when there has been a termination of such employment relationship, and the cause of such termination, under the Plan and the Committee’s determination shall be final and binding on all persons.
8. **NO RIGHTS AS A STOCKHOLDER.** You shall not have any rights as a stockholder of the Company with respect to any shares of common stock relating to the SAR[ until the date of the issuance of the shares following exercise of the SAR pursuant to this Agreement and the payment of any required withholding].

9. **NOT AN EMPLOYMENT AGREEMENT.** This Agreement is not an employment agreement, and no provision of this Agreement shall be construed or interpreted to create an employment relationship between you and the Company or any of its Affiliates or guarantee the right to remain employed by the Company or any of its Affiliates for any specified term.
10. **[SECURITIES ACT LEGEND. If you are an officer or affiliate of the Company under the Securities Act of 1933, you consent to the placing on any certificate for the Shares of an appropriate legend restricting resale or other transfer of the Shares except in accordance with such Act and all applicable rules thereunder.]**
11. **LIMIT OF LIABILITY.** Under no circumstances will the Company Group be liable for any indirect, incidental, consequential or special damages (including lost profits) of any form incurred by any person, whether or not foreseeable and regardless of the form of the act in which such a claim may be brought, with respect to the Plan.
12. **MISCELLANEOUS.** This Agreement and the SAR are awarded pursuant to and are subject to all of the provisions of the Plan, which are incorporated by reference herein, including all amendments to the Plan, if any. If there is a conflict between this Agreement and the Plan provisions, the Plan provisions will control. Capitalized terms that are not defined herein shall have the meanings ascribed to such terms in the Plan.

By your acceptance of the SAR, you agree that the SAR is granted under, governed by and subject to the terms of the Plan and this Agreement.

**QUANEX CORPORATION**

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Raymond Jean – Chief Executive Officer



## QUANEX CORPORATION

**DIRECTOR [STOCK-][CASH-]SETTLED  
STOCK APPRECIATION RIGHT AGREEMENT**

<<Full Name>>  
Grantee

Date of Grant: << >>

Total Number of Shares Relating to the SARs Granted: << >>

Grant Price per Share <<\$ >>

(the Grant Price per Share is equal to the last per share sales price of the common stock of Quanex Corporation for the Date of Grant and, if the stock was not traded on the Date of Grant, the first trading day immediately preceding the Date of Grant, as reported in the New York Stock Exchange Composite Transactions)

Expiration Date: << >>

General Vesting Schedule: [100% Exercisable on the Date of Grant]

**[3 years, with vesting in installments of 33 1/3% on the anniversary date of the Date of Grant in each of the years \_\_\_\_\_, \_\_\_\_\_ and \_\_\_\_\_.]**

*[100% exercisable on [first][second][third] anniversary of the Date of Grant. 0% exercisable prior to the [first][second][third] anniversary of the Date of Grant.]*

These terms and conditions are applicable to a stock appreciation right (a "SAR") granted pursuant to the Quanex Corporation 2006 Omnibus Incentive Plan (the "Plan") and are incorporated as part of the Director Stock Appreciation Right Agreement setting forth the terms of such SAR (the "Agreement").

1. **GRANT OF STOCK APPRECIATION RIGHT.** Quanex Corporation, a Delaware corporation (the "Company"), pursuant to the Quanex Corporation 2006 Omnibus Incentive Plan (the "Plan"), hereby grants to you, the above-named Grantee, effective as of the Date of Grant set forth above, a stock appreciation right ("SAR") that entitles you to receive, upon exercise hereof, [the number of shares of the Company's common stock] **[cash payment(s) from the Company in an amount]** determined by multiplying the excess of the Fair Market Value of a share of the Company's common stock on the date

Director  
[Immediate Vesting]—[Cliff Vesting]—[Graded Vesting]  
[Stock Settled]—[Cash Settled]  
{Special Directions}

of exercise over the Grant Price per share set forth above by the number of shares of the Company's common stock with respect to which the SAR is exercised [and dividing the resulting product by the Fair Market Value of a share of the Company's common stock on the date of exercise]. The SAR is exercisable in installments in accordance with the Vesting Schedule set forth above by giving written notice to the Company as specified in this Agreement. To the extent not exercised, installments shall be cumulative and may be exercised in whole or in part until the SAR terminates. The SAR may not be exercised after the Expiration Date, or the applicable date following your termination of employment specified in this Agreement.

2. **[CEASES TO BE A MEMBER/SECTION 409A CHANGE IN CONTROL. The following provisions will apply if you cease to be a member of the Board of Directors of the Company (the "Board") or a "change in the ownership or effective control of the corporation" or a "change in the ownership of a substantial portion of the assets of the corporation" (within the meaning of section 409A of the Internal Revenue Code of 1986, as amended) with respect to the Company ("Section 409A Change in Control") occurs before the Expiration Date set forth in this Agreement:**

2.1 **Ceases to be a Member Generally. If you cease to be a member of the Board before the Expiration Date for any reason other than one of the reasons described in Sections 2.2 through 2.4 below, all of your rights in the SAR shall terminate and become null and void on the earlier of the Expiration Date or 90 days after the date you cease to be a member of the Board. Except as specified in Sections 2.2 through 2.4 below, if you cease to be a member of the Board for any reason, the SAR shall not continue to vest after such termination of employment.**

2.2 **Section 409A Change in Control. If a Section 409A Change in Control occurs on or before the third anniversary of the date of Grant ("Third Anniversary Date"), then the SAR shall become fully exercisable on the date of the Section 409A Change in Control.**

2.3 **Retirement or Disability. If you cease to be a member of the Board due to your Retirement or Disability, then your rights under the SAR that have not then vested shall vest on the effective date of your Retirement or your ceasing to be a member of the Board due to Disability. All of your rights in the SAR shall terminate and become null and void on the earlier of the Expiration Date or three (3) years after the date you cease to be a member of the Board as a result of Retirement or a Disability. For purposes of this Section 2.3, the term "Retirement" means your voluntary cessation of your membership as a director with the Company on or after the later of (a) the date on which you attain age 70 or (b) the**

date your term as a director expires if you attain age 70 during such term; provided, that that with respect to any person who was a director on November 1, 1996, the reference to "70 years" shall be changed to "72 years."

2.4 **Death.** *If you cease to be a member of the Board due to your death, then your rights under the SAR that have not then vested shall vest on the date of your death. All rights in the SAR shall terminate and become null and void on the earlier of the Expiration Date or three years after the date of your death. After your death, your executors, administrators or any person or persons to whom your SAR may be transferred by will or by the laws of descent and distribution, shall have the right, at any time prior to the termination of the SAR to exercise the SAR.*

**[CEASES TO BE A MEMBER.** The following provisions will apply if you cease to be a member of the Board of Directors of the Company (the "Board") before the first business day of the calendar year containing the Expiration Date:

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2.1 **Ceases to be a Member Generally.** *If you cease to be a member of the Board before the Expiration Date for any reason other than one of the reasons described in Sections 2.2 and 2.3 below, all of your rights in the SAR shall terminate and become null and void on the earlier of the Expiration Date or 90 days after the date you cease to be a member of the Board.*

2.2 **Retirement or Disability.** *If you cease to be a member of the Board due to your Retirement or Disability before the Expiration Date, then all of your rights in the SAR shall terminate and become null and void on the earlier of the Expiration Date or three (3) years after the date you cease to be a member of the Board as a result of Retirement or a Disability. For purposes of this Section, the term "Retirement" means your voluntary cessation of your membership as a director with the Company on or after the later of (a) the date on which you attain age 70 or (b) the date your term as a director expires if you attain age 70 during such term; provided, that that with respect to any person who was a director on November 1, 1996, the reference to "70 years" shall be changed to "72 years."*

2.3 **Death.** *If you cease to be a member of the Board due to your death before the Expiration Date, then all your rights under the SAR shall terminate and become null and void on the earlier of the Expiration Date or three years after the date of your death. After your death, your executors, administrators or any person or persons to whom your SAR may be transferred by will or by the laws of descent and distribution, shall have the right, at any time prior to the termination of the SAR to exercise the SAR.]*

3. **EXERCISE.** Subject to the terms and provisions of the Plan and this Agreement, the SAR may be exercised in whole or in part from time to time by the delivery of timely written notice personally delivered or sent by first class mail or facsimile transmission to the attention of the General Counsel or Chief Financial Officer of the Company stating (1) the date you wish to exercise such SAR, (2) the number of shares of Stock with respect to which the SAR is to be exercised and (3) the [address or account][address] to which [the shares of the Company's common stock][any payment] should be mailed[ or transmitted]. Notice under this paragraph shall be addressed as follows: ATTN: General Counsel and/or Chief Financial Officer, Quanex Corporation, 1900 West Loop South, Suite 1500, Houston, Texas 77027 or 713.439.1016 (if via facsimile transmission). The Company may provide a delegate to receive such notice or alternate procedures for complying with the exercise and notice requirements of this section. The exercise date shall be the later of the date specified in such notice or the date such notice is actually received by the Company or its delegate.

4. **NONTRANSFERABILITY.** Except as specified in this Agreement, the SAR and this Agreement are not transferable or assignable by you other than by will or the laws of descent and distribution, and shall be exercisable during your lifetime only by you. You may transfer this SAR to a member or members of your immediate family, a trust under which your immediate family members are the only beneficiaries and a partnership of which your immediate family members are the only partners. For this purpose, "immediate family" means your spouse, children, stepchildren, grandchildren, parents, grandparents, siblings (including half brothers and sisters), and individuals who are family members by adoption. Notwithstanding any other provision of this Agreement, such a transferee of the SAR granted under this Agreement may exercise the SAR during your lifetime. None of the Company, its employees or directors makes any representations or guarantees concerning the tax consequences associated with the inclusion of this provision in this Agreement, your transfer of the SAR granted under this Agreement or the transferee's exercise of the SAR. It is your sole responsibility to seek advice from your own tax advisors concerning those tax consequences. You are entitled to rely upon only the tax advice of his own tax advisors.

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5. **CAPITAL ADJUSTMENTS AND REORGANIZATIONS.** The existence of the SAR shall not affect in any way the right or power of the Company or any company the stock of which is issued pursuant to this Agreement to make or authorize any adjustment, recapitalization, reorganization or other change in its capital structure or its business, engage in any merger or consolidation, issue any debt or equity securities, dissolve or liquidate, or sell, lease, exchange or otherwise dispose of all or any part of its assets or business, or engage in any other corporate act or proceeding.

6. **SERVICE OR EMPLOYMENT RELATIONSHIP.** For purposes of this Agreement, you shall be considered to be in the service of the Company Group as long as you have a service or employment relationship with the Company Group. The Committee shall determine any questions as to whether and when there has been a termination of such service relationship, and the cause of such termination, under the Plan and the Committee's determination shall be final and binding on all persons.

7. **NO RIGHTS AS A STOCKHOLDER.** You shall not have any rights as a stockholder of the Company with respect to any shares of common stock relating to the SAR[ until the date of the issuance of the shares following exercise of the SAR pursuant to this Agreement].

8. **NOT A SERVICE OR EMPLOYMENT AGREEMENT.** This Agreement is not a service or employment agreement, and no provision of this Agreement shall be construed or interpreted to create a service or employment relationship between you and the Company or any of its Affiliates or guarantee the right to remain as a director of or employed by the Company or any of its Affiliates for any specified term.

9. **[SECURITIES ACT LEGEND.** If you are or become an officer or affiliate of the Company under the Securities Act of 1933, you consent to the placing on any certificate for the Shares of an appropriate legend restricting resale or other transfer of the Shares except in accordance with such Act

and all applicable rules thereunder.]

10. **LIMIT OF LIABILITY.** Under no circumstances will the Company Group be liable for any indirect, incidental, consequential or special damages (including lost profits) of any form incurred by any person, whether or not foreseeable and regardless of the form of the act in which such a claim may be brought, with respect to the Plan.
11. **MISCELLANEOUS.** This Agreement and the SAR are awarded pursuant to and are subject to all of the provisions of the Plan, which are incorporated by reference herein, including all amendments to the Plan, if any. If there is a conflict between this Agreement and the Plan provisions, the Plan provisions will control. Capitalized terms that are not defined herein shall have the meanings ascribed to such terms in the Plan.

By your acceptance of the SAR, you agree that the SAR is granted under, governed by and subject to the terms of the Plan and this Agreement.

**QUANEX CORPORATION**

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Raymond Jean – Chief Executive Officer



**QUANEX CORPORATION**  
**OTHER STOCK-BASED AWARD AGREEMENT**

<<Full Name>>  
*Grantee*

Date of Award: << >>  
 Number of Shares: << >>

**AWARD OF STOCK**

The Compensation Committee (the "Committee") of the Board of Directors of Quanex Corporation, a Delaware corporation (the "Company"), pursuant to the Quanex Corporation 2006 Omnibus Incentive Plan (the "Plan"), hereby awards to you, the above-named Grantee, effective as of the Date of Award set forth above, that number of shares (the "Shares") of the Company's Common Stock, \$0.50 par value per share (the "Common Stock"), set forth above. Capitalized terms that are not defined herein shall have the meaning ascribed to such terms in the Plan.

The Shares that are awarded hereby to you are not subject to any forfeiture restrictions.

To the extent that the receipt of the Shares of Restricted Stock results in income, wages or other compensation to you for any income, employment or other tax purposes with respect to which the Company has a withholding obligation, you shall deliver to the Company at the time of such receipt or lapse, as the case may be, such amount of money as the Company may require to meet its obligation under applicable tax laws or regulations, and, if you fail to do so, the Company is authorized to withhold from the Shares awarded hereby or from any cash or stock remuneration or other payment then or thereafter payable to you any tax required to be withheld by reason of such taxable income, wages or compensation sufficient to satisfy the withholding obligation based on the last per share sales price of the Common Stock for the trading day immediately preceding the date that the withholding obligation arises, as reported in the New York Stock Exchange Composite Transactions.

The Shares awarded hereby may not be sold or otherwise disposed of in any manner that would constitute a violation of any applicable federal or state securities laws. You also agree that (a) the Company may refuse to cause the transfer of the Shares to be registered on the stock register of the Company if such proposed transfer would in the opinion of counsel satisfactory to the Company constitute a violation of any applicable federal or state securities law and (b) the Company may give related instructions to the transfer agent, if any, to stop registration of the transfer of the Shares.

The Company shall cause the Shares to be issued to you, and such Shares shall be transferable by you (except to the extent that any proposed transfer would, in the opinion of counsel satisfactory to the Company, constitute a violation of applicable federal or state securities law). The Shares are registered with the Securities and Exchange Commission under a Registration Statement on Form S-8.

In accepting the award of Shares set forth in this Agreement you accept and agree to be bound by all the terms and conditions of the Plan and this Agreement.

**QUANEX CORPORATION**

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Raymond Jean – Chief Executive Officer

*Executive/Employee*

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**QUANEX CORPORATION**  
**OTHER STOCK-BASED AWARD AGREEMENT**

<<Full Name>>  
*Grantee*

Date of Award: << >>  
 Number of Shares: << >>

**AWARD OF STOCK**

Quanex Corporation, a Delaware corporation (the “*Company*”), pursuant to the Quanex Corporation 2006 Omnibus Incentive Plan (the “*Plan*”), hereby awards to you, the above-named Grantee, effective as of the Date of Award set forth above, that number of shares (the “*Shares*”) of the Company’s Common Stock, \$0.50 par value per share (the “*Common Stock*”), set forth above.

The Shares that are awarded hereby to you are not subject to any forfeiture restrictions.

The Shares awarded hereby may not be sold or otherwise disposed of in any manner that would constitute a violation of any applicable federal or state securities laws. You also agree that (a) the Company may refuse to cause the transfer of the Shares to be registered on the stock register of the Company if such proposed transfer would in the opinion of counsel satisfactory to the Company constitute a violation of any applicable federal or state securities law and (b) the Company may give related instructions to the transfer agent, if any, to stop registration of the transfer of the Shares.

The Company shall cause the Shares to be issued to you, and such Shares shall be transferable by you (except to the extent that any proposed transfer would, in the opinion of counsel satisfactory to the Company, constitute a violation of applicable federal or state securities law).

The Shares are registered with the Securities and Exchange Commission under a Registration Statement on Form S-8.

Capitalized terms that are not defined herein shall have the meaning ascribed to such terms in the Plan.

In accepting the award of Shares set forth in this Agreement you accept and agree to be bound by all the terms and conditions of the Plan and this Agreement.

**QUANEX CORPORATION**

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Raymond Jean – Chief Executive Officer

*Non-Employee Director*

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3. **PAYMENT.** Any amount payable to you pursuant to this Agreement will be paid to you by the Employer on \_\_\_\_\_, 20\_\_\_\_ (the “*Payment Date*”).

4. **TERMINATION OF EMPLOYMENT.** The following provisions will apply in the event your employment with the Company and all Affiliates (collectively, the “*Company Group*”) terminates on or before the last day of the Performance Period.

4.1 **Termination Generally.** If your employment with the Company Group terminates on or before the last day of the Performance Period for any reason other than one of the reasons described in Sections 4.2 or 4.3 below, all of your rights in the Agreement, including all rights to the Annual Incentive Award, will lapse and be completely forfeited on the date your employment terminates.

4.2 **Permanent Disability.** Notwithstanding any other provision of the Agreement to the contrary, if your employment with the Company Group terminates because you incur a Permanent Disability before the last day of the Performance Period then the legal entity that is a member of the Company Group and that is classified by the Company Group as your employer

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(the “*Employer*”) will pay to you in cash an amount equal to the product of (1) and (2) where (1) is the amount you would have received under the Agreement if your employment with the Company Group had not been terminated before the end of the Performance Period and (2) is a fraction, the numerator of which is the number of days from the beginning of the Performance Period through the date your employment with the Company Group terminates and the denominator of which is the number of days in the Performance Period. Any amount payable pursuant to this Section 4.2 will be paid by the Employer to you on the Payment Date listed in the Agreement (the “*Payment Date*”). For purposes of this Section 4.2, you will have a “*Permanent Disability*” if you are unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months.

4.3 **Death.** Notwithstanding any other provision of the Agreement to the contrary, if you die before the last day of the Performance Period and while in the active employ of one or more members of the Company Group, then the Employer will pay to your estate in cash an amount equal to the product of (1) and (2) where (1) is the amount you would have received under the Agreement if your employment with the Company Group had not been terminated before the end of the Performance Period and (2) is a fraction, the numerator of which is the number of days from the beginning of the Performance Period through the date your employment with the Company Group terminates and the denominator of which is the number of days in the Performance Period. Any amount payable pursuant to this Section 4.3 will be paid by the Employer to your estate on the Payment Date.

4.4 **Retirement.** Notwithstanding any other provision of the Agreement to the contrary, if your employment with the Company Group terminates due to your Retirement before the last day of the Performance Period then the Employer will pay to you in cash an amount equal to the product of (1) and (2) where (1) is the amount you would have received under the Agreement if your employment with the Company Group had not been terminated before the end of the Performance Period and (2) is a fraction, the numerator of which is the number of days from the beginning of the Performance Period through the date your employment with the Company Group terminates and the denominator of which is the number of days in the Performance Period. Any amount payable pursuant to this Section 4.4 will be paid by the Employer to you on the Payment Date. For purposes of this Section 4.4 “*Retirement*” means the voluntary termination of your employment relationship with the Company Group on or after the date on which (a) you are age 65 or (b) you are age 55 and have five years of service with the Company Group.

4.5 **Change in Control.** In the event you have entered into a change in control agreement with the Company (your “*Change in Control Agreement*”), your benefits under this Agreement shall be modified as required under the provisions of your Change in Control Agreement.

5. **TAX WITHHOLDING.** To the extent that the receipt of the Agreement or payment pursuant to the Agreement results in income, wages or other compensation to you for any income, employment or other tax purposes with respect to which the Employer has a withholding obligation, you shall deliver to the Employer at the time of such receipt or payment, as the case may be, such amount of money as the Employer may require to meet its obligation under applicable tax laws or regulations, and, if you fail to do so, the Employer is authorized to

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withhold from any payment under the Agreement or from any cash or stock remuneration or other payment then or thereafter payable to you by the Company Group any tax required to be withheld by reason of such taxable income, wages or compensation.

6. **NONTRANSFERABILITY.** Your rights under this Agreement and to any Annual Incentive Award that may be payable to you under this Agreement may not be sold, assigned, pledged, exchanged, hypothecated or otherwise transferred, encumbered or disposed of (other than by will or the applicable laws of descent and distribution). Any such attempted sale, assignment, pledge, exchange, hypothecation, transfer, encumbrance or disposition in violation of this Agreement shall be void and the Company Group shall not be bound thereby.

7. **CAPITAL ADJUSTMENTS AND REORGANIZATIONS.** The existence of the Annual Incentive Award shall not affect in any way the right or power of the Company to make or authorize any adjustment, recapitalization, reorganization or other change in its capital structure or its business, engage in any merger or consolidation, issue any debt or equity securities, dissolve or liquidate, or sell, lease, exchange or otherwise dispose of all or any part of its assets or business, or engage in any other corporate act or proceeding.

8. **EMPLOYMENT RELATIONSHIP.** For purposes of the Agreement, you shall be considered to be in the employment of the Company Group as long as you have an employment relationship with the Company Group. The Committee shall determine any questions as to whether and when there has been a termination of such employment relationship, and the cause of such termination, under the Plan, and the Committee’s determination shall be final and binding on all persons.

9. **NOT AN EMPLOYMENT AGREEMENT.** The Agreement is not an employment agreement, and no provision of the Agreement shall be construed or interpreted to create an employment relationship between you and the Company or any Affiliate or guarantee the right to remain employed by the Company or any Affiliate for any specified term.

10. **LIMIT OF LIABILITY.** Under no circumstances will the Company or an Affiliate be liable for any indirect, incidental, consequential or special damages (including lost profits) of any form incurred by any person, whether or not foreseeable and regardless of the form of the act in which such a claim may be brought, with respect to the Plan.
11. **EMPLOYER LIABLE FOR PAYMENT.** The Employer is liable for the payment of any amounts that become due under the Agreement.
12. **MISCELLANEOUS.** The Agreement is awarded pursuant to and is subject to all of the provisions of the Plan, including amendments to the Plan, if any. In the event of a conflict between this Agreement and the Plan provisions, the Plan provisions will control. The term “you” and “your” refer to the Grantee named in the Agreement. Capitalized terms that are not defined herein shall have the meanings ascribed to such terms in the Plan or the Agreement.

In accepting the Annual Incentive Award set forth in this Agreement you accept and agree to be bound by all the terms and conditions of the Plan and this Agreement.

**QUANEX CORPORATION**

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Raymond Jean – Chief Executive Officer