

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

Post Effective Amendment No. 2
to
FORM S-8
REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

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

Delaware
(State or other jurisdiction of
incorporation or organization)

38-1872178
(I.R.S. Employer
Identification No.)

1900 West Loop South, Suite 1500
Houston, Texas
(Address of Principal Executive Offices)

77027
(Zip Code)

Piper Impact 401(k) Plan
(Full title of the plan)

TERRY M. MURPHY
QUANEX CORPORATION
1900 WEST LOOP SOUTH, SUITE 1500
HOUSTON, TEXAS 77027
(Name and address of agent for service)

(713) 961-4600
(Telephone number, including area code, of agent for service)

Copies to:
HARVA R. DOCKERY, ESQ.
FULBRIGHT & JAWORSKI L.L.P.
2200 ROSS AVENUE, SUITE 2800
DALLAS, TEXAS 75201-9975
(214) 855-8000

=====

PART II

INFORMATION REQUIRED IN THE REGISTRATION STATEMENT

ITEM 3. Incorporation of Documents by Reference.

Quanex Corporation, a Delaware corporation (the "Company" or "Registrant"), and the Piper Impact 401(k) Plan (the "Plan") incorporate by reference, as applicable, in this Registration Statement the following documents:

(a) The Registrant's original Registration Statement on Form S-8, Reg. No. 333-22977, filed March 7, 1997, as amended by Post-Effective Amendment No. 1 filed February 2, 1999;

(b) The Registrant's Annual Report on Form 10-K for the fiscal year ended October 31, 1998;

(c) The Registrant's Quarterly Reports on Form 10-Q for the quarters ended January 31, 1999, April 30, 1999 and July 31, 1999;

(d) The Plan's Annual Report on Form 11-K for the fiscal year ended December 31, 1998;

(e) All other reports filed by the Registrant and the Plan pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), since October 31, 1998;

(f) The description of the Registrant's common stock, \$.50 par value (the "Common Stock"), contained in the Prospectus dated January 12, 1981, included in the Registrant's Registration Statement (Registration No. 2-70313) and filed with the Securities and Exchange Commission pursuant to Rule 424(b) of the Securities Act of 1933; and

(g) The description of the rights to purchase Series A Junior Participating Preferred Stock (the "Rights") set forth in the Amended and Restated Certificate of Designation, Preferences and Rights, filed as Exhibit 1 to Amendment No.1 to the Registrant's Form 8-A dated April 28, 1989, as amended by that certain Second Amended and Restated Rights Agreement between the Registrant and American Stock Transfer Co., as Rights Agent, filed as Exhibit 4.1 to the Registrant's Report on Form 8-K filed April 16, 1999.

All documents subsequently filed by the Registrant pursuant to Sections 13(a), 13(c), 14 and 15(d) of the Exchange Act after the date of filing of this Post Effective Amendment No. 2 to the Registration Statement on Form S-8 (this "Amendment No. 2") and before the filing of a post-effective amendment which indicates that all securities offered have been sold or which deregisters all securities then remaining unsold, are incorporated by reference in, and constitute a part of, the Registration Statement from the date such documents are filed.

The language in this Amendment No. 2 modifies and supersedes the language in any previously filed document that is incorporated by reference in this Registration Statement. The language in any document that is filed after the date of filing of this Amendment No. 2 that is incorporated by reference in this Registration Statement modifies and supersedes the language in this Registration Statement. However, such language constitutes a part of this Registration Statement only to the extent that it modifies and supersedes this Registration Statement.

ITEM 4. Description of Securities.

Not applicable.

ITEM 5. Interests of Named Experts and Counsel.

Not applicable.

ITEM 6. Indemnification of Directors and Officers.

Section 145 of the General Corporation Law of the State of Delaware provides that a corporation has the power to indemnify a director, officer, employee or agent of the corporation and certain other persons serving at the request of the corporation in related capacities against amounts paid and expenses incurred in connection with an action or proceeding to which he is, or is threatened to be made, a party by reason of such position, if such person shall have acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation, and, in any criminal proceeding, if such person had no reasonable cause to believe his conduct was unlawful; provided that, in the case of actions brought by or in the right of the corporation, no indemnification shall be made with respect to any matter as to which such person shall have been adjudged to be liable to the corporation unless and only to the extent that the adjudicating court determines that such indemnification is proper under the circumstances.

The Registrant's Restated Certificate of Incorporation eliminates the personal monetary liability of a director to the Registrant and its stockholders for breach of his fiduciary duty of care as a director to the extent currently allowed under the Delaware General Corporation Law. Article XVII of the Registrant's Restated Certificate of Incorporation provides that a director of the Registrant shall not be personally liable to the Registrant or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability (i) for any breach of the director's duty of loyalty to the Registrant or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) based on the payment of an improper dividend or an improper repurchase of the Registrant's stock under Section 174 of the General Corporation Law of the State of Delaware, or (iv) for any transaction from which the director derived an improper personal benefit.

The Amended and Restated Bylaws of the Registrant provide that, under certain circumstances, the Registrant is required to indemnify any person who was, is, or is threatened to be made a party in any action, suit or proceeding because such person is or was a director or officer of the Registrant. The Registrant's Amended and Restated Bylaws were amended in February 1987 to provide for indemnification by the Registrant of its officers and directors to the fullest extent authorized by the General Corporation Law of the State of Delaware. This right to indemnification under the Registrant's Amended and Restated Bylaws is a contract right, and requires the Registrant to provide for the payment of expenses in advance of the final disposition of any suit or proceeding brought against the director or officer of the Registrant in his official capacity as such, provided that such director or officer delivers to the Registrant an undertaking to repay any amounts advanced if it is ultimately determined that such director or officer is not entitled to indemnification. The Registrant also maintains a directors' and officers' liability insurance policy.

Inssofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers or persons controlling the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been informed that in the opinion of the Commission, such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable.

ITEM 7. Exemption from Registration Claimed.

Not applicable.

ITEM 8. Exhibits.

- 4.1 Restated Certificate of Incorporation of the Registrant, as amended on February 27, 1997, filed as Exhibit 4.1 to the Registrant's Registration Statement on Form S-8, Registration No. 333-22977, and incorporated herein by reference.
- 4.2 Amended and Restated Bylaws of the Registrant, as amended through August 26, 1999, filed as Exhibit 3 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended July 31, 1999, and incorporated herein by reference.
- 4.3 Form of Registrant's Common Stock certificate, filed as Exhibit 4.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended April 30, 1987, and incorporated herein by reference.
- 4.4 Second Amended and Restated Rights Agreement between the Registrant and American Stock Transfer Co., as Rights Agent, filed as Exhibit 4.1 to the Registrant's Report on Form 8-K filed April 16, 1999, and incorporated herein by reference.

- 4.5 Amended and Restated Certificate of Designation, Preferences and Rights of the Registrant's Series A Junior Participating Preferred Stock, filed as Exhibit 1 to Amendment No. 1 to the Registrant's Form 8-A dated April 28, 1989, and incorporated herein by reference.
- 4.6 Piper Impact 401(k) Plan, as amended and restated effective January 1, 1995.
- 4.7 First Amendment to the Piper Impact 401(k) Plan, effective January 1, 1999.
- 4.8 Master Trust Agreement between the Registrant and Fidelity Management Trust Company dated as of February 1, 1999.
- 4.9 First Amendment to Trust Agreement between Fidelity Management Trust Company and the Registrant, effective as of November 1, 1999.
- 23.1 Consent of Deloitte & Touche LLP.
- 24.1 Powers of Attorney.

The Registrant hereby undertakes to submit the Plan, and any amendments thereto, to the Internal Revenue Service ("IRS") in a timely manner and will make all changes required by the IRS in order to qualify the Plan.

ITEM 9. Undertakings.

A. The undersigned Registrant hereby undertakes:

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

(i) To include any prospectus required by Section 10(a)(3) of the Securities Act of 1993, as amended (the "Securities Act");

(ii) To reflect in the prospectus any facts or events arising after the effective date of this Registration Statement (or the most recent post-effective amendment hereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in this Registration Statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar volume of securities offered would not exceed that which was registered) and any

deviation from the high or low end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Securities and Exchange Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than a 20% change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement; and

(iii) To include any material information with respect to the plan of distribution not previously disclosed in this Registration Statement or any material change to such information in this Registration Statement;

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

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

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

B. The undersigned Registrant hereby undertakes that, for the purposes of determining any liability under the Securities Act, each filing of the Registrant's annual report pursuant to Section 13(a) or Section 15(d) of the Exchange Act (and, where applicable, each filing of an employee benefit plan's annual report pursuant to Section 15(d) of the Exchange Act) that is incorporated by reference into this Registration Statement shall be deemed to be a new registration statement relating to the securities offered herein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

C. Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers, and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a

director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question of whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-8 and has duly caused this Post-Effective Amendment No. 2 to Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Houston, State of Texas, on the 15th day of October, 1999.

QUANEX CORPORATION

By /s/ Vernon E. Oechsle

Vernon E. Oechsle
Director, President and Chief Executive Officer
(Principal Executive Officer)

Pursuant to the requirements of the Securities Act of 1933, this Post-Effective Amendment No. 2 to Registration Statement has been signed below by the following persons in the capacities and on the dates indicated.

Signature =====	Title =====	Date =====
/s/ Vernon E. Oechsle ----- Vernon E. Oechsle	Director, President and Chief Executive Officer (Principal Executive Officer)	October 15, 1999
/s/ James H. Davis ----- James H. Davis	Executive Vice President and Chief Operating Officer (Principal Operating Officer)	October 15, 1999
* ----- Donald G. Barger, Jr.	Director	October 15, 1999

* ----- Susan F. Davis	Director	October 15, 1999
* ----- Russell M. Flaum	Director	October 15, 1999
* ----- Carl E. Pfeiffer	Director	October 15, 1999
* ----- John D. O'Connell	Director	October 15, 1999
* ----- Vincent R. Scorsone	Director	October 15, 1999
* ----- Michael J. Sebastian	Director	October 15, 1999
/s/ Terry M. Murphy ----- Terry M. Murphy	President, Engineered Products Group and Chief Financial Officer (Principal Financial Officer)	October 15, 1999
/s/ Viren M. Parikh ----- Viren M. Parikh	Controller (Principal Accounting Officer)	October 15, 1999
*By /s/ Viren M. Parikh ----- Viren M. Parikh Attorney-in-fact		

The Plan. Pursuant to the requirements of the Securities Act of 1933, the Administrative Committee of the Plan has duly caused this Post-Effective Amendment No. 2 to Registration Statement on Form S-8 to be signed on its behalf by the undersigned members of such committee, thereunto duly authorized, in the City of Houston, State of Texas, on October 15, 1999.

PIPER IMPACT 401(K) PLAN

By : /s/ Vernon E. Oechsle

Vernon E. Oechsle

By : /s/ James H. Davis

James H. Davis

By : /s/ Wayne M. Rose

Wayne M. Rose

By : /s/ Terry M. Murphy

Terry M. Murphy

By : /s/ Paul J. Giddens

Paul J. Giddens

By : /s/ Viren M. Parikh

Viren M. Parikh

EXHIBIT INDEX

Exhibit Number -----	Description -----
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23.1	Consent of Deloitte & Touche LLP.
24.1	Powers of Attorney.

PIPER IMPACT
401(k) PLAN

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PIPER IMPACT
401(k) PLAN

THIS AGREEMENT adopted by Piper Impact, Inc., a Delaware corporation (the "Sponsor"),

W I T N E S S E T H:

WHEREAS, effective January 1, 1995, Piper Impact, Inc., a Tennessee corporation (the "Prior Employer") established the Piper Impact 401(k) Plan (the "Plan") which is intended to be a profit sharing plan that satisfies the requirements of sections 401(a) and 401(k) of the Internal Revenue Code of 1986, as amended; and

WHEREAS, effective as of March 29, 1996, the Sponsor purchased substantially all of the assets of the Prior Employer;

WHEREAS, on August 9, 1996, the Sponsor assumed sponsorship of the Plan and the Prior Employer terminated its participation in the Plan; and

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

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

ARTICLE I

DEFINITIONS

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

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

(a) Salary Deferral Contribution Account -- the Member's before-tax contributions.

(b) Matching Employer Contribution Account -- the Employer's matching contributions.

(c) Supplemental Contribution Account -- the Employer's discretionary contributions, if any, made pursuant to Section 4.03.

(d) Qualified Nonelective Employer Contribution Account -- the Employer's contributions made as a means of passing the actual deferral percentage test of section 401(k) of the Code or the actual contribution percentage test of section 401(m) of the Code.

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

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

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

1.04 "ANNUAL COMPENSATION" means the Employee's wages from the Affiliated Employers as defined in section 3401(a) of the Code for purposes of federal income tax withholding at the source (but determined without regard to any rules that limit the remuneration included in wages based on the nature or location of the employment or the services performed) modified by including elective contributions under a cafeteria plan described in section 125 of the Code and elective contributions to any plan qualified under section 401(k), 408(k), or 403(b) of the Code. However, for purposes of Appendix A of the Plan, effective for Limitation Years beginning before January 1, 1998, "Annual Compensation" does not include any salary deferral contributions to plan qualified under section 401(k) of the Code or any amount that is deferred at the election of the Employee and is not includable in the gross income of the Employee by reason of section 125 of the Code. Except for purposes of Section 1.1 of Appendix A of the Plan, Annual Compensation in excess of \$150,000.00 (as adjusted by the Secretary of Treasury) shall be disregarded. If the Plan Year is ever less than twelve months, the \$150,000.00 limitation (as adjusted by the Secretary of Treasury) will be prorated by multiplying the limitation by a fraction, the numerator of which is the number of months in the Plan Year, and the denominator of which is 12.

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

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

1.07 "BOARD OF DIRECTORS" means the board of directors, the executive committee or other body given management responsibility for the Sponsor.

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

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

1.10 "CONSIDERED COMPENSATION" means as to each Employee, that Employee's Annual Compensation modified by including elective contributions under a cafeteria plan described in section 125 of the Code and elective contributions to any plan qualified under section 401(k), 408(k) or 403(b) of the Code, and modified further by excluding the following items (even if includable in gross income), reimbursements or other expense allowances, fringe benefits (cash and noncash), moving expenses, deferred compensation, overtime wages, and welfare benefits. Considered Compensation in excess of \$150,000.00 (as adjusted by the Secretary of Treasury) shall be disregarded. If the Plan Year is ever less than twelve months, the \$150,000.00 limitation (as adjusted by the Secretary of Treasury) will be prorated by multiplying the limitation by a fraction, the numerator of which is the number of months in the Plan Year, and the denominator of which is 12.

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

(a) Salary Deferral Contribution -- contributions made by the Employer under the Employee's salary deferral agreement.

(b) Matching Employer Contribution -- matching contributions made by the Employer.

(c) Supplemental Contribution -- contributions made by the Employer on discretionary basis pursuant to Section 4.03.

(d) Qualified Nonelective Employer Contribution -- contributions made by the Employer as a means of passing the actual deferral percentage test of section 401(k) of the code or the actual contribution percentage test of section 401(m) of the Code.

(e) Rollover Contribution - contributions made by a Member which consist of any part of an eligible rollover distribution (as defined in section 402 of the Code) from a qualified employee trust described in section 401(a) of the Code.

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

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

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

1.15 "ELIGIBLE RETIREMENT PLAN" means an individual retirement account described in section 408(a) of the Code, an individual retirement annuity described in section 408(b) of the Code, an annuity plan described in section 403(a) of the Code, or a qualified trust described in section 401(a) of the Code, that accepts the Distributee's Eligible Rollover Distribution. However, in the case of an Eligible Rollover Distribution to the surviving Spouse, an Eligible Retirement Plan is an individual retirement account or individual retirement annuity.

1.16 "ELIGIBLE ROLLOVER DISTRIBUTION" as defined in section 402 of the Code means any distribution of all or any portion of the balance to the credit of the Distributee, except that an Eligible Rollover Distribution does not include: (a) any distribution that is one of a series of substantially equal periodic payments (not less frequently than annually) made for the life (or life expectancy) of the Distributee or the joint lives (or joint life expectancies) of the Distributee and the Distributee's Beneficiary, or for a specified period of ten years or more; (b) any distribution to the extent the distribution is required under section 401(a)(9) of the Code; and (c) the portion of any distribution that is not includable in gross income (determined without regard to the exclusion for net unrealized appreciation with respect to employer securities).

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

1.18 "EMPLOYER" OR "EMPLOYERS" means the Sponsor and any other business organization which has adopted this Plan.

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

1.20 "EXCESS DEFERRAL" means that part, if any, of the Salary Deferral Contribution of a Member for his taxable year which, when added to the amounts he deferred under other plans or arrangements described in sections 401(k), 408(k) and 403(b) of the Code, exceeds the deferral dollar limitation permitted by section 402(g) of the Code.

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

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

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

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

1.25 "MATCHED SALARY DEFERRAL CONTRIBUTION" means that portion of the Salary Deferral Contribution attributable to each Member that does not exceed six percent of the Member's Considered Compensation earned while the Employee was a Member.

1.26 "MEMBER" means the person or persons employed by an Employer during the Plan Year and eligible to participate in the Plan.

1.27 "NON-HIGHLY COMPENSATED EMPLOYEE" means an Employee of the Employer who is not a Highly Compensated Employee.

1.28 "PERIOD OF SERVICE" means a period of employment with an Affiliated Employer which commences on the day on which an Employee performs his initial Hour of Service or performs his initial Hour of Service upon returning to the employ of an Affiliated Employer, whichever is applicable, and ends on the date the Employee Severs Service.

1.29 "PERIOD OF SEVERANCE" means the period of time commencing on the date an Employee Severs Service and ending on the date the Employee again performs an Hour of Service.

1.30 "PLAN" means the Plan, including all subsequent amendments.

1.31 "PLAN YEAR" means the calendar year, the fiscal year of the Plan.

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

1.33 "QJSA" means a qualified joint and survivor annuity which is purchased with the Member's or former Member's Account balance as of the date of distribution to provide equal monthly payments for the life of the Member or former Member, and after his death, monthly payments for the life of his surviving Spouse in a monthly amount equal to one-half the amount of the monthly payment made while he was alive.

1.34 "QPSA" means a qualified preretirement survivor annuity which is purchased with the Member's Account balance as of the date of distribution that will provide equal monthly payments for the life of the surviving Spouse.

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

1.36 "REQUIRED BEGINNING DATE" means:

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

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

1.37 "RETIREMENT AGE" means the later of time a Member attains age 65 or the fifth anniversary of the date he commenced participation in the Plan. Once a Member has attained his Retirement Age he shall have a 100 percent nonforfeitable interest in his Account balance at all times.

1.38 "ROLLOVER CONTRIBUTION" means the amount contributed by a Member of the Plan which consists of any part of an eligible rollover distribution (as defined in section 402 of the Code) from a qualified employee trust described in section 401(a) of the Code.

1.39 "SEPARATION FROM SERVICE" means an individual's termination of employment with an Affiliated Employer without commencing or continuing employment with any other Affiliated Employer.

1.40 "SERVICE" means the period or periods that a person is paid or is entitled to payment for performance of duties with an Affiliated Employer.

1.41 "SEVERS SERVICE" means the earlier of the following events: (a) the Employee's quitting, retiring, dying or being discharged, (b) the completion of a period of 365 continuous days in which the Employee remains absent from Service (with or without pay) for any reason other than quitting, retiring, dying or being discharged, such as vacation, holiday, sickness, disability, leave of absence, layoff or any other absence or (c) the second anniversary of the commencement of a continuous period of absence occasioned by the reason of the pregnancy of the Employee, the birth of a child of the Employee, the placement of a child with the Employee in connection with the adoption of the child by the Employee or the caring for the child for a period commencing immediately after the child's birth or placement.

1.42 "SPONSOR" means Piper Impact, Inc., a Delaware corporation.

1.43 "SPONSOR STOCK" means the common stock of Quanex Corporation, a Delaware corporation, the parent of the Sponsor.

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

1.45 "TRANSFERRED" means, when used with respect to an Employee, the termination of employment with one Employer and the contemporaneous commencement of employment with another Employer.

1.46 "TRUST" means the one or more trust estates created to fund the Plan.

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

1.48 "TRUST FUND" means all of the trust estates established under the terms of the Plan to fund the Plan, whether held to fund a particular group of Accounts or held to fund all of the Accounts of Members, collectively.

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

ARTICLE II
ACTIVE SERVICE

2.01 WHEN ACTIVE SERVICE BEGINS. For purposes of eligibility and vesting, Active Service begins when an Employee first performs an Hour of Service for an Affiliated Employer. Once an Employee has begun Active Service for purposes of eligibility or vesting and Severs Service he shall recommence Active Service for those purposes when he again performs an Hour of Service for an Affiliated Employer.

2.02 AGGREGATION OF SERVICE. When determining an Employee's Active Service, all Periods of Service, whether or not completed consecutively, shall be aggregated on a per day basis. For purposes of eligibility and vesting, only full years of Active Service shall be counted. In aggregating Active Service, 30 days shall be counted as one month and 12 months shall be counted as one year. No fractional years shall be counted for purposes of eligibility or vesting.

2.03 PERIODS OF SERVICE OF LESS THAN ONE YEAR. If an Employee performs an Hour of Service within 12 months after he Severs Service, the intervening Period of Severance shall be counted as a Period of Service.

2.04 SERVICE PRIOR TO SEVERANCE. If an Employee Severs Service at a time when he does not have any vested right to amounts credited to his Matching Employer Contribution Account or his Supplemental Contribution Account and the Period of Severance continues for a continuous period of five years or more, the Period of Service completed by the Employee before the Period of Severance shall not be taken into account if his Period of Severance equals or exceeds his Period of Service, whether or not consecutive, completed before the Period of Severance.

2.05 PERIODS OF SEVERANCE DUE TO CHILD BIRTH OR ADOPTION. If the period of time between the first anniversary of the first day of an absence from Service by reason of the pregnancy of the Employee, the birth of a child of the Employee, the placement of a child with the Employee in connection with the adoption of the child by the Employee or for purposes of caring for the child for a period beginning immediately following the birth or placement and the second anniversary of the first day of the absence occurs during or after the first Plan Year beginning after December 31, 1984, it shall neither be counted as a Period of Service nor of Severance.

2.06 TRANSFERS. If an Employee of one Employer is Transferred to the service of another Employer, his Active Service shall not be interrupted and he shall continue to be in Active Service for purposes of eligibility, vesting and allocation of Contributions and/or forfeitures. If an Employee is transferred to the service of an Affiliated Employer that has not adopted the Plan he will not Sever Service; however, even though he shall continue to be in Active Service for eligibility and vesting purposes he shall not receive any allocation of Contributions or forfeitures.

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

2.08 SERVICE CREDIT REQUIRED UNDER FEDERAL LAW. An Employee shall be credited with such additional years of Active Service as are required under any applicable law of the United States.

2.09 SPECIAL TRANSITIONAL RULE. Any person who was an Employee before March 1, 1997, will have all or a portion of his Active Service figured under the provisions of the Plan in effect before March 1, 1997, if that method of calculating service is more beneficial for the Employee than the method otherwise set out in this Article II.

2.10 CREDIT FOR SERVICE WITH PIPER IMPACT, INC. A TENNESSEE CORPORATION. For purposes of determining an Employee's Active Service for eligibility to participate and vesting, his service with Piper Impact, Inc., a Tennessee corporation will be counted as Active Service under the Plan.

ARTICLE III

ELIGIBILITY

3.01 ELIGIBILITY REQUIREMENTS. Effective April 1, 1997, each Employee shall be eligible to participate in the Plan beginning on the entry date which occurs with or next follows the date on which the Employee completes three months of Active Service. However, all Employees who are included in a unit of Employees covered by a collective bargaining agreement between the Employees' representative and the Employer shall be excluded, even if they have met the requirements for eligibility, if there has been good faith bargaining between the Employer and the Employees' representative pertaining to retirement benefits and the agreement does not require the Employer to include such Employees in the Plan. In addition, a Leased Employee shall not be eligible to participate in the Plan unless the Plan's qualified status is dependent upon coverage of the Leased Employee. An Employee who is a nonresident alien (within the meaning of section 7701(b) of the Code) and receives no earned income (within the meaning of section 911(d)(2) of the Code) from any Affiliated Employer that constitutes income from sources within the United States (within the meaning of section 861(a)(3) of the Code) is not eligible to participate in the Plan. An Employee who is a nonresident alien (within the meaning of section 7701(b) of the Code) and who does receive earned income (within the meaning of section 911(d)(2) of the Code) from any Affiliated Employer that constitutes income from sources within the United States (within the meaning of section 861(a)(3) of the Code) all of which is exempt from United States income tax under an applicable tax convention is not eligible to participate in the Plan. An Employee who is expatriated to the United States from another country is not eligible to participate in the Plan for so long as he continues to accrue deferred compensation or retirement benefits under any agreement or program to which an Affiliated Employer other than an Employer is a party. Finally, an Employee who is employed outside the United States is not eligible to participate in the Plan unless the Committee elects to permit him to participate in the Plan. The Plan's entry dates will be January 1, April 1, July 1 and October 1 of each Plan Year.

3.02 ELIGIBILITY UPON REEMPLOYMENT. If an Employee Severs Service with the Employer prior to the date he initially begins participating in the Plan, he shall be eligible to begin participation in this Plan on the later of the date he would have become a Member if he did not Sever Service or the date on which he performs an Hour of Service after he Severs Service. Subject to Section 3.03, once an Employee becomes a Member, his eligibility to participate in the Plan shall continue until he Severs Service.

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

3.04 RECOMMENCEMENT OF PARTICIPATION. A former Member will again become a Member on the day on which he again becomes included in a classification of Employees who, under the terms of the Plan, are eligible to participate.

ARTICLE IV
CONTRIBUTIONS

4.01 SALARY DEFERRAL CONTRIBUTIONS. The Employer shall make a Salary Deferral Contribution in an amount equal to the amount by which its Members' Considered Compensation was reduced as a result of salary deferral agreements. Any such salary deferral agreement shall be an agreement in a form satisfactory to the Committee to prospectively receive Considered Compensation from the Employer in a reduced amount and to have the Employer contribute an amount equal to the amount of the reduction to the Trust Fund on account of the Member. Any such salary deferral agreement shall be revocable in accordance with its terms, provided that no revocation shall be retroactive or permit payment to the Member of the amount required to be contributed to the Trust Fund. A Member shall be entitled to prospectively modify his salary deferral agreement at least once a year. A Member's right to benefits derived from Salary Deferral Contributions made to the Plan on his behalf shall be nonforfeitable. The election to have Salary Deferral Contributions made, the ability to change the rate of Salary Deferral Contributions, the right to suspend Salary Deferral Contributions, and the manner of commencing new Salary Deferral Contributions shall be permitted under any uniform method determined by the Committee from time to time.

4.02 EMPLOYER MATCHING CONTRIBUTIONS. The Employer shall make an Employer Matching Contribution in an amount equal to 25 percent of the Matched Salary Deferral Contributions for all Members.

4.03 SUPPLEMENTAL CONTRIBUTIONS. The Employer may contribute for any Plan Year a Supplemental Contribution in such amount, if any, as shall be determined by the Employer.

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

4.05 QUALIFIED NONELECTIVE EMPLOYER CONTRIBUTIONS. The Employer may make a Qualified Nonelective Employer Contribution in such amount, if any, as shall be determined by the Employer. A Member's right to benefits derived from Qualified Nonelective Employer Contributions made to the Plan on his behalf shall be nonforfeitable. In no event will Qualified

Nonelective Employer Contributions be distributed before Salary Deferral Contributions may be distributed

4.06 RESTORATION CONTRIBUTIONS. The Employer shall, for each Plan Year, make a restoration contribution in an amount equal to the sum of (a) such amount, if any, as shall be necessary to fully restore all Matching Employer Contribution Accounts and Supplemental Contribution Accounts required to be restored pursuant to the provisions of Section 5.10, after application of all forfeitures and any appreciation in the value of the Trust Fund available for such restoration; plus (b) an amount equal in value to the value of forfeited benefits described in and payable under Section 6.09.

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

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

4.09 DEADLINE FOR PAYMENT OF EMPLOYER CONTRIBUTIONS. Salary Deferral Contributions shall be paid to the Trustee in installments. The installment for each payroll period shall be paid as soon as administratively feasible, and shall be in an amount equal to the amount by which all Members' Considered Compensation was reduced pursuant to salary deferral agreements for such period. The Matching Employer Contributions, Supplemental Contributions and Qualified Nonelective Employer Contributions for a Plan Year shall be paid to the Trustee in one or more installments, as the Employer may from time to time determine; provided, however, that such contributions may not be paid later than the time prescribed by law (including extensions thereof) for filing the Employer's income tax return for its taxable year ending with or within such Plan Year.

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

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

(b) all Contributions are conditioned upon the Plan's initial qualification under section 401 of the Code and may be repaid to the Employer within one year after the date of denial of the initial qualification of the Plan; and

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

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

ARTICLE V

ALLOCATION AND VALUATION OF ACCOUNTS

5.01 INFORMATION STATEMENTS FROM EMPLOYER. As soon as practical after the last day of each calendar quarter, the Employer shall provide the Committee with a schedule setting forth the amount of its Salary Deferral Contribution, Employer Matching Contribution, Supplemental Employer Contribution, Qualified Nonelective Employer Contribution, and restoration contribution; the names of its Members, the number of years of Active Service of each of its Members, the amount of Considered Compensation paid to each Member, and the amount of Considered Compensation paid to all its Members. Such schedules shall be conclusive evidence of such facts.

5.02 ALLOCATION OF SALARY DEFERRAL CONTRIBUTION. The Committee shall allocate the Employer's Salary Deferral Contribution among the Employer's Members by allocating to each such Member the amount by which his Considered Compensation was reduced pursuant to a salary deferral agreement (as described in Section 4.1) and shall credit each such Member's share to the Member's Salary Deferral Contribution Account.

5.03 ALLOCATION OF MATCHING EMPLOYER CONTRIBUTION. The Committee shall separately allocate the Employer Matching Contribution among the Employer's Members in the proportion which the Matched Salary Deferral Contributions of each such Member bears to the total Matched Salary Deferral Contributions of all such Members. Each Member's proportionate share shall be credited to his Matching Employer Contribution Account.

5.04 ALLOCATION OF SUPPLEMENTAL CONTRIBUTION. The Committee shall allocate the Supplemental Contribution among the Employer's Members in the proportion that the Considered Compensation of each Member for the Plan Year bears to the total Considered Compensation of all Members for the Plan Year. Each Member's proportionate share shall be credited to his Supplemental Contribution Account.

5.05 ALLOCATION OF QUALIFIED NONELECTIVE EMPLOYER CONTRIBUTION. The Committee shall separately allocate the Qualified Nonelective Employer Contribution among the Non-Highly Compensated Employees who are Members based upon each such Member's Considered Compensation as compared to the Considered Compensation of all such Members.

5.06 ALLOCATION OF DIVIDENDS ON SPONSOR STOCK. Cash and Sponsor Stock dividends paid with respect to Sponsor Stock shall be allocated among the Members and former Members with Account balances in proportion to the number of shares of Sponsor Stock (of the class with respect to which the dividend is paid) allocated to Member's or former Member's Account as of the record date for the dividend.

5.07 SPONSOR STOCK SPLITS. If the shares of Company Stock are subdivided, the additional shares acquired by the Trustee upon the subdivision will be allocated among the Members and former Members with Account balances in proportion to the number of shares of Sponsor Stock (of

the class with respect to which the subdivision is made) allocated to the Member's or former Member's Account as of the record date for the subdivision.

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

5.09 ALLOCATION OF FORFEITURES. At the time a forfeiture occurs, the amount forfeited will first be used to reinstate any Account required to be reinstated under Section 5.10, and any remaining amount will be applied to the payment of Matching Employer Contributions or Supplemental Contributions.

5.10 RESTORATION OF FORFEITED AMOUNTS. If a Member or former Member who forfeited any portion of his Matching Employer Contribution Account or his Supplemental Contribution Account pursuant to the provisions of Section 6.10 resumes employment covered under the Plan, then the following provisions shall apply:

(a) REPAYMENT REQUIREMENT. The Member's Employer Matching Contribution Account and Supplemental Contribution Account shall be restored if he repays to the Trustee the full amount of any distribution from the Employer Matching Contribution Account and Supplemental Contribution Account with respect to which the forfeiture arose. Such repayment must be made prior to the earlier of (a) the date on which he incurs a Period of Severance of five years, or (b) the fifth anniversary of the first date on which the Member is subsequently re-employed by the Employer.

(b) MEMBERS WITH NO VESTED INTEREST. If a Member or former Member who forfeited any portion of his Employer Matching Contribution Account pursuant to the provisions of Section 6.10 received no distribution from his Employer Matching Contribution Account or his Supplemental Contribution Account as a result of his termination of participation in the Plan (because his vested percentage was zero), that Account will be restored if, and only if, he resumes employment covered under the Plan prior to incurring a Period of Severance of five years.

(c) AMOUNT RESTORED. The amount to be restored under the preceding provisions of this Section shall be the dollar value of the amount in the Member's Employer Matching Contribution Account and Supplemental Contribution Account, both the amount distributed and the amount forfeited, unadjusted by any subsequent gains or losses. The Member's Employer Matching Contribution Account or his Supplemental Contribution Account

balance shall be restored as soon as administratively practicable after the later of the date the Member resumes employment covered under the Plan or the date on which any required repayment is completed. No distribution shall be made to a Member from his Employer Matching Contribution Account or his Supplemental Contribution Account as a result of a prior Separation From Service after the restoration of such Account has been effectuated.

(d) NO OTHER BASIS FOR RESTORATION. Except as otherwise provided above, a Member's Employer Matching Contribution Account and Supplemental Contribution Account shall not be restored upon resumption of employment covered by the Plan. Any portion of the Trust Fund attributable to Years of Service prior to resumption of employment by a Member whose Employer Matching Contribution Account and Supplemental Contribution Account has not been restored shall be held and distributed in accordance with applicable provisions of the Plan and elections made thereunder. A separate Employer Matching Contribution Account and Supplemental Contribution Account shall be established and maintained for Employer Matching Contributions and Supplemental Contributions allocable to such a Member after his resumption of employment covered by the Plan.

5.11 NO VESTING UNLESS OTHERWISE PRESCRIBED. No allocations, adjustments, credits, or transfers shall ever vest in any Member or former Member any right, title, or interest in the Trust Fund except at the times and upon the terms and conditions herein set forth.

ARTICLE VI

BENEFITS

6.01 VALUATION OF ACCOUNTS FOR WITHDRAWALS AND DISTRIBUTIONS. For the purpose of making a distribution or withdrawal, a Member's Accounts shall be his Accounts as valued as of the Valuation Date which is coincident with or next follows the event which caused the distribution or withdrawal, adjusted for Contributions, distributions and withdrawals, if any, made between the Valuation Date and that event.

6.02 DEATH BENEFIT. Subject to Sections 6.18 and 6.19 and Appendix C, if a Member or former Member dies, the death benefit payable to his Beneficiary shall be 100 percent of the remaining amount in all of his Accounts as of the day he dies.

6.03 RETIREMENT BENEFIT. An Employee may retire on the first day of any month after he attains his Retirement Age. If a Member retires, he is entitled to receive 100 percent of all of his Accounts as of the day he retires.

6.04 DISABILITY BENEFIT. Upon an Employee's Separation From Service due to a Disability, he is entitled to receive 100 percent of all of his Accounts as of the day he terminated because of his Disability.

6.05 SEVERANCE BENEFIT. Upon an Employee's Separation From Service for any reason other than death, retirement after attaining Retirement Age or disability, he is entitled to receive (a) 100 percent of all of his Accounts, except his Matching Employer Contribution Account and Supplemental Contribution Account, and (b) that percentage of his Matching Employer Contribution Account and Supplemental Contribution Account, if any, as shown in the vesting schedule below, as of the date of his Separation From Service.

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

Prior to a Member's Separation From Service, he will have a nonforfeitable interest in the portion of the Matching Employer Contributions and Supplemental Contributions specified in the above vesting schedule.

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

6.07 FINANCIAL HARDSHIP DISTRIBUTIONS.

(a) General. Prior to his Separation From Service, a Member is entitled to receive a distribution from his Salary Deferral Contribution Account, his Rollover Account, his vested interests in his Matching Employer Contribution Account and his Supplemental Contribution Account in the event of an immediate and heavy financial need incurred by the Member and the Committee's determination that the withdrawal is necessary to alleviate that hardship.

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

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

(d) Suspension of Participation in Certain Benefit Programs. The Member's hardship distribution shall terminate his right to have the Employer make any Salary Deferral Contributions on his behalf until the next time Salary Deferral Contributions are permitted after the lapse of 12 months following the hardship distribution and his timely filing of a written request to resume his Salary Deferral Contributions. In addition, for 12 months after he receives a hardship distribution from the Plan, the Member is prohibited from making elective contributions and employee contributions to all other qualified and nonqualified plans of deferred compensation maintained by the Employer, including stock option plans, stock purchase plans and Code section 401(k) cash or deferred arrangements that are part of

cafeteria plans described in section 125 of the Code. However, the Member is not prohibited from making contributions to a health or welfare benefit plan, including one that is part of a cafeteria plan within the meaning of section 125 of the Code.

(e) Resumption of Salary Deferral Contributions. When the Member resumes Salary Deferral Contributions, he cannot have the Employer make any Salary Deferral Contributions in excess of the limit in section 402(g) of the Code for that taxable year reduced by the amount of Salary Deferral Contributions made by the Employer on the Member's behalf during the taxable year of the Member in which he received the hardship distribution.

(f) Order of Withdrawals. Financial hardship distributions will be made in the following order: First withdrawals will be made from the Member's Rollover Account, then from his Matching Employer Contribution Account, then from his Supplemental Contribution Account, and finally, from his Salary Deferral Contribution Account. A Member shall not be entitled to receive a financial hardship distribution of any amount credited to his Qualified Nonelective Employer Contribution Account, or of any income that is allocable or credited to his Member's Salary Deferral Contribution Account.

(g) Method of Payment. Distributions pursuant to this Section 6.07 will normally be paid in lump sums. However, the QJSA requirements of Section 6.13 will apply to any distributions made under this Section 6.07 on or after the date as of which an Employer elects to treat the Plan and the Quanex Corporation Salaried Employees' Pension Plan as one plan for purposes of section 410(b) of the Code.

6.08 AGE 59 1/2 DISTRIBUTIONS. Prior to his Separation From Service, a Member may withdraw part or all of his vested Account balance on or after the date that he attains age 59 1/2. Distributions pursuant to this Section 6.08 will normally be paid in lump sums. However, the QJSA requirements of Section 6.13 will apply to any distributions made under this Section 6.08 on or after the date as of which an Employer elects to treat the Plan and the Quanex Corporation Salaried Employees Pension Plan as one plan for purposes of section 410(b) of the Code.

6.09 LOANS. The Committee may direct the Trustees to make loans to Members (and Beneficiaries who are "parties in interest" within the meaning of ERISA) who have a vested interest in the Plan. The Loan Committee established by the Committee will be responsible for administering the Plan loan program. All loans will comply with the following requirements:

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

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

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

(d) The maximum amount of a loan may not exceed the lesser of (A) \$50,000.00 reduced by the person's highest outstanding loan balance from the Plan during the preceding

one-year period, or (B) one-half of the present value of the person's vested Account balance under the Plan determined as of the date on which the loan is approved by the Loan Committee.

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

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

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

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

(i) The loan agreement will require level amortization over the term of the loan. A Member's loan agreement will also require that loan repayments be made through payroll deductions.

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

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

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

(m) No person shall be entitled to apply for a new Plan loan until at least 90 days have transpired since he fully repaid his last loan from the Plan.

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

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

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

6.10 FORFEITURE BY LOST MEMBERS OR BENEFICIARIES. If a person who is entitled to a distribution cannot be located during a reasonable search after the Trustee has initially attempted making payment, that person's Account shall be forfeited. However, if at any time prior to the termination of the Plan and the complete distribution of the Trust Fund, the former Member or Beneficiary files a claim with the Committee for the forfeited benefit, that benefit shall be reinstated (without adjustment for trust income or losses during the forfeited period) effective as of the date of the receipt of the claim. As soon as appropriate following the Employer's Contribution of the reinstated amount, it shall be paid to the former Member or Beneficiary in a single sum.

6.11 FORFEITURE ON TERMINATION OF PARTICIPATION. If as a result of his Separation From Service a former Member receives, not later than the end of the second Plan Year following the Plan Year in which his Separation From Service occurs, a distribution of his entire vested interest in his Account, the nonvested amount in his Account is immediately forfeited. A former Member who receives no distribution upon his Separation From Service because he has no vested interest shall be treated as if he received a distribution of his entire vested interest and that interest was less than \$5,000.00.

If a former Member who has a vested interest in his Account receives no distribution or a distribution of less than the full amount of his entire vested interest as a result of his Separation From Service, the nonvested amount in his Account is immediately forfeited following five consecutive one-year Periods of Severance.

6.12 CLAIMS PROCEDURE. When a benefit is due, the Member or Beneficiary should submit his claim to the person or office designated by the Committee to receive claims. Under normal circumstances, a final decision shall be made as to a claim within 90 days after receipt of the claim. If the Committee notifies the claimant in writing during the initial 90-day period, it may extend the period up to 180 days after the initial receipt of the claim. The written notice must contain the circumstances necessitating the extension and the anticipated date for the final decision. If a claim

is denied during the claims period, the Committee must notify the claimant in writing. The denial must include the specific reasons for it, the Plan provisions upon which the denial is based, and the claims review procedure. If no action is taken during the claims period, the claim is treated as if it were denied on the last day of the claims period.

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

The request for review must be filed within 90 days after the denial. If it is not, the denial becomes final. If a timely request is made, the Committee must make its decision, under normal circumstances, within 60 days of the receipt of the request for review. However, if the Committee notifies the claimant prior to the expiration of the initial review period, it may extend the period of review up to 120 days following the initial receipt of the request for a review. All decisions of the Committee must be in writing and must include the specific reasons for their action and the Plan provisions on which their decision is based. If a decision is not given to the claimant within the review period, the claim is treated as if it were denied on the last day of the review period.

6.13 NORMAL FORM OF DISTRIBUTIONS. The normal form of distributions under the Plan is a cash lump sum payment.

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

6.15 CHOICE OF DISTRIBUTION METHODS. Each Member or former Member shall have the right to elect the method of distribution applicable to him. An election of an option available under this Article shall be made within the 90-day period that ends on the Member's or former Member's Annuity Starting Date, and may be rescinded or changed by a Member or former Member at any time prior to the distribution. An election, change, or rescission of an option must be made by executing and properly filing the form or forms approved by the Committee. Proof of age and other information may be required by the Committee.

6.16 SINGLE SUM PAYMENT OF SMALL AMOUNTS UPON SEPARATION FROM SERVICE. Notwithstanding any other provision of the Plan, each Member or former Member (a) who does not die before the Annuity Starting Date and (b) whose vested Account balance at the time of a distribution to him on account of his Separation From Service is less than or equal to \$5,000.00, shall be paid in the form of a single sum payment. A surviving Spouse or other Beneficiary of a Member or former Member whose Account balance is less than or equal to \$5,000.00 shall be paid in the form of a single sum payment. For this purpose, if the value of a Member's or former Member's Account balance determined at the time of any prior payment to him exceeded \$5,000.00, then the benefit to be distributed at any subsequent time shall be deemed to exceed that amount.

6.17 CONSENT TO DISTRIBUTIONS UPON SEPARATION FROM SERVICE.

Notwithstanding any other provision of the Plan, no benefit shall be distributed or commence to be distributed to a Member or former Member prior to his attainment of the later of age 62 or Retirement Age without his consent, unless the benefit is payable in a single sum under Section 6.16. Any such consent shall be valid only if given not more than 90 days prior to the Member's or former Member's Annuity Starting Date and after his receipt of the notice regarding benefits described in Section 6.21(a).

6.18 QUALIFIED JOINT AND SURVIVOR ANNUITY REQUIREMENTS.

On and after the date on which an Employer elects to treat the Plan and the Quanex Corporation Salaried Employees' Pension Plan as one plan for purposes of section 410(b) of the Code, this Section 6.18 will apply. Except for small benefits payable under Section 6.16, each Member or former Member who (a) is married on his Annuity Starting Date and (b) does not die before his Annuity Starting Date will be paid in the form of a QJSA, unless he and his Spouse make a valid election to waive this form of payment. Except for small benefits payable under Section 6.16, each other Member who does not die before the Annuity Starting Date, will be paid in the form of a life only annuity unless he makes a valid election to waive this form of payment. A Member's waiver of the QJSA form of payment will not be effective unless the waiver (1) designates a specific nonspouse Beneficiary who will receive Plan benefits and (2) specifies the particular optional form of benefits selected instead of the QJSA. Also, a Member's or former Member's waiver of the QJSA will not be effective unless his Spouse signs either a specific or a general consent to his waiver. A specific spousal consent must (1) be in writing, (2) consent to the waiver of the QJSA, (3) consent to the specific nonspouse Beneficiary designated by the Member or former Member to receive Plan benefits, (4) consent to the particular optional form of benefit selected by the Member or former Member, (5) acknowledge the effect of the Spouse's consent to the Member's or former Member's waiver of the QJSA, and (6) be witnessed by a notary public or a Plan representative. A general spousal consent must (1) be in writing, (2) consent to the Member's or former Member's waiver of the QJSA, (3) specify that the Member or former Member can change the Beneficiary designated by him to receive Plan benefits, without any requirement of further consent by the Spouse, (4) specify that the Member or former Member can change the optional form of benefit elected by the Member or former Member, without any requirement of further consent by the Spouse, (5) acknowledge that the Spouse has the right to limit consent to a specific Beneficiary and a specific optional form of benefit, and that the Spouse voluntarily elects to relinquish both of those rights, (6) acknowledge the effect of the Spouse's consent to the Member's or former Member's waiver of the QJSA, and (7) be witnessed by a notary public or a Plan representative. However, a Member's or former Member's election to waive the QJSA shall be effective if it is established to the satisfaction of the Committee that spousal consent to his waiver may not be obtained because (1) there is no Spouse, (2) the Spouse cannot be located, or (3) there exist such other circumstances which obviate the necessity of obtaining the spousal consent. Any consent by the Member's or former Member's Spouse (or establishment that the consent of the Member's or former Member's Spouse may not be obtained) shall be effective only with respect to such Spouse.

6.19 QUALIFIED PRERETIREMENT SURVIVOR ANNUITY REQUIREMENTS.

(a) General Rules. On and after the date on which an Employee elects to treat the Plan and the Quanex Corporation Salaried Employees' Pension Plan as one plan for purposes of section 410(b) of the Code, this Section 6.19 will apply. Except for small

benefits payable under Section 6.12, the death benefit of a Member or former Member who (1) is married on the date of his death and (2) dies before his Annuity Starting Date will be paid in the form of a QPSA, unless he and his Spouse make a valid election to waive this form of payment. Subject to Section 6.21, the surviving Spouse of such a Member or former Member may elect to have payments commence to her as soon as administratively practicable, or at any later date selected by her.

(b) Waivers. Any valid election to waive the QPSA must be made in writing by the Member or former Member and consented to by the Member's or former Member's Spouse. Any spousal consent to the waiver must: (1) be witnessed by a member of the Committee, the Trustee, or a notary public, and (2) consent to the specific nonspouse Beneficiary or Beneficiaries selected by the Member or former Member (or permit future changes in designations by the Member provided that general consent requirements similar to those described in Section 6.18 are satisfied). However, if the Member or former Member establishes to the satisfaction of the Committee or the Trustee that the spouse's written consent cannot be obtained because there is no Spouse or the Spouse cannot be located, a waiver signed only by the Member or former Member will be considered a valid election. The consent to a waiver is valid only with respect to the Spouse who signs it; therefore, if the Member or former Member remarries after executing a waiver, the Member's or former Member's new Spouse must execute a new consent. The Member or former Member may revoke a prior waiver without his Spouse's consent at any time before benefit payments begin. Except as specified below, an election to waive the QPSA will be valid only if it is made after the first day of the Plan Year in which the Member or former Member attains age 35 and before the Member's or former Member's death.

(c) Pre-Age 35 Waivers. A Member or former Member may waive the QPSA, with spousal consent, before the first day of the Plan Year in which he attains age 35 if the Sponsor provides him a written explanation of the QPSA (that meets the requirements of Section 6.20) within the period beginning one year before he Severs Service and ending one year after he Severs Service. However, any such waiver will expire and become invalid beginning on the first day of the Plan Year in which the Member or former Member attains age 35.

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

(a) General Information. Except as otherwise provided in paragraph (c), the Sponsor shall provide each Member or former Member with a written general explanation or description of (1) the eligibility conditions and other material features of the optional forms of benefit available under the Plan, (2) the relative values of the optional forms of benefit available under the Plan, and (3) the Member's or former Member's right, if any, to defer receipt of the distribution.

(b) Time for Giving Notice. The written general explanation or description regarding any optional forms of benefit available under the Plan shall be provided to a

Member or former Member no less than 30 days and no more than 90 days before his Annuity Starting Date unless he legally waives this requirement.

(c) Exception for Members with Small Benefit Amounts.

Notwithstanding the preceding provisions of this Section, no information regarding any optional forms of benefit otherwise available under the Plan shall be provided to the Member or former Member if his benefit is payable in a single sum under Section 6.16.

(d) QJSA Notice. This paragraph applies on and after the date on which an Employer elects to treat the Plan and the Quanex Corporation Salaried Employees' Pension Plan as one plan for purposes of section 410(b) of the Code. No less than 30 days (seven days if the Member or former Member legally waives the 30-day notice requirement) and no more than 90 days before the Annuity Starting Date of a Member or former Member who is subject to Section 6.18, the Sponsor shall provide him a written notice explaining the terms and conditions of each retirement option, and in particular (1) the automatic QJSA or life annuity, (2) the Member's or former Member's right to make, and the effect of, a waiver of the automatic QJSA, (3) the right of the Member's or former Member's Spouse to consent or not to consent to such a waiver, (4) the right to make, and the effect of, a revocation of a previous waiver or election, (5) the eligibility conditions and other material features of the optional forms of benefit, (6) the relative values of the optional forms of benefit, and (7) the Member's or former Member's right to request a written explanation of the financial effect upon a Member's or former Member's annuity of electing to waive the QJSA or life annuity.

(e) QPSA Notice. This paragraph applies on and after the date on which an Employer elects to treat the Plan and the Quanex Corporation Salaried Employees' Pension Plan as one plan for purposes of section 410(b) of the Code. The Sponsor will provide each Member or former Member who is subject to Section 6.19 a written explanation of: (a) the terms and conditions of the QPSA, (b) the Member's or former Member's right to waive the QPSA and the effect of the waiver, (c) the rights of the Member's or former Member's Spouse, and (d) the right to revoke a prior waiver and the effect of the revocation. This written explanation will be provided within the latest of the period (a) beginning on the first day of the Plan Year in which the Member or former Member attains age 32 and ending with the close of the Plan Year preceding the Plan Year in which the Member or former Member attains age 35, (b) ending one year after the individual becomes a Member, or (c) ending one year after the QPSA rules first become effective with respect to the Member or former Member.

6.21 OPTIONAL FORMS OF DISTRIBUTION. On and after the date on which an Employer elects to treat the Plan and the Quanex Corporation Salaried Employees' Pension Plan as one plan for purposes of section 410(b) of the Code, all of the optional forms of payment available under the Quanex Corporation Salaried Employees' Pension Plan (as discussed more fully in Appendix C hereto) will be available under the Plan.

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

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

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

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

(d) COMPLIANCE WITH SECTION 401(a)(9). All distributions under the Plan will be made in accordance with the requirements of section 401(a)(9) of the Code and all Regulations promulgated thereunder. The provisions of the Plan reflecting section 401(a)(9) of the Code override any distribution options in the Plan inconsistent with such Section.

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

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

If a Member is considered to be married under local law, the Member's designation of any Beneficiary, other than the Member's Spouse, shall not be valid unless the spouse acknowledges in writing that she understands the effect of the Member's beneficiary designation and consents to it. The consent must be to a specific Beneficiary. The written acknowledgement and consent must be filed with the Committee, signed by the Spouse and at least two witnesses, one of whom must be a

member of the Committee or a notary public. However, if the Spouse cannot be located or there exist other circumstances as described in sections 401(a)(11) and 417(a)(2) of the Code, the requirement of the Member's Spouse's acknowledgement and consent may be waived. If a Beneficiary other than the Member's Spouse is named, the designation shall become invalid if the Member is later determined to be married under local law, the Member's missing Spouse is located or the circumstances which resulted in the waiver of the requirement of obtaining the consent of the Member's Spouse no longer exist.

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

ARTICLE VII
ADMINISTRATION OF THE PLAN

7.01 APPOINTMENT, TERM OF SERVICE & REMOVAL. The Board of Directors shall appoint a Committee to administer the Plan. The members shall serve until their resignation, death or removal. Any member may resign at any time by mailing a written resignation to the Board of Directors. Any member may be removed by the Board of Directors, with or without cause. Vacancies may be filled by the Board of Directors from time to time.

7.02 POWERS. The Committee is a fiduciary. It has the exclusive responsibility for the general administration of the Plan and Trust, and has all powers necessary to accomplish that purpose, including but not limited to the following rights, powers, and authorities:

(a) to make rules for administering the Plan and Trust so long as they are not inconsistent with the terms of the Plan;

(b) to construe all provisions of the Plan and Trust;

(c) to correct any defect, supply any omission, or reconcile any inconsistency which may appear in the Plan or Trust;

(d) to select, employ, and compensate at any time any consultants, actuaries, accountants, attorneys, and other agents and employees the Committee believes necessary or advisable for the proper administration of the Plan and Trust; any firm or person selected may be a disqualified person, but only if the requirements of section 4975(d) of the Code have been met;

(e) to determine all questions relating to eligibility, Active Service, Compensation, allocations and all other matters relating to benefits or Members' entitlement to benefits;

(f) to determine all controversies relating to the administration of the Plan and Trust, including but not limited to any differences of opinion arising between an Employer and the Trustee or a Member, or any combination of them and any questions it believes advisable for the proper administration of the Plan and Trust;

(g) to direct or to appoint an investment manager or managers who can direct the Trustee in all matters relating to the investment, reinvestment and management of the Trust Fund;

(h) to direct the Trustee in all matters relating to the payment of Plan benefits; and

(i) to delegate any clerical or recordation duties of the Committee as the Committee believes is advisable to properly administer the Plan and Trust.

The actions of the Committee in exercising all of the rights, powers, and authorities set out in this Section and all other Sections of the Plan, when performed in good faith and in its sole judgment, shall be final, conclusive and binding on all parties.

7.03 ORGANIZATION. The Committee may select, from among its members, a chairman, and may select a secretary. The secretary need not be a member of the Committee. The secretary shall keep all records, documents and data pertaining to its administration of the Plan and Trust.

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

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

7.06 DISQUALIFICATION OF COMMITTEE MEMBER. A member of the Committee who is also a Member of the Plan shall not vote or act upon any matter relating solely to himself.

7.07 DISCLOSURE TO MEMBERS. The Committee shall make available to each Member and Beneficiary for his examination those records, documents and other data required under ERISA, but only at reasonable times during business hours. No Member or Beneficiary has the right to examine any data or records reflecting the compensation paid to any other Member or Beneficiary. The Committee is not required to make any other data or records available other than those required by ERISA.

7.08 LIABILITY OF COMMITTEE AND LIABILITY INSURANCE. No member of the Committee shall be liable for any act or omission of any other member of the Committee, the Trustee, any investment manager appointed by the Committee or any other agent appointed by the Committee unless required by the terms of ERISA or another applicable state or federal law under which liability cannot be waived. No member of the Committee shall be liable for any act or omission of his own unless required by ERISA or another applicable state or federal law under which liability cannot be waived.

If the Committee directs the Trustee to do so, it may purchase out of the Trust Fund insurance for the members of the Committee, for any other fiduciaries appointed by the Committee and for the Trust Fund itself to cover liability or losses occurring because of the act or omission of any one or more of the members of the Committee or any other fiduciary appointed under the Plan. But, that insurance must permit recourse by the insurer against the members of the Committee or the other

fiduciaries concerned if the loss is caused by breach of a fiduciary obligation by one or more members of the Committee or other fiduciary.

7.09 EXEMPTION FROM BOND. No member of the Committee is required to give bond for the performance of his duties unless required by a law which cannot be waived.

7.10 COMPENSATION. The Committee shall serve without compensation but shall be reimbursed by the Trust Fund for all expenses properly incurred in the performance of its duties unless the Employer elects to pay those expenses.

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

7.12 ADMINISTRATOR. For all purposes of ERISA, the administrator of the Plan is the Sponsor. The administrator has the final responsibility for compliance with all reporting and disclosure requirements imposed under all applicable federal or state laws and regulations.

ARTICLE VIII

TRUST FUND AND CONTRIBUTIONS

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

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

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

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

ARTICLE IX

ADOPTION OF PLAN BY OTHER EMPLOYERS

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

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

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

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

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

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

ARTICLE X
AMENDMENT AND TERMINATION

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

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

(b) cause or permit the Trust Fund to be diverted to any purpose other than the exclusive benefit of the present or future Members and their Beneficiaries except under the circumstances described in Section 4.10;

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

(d) increase substantially the duties or liabilities of the Trustee without its written consent; or

(e) change the vesting schedule to one which would result in the nonforfeitable percentage of a Member's Account (determined as of the later of the date of the adoption of the amendment or of the effective date of the amendment) of any Member being less than the nonforfeitable percentage computed under the Plan without regard to the amendment. If the Plan's vesting schedule is amended, if the Plan is amended in any other way that affects the computation of the Member's nonforfeitable percentage, or if the Plan is deemed amended by an automatic change to or from a Top-Heavy vesting schedule, each Member with at least three years of Active Service as of the date of the amendment or change shall have his nonforfeitable percentage computed under the Plan without regard to the amendment or the change if that results in a higher nonforfeitable percentage.

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

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

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

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

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

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

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

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

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

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

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

10.05 PARTIAL OR COMPLETE TERMINATION OR COMPLETE DISCONTINUANCE OF CONTRIBUTIONS. Without regard to any other provision of the Plan, if there is a partial or total termination of the Plan or there is a complete discontinuance of the Employer's Contributions, each of the affected Members shall immediately become 100 percent vested in his Account as of the end of the last Plan Year for which a substantial Employer Contribution was made and in any amounts later allocated to his Account. If the Employer then resumes making substantial Contributions at any time, the appropriate vesting schedule shall again apply to all amounts allocated to each affected Member's Account beginning with the Plan Year for which they were resumed.

10.06 CONTINUANCE PERMITTED UPON SALE OR TRANSFER OF ASSETS. An Employer's participation in the Plan and its related Trust Fund shall not automatically terminate if it consolidates or merges and is not the surviving corporation, sells substantially all of its assets, is a party to a reorganization and its Employees and substantially all of its assets are transferred to another entity, liquidates, or dissolves, if there is a successor organization. Instead, the successor may assume and

continue the Plan and its related Trust Fund by executing a direction, entering into a contractual commitment or adopting a resolution providing for the continuance of the Plan and its related Trust Fund. Only upon the successor's rejection of the Plan and its related Trust Fund or its failure to respond to the Employer's, the Sponsor's or the Trustee's request that it affirm its assumption of the Plan within 90 days of the request shall the Plan automatically terminate. In that event, the appropriate portion of the Trust Fund shall be distributed exclusively to the Members or their Beneficiaries as soon as possible. If there is a disposition to an unrelated entity of substantially all of the assets used by the Employer in a trade or business or a disposition by the Employer of its interest in a subsidiary, the Employer may make a lump sum distribution from the Plan if it continues the Plan after the disposition; but the distribution can only be made for those Members who continue employment with the acquiring entity.

ARTICLE XI
MISCELLANEOUS

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

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

11.03 ASSIGNMENTS PROHIBITED. No principal or income payable or to become payable from the Trust Fund shall be subject: to anticipation or assignment by a Member or by a Beneficiary to attachment by, interference with, or control of any creditor of a Member or Beneficiary, or to being taken or reached by any legal or equitable process in satisfaction of any debt or liability of a Member or Beneficiary prior to its actual receipt by the Member or Beneficiary. Any attempted conveyance, transfer, assignment, mortgage, pledge, or encumbrance of the Trust Fund, any part of it, or any interest in it by a Member or Beneficiary prior to distribution shall be void, whether that conveyance, transfer, assignment, mortgage, pledge, or encumbrance is intended to take place or become effective before or after any distribution of Trust assets or the termination of this Trust Fund itself. The Trustee shall never under any circumstances be required to recognize any conveyance, transfer, assignment, mortgage, pledge or encumbrance by a Member or Beneficiary of the Trust Fund, any part of it, or any interest in it, or to pay any money or thing of value to any creditor or assignee of a Member or Beneficiary for any cause whatsoever. These prohibitions against the alienation of a Member's Account shall not apply to Qualified Domestic Relations Orders.

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

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

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

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

11.08 GOVERNING LAW. The provisions of the Plan shall be construed, administered, and governed under the laws of the State of Texas and, to the extent applicable, by the laws of the United States.

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

PIPER IMPACT, INC.

By -----

Title

XI-3

APPENDIX A

LIMITATIONS ON CONTRIBUTIONS

PART A. DEFINITIONS

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

(a) "ACTUAL CONTRIBUTION RATIO" means the ratio of Section 401(m) Contributions actually paid into the Trust on behalf of an Employee for a Plan Year to the Employee's Annual Compensation for the same Plan Year. For this purpose, effective for Plan Years starting on or after January 1, 1998, Annual Compensation for any portion of the Plan Year in which the Employee was not an eligible Employee (as defined in Section 2.1 of Appendix A) will not be taken into account.

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

(c) "ACTUAL DEFERRAL RATIO" means the ratio of Section 401(k) Contributions actually paid into the Trust on behalf of an Employee for a Plan Year to the Employee's Annual Compensation for the same Plan Year. For this purpose, effective for Plan Years starting on or after January 1, 1998, Annual Compensation for any portion of the Plan Year in which the Employee was not an eligible Employee (as defined in Section 2.1 of Appendix A) will not be taken into account.

(d) "ANNUAL ADDITIONS" means the sum of the following amounts credited on behalf of a Member for the Limitation Year: (a) Employer contributions, (b) Employee contributions and (c) forfeitures. Excess 401(k) Contributions for a Plan Year are treated as Annual Additions for that Plan Year even if they are corrected through distribution. Excess Deferrals that are timely distributed as set forth in Section 3.2 of Appendix A will not be treated as Annual Additions.

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

(f) "EXCESS 401(k) CONTRIBUTIONS" means, with respect to any Plan Year, the excess of (a) the aggregate amount of Section 401(k) Contributions actually paid to the Trustee on behalf of Highly Compensated Employees for the Plan Year over (b) the maximum amount of those contributions permitted under the limitations set out in the first sentence of Section 2.1 of Appendix A.

(g) "EXCESS AGGREGATE 401(m) CONTRIBUTIONS" means, with respect to any Plan Year, the excess of (a) the aggregate amount of Section 401(m) Contributions actually paid to the Trustee on behalf of Highly Compensated Employees for the Plan Year over (b) the maximum amount of those contributions permitted under the limitations set out in the first sentence of Section 2.2 of Appendix A.

(h) "LIMITATION YEAR" means the calendar year.

(i) "SECTION 401(k) CONTRIBUTIONS" means the sum of Salary Deferral Contributions made on behalf of the Member during the Plan Year, Matching Contributions (to the extent that the Matching contributions are not used to enable the Plan to satisfy the minimum contribution requirements of section 416 of the Code) and Qualified Nonelective Employer Contributions that the Employer elects to have treated as section 401(k) Contributions pursuant to section 401(k)(3)(d)(ii) of the Code.

(j) "SECTION 401(m) CONTRIBUTIONS" means the sum of Matching Contributions and After-Tax Contributions made on behalf of the Member during the Plan Year and other amounts that the Employer elects to have treated as Section 401(m) Contributions pursuant to section 401(m)(3)(B) of the Code. However, Matching Contributions and Salary Deferral Contributions that the Employer could otherwise elect to have treated as Section 401(m) Contributions are not Section 401(m) Contributions to the extent that they are used to enable the Plan to satisfy the minimum contribution requirements of section 416 of the Code.

PART B. SUMMARY OF SECTIONS 415 AND 402(g) LIMITATIONS

1.1 SECTION 415 LIMITATION ON TOTAL ALLOCATIONS. The Annual Additions that may be credited to an individual Member's Accounts under this Plan and any other qualified defined contribution plan maintained by an Affiliated Employer for a Limitation Year shall not exceed the lesser of (a) \$30,000.00 (as adjusted by the Secretary of Treasury), or (b) 25 percent of the Member's Annual Compensation for the Limitation Year. If the Limitation Year is ever less than 12 months, the \$30,000.00 limitation (as adjusted by the Secretary of Treasury) will be prorated by multiplying the limitation by a fraction, the numerator of which is the number of months in the Limitation Year, and the denominator of which is 12. The Plan will be operated in compliance with section 415 of the Code and its Regulations, the terms of which are incorporated in this Plan.

1.2 DOLLAR LIMITATION ON SALARY DEFERRAL CONTRIBUTIONS. The maximum Salary Deferral Contribution that a Member may elect to have made on his behalf during the Member's taxable year may not, when added to the amounts deferred on a pre-tax basis under other plans or arrangements described in sections 401(k), 408(k), 403(b) and 408(p) of the Code exceed \$7,000.00 (as adjusted by the Secretary of Treasury). For purposes of applying the requirements of Section 2.1 of Appendix A and Appendix B, Excess Deferrals shall not be disregarded merely because they are Excess Deferrals or because they are distributed in accordance with Section 3.2 of Appendix A. However, Excess Deferrals made to the Plan on behalf of Non-Highly Compensated Employees will not be taken into account under Section 2.1 of Appendix A.

PART C. SUMMARY OF SECTIONS 401(k) AND 401(m) LIMITATIONS

2.1 LIMITATION BASED UPON ACTUAL DEFERRAL PERCENTAGE. The Actual Deferral Percentage for Highly Compensated Employees for any Plan Year must bear a relationship to the Actual Deferral Percentage for all other eligible Employees for the same Plan Year which meets either of the following tests:

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

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

For purposes of this test, an eligible Employee is an Employee who is directly or indirectly eligible to make Salary Deferral Contributions for all or part of the Plan Year. A person who is suspended from making Salary Deferral Contributions because he has made a withdrawal is an eligible Employee. If no Salary Deferral Contributions are made for an eligible Employee, the Actual Deferral Ratio that shall be included for him in determining the Actual Deferral Percentage is zero. If this Plan and any other plan or plans which include cash or deferred arrangements are considered as one plan for purposes of section 401(a)(4) or 410(b) of the Code, the cash or deferred arrangements included in this Plan and the other plans shall be treated as one plan for these tests. If any Highly Compensated Employee is a Member of this Plan and any other cash or deferred arrangements of the Employer, when determining the deferral percentage of the Employee, all of the cash or deferred arrangements are treated as one. A Salary Deferral Contribution will be taken into account under the Actual Deferral Percentage test of Code section 401(k) and this Section for a Plan Year only if it relates to Annual Compensation that either would have been received by the Employee in the Plan Year (but for the deferral election) or is attributable to services performed by the employee in the Plan Year and would have been received by the Employee within 2 1/2 months after the close of the Plan Year (but for the deferral election). In addition, a Section 401(k) Contribution will be taken into account under the Actual Deferral Percentage test of Code section 401(k)

and this Section for a Plan Year only if it is allocated to an Employee as of a date within that Plan Year. For this purpose, a Section 401(k) Contribution is considered allocated as of a date within a Plan Year if the allocation is not contingent on participation or performance of services after that date and the Section 401(k) Contribution is actually paid to the Trustee no later than 12 months after the Plan Year to which the Section 401(k) Contribution relates. Failure to correct Excess 401(k) Contributions by the close of the Plan Year following the Plan Year for which they were made will cause the Plan's cash or deferred arrangement to be disqualified for the Plan Year for which the Excess 401(k) Contributions were made and for all subsequent years during which they remain in the Plan Fund. Also, the Employer will be liable for a ten percent excise tax on the amount of Excess 401(k) Contributions unless they are corrected within 2 1/2 months after the close of the Plan Year for which they were made.

2.2 LIMITATION BASED UPON CONTRIBUTION PERCENTAGE. The Contribution Percentage for eligible Highly Compensated Employees for any Plan Year must not exceed the greater of the following:

(c) the Contribution Percentage for all other eligible Employees for the same Plan Year multiplied by 1.25; or

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

For purposes of this test, an eligible Employee is an Employee who is directly or indirectly eligible to make After-Tax Contributions or to receive an allocation of Matching Contributions under the Plan for all or part of the Plan Year. A person who is suspended from making After-Tax Contributions because he has made a withdrawal, a person who would be eligible to receive an allocation of Matching Contributions but for his election not to participate and a person who would be eligible to receive an allocation of Matching Contributions but for the limitation on his Annual Additions imposed by section 415 of the Code are all eligible Employees. If no Section 401(m) Contributions are made on behalf of an eligible Employee, the Actual Contribution Ratio that shall be included for him in determining the Contribution Percentage is zero. If this Plan and any other plan or plans to which Section 401(m) Contributions are made are considered as one plan for purposes of section 401(a)(4) or 410(b) of the Code, this Plan and those plans are to be treated as one. The Actual Contribution Ratio of a Highly Compensated Employee who is eligible to participate in more than one plan of an Affiliated Employer to which employee or matching contributions are made is calculated by treating all the plans in which the Employee is eligible to participate as one plan. However, plans that are not permitted to be aggregated under Regulation section 1.410(m)-1(b)(3)(ii) are not aggregated for this purpose. A Matching Contribution will be taken into account under this Section 2.2 of Appendix A for a Plan Year only if (a) it is allocated to the Employee's Account as of a date within the Plan Year, (b) it is paid to the Trustee no later than the end of the 12-month period beginning after the close of the Plan Year, and (c) it is made on behalf of an Employee on account of his Salary Deferral Contributions for the Plan Year. At the election of the Employer, a Member's Salary Deferral Contributions and Qualified Nonelective Employer Contributions made on behalf of the Member during the Plan Year shall be treated as Section 401(m) Contributions that are Matching Contributions provided that the conditions set forth in Regulation section 1.401(m)-1(b)(5) are satisfied. Salary Deferral Contributions may not be treated as Matching Contributions for purposes of the Contribution Percentage test unless the contributions, including those taken into account for purposes of the test, satisfy the Actual Deferral Percentage test set forth in Section 2.1 of Appendix A. Salary Deferral Contributions and Qualified Nonelective Employer Contributions may not be taken into account for purposes of the test to the extent that those contributions are taken into account in determining whether any other contributions satisfy the Actual Deferral Percentage test set forth in Section 2.1 of Appendix A. Finally, Salary Deferral Contributions and Qualified Nonelective Employer Contributions may be taken into account for purposes of the test only if they are allocated to the Employee's Account as of a date within the Plan Year being tested within the meaning of Regulation section 1.401(k)-1(b)(4). Failure to correct Excess Aggregate 401(m) Contributions by the close of the Plan Year following the Plan Year for which they were made will cause the Plan to fail to be qualified for the Plan Year for which the Excess Aggregate 401(m) Contributions were made and for all subsequent years during which they remain in the Plan Fund. Also, the Employer will be liable for a ten percent excise tax on the amount of Excess Aggregate 401(m) Contributions unless they are corrected within 2 1/2 months after the close of the Plan Year for which they were made.

2.3 ALTERNATIVE LIMITATION BASED UPON ACTUAL DEFERRAL PERCENTAGE AND CONTRIBUTION PERCENTAGE. If the second alternative permitted in Sections 2.1 and 2.2 of Appendix A is used for both the Actual Deferral Percentage test and the Contribution Percentage test, the following additional limitation on Salary Deferral Contributions shall apply.

The Actual Deferral Percentage plus the Contribution Percentage of the eligible Highly Compensated Employees cannot exceed the greater of (a) or (b), where:

(a) is the sum of:

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

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

(b) is the sum of:

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

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

PART D. CORRECTION PROCEDURES FOR ERRONEOUS CONTRIBUTIONS

3.1 CORRECTION OF EXCESS ANNUAL ADDITIONS. If Annual Additions are made in excess of the limitations contained in Section 1.1 of Appendix A, to the maximum extent permitted by law, those excess Annual Additions shall be attributed to the Plan. If an excess Annual Addition attributed to the Plan is held or contributed as a result of the allocation of forfeitures, reasonable error in estimating a Member's Annual Compensation, reasonable error in calculating the maximum Salary Deferral Contribution that may be made for a Member under section 415 of the Code or because of other facts and circumstances which the Commissioner of Internal Revenue finds to be justified, the excess Annual Addition shall be corrected as follows:

(a) first, the excess Annual Addition shall be reduced to the extent necessary by distributing to the Member all Salary Deferral Contributions together with their earnings. These distributed amounts are disregarded for purposes of the testing and limitations contained in this Appendix A;

(b) second, if the Member is still employed by the Employer at the end of the Plan Year, any remaining excess funds shall be placed in an unallocated suspense account to be applied to reduce future Employer Contributions for that Member for as many Plan Years as are necessary to exhaust the suspense account in keeping with the amounts which would otherwise be allocated to that Member's Account; and

(c) third, if the Member is not employed by the Employer at the end of the Plan Year, the remaining excess funds shall be placed in an unallocated suspense account to reduce future Employer Contributions for all remaining Members for as many Plan Years as are necessary to exhaust the suspense account.

(d) If the Plan terminates prior to the exhaustion of the suspense account, the remaining amount shall revert to the Employer.

3.2 EXCESS DEFERRAL FAIL SAFE. As soon as practical after the close of each Plan Year, the Committee shall determine if there would be any Excess Deferrals. If there would be an Excess Deferral by a Member, the Excess Deferral as adjusted by any earnings or losses, will be distributed to the Member no later than April 15 following the Member's taxable year in which the Excess Deferral was made. The income allocable to the Excess Deferrals for the

taxable year of the Member shall be determined by multiplying the income for the taxable year of the Member allocable to Salary Deferral Contributions by a fraction. The numerator of the fraction is the amount of the Excess Deferrals made on behalf of the Member for the taxable year. The denominator of the fraction is the Member's total Salary Deferral Account balance as of the beginning of the taxable year plus the Member's Salary Deferral Contributions for the taxable year.

3.3 ACTUAL DEFERRAL PERCENTAGE FAIL SAFE. As soon as practicable after the close of each Plan Year, the Committee shall determine whether the Actual Deferral Percentage for the Highly Compensated Employees would exceed the limitation set forth in Section 2.1 of Appendix A. If the limitation would be exceeded for a Plan Year, before the close of the following Plan Year (a) the amount of Excess 401(k) Contributions for that Plan Year (and any income allocable to those Contributions as calculated in the specific manner required by Section 3.6 of Appendix A) shall be distributed, or (b) the Employer may make a Qualified Nonelective Employer Contribution which it elects to have treated as a Section 401(k) Contribution. The amount of Excess 401(k) Contributions to be distributed shall be that amount of the Salary Deferral Contributions by or on behalf of those Highly Compensated Employees with the largest Salary Deferral Contributions as is equal to the Excess 401(k) Contributions, taken ratably from each Account, based solely on those Salary Deferral Contributions for the Plan Year. This initial distribution shall not reduce those Accounts affected below the next highest level of Salary Deferral Contributions. If any further reduction is necessary, the same process is to be repeated at the next highest level of Salary Deferral Contributions by or on behalf of the Highly Compensated Employees, and if necessary repeated in successively lower levels of Salary Deferral Contributions until the cash or deferred arrangement satisfies the Actual Deferral Percentage test. Qualified Nonelective Employer Contributions shall be treated as Section 401(k) Contributions only if: (a) the conditions described in Regulation section 1.401(k)- 1(b)(5) are satisfied and (b) they are allocated to Members' Accounts as of a date within that Plan Year and are actually paid to the Trustee no later than the end of the 12-month period immediately following the Plan Year to which the contributions relate. If the Employer makes a Qualified Nonelective Employer Contribution that it elects to have treated as a Section 401(k) Contribution, the Contribution will be in an amount necessary to satisfy the Actual Deferral Percentage test and will be allocated first to those Non-Highly Compensated Employees who had the lowest Actual Deferral Ratios. Any distributions of the Excess 401(k) Contributions for any Plan Year are to be made to Highly Compensated Employees on the basis of the amount of contributions by or on behalf of each Highly Compensated Employee. The amount of Excess 401(k) Contributions to be distributed for any Plan Year must be reduced by any excess Salary Deferral Contributions previously distributed for the taxable year ending in the same Plan Year.

3.4 CONTRIBUTION PERCENTAGE FAIL SAFE. If the limitation set forth in Section 2.1 or 2.2 of Appendix A would be exceeded for any Plan Year, before the close of the following Plan Year any one or more of the following corrective actions shall be taken, as determined by the Committee in its sole discretion: (a) the amount of the Excess Aggregate 401(m) Contributions for that Plan Year (and any income allocable to those Contributions as calculated in the specific manner required by Section 3.6 of Appendix A) shall be distributed, or (b) the Employer may make a Qualified Nonelective Employer Contribution which it elects to have treated as a Section 401(m) Contribution. Any distributions of the Excess Aggregate 401(m) Contributions for any Plan Year are to be made to Highly Compensated Employees on the basis of the amount of Section 401(m) Contributions made to the Plan by or on their behalf determined under the leveling procedure described in Section 3.3 of Appendix A.

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

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

Contributions made on behalf of the Member for the Plan Year. The denominator of the fraction is the Member's total Account balance attributable to Section 401(m) Contributions as of the beginning of the Plan Year plus the Member's Section 401(m) Contributions for the Plan Year.

APPENDIX B

TOP-HEAVY REQUIREMENTS

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

(a) "AGGREGATE ACCOUNTS" means the total of all Account balances derived from Employer Contributions and Rollover Contributions.

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

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

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

(e) "NON-KEY EMPLOYEE" means any Employee who is not a Key Employee.

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

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

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

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

(a) in determining the present value of the accumulated accrued benefits for any Employee or the amount in the account of any Employee, the value or amount shall be increased by all distributions made to or for the benefit of the Employee under the Plan during the five-year period ending on the Determination Date;

(b) all rollover contributions made after December 31, 1983 by the Employee to the Plan shall not be considered by the Plan for either test;

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

(d) benefits shall not be taken into account in determining the top-heavy ratio for any Employee who has not performed services for the Employer during the last five-year period ending upon the Determination Date.

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

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

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

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

In applying this restriction, the following rules shall apply:

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

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

1.5 COVERAGE UNDER MULTIPLE TOP-HEAVY PLANS. If the Plan is a Top-Heavy Plan, it must meet the vesting and benefit requirements described in this Article without taking into account contributions or benefits under

Chapter 2 of the Code (relating to tax on self-employment income), Chapter 21 of the Code (relating to Federal Insurance Contributions Act), Title II of the Social Security Act or any other federal or state law.

If a Non-Key Employee is covered by both a Top-Heavy defined contribution plan and a defined benefit plan, he shall receive the defined benefit minimum, offset by the benefits provided under the defined contribution plan.

1.6 RESTRICTIONS IF PLAN BECOMES SUPER TOP-HEAVY. If the Plan is determined to be a Top-Heavy Plan, the number "1.00" must be substituted for the number "1.25" when applying the limitations of section 415 of the Code to the Plan, unless the Plan would not be a Top-Heavy Plan if "90%" were substituted for "60%" and the Employer Contribution for the Plan Year for each Non-Key Employee, who is a Member, is not less than four percent of the Member's Annual Compensation.

APPENDIX C

OPTIONAL FORMS OF DISTRIBUTION

Subject to Sections 6.16, 6.18 and 6.19 of the Plan, the optional forms of distributions set forth below shall be available on and after the date on which an Employer elects to treat the Plan and the Quanex Corporation Salaried Employees' Pension Plan as one plan for purposes of section 410(b) of the Code:

1. OPTION A. A pension under which the Member or former Member shall receive equal monthly payments for his lifetime.
2. OPTION B. A last survivor pension under which the Member or former Member shall receive 85 percent of the monthly pension benefit otherwise payable under Option A, and upon the death of the Member or former Member, the Beneficiary shall receive 1/2 of the monthly pension benefit paid to the Member or former Member prior to this death, provided however, that if the Beneficiary is younger than the Member or former Member, the 85 percent factor shall be reduced by one percent for each full year's difference in the age of the Member or former Member and the Beneficiary, and if the Beneficiary is older than the Member or former Member, the 85 percent factor shall be increased by one percent for each full years difference in the age of the Member or former Member and the Beneficiary (up to a maximum of 100 percent).
3. OPTION C. A last survivor pension under which the Member or former Member shall receive 70 percent of the monthly pension benefit otherwise payable under Option A, and upon the death of the Member or former Member, the Beneficiary shall receive a monthly pension benefit equal to that paid to the Member or former Member.
4. OPTION D. A reduced monthly pension payable to the Member or former Member during his lifetime, provided that, if the Member or former Member dies prior to his receipt of an amount equal to 120 monthly payments, the then-present value of the remainder of such 120 monthly payments shall be payable to his Beneficiary in a lump sum. If the former Member dies prior to his receipt of all of such 120 payments without having designated a Beneficiary, or if the Beneficiary predeceases the former Member, the then-present value of any remaining payments shall be paid in a lump sum to the former Member's estate. If the designated Beneficiary dies after the former Member and before all of such 120 monthly payments have been made, the then-present value of the unpaid balance of such payments shall be paid in a lump sum to the Beneficiary's estate.
5. LIMITATIONS ON OPTIONS B, C AND D.
 - (a) Options A, B and C will not be available to any member if the reduced pension is less than \$10 per month.
 - (b) Except as otherwise provided elsewhere in the Plan, any election shall be automatically revoked if either the Member or former Member or Beneficiary dies before the Member's or former Member's Annuity Starting Date.
 - (c) Where the Beneficiary is a person other than the Member's or former Member's Spouse, the Beneficiary under either Option B or Option C must be of such age and sex that the amount payable to the Member or former Member will exceed 50 percent of the amount that would otherwise be payable if the Member or former Member had elected a life annuity for his life.

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

FIRST AMENDMENT TO
THE PIPER IMPACT 401(K) PLAN

THIS AGREEMENT by Piper Impact, Inc., a Delaware corporation, (the "Sponsor"),

WITNESSETH:

WHEREAS, on July 13, 1998, the Sponsor executed the amendment and restatement of the plan agreement known as the "Piper Impact 401(k) Plan" (the "Plan"); and

WHEREAS, the Sponsor retained the right in Section 10.01 of the Plan to amend the Plan from time to time; and

WHEREAS, the directors of the Sponsor have approved resolutions to amend the Plan;

NOW, THEREFORE, the Sponsor agrees as follows:

- (1) Effective January 1, 1999, Section 4.03 of the Plan is amended in its entirety to provide as follows:

4.03 SUPPLEMENTAL CONTRIBUTIONS. The Employer may contribute for any Plan Year a Supplemental Contribution for its Employees who are on its payroll for its Utah plant in such amount, if any, as shall be determined by the Employer. The Employer may contribute for any Plan Year a Supplemental Contribution for its Employees who are on its payroll for its Mississippi plant in such amount, if any, as shall be determined by its Employer. The amount of Supplemental Contribution made on behalf of Employees on the Employer's payroll for its Utah and Mississippi plants need not be uniform.

- (2) Effective January 1, 1999, Section 5.04 of the Plan is amended in its entirety to provide as follows:

5.04 ALLOCATION OF SUPPLEMENTAL CONTRIBUTION. The Committee shall allocate the Supplemental Contribution for its Employees who are on its payroll for its Utah plant among the Employer's Members who are on its payroll for its Utah plant in the proportion that the Considered Compensation of each such Member bears to the total Considered Compensation of all such Members for the Plan Year. The Committee shall allocate the Supplemental Contribution for its Employees who are

on its payroll for its Mississippi plant among the Employer's Members who are on its payroll for its Mississippi plant in the proportion that the Considered Compensation of each such Member bears to the total Considered Compensation of all such Members for the Plan Year.

IN WITNESS WHEREOF, the Sponsor has caused this Agreement to be executed this day of December, 1998.

PIPER IMPACT, INC.

By:

Title:

MASTER TRUST AGREEMENT

BETWEEN

QUANEX CORPORATION

AND

FIDELITY MANAGEMENT TRUST COMPANY

QUANEX EMPLOYEE SAVINGS
MASTER TRUST

DATED AS OF FEBRUARY 1, 1999

TRUST AGREEMENT, dated as of the first day of February 1999, between QUANEX CORPORATION a Delaware corporation, having an office at 1900 West Loop South, Houston, Texas 77027 (the "Sponsor"), and FIDELITY MANAGEMENT TRUST COMPANY, a Massachusetts trust company, having an office at 82 Devonshire Street, Boston, Massachusetts 02109 (the "Trustee").

WITNESSETH:

WHEREAS, the Sponsor or one of its subsidiaries is the sponsor of the Quanex Corporation Employee Savings Plan, the Quanex Corporation Hourly Bargaining Unit Employees Savings Plan, the Piper Impact 401(k) Plan, the Nichols-Homeshield 401(k) Savings Plan and the Nichols-Homeshield 401(k) Savings Plan for Hourly Davenport Employees (collectively and individually, the "Plan"); and

WHEREAS, certain affiliates and subsidiaries of the Sponsor maintain, or may in the future maintain, qualified defined contribution plans for the benefit of their eligible employees; and

WHEREAS, the Sponsor desires to establish a single trust to hold all of the assets of the Plan and or such other tax-qualified defined contribution plans maintained by the Sponsor, or any of its subsidiaries or affiliates, as are designated by the Sponsor as being eligible to participate therein; and

WHEREAS, the Trustee shall maintain a separate account reflecting the equitable share of each Plan in the Trust and in all investments, receipts, disbursements and other transactions hereunder, and shall report the value of such equitable share at such times as may be mutually agreed upon by the Trustee and the Sponsor. Such equitable share shall be used solely for the payments of benefits, expenses and other charges properly allocable to each such Plan and shall not be used for the payment of benefits, expenses or other charges properly allocable to any other Plan; and

WHEREAS, the Trustee is willing to hold and invest the aforesaid plan assets in trust pursuant to the provisions of this Trust Agreement, which trust shall constitute a continuation, by means of an amendment and restatement, of each of the prior trusts from which plan assets are transferred to the Trustee; and

WHEREAS, the Trustee is willing to hold and invest the aforesaid plan assets in trust among several investment options selected by the Named Fiduciary; and

WHEREAS, the Trustee is willing to perform recordkeeping and administrative services for the Plan if the services are purely ministerial in nature and are provided within a framework of plan provisions, guidelines and interpretations conveyed in writing to the Trustee by the Administrator.

NOW, THEREFORE, in consideration of the foregoing premises and the mutual covenants and agreements set forth below, the Sponsor and the Trustee agree as follows:

SECTION 1. DEFINITIONS. The following terms as used in this Trust Agreement have the meaning indicated unless the context clearly requires otherwise:

- (a) "Administrator" shall mean, with respect to the Plan, the person or entity which is the "administrator" of such Plan within the meaning of section 3(16)(A) of ERISA.
- (b) "Agreement" shall mean this Trust Agreement, as the same may be amended and in effect from time to time.
- (c) "Code" shall mean the Internal Revenue Code of 1986, as it has been or may be amended from time to time.
- (d) "ERISA" shall mean the Employee Retirement Income Security Act of 1974, as it has been or may be amended from time to time.
- (e) "Existing Investment Contracts" shall mean shall mean each annuity contract heretofore entered into by the Sponsor, any other Employer or any predecessor trustee and specifically identified on Schedule "G" attached hereto.
- (f) "Fidelity Mutual Fund" shall mean any investment company advised by Fidelity Management & Research Company or any of its affiliates.
- (g) "Mutual Fund" shall refer both to Fidelity Mutual Funds and Non-Fidelity Mutual Funds.
- (h) "Named Fiduciary" shall mean, with respect to the application of any provision of this Agreement to any Plan, the person or entity which is the relevant fiduciary under such Plan with respect to such matter (within the meaning of section 402(a) of the Employee Retirement Income Security Act of 1974, as amended); and
- (i) "Non-Fidelity Mutual Fund" shall mean certain investment companies not advised by Fidelity Management & Research Company or any of its affiliates.

- (j) "Participant" shall mean, with respect to the Plan, any employee (or former employee) with an account under the Plan, which has not yet been fully distributed and/or forfeited, and shall include the designated beneficiary(ies) with respect to the account of any deceased employee (or deceased former employee) until such account has been fully distributed and/or forfeited.
- (k) "Plan" shall mean the Quanex Corporation Employee Savings Plan, the Quanex Corporation Hourly Bargaining Unit Employees Savings Plan, the Piper Impact 401(k) Plan, the Nichols-Homeshield 401(k) Savings Plan, the Nichols-Homeshield 401(k) Savings Plan for Hourly Davenport Employees and such other tax-qualified, defined contribution plans which are maintained by the Sponsor or any of its subsidiaries or affiliates for the benefit of their eligible employees as may be designated by the Sponsor in writing to the Trustee as a Plan hereunder, such writing to be in the form of the Plan Designation Form attached hereto as Schedule "J". Each reference to "a Plan" or "the Plan" in this Agreement shall mean and include the Plan or Plans to which the particular provision of this Agreement is being applied or all Plans, as the context may require.
- (l) "Reporting Date" shall mean the last day of each calendar quarter, the date as of which the Trustee resigns or is removed pursuant to Section 9 hereof and the date as of which this Agreement terminates pursuant to Section 11 hereof.
- (m) "Sponsor" shall mean Quanex Corporation, a Delaware corporation, or any successor to all or substantially all of its businesses which, by agreement, operation of law or otherwise, assumes the responsibility of the Sponsor under this Agreement.
- (n) "Sponsor Stock" shall mean the Common Stock of the Sponsor, or such other publicly-traded stock of the Sponsor, or such other publicly-traded stock of the Sponsor's affiliates as meets the requirements of section 407(d)(5) of ERISA with respect to the Plan.
- (o) "Trust" shall mean the Quanex Employee Savings Master Trust, being the trust established by the Sponsor and the Trustee pursuant to the provisions of this Agreement.
- (p) "Trustee" shall mean Fidelity Management Trust Company, a Massachusetts trust company and any successor to all or substantially all of its trust business as described in Section 10(c). The term Trustee shall also include any successor trustee appointed pursuant to Section 10 to the extent such successor agrees to serve as Trustee under this Agreement.

SECTION 2. TRUST. The Sponsor hereby establishes the Trust with the Trustee. The Trust shall consist of the assets of the Plan that are transferred from the previous trusts funding to the Plan, such additional sums of money and Sponsor Stock as shall from time to time be delivered to the Trustee under a Plan, all investments made therewith and proceeds thereof, and all earnings and profits thereon, less the payments that are made by the Trustee as provided herein, without distinction between principal and income. The Trustee hereby accepts the Trust on the terms and conditions set forth in this Agreement. In accepting this Trust, the Trustee shall be accountable for the assets received by it, subject to the terms and conditions of this Agreement.

SECTION 3. EXCLUSIVE BENEFIT AND REVERSION OF SPONSOR CONTRIBUTIONS.

Except as provided under applicable law, no part of the Trust allocable to a Plan may be used for, or diverted to, purposes other than the exclusive benefit of the Participants in the Plan or their beneficiaries prior to the satisfaction of all liabilities with respect to the Participants and their beneficiaries.

SECTION 4. DISBURSEMENTS.

(a) Directions from Administrator. The Trustee shall make disbursements in the amounts and in the manner that the Administrator directs from time to time in writing. The Trustee shall have no responsibility to ascertain any direction's compliance with the terms of the Plan or of any applicable law or the direction's effect for tax purposes or otherwise; nor shall the Trustee have any responsibility to see to the application of any disbursement.

(b) Limitations. The Trustee shall not be required to make any disbursement under a Plan in excess of the net realizable value of the assets of the Trust allocable to such Plan at the time of the disbursement. The Trustee shall not be required to make any disbursement in cash unless the Named Fiduciary has provided a written direction as to the assets to be converted to cash for the purpose of making the disbursement.

SECTION 5. INVESTMENT OF TRUST.

(a) Selection of Investment Options. The Trustee shall have no responsibility for the selection of investment options under the Trust and shall not render investment advice to any person in connection with the selection of such options.

(b) Available Investment Options. The Named Fiduciary with respect to a Plan shall direct the Trustee as to the investment options in which Plan Participants may invest, subject to the following limitations. The Named Fiduciary may determine to offer as investment options only (i) Mutual Funds, (ii) Sponsor Stock, (iii) notes evidencing loans to Participants in accordance with the terms of the Plan, (iv) Existing Investment Contracts, and (v) collective investment funds maintained by the Trustee for qualified plans.

The Named Fiduciary hereby directs the Trustee to continue to hold such Existing Investment Contracts until the Named Fiduciary directs otherwise, it being expressly understood that such direction is given in accordance with Section 403(a) of ERISA. The Trustee shall be considered a fiduciary with

investment discretion only with respect to Plan assets that are invested in collective investment funds maintained by the Trustee for qualified plans.

The investment options initially selected by the Named Fiduciary are identified on Schedules "A" and "C" attached hereto. The Named Fiduciary may add additional investment options with the consent of the Trustee and upon mutual amendment of this Trust Agreement and the Schedules thereto to reflect such additions.

(c) Participant Direction. Each Participant shall direct the Trustee in which investment option(s) to invest the assets in the Participant's individual accounts. Such directions may be made by Participants by use of the telephone exchange system maintained for such purposes by the Trustee or its agent, in accordance with written Telephone Exchange Guidelines attached hereto as Schedule "G". In the event that the Trustee fails to receive a proper direction, the assets shall be invested in the securities of the Mutual Fund set forth for such purpose on Schedule "C", until the Trustee receives a proper direction.

(d) Mutual Funds. The Sponsor hereby acknowledges that it has received from the Trustee a copy of the prospectus for each Fidelity Mutual Fund selected by the Named Fiduciary as a Plan investment option. All transactions involving Non-Fidelity Mutual Funds shall be done in accordance with the Operational Guidelines for Non-Fidelity Mutual Funds attached hereto as Schedule "H". Trust investments in Mutual Funds shall be subject to the following limitations:

(i) Execution of Purchases and Sales. Purchases and sales of Mutual Funds (other than for exchanges) shall be made on the date on which the Trustee receives from the Sponsor in good order all information and documentation necessary to accurately effect such purchases and sales (or in the case of a purchase, the subsequent date on which the Trustee has received a wire transfer of funds necessary to make such purchase). Exchanges of Mutual Funds shall be made in accordance with the Telephone Exchange Guidelines attached hereto as Schedule "G".

(ii) Voting. At the time of mailing of notice of each annual or special stockholders' meeting of any Mutual Fund, the Trustee shall send a copy of the notice and all proxy solicitation materials to each Participant who has shares of the Mutual Fund credited to the Participant's accounts, together with a voting direction form for return to the Trustee or its designee. The Sponsor shall have the right to direct the Trustee as to the manner in which the Trustee is to vote the mutual fund shares held in any short-term

investment fund or liquidity reserve. The Participant shall have the right to direct the Trustee as to the manner in which the Trustee is to vote the shares credited to the Participant's accounts (both vested and unvested). The Trustee shall vote the shares as directed by the Participant. The Trustee shall not vote shares for which it has received no directions from the Participant. With respect to all rights other than the right to vote, the Trustee shall follow the directions of the Participant and if no such directions are received, the directions of the Named Fiduciary. The Trustee shall have no duty to solicit directions from Participants or the Sponsor.

(e) Sponsor Stock. Trust investments in Sponsor Stock shall be made via the Quanex Corporation Stock Fund (the "Stock Fund") which shall consist of shares of Sponsor Stock and short-term liquid investments, including Fidelity Institutional Cash Portfolios: Money Market Portfolio: Class I or such other Mutual Fund or commingled money market pool as agreed to by the Sponsor and Trustee, necessary to satisfy the Fund's cash needs for transfers and payments. A cash target range shall be maintained in the Stock Fund. Such target range may be changed as agreed to in writing by the Sponsor and the Trustee. The Trustee is responsible for ensuring that the actual cash held in the Stock Fund falls within the agreed upon range over time. Each Participant's proportional interest in the Stock Fund shall be measured in units of participation, rather than shares of Sponsor Stock. Such units shall represent a proportionate interest in all of the assets of the Stock Fund, which includes shares of Sponsor Stock, short-term investments and at times, receivables for dividends and/or Sponsor Stock sold and payables for Sponsor Stock purchased. A Net Asset Value ("NAV") per unit will be determined daily for each unit outstanding of the Stock Fund. The return earned by the Stock Fund will represent a combination of the dividends paid on the shares of Sponsor Stock held by the Stock Fund, gains or losses realized on sales of Sponsor Stock, appreciation or depreciation in the market price of those shares owned, and interest on the short-term investments held by the Stock Fund. Dividends received by the Stock Fund are reinvested in additional shares of Sponsor Stock. Investments in Sponsor Stock shall be subject to the following limitations:

(i) Acquisition Limit. Pursuant to the Plan, the Trust may be invested in Sponsor Stock to the extent necessary to comply with investment directions under Section 5(c) of this Agreement.

(ii) Fiduciary Duty of Named Fiduciary. The Named Fiduciary shall continually monitor the suitability under the fiduciary duty rules of section 404(a)(1) of ERISA (as modified by

section 404(a)(2) of ERISA) of acquiring and holding Sponsor Stock. The Trustee shall not be liable for any loss, or by reason of any breach, which arises from the directions of the Named Fiduciary with respect to the acquisition and holding of Sponsor Stock, unless it is clear on their face that the actions to be taken under those directions would be prohibited by the foregoing fiduciary duty rules or would be contrary to the terms of the Plan or this Agreement.

(iii) Execution of Purchases and Sales. (A) Purchases and sales of Sponsor Stock (other than for exchanges) shall be made on the open market on the date on which the Trustee receives from the Sponsor in good order all information and documentation necessary to accurately affect such purchases and sales (or, in the case of purchases, the subsequent date on which the Trustee has received a wire transfer of the funds necessary to make such purchases). Exchanges of Sponsor Stock shall be made in accordance with the Telephone Exchange Guidelines attached hereto as Schedule "G". Such general rules shall not apply in the following circumstances:

(1) If the Trustee is unable to determine the number of shares required to be purchased or sold on such day; or

(2) If the Trustee is unable to purchase or sell the total number of shares required to be purchased or sold on such day as a result of market conditions; or

(3) If the Trustee is prohibited by the Securities and Exchange Commission, the New York Stock Exchange, or any other regulatory body from purchasing or selling any or all of the shares required to be purchased or sold on such day.

In the event of the occurrence of the circumstances described in (1), (2), or (3) above, the Trustee shall purchase or sell such shares as soon as possible thereafter and shall determine the price of such purchases or sales to be the average purchase or sales price of all such shares purchased or sold, respectively. The Trustee may follow directions from the Named Fiduciary to deviate from the above purchase and sale procedures provided that such direction is made in writing by the Named Fiduciary.

(B) Purchases and Sales from or to Sponsor. If directed by the Sponsor in writing prior to the trading date, the Trustee may purchase or sell Sponsor Stock from or to the Sponsor if the

purchase or sale is for adequate consideration (within the meaning of section 3(18) of ERISA) and no commission is charged. If Sponsor contributions or contributions made by the Sponsor on behalf of the Participants under the Plan are to be invested in Sponsor Stock, the Sponsor may transfer Sponsor Stock in lieu of cash to the Trust. In either case, the number of shares to be transferred will be determined by dividing the total amount of Sponsor Stock to be purchased or sold by the 4:00 p.m. closing price of the Sponsor Stock on the New York Stock Exchange on the trading date.

(C) Use of an Affiliated Broker. The Sponsor hereby directs the Trustee to use Fidelity Capital Markets and its affiliates ("Capital Markets") to provide brokerage services in connection with any purchase or sale of Sponsor Stock in accordance with directions from Plan Participants. Capital Markets shall execute such directions directly or through its affiliate, National Financial Services Company ("NFSC"). The provision of brokerage services shall be subject to the following:

(1) As consideration for such brokerage services, the Sponsor agrees that Capital Markets shall be entitled to remuneration under this authorization provision in an amount of no greater than three and two-fifths cents (\$.032) commission on each share of Sponsor Stock. Any change in such remuneration may be made only by a signed agreement between Sponsor and Trustee.

(2) The Trustee will provide the Sponsor with a description of Capital Markets' brokerage placement practices and a form by which the Sponsor may terminate this direction to use a broker affiliated with the Trustee. The Trustee will provide the Sponsor with this termination form annually, as well as quarterly and annual reports which summarize all securities transaction-related charges incurred by the Plan.

(3) Any successor organization of Capital Markets, through reorganization, consolidation, merger or similar transactions, may, upon consummation of such transaction, become the successor broker in accordance with the terms of this direction provision.

(4) The Trustee and Capital Markets shall continue to rely on this direction provision until notified to the contrary. The Sponsor reserves the right to terminate this direction upon sixty (60) days written notice to Capital Markets (or its successor) and the Trustee, in accordance with Section 11 of this Agreement.

(iv) Securities Law Reports. The Named Fiduciary shall be responsible for filing all reports required under Federal or state securities laws with respect to the Trust's ownership of Sponsor Stock, including, without limitation, any reports required under section 13 or 16 of the Securities Exchange Act of 1934, and shall immediately notify the Trustee in writing of any requirement to stop purchases or sales of Sponsor Stock pending the filing of any report. The Trustee shall provide to the Named Fiduciary such information on the Trust's ownership of Sponsor Stock as the Named Fiduciary may reasonably request in order to comply with Federal or state securities laws.

(v) Voting and Tender Offers. Notwithstanding any other provision of this Agreement the provisions of this Section shall govern the voting and tendering of Sponsor Stock. The Sponsor, after consultation with the Trustee, shall provide and pay for all printing, mailing, tabulation and other costs associated with the voting and tendering of Sponsor Stock.

(A) Voting.

(1) When the issuer of the Sponsor Stock prepares for any annual or special meeting, the Sponsor shall notify the Trustee at least thirty (30) days in advance of the intended record date and shall cause a copy of all materials to be sent to the Trustee. Based on these materials the Trustee shall prepare a voting instruction form. At the time of mailing of notice of each annual or special stockholders' meeting of the issuer of the Sponsor Stock, the Sponsor shall cause a copy of the notice and all proxy solicitation materials to be sent to each Plan Participant with an interest in Sponsor Stock held in the Trust, together with the foregoing voting instruction form to be returned to the Trustee or its designee. The form shall show the proportional interest in the number of full and fractional shares of Sponsor Stock credited to the Participant's accounts held in the Stock Fund. The Sponsor shall provide the Trustee with a copy of any materials provided to the Participants pursuant to this Section 5(e)(v)(A) and shall certify to the Trustee that the materials have been mailed or otherwise sent to Participants.

(2) Each Participant with an interest in the Stock Fund shall have the right to direct the Trustee as to the manner in which the Trustee is to vote (including not to vote) that number of shares of Sponsor Stock reflecting such Participant's proportional interest in the Stock Fund (both vested and unvested). Directions from a Participant to the Trustee concerning the voting of Sponsor

Stock shall be communicated in writing, or by mailgram or similar means. These directions shall be held in confidence by the Trustee and shall not be divulged to the Sponsor, or any officer or employee thereof, or any other person except to the extent that the aggregate consequences of such directions are reflected in reports regularly communicated to any such person in the ordinary course of the performance of the Trustee's services hereunder. Upon its receipt of the directions, the Trustee shall vote the shares of Sponsor Stock reflecting the Participant's proportional interest in the Stock Fund as directed by the Participant. Except as otherwise required by law, the Trustee shall vote shares of Sponsor Stock reflecting a Participant's proportional interest in the Stock Fund for which it has received no direction from the Participant in the same proportion on each issue as it votes shares for which it has received voting instructions from Participants.

(3) Except as otherwise required by law, the Trustee shall vote that number of shares of Sponsor Stock not credited to Participants' accounts which is determined by multiplying the total number of shares not credited to Participant's accounts by a fraction of which the numerator is the number of shares of Sponsor Stock reflecting a Participant's proportional interest in the Stock Fund that are credited to Participant's accounts for which the Trustee received voting directions from Participants and of which the denominator is the total number of shares of Sponsor Stock reflecting a Participant's proportional interest in the Stock Fund that are credited to participants' accounts. The Trustee shall vote those shares of Sponsor Stock not credited to Participant's accounts which are to be voted by the Trustee pursuant to the foregoing formula in the same proportion on each issue as it votes those shares reflecting a Participant's proportional interest in the Stock Fund that are credited to Participants' accounts for which it received voting directions from Participants. The Trustee shall not vote the remaining shares of Sponsor Stock not credited to Participant's accounts.

(B) Tender Offers.

(1) Upon commencement of a tender offer for any securities held in the Trust that are Sponsor Stock, the Sponsor shall notify each Plan Participant with an interest in such Sponsor Stock of the tender offer and utilize its best efforts to timely distribute or cause to be distributed to the Participant the same information that is distributed to shareholders of the issuer of Sponsor Stock in connection with the tender offer, and, after consulting with the Trustee, shall provide and pay for a means by which the Participant may direct the Trustee whether or not to tender the Sponsor Stock reflecting such

Participant's proportional interest in the Stock Fund (both vested and unvested). The Sponsor shall provide the Trustee with a copy of any material provided to the Participants pursuant to this Section 5(e)(v)(B) and shall certify to the Trustee that the materials have been mailed or otherwise sent to Participants.

(2) Each Participant shall have the right to direct the Trustee to tender or not to tender some or all of the shares of Sponsor Stock reflecting such Participant's proportional interest in the Stock Fund (both vested and unvested). Directions from a Participant to the Trustee concerning the tender of Sponsor Stock shall be communicated in writing, or by mailgram or such similar means as is agreed upon by the Trustee and the Sponsor under the preceding paragraph. These directions shall be held in confidence by the Trustee and shall not be divulged to the Sponsor, or any officer or employee thereof, or any other person except to the extent that the consequences of such directions are reflected in reports regularly communicated to any such persons in the ordinary course of the performance of the Trustee's services hereunder. The Trustee shall tender or not tender shares of Sponsor Stock as directed by the Participant. Except as otherwise required by law, the Trustee shall not tender shares of Sponsor Stock reflecting a Participant's proportional interest in the Stock Fund for which it has received no direction from the Participant.

(3) Except as otherwise required by law, the Trustee shall tender that number of shares of Sponsor Stock not credited to Participants' accounts which is determined by multiplying the total number of shares of Sponsor Stock not credited to Participants' accounts by a fraction of which the numerator is the number of shares of Sponsor Stock reflecting the Participants' proportional interests in the Stock Fund that are credited to Participants' accounts for which the Trustee has received directions from Participants to tender and of which the denominator is the total number of shares of Sponsor Stock reflecting the Participants' proportional interests in the Stock Fund that are credited to Participants' accounts.

(4) A Participant who has directed the Trustee to tender some or all of the shares of Sponsor Stock reflecting the Participant's proportional interest in the Stock Fund may, at any time prior to the tender offer withdrawal date, direct the Trustee to withdraw some or all of the tendered shares reflecting the Participant's proportional interest, and the Trustee shall withdraw the directed number of shares from the tender offer prior to the tender offer withdrawal deadline. Prior to the withdrawal deadline, if any shares of Sponsor Stock not credited to Participants' accounts have been

tendered, the Trustee shall redetermine the number of shares of Sponsor Stock that would be tendered under Section 5(e)(v)(B)(3) if the date of the foregoing withdrawal were the date of determination, and withdraw from the tender offer the number of shares of Sponsor Stock not credited to Participants' accounts necessary to reduce the amount of tendered Sponsor Stock not credited to Participants' accounts to the amount so redetermined. A Participant shall not be limited as to the number of directions to tender or withdraw that the Participant may give to the Trustee.

(5) A direction by a Participant to the Trustee to tender shares of Sponsor Stock reflecting the Participant's proportional interest in the Stock Fund shall not be considered a written election under the Plan by the Participant to withdraw, or have distributed, any or all of his withdrawable shares. The Trustee shall credit to each proportional interest of the Participant from which the tendered shares were taken the proceeds received by the Trustee in exchange for the shares of Sponsor Stock tendered from that interest. Pending receipt of directions (through the Administrator) from the Participant or the Named Fiduciary, as provided in the Plan, as to which of the remaining investment options the proceeds should be invested in, the Trustee shall invest the proceeds in the Mutual Fund described in Schedule "C".

(vi) Shares Credited. For all purposes of this Section, the number of shares of Sponsor Stock deemed "credited" or "reflected" to a Participant's proportional interest shall be determined as of the relevant date (the record date or the date specified in the tender offer) shall be calculated by reference to the number of shares reflected on the books of the transfer agent as of the relevant date.

(vii) General. With respect to all rights other than the right to vote, the right to tender, and the right to withdraw shares previously tendered, in the case of Sponsor Stock credited to a Participant's proportional interest in the Stock Fund, the Trustee shall follow the directions of the Participant and if no such directions are received, the directions of the Named Fiduciary. The Trustee shall have no duty to solicit directions from Participants. With respect to all rights other than the right to vote and the right to tender, in the case of Sponsor Stock not credited to Participants' accounts, the Trustee shall follow the directions of the Named Fiduciary.

(viii) Conversion. All provisions in this Section 5(e) shall also apply to any securities received as a result of a conversion of Sponsor Stock.

(f) Participant Loans. The Administrator shall act as the Trustee's agent for the purpose of holding all trust investments in participant loan notes and related documentation and as such shall (i) hold physical custody of and keep safe the notes and other loan documents, (ii) separately account for repayments of such loans and clearly identify such assets as Plan assets, (iii) collect and remit all principal and interest payments to the Trustee, and (iv) cancel and surrender the notes and other loan documentation when a loan has been paid in full. To originate a participant loan, the Plan participant shall direct the Trustee as to the type of loan to be made from the participant's individual account. Such directions shall be made by Plan participants by use of the telephone exchange system maintained for such purpose by the Trustee or its agent. The Trustee shall determine, based on the current value of the participant's account, the amount available for the loan. Based on the interest rate supplied by the Sponsor in accordance with the terms of the Plan, the Trustee shall advise the participant of such interest rate, as well as the installment payment amounts. The Trustee shall forward the loan document to the participant for execution and submission for approval to the Administrator. The Administrator shall have the responsibility for approving the loan and instructing the Trustee to send the loan proceeds to the Administrator or to the participant if so directed by the Administrator. In all cases, if the Trustee does not receive approval or disapproval by the Administrator within thirty (30) days of the participant's initial request (the origination date) the participant will be required to reinitiate the loan request process.

(g) Commingled Pool Investments. To the extent that the Named Fiduciary selects as an investment option the Managed Income Portfolio of the Fidelity Group Trust for Employee Benefit Plans (the "Group Trust"), the Sponsor hereby (i) agrees to the terms of the Group Trust and adopts said terms as a part of this Agreement and (ii) acknowledges that it has received from the Trustee a copy of the Group Trust, the Declaration of Separate Fund for the Managed Income Portfolio of the Group Trust, and the Circular for the Managed Income Portfolio.

(h) Reliance of Trustee on Directions.

(i) The Trustee shall not be liable for any loss, or by reason of any breach, which arises from any Participant's exercise or non-exercise of rights under this Section 5 over the assets in the Participant's accounts.

(ii) The Trustee shall not be liable for any loss, or by reason of any breach, which arises from the Named Fiduciary's exercise or non-exercise of rights under this Section 5, unless it was clear on their face that the actions to be taken under the Named Fiduciary's directions were prohibited by the fiduciary duty rules of Section 404(a) of ERISA or were contrary to the terms of the Plan or this Agreement.

(i) Trustee Powers. The Trustee shall have the following powers and authority:

(i) Subject to paragraphs (b), (c) and (d) of this Section 5, to sell, exchange, convey, transfer, or otherwise dispose of any property held in the Trust, by private contract or at public auction. No person dealing with the Trustee shall be bound to see to the application of the purchase money or other property delivered to the Trustee or to inquire into the validity, expediency, or propriety of any such sale or other disposition.

(ii) Subject to paragraphs (b) and (c) of this Section 5, to invest in Investment Contracts and short term investments (including interest bearing accounts with the Trustee or money market mutual funds advised by affiliates of the Trustee) and in collective investment funds maintained by the Trustee for qualified plans, in which case the provisions of each collective investment fund in which the Trust is invested shall be deemed adopted by the Sponsor and the provisions thereof incorporated as a part of this Trust as long as the fund remains exempt from taxation under sections 401(a) and 501(a) of the Code.

(iii) To cause any securities or other property held as part of the Trust to be registered in the Trustee's own name, in the name of one or more of its nominees, or in the Trustee's account with the Depository Trust Company of New York and to hold any investments in bearer form, but the books and records of the Trustee shall at all times show that all such investments are part of the Trust.

(iv) To keep that portion of the Trust in cash or cash balances as the Named Fiduciary or Sponsor may, from time to time, deem to be in the best interest of the Trust.

(v) To make, execute, acknowledge, and deliver any and all documents of transfer or conveyance and to carry out the powers herein granted.

(vi) To borrow funds from a bank not affiliated with the Trustee in order to provide sufficient liquidity to process Plan transactions in a timely fashion, provided that the cost of borrowing shall be allocated in a reasonable fashion to the investment fund(s) in need of liquidity.

(vii) To settle, compromise, or submit to arbitration any claims, debts, or damages due to or arising from the Trust; to commence or defend suits or legal or administrative proceedings; to represent the Trust in all suits and legal and administrative hearings; and to pay all reasonable expenses arising from any such action, from the Trust if not paid by the Sponsor.

(viii) To employ legal, accounting, clerical, and other assistance as may be required in carrying out the provisions of this Agreement and to pay their reasonable expenses and compensation from the Trust if not paid by the Sponsor.

(ix) To invest all of any part of the assets of the Trust in any collective investment trust or group trust which then provides for the pooling of the assets of plans described in section 401(a) and exempt from tax under section 501(a) of the Code, or any comparable provisions of any future legislation that amends, supplements, or supersedes those sections, provided that such collective investment trust or group trust is exempt from tax under the Code or regulations or rulings issued by the Internal Revenue Service; the provisions of the document governing such collective investment trusts or group trusts, as it may be amended from time to time, shall govern any investment therein and are hereby made a part of this Trust Agreement.

(x) To do all other acts that are in accordance with the powers granted to the Trustee under common law, the applicable state trust law and other applicable statutes.

SECTION 6. RECORDKEEPING AND ADMINISTRATIVE SERVICES TO BE PERFORMED.

(a) General. The Trustee shall perform those recordkeeping and administrative functions described in Schedule "A" attached hereto. These recordkeeping and administrative functions shall be performed within the framework of the Named Fiduciary's written directions regarding the Plan's provisions, guidelines and interpretations.

(b) Accounts. The Trustee shall keep accurate accounts of all investments, receipts, disbursements, and other transactions hereunder, and shall report the value of the assets held in the Trust as of each Reporting Date. Within thirty (30) days following each Reporting Date or within sixty (60) days in the case of a Reporting Date caused by the resignation or removal of the Trustee, or the termination of this Agreement, the Trustee shall file with the Sponsor a written account setting forth all investments, receipts, disbursements, and other transactions affected by the Trustee between the Reporting Date and the prior

Reporting Date, and setting forth the value of the Trust as of the Reporting Date. Except as otherwise required under ERISA, upon the expiration of six (6) months from the date of filing such account with the Sponsor, the Trustee shall have no liability or further accountability to anyone with respect to the propriety of its acts or transactions shown in such account, except with respect to such acts or transactions as to which the Sponsor shall within such six (6) month period file with the Trustee written objections.

(c) Inspection and Audit. All records generated by the Trustee in accordance with paragraphs (a) and (b) shall be open to inspection and audit, during the Trustee's regular business hours prior to the termination of this Agreement, by the Sponsor or any person designated by the Sponsor. Upon the resignation or removal of the Trustee or the termination of this Agreement, the Trustee shall provide to the Sponsor, at no expense to the Sponsor, in the format regularly provided to the Sponsor, a statement of each Participant's accounts as of the resignation, removal, or termination, and the Trustee shall provide to the Sponsor or the Plan's new recordkeeper such further records as are reasonable, at the Sponsor's expense.

(d) Effect of Plan Amendment. A confirmation of the current qualified status of each Plan is attached hereto as Schedule "F". The Trustee's provision of the recordkeeping and administrative services set forth in this Section 6 shall be conditioned on the Sponsor delivering to the Trustee a copy of any amendment to the Plan as soon as administratively feasible following the amendment's adoption, with, if requested, an IRS determination letter or an opinion of counsel substantially in the form of Schedule "F" covering such amendment, and on the Sponsor providing the Trustee on a timely basis with all the information the Sponsor deems necessary for the Trustee to perform the recordkeeping and administrative services and such other information as the Trustee may reasonably request.

(e) Returns, Reports and Information. The Sponsor shall be responsible for the preparation and filing of all returns, reports, and information required of the Trust or Plan by law. The Trustee shall provide the Sponsor with such information as the Sponsor may reasonably request to make these filings. The Sponsor shall also be responsible for making any disclosures to Participants required by law including, without limitation, such disclosures as may be required by law, except such disclosure as may be required under federal or state truth-in-lending laws with regard to Participant loans, which shall be provided by the Trustee.

(f) Allocation of Plan Interests. All transfers to, withdrawals from, or other transactions regarding the Trust shall be conducted in such a way that the proportionate interest in the Trust of each Plan and the fair market value of that interest may be determined at any time. Whenever the assets of more than one Plan are commingled in the Trust or in any investment option, the undivided interest therein of each such Plan shall be debited or credited (as the case may be) (i) for the entire amount of every contribution received on behalf of such Plan, every benefit payment, or other expense attributable solely to such Plan, and every other transaction relating only to such Plan; and (ii) for its proportionate share of every item of collected or accrued income, gain or loss, and general expense, and of any other transactions attributable to the Trust or that investment option as a whole.

SECTION 7. COMPENSATION AND EXPENSES. Within thirty (30) days of receipt of the Trustee's bill, which shall be computed and billed in accordance with Schedule "B" attached hereto and made a part hereof, as amended from time to time, the Sponsor shall send to the Trustee a payment in such amount or the Sponsor may direct the Trustee to deduct such amount from Participants' account. All expenses of the Trustee relating directly to the acquisition and disposition of investments constituting part of the Trust, and all taxes of any kind whatsoever that may be levied or assessed under existing or future laws upon or in respect of the Trust or the income thereof, shall be a charge against and paid from the appropriate Participants' accounts.

SECTION 8. DIRECTIONS AND INDEMNIFICATION.

(a) Identity of Sponsor and Named Fiduciaries. The Trustee shall be fully protected in relying on the fact that the Sponsor and the Named Fiduciaries under a Plan are the individuals or persons named as such on the Authorization Letters in the form of Schedules "D" and "E" attached hereto or on a Plan Designation Form in accordance with Schedule "J" attached hereto or such other individuals or persons as the Sponsor may notify the Trustee in writing.

(b) Directions from Sponsor or Administrator. Whenever the Sponsor or Administrator provides a direction to the Trustee, the Trustee shall not be liable for any loss, or by reason of any breach, arising from the direction if the direction is contained in a writing (or is oral and immediately confirmed in a writing) signed by any individual whose name and signature have been submitted (and not withdrawn) in writing to the Trustee by the Sponsor in the form attached hereto as Schedule "D", provided the Trustee reasonably believes the signature of the individual to be genuine. Such direction may also be made via

Electronic Data Transfer ("EDT") in accordance with procedures agreed to by the Sponsor and the Trustee; provided, however, that the Trustee shall be fully protected in relying on such direction as if it were a direction made in writing by the Sponsor. The Trustee shall have no responsibility to ascertain any direction's (i) accuracy, (ii) compliance with the terms of the Plan or any applicable law, or (iii) effect for tax purposes or otherwise.

(c) Directions from Named Fiduciary. Whenever a Named Fiduciary provides a direction to the Trustee, the Trustee shall not be liable for any loss, or by reason of any breach, arising from the direction (i) if the direction is contained in a writing (or is oral and immediately confirmed in a writing) signed by any individual whose name and signature have been submitted (and not withdrawn) in writing to the Trustee by the Named Fiduciary in the form attached hereto as Schedule "E" and (ii) if the Trustee reasonably believes the signature of the individual to be genuine, unless it is clear on the direction's face that the actions to be taken under the direction would be prohibited by the fiduciary duty rules of section 404(a) of ERISA or would be contrary to the terms of the Plan or this Agreement.

(d) Co-Fiduciary Liability. In any other case, the Trustee shall not be liable for any loss, or by reason of any breach, arising from any act or omission of another fiduciary under the Plan except as provided in section 405(a) of ERISA. Without limiting the foregoing, the Trustee shall have no liability for the acts or omissions of any predecessor or successor trustee.

(e) Indemnification. The Sponsor shall indemnify the Trustee against, and hold the Trustee harmless from, any and all loss, damage, penalty, liability, cost, and expense, including without limitation, reasonable attorneys' fees and disbursements, that may be incurred by, imposed upon, or asserted against the Trustee by reason of any claim, regulatory proceeding, or litigation arising from any act done or omitted to be done by any individual or person with respect to the Plan or Trust, excepting only any and all loss, etc., arising from the Trustee's breach of its fiduciary duties under ERISA.

(f) Survival. The provisions of this Section 8 shall survive the termination of this Agreement.

SECTION 9. RESIGNATION OR REMOVAL OF TRUSTEE.

(a) Resignation. The Trustee may resign at any time upon sixty (60) days' notice in writing to the Sponsor, unless a shorter period of notice is agreed upon by the Sponsor.

(b) Removal. The Sponsor may remove the Trustee at any time upon sixty (60) days' notice in writing to the Trustee, unless a shorter period of notice is agreed upon by the Trustee.

SECTION 10. SUCCESSOR TRUSTEE.

(a) Appointment. If the office of Trustee becomes vacant for any reason, the Sponsor may in writing appoint a successor trustee under this Agreement. The successor trustee shall have all of the rights, powers, privileges, obligations, duties, liabilities, and immunities granted to the Trustee under this Agreement. The successor trustee and predecessor trustee shall not be liable for the acts or omissions of the other with respect to the Trust.

(b) Acceptance. When the successor trustee accepts its appointment under this Agreement, title to and possession of the Trust assets shall immediately vest in the successor trustee without any further action on the part of the predecessor trustee. The predecessor trustee shall execute all instruments and do all acts that reasonably may be necessary or reasonably may be requested in writing by the Sponsor or the successor trustee to vest title to all Trust assets in the successor trustee or to deliver all Trust assets to the successor trustee.

(c) Corporate Action. Any successor of the Trustee or successor trustee, through sale or transfer of the business or trust department of the Trustee or successor trustee, or through reorganization, consolidation, or merger, or any similar transaction, shall, upon consummation of the transaction, become the successor trustee under this Agreement.

SECTION 11. TERMINATION. This Agreement may be terminated at any time by the Sponsor upon sixty (60) days' notice in writing to the Trustee. On the date of the termination of this Agreement, the Trustee shall forthwith transfer and deliver to such individual or entity as the Sponsor shall designate, all cash and assets then constituting the Trust. If, by the termination date, the Sponsor has not notified the Trustee in writing as to whom the assets and cash are to be transferred and delivered, the Trustee may bring an appropriate action or proceeding for leave to deposit the assets and cash in a court of competent jurisdiction. The Trustee shall be reimbursed by the Sponsor for all costs and expenses of the action or proceeding including, without limitation, reasonable attorneys' fees and disbursements.

SECTION 12. RESIGNATION, REMOVAL, AND TERMINATION NOTICES. All notices of resignation, removal, or termination under this Agreement must be in writing and mailed to the party to which the notice is being given by certified or registered mail, return receipt requested, to the Sponsor c/o Chief Financial Officer, Quanex Corporation, 1900 West Loop South, Suite 1500, Houston, TX 77027 and to the Trustee c/o John M. Kimpel, Fidelity Investments, 82 Devonshire Street, Boston, Massachusetts 02109, or to such other addresses as the parties have notified each other of in the foregoing manner.

SECTION 13. DURATION. This Trust shall continue in effect without limit as to time, subject, however, to the provisions of this Agreement relating to amendment, modification, and termination thereof.

SECTION 14. AMENDMENT OR MODIFICATION. This Agreement may be amended or modified at any time and from time to time only by an instrument executed by both the Sponsor and the Trustee. Notwithstanding the foregoing, to reflect increased operating costs the Trustee may once each calendar year amend Schedule "B" without the Sponsor's consent upon seventy-five (75) days written notice to the Sponsor.

SECTION 15. ELECTRONIC SERVICES.

(a) The Trustee may provide communications and services via electronic medium ("Electronic Services"), including, but not limited to, Fidelity Plan Sponsor WebStation, Client Intranet, Client e-mail, interactive software products or any other information provided in an electronic format. The Sponsor, its agents and employees agree to keep confidential and not publish, copy, broadcast, retransmit, reproduce, commercially exploit or otherwise disseminate the data, information, software or services without the Trustee's written consent.

(b) The Sponsor shall be responsible for installing and maintaining all Electronic Services on its computer network and/or Intranet upon receipt in a manner so that the information provided via the Electronic Service will appear in the same form and content as it appears on the form of delivery, and for any programming required to accomplish the installation. Materials provided for Plan Sponsor's intranet web sites shall be installed by the Sponsor and shall be clearly identified as originating from Fidelity. The Sponsor shall promptly remove Electronic Services from its computer network and/or Intranet, or replace the Electronic Service with an updated service provided by the Trustee, upon written notification (including written notification via facsimile) by the Trustee.

(c) All Electronic Services shall be provided to the Sponsor without any express or implied legal warranties or acceptance of legal liability by the Trustee relative to the use of material or Electronic Services by the Sponsor. No rights are conveyed to any property, intellectual or tangible, associated with the contents of the Electronic Services and related material.

(d) To the extent that any Electronic Services utilize Internet services to transport data or communications, the Trustee will take, and Plan Sponsor agrees to follow, reasonable security precautions; however, the Trustee disclaims any liability for interception of any such data or communications. The Trustee shall not be responsible for, and makes no warranties regarding access, speed or availability of Internet or network services. The Trustee shall not be responsible for any loss or damage related to or resulting from any changes or modifications to the electronic material after delivering it to the Plan Sponsor.

SECTION 16. GENERAL.

(a) Performance by Trustee, its Agents or Affiliates. The Sponsor acknowledges and authorizes that the services to be provided under this Agreement shall be provided by the Trustee, its agents or affiliates, including Fidelity Investments Institutional Operations Company or its successor, and that certain of such services may be provided pursuant to one or more other contractual agreements or relationships.

(b) Delegation by Employer. By authorizing the assets of any Plan as to which it is an Employer to be deposited in the Trust, each Employer, other than the Sponsor, hereby irrevocably delegates and grants to the Sponsor full and exclusive power and authority to exercise all of the powers conferred upon the Sponsor and each Employer by the terms of this Agreement, and to take or refrain from taking any and all action which such Employer might otherwise take or refrain from taking with respect to this Agreement, including the sole and exclusive power to exercise, enforce or waive any rights whatsoever which such Employer might otherwise have with respect to the Trust, and irrevocably appoints the Sponsor as its agent for all purposes under this Agreement. The Trustee shall have no obligation to account to any such Employer or to follow the instructions of or otherwise deal with any such Employer, the intention being that the Trustee shall deal solely with the Sponsor.

(c) Entire Agreement. This Agreement contains all of the terms agreed upon between the parties with respect to the subject matter hereof.

(d) Waiver. No waiver by either party of any failure or refusal to comply with an obligation hereunder shall be deemed a waiver of any other or subsequent failure or refusal to so comply.

(e) Successors and Assigns. The stipulations in this Agreement shall inure to the benefit of, and shall bind, the successors and assigns of the respective parties.

(f) Partial Invalidity. If any term or provision of this Agreement or the application thereof to any person or circumstances shall, to any extent, be invalid or unenforceable, the remainder of this Agreement, or the application of such term or provision to persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby, and each term and provision of this Agreement shall be valid and enforceable to the fullest extent permitted by law.

(g) Section Headings. The headings of the various sections and subsections of this Agreement have been inserted only for the purposes of convenience and are not part of this Agreement and shall not be deemed in any manner to modify, explain, expand or restrict any of the provisions of this Agreement.

SECTION 17. GOVERNING LAW.

(a) Massachusetts Law Controls. This Agreement is being made in the Commonwealth of Massachusetts, and the Trust shall be administered as a Massachusetts trust. The validity, construction, effect, and administration of this Agreement shall be governed by and interpreted in accordance with the laws of the Commonwealth of Massachusetts, except to the extent those laws are superseded under section 514 of ERISA.

(b) Trust Agreement Controls. The Trustee is not a party to the Plan, and in the event of any conflict between the provisions of the Plan and the provisions of this Agreement, the provisions of this Agreement shall control.

SECTION 18. PLAN QUALIFICATION. The Sponsor shall be responsible for verifying that while any assets of a particular Plan are held in the Trust, the Plan (i) is qualified within the meaning of section 401(a) of the

Code; (ii) is permitted by existing or future rulings of the United States Treasury Department to pool its funds in a group trust; and (iii) permits its assets to be commingled for investment purposes with the assets of other such plans by investing such assets in this Trust. If any Plan ceases to be qualified within the meaning of section 401(a) of the Code, the Sponsor shall notify the Trustee as promptly as is reasonable. Upon receipt of such notice, the Trustee shall promptly segregate and withdraw from the Trust, the assets which are allocable to such disqualified Plan, and shall dispose of such assets in the manner directed by the Sponsor.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized officers as of the day and year first above written.

QUANEX CORPORATION

Attest: _____
Secretary

By: _____

Name: _____

Title: _____

Date: _____

FIDELITY MANAGEMENT TRUST COMPANY

Attest: _____
Assistant Clerk

By: _____

Name: _____

Title: _____

Date: _____

SCHEDULE "A"

ADMINISTRATIVE SERVICES

Administration

- * Establishment and maintenance of Participant account and election percentages.
- * Maintenance of the following investment options:
 - Quanex Corporation Stock Fund
 - Fidelity Balanced Fund
 - Fidelity Contrafund
 - Fidelity Growth & Income Portfolio
 - Fidelity Low-Priced Stock Fund
 - Fidelity Magellan Fund
 - Fidelity Money Market Trust: Retirement Government Money Market Portfolio
 - Fidelity Overseas Fund
 - Fidelity Puritan Fund
 - Fidelity Asset Manager
 - Managed Income Portfolio
 - Neuberger & Berman Partners Trust
 - Templeton Foreign Fund
 - Fidelity Blue Chip Growth Fund
 - Fidelity Retirement Growth Fund
- * Maintenance of the following money classifications for the Quanex Corporation Employee Savings Plan:
 - Elective Deferrals
 - Employee After-tax
 - Company Match
 - Rollover
 - Qualified Non-elective Employer Contribution
- * Maintenance of the following money classifications for the Quanex Corporation Hourly Bargaining Unit Employees Savings Plan:
 - Elective Deferrals
 - Employee After-tax
 - Company Match
 - Rollover
 - Supplemental Employer Contributions
- * Maintenance of the following money classifications for the Piper Impact 401(k) Plan:
 - Employee Deferral

- Employer Match
- Supplemental Employer Contribution
- Rollover

* Maintenance of the following money classifications for the Nichols-Homeshield 401(k) Savings Plan:

- Salary Deferral Contribution Account
- Supplemental Employer Contribution Account
- Rollover Account
- Qualified Non-elective Employer Contribution Account

* Maintenance of the following money classifications for the Nichols-Homeshield 401(k) Savings Plan for Hourly Davenport Employees:

- Salary Deferral Contribution Account
- Supplemental Employer Contribution Account
- Rollover Account
- Qualified Non-elective Employer Contribution Account

The Trustee will provide the recordkeeping and administrative services set forth on this Schedule "A" and as detailed in the Plan Administrative Manual and no others.

A) PROVIDE PARTICIPANT TELEPHONE SERVICES

1. Fidelity registered representatives are available from 8:30 a.m. - 12:00 midnight ET each business day to provide toll free telephone service for Participant inquiries and transactions. Additionally, Participants have 24 hour account balance and transaction inquiry access utilizing our automated voice response system and the internet.

2. For security purposes, all calls are recorded. In addition, several levels of security are available including the verification of a Personal Identification Number (PIN) and/or any other indicative data resident on the system.

3. Through our telephone services, Fidelity provides the following services:

- o Provide Plan investment option information.
- o Maintain Plan specific provisions.
- o Process exchanges (transfers) between investment options on a daily basis.
- o Maintain and process changes to Participants' contribution allocations for all money sources.
- o Allow Participants to change their deferral and after-tax percentages and provide updates via EDT for customer to apply to its payrolls accordingly.
- o Consult with Participants in various loan scenarios and generate all documentation.
- o Process all Participant loan and withdrawal requests via Fidelity's toll-free telephone service according to Plan provisions on a daily basis.
- o Process in-service withdrawals via telephone due to certain circumstances previously approved by the Sponsor.
- o Process hardship withdrawals via telephone as directed and approved by the Sponsor.

- o Enroll new Participants via telephone; provide confirmation of enrollment within five (5) days of the request.

B) PLAN ACCOUNTING

1. Process payroll contributions according to payroll frequency via electronic data transfer (EDT), consolidated magnetic tape or diskette. The data format will be provided by Fidelity.
2. Provide Plan and Participant level accounting for up to nine (9) money classifications for the Plan.
3. Audit and reconcile the Plan and Participant accounts daily.
4. Provide daily Plan and Participant level accounting for the Plan investment options.
5. Reconcile and process Participant withdrawal requests as approved and directed by the Sponsor. All requests are paid based on the current market values of Participants' accounts, not advanced or estimated values. A distribution report will accompany each check.
6. Track individual Participant loans; process loan withdrawals; re-invest loan repayments; and prepare and deliver comprehensive reports to the Sponsor to assist in the administration of Participant loans.
7. Fidelity's Guaranteed Investments Daily Equity System (GUIDE) is an automatic Investment Contract daily portfolio accounting system. GUIDE provides the Sponsor with daily valuation of its Plan assets whether individually managed or in our Managed Income Portfolio.
8. Maintain and process changes to Participants' prospective and existing investment mix elections via Fidelity's toll-free telephone service.

C) PARTICIPANT REPORTING

1. Mail confirmation to Participants of all transactions initiated via Fidelity Telephone Services within three (3) calendar days of the transaction.
2. Prepare and mail via first class to each Plan Participant a quarterly detailed Participant statement reflecting all activity for the period. Statements will be mailed no later than twenty (20) calendar days after each quarter end.
3. Mail required 402(f) notification for distribution from the Plan. This notice advises Participants of the tax consequences of their Plan distributions.

D) PLAN REPORTING

1. Prepare, reconcile and deliver a monthly Trial Balance Report presenting all money classes and investments. This report is based on the market value as of the last business day of the month. The report will be delivered not later than twenty (20) days after the end of each month in the absence of unusual circumstances.

2. Prepare, reconcile and deliver a Quarterly Administrative Report presenting both on a Participant and a total Plan basis all money classes, investment positions and a summary of all activity of the Participant and Plan as of the last business day of the quarter. The report will be delivered not later than twenty (20) days after the end of each quarter in the absence of unusual circumstances.

E) GOVERNMENT REPORTING

1. Process year-end tax reports for Participants - 1099R, as well as financial reporting to assist in the preparation of Form 5500.

F) COMMUNICATION SERVICES

1. Employee communications describing available investment options, including multimedia informational materials and group presentations.

G) OTHER

1. Performance of non-discrimination limitation testing upon request. In order to obtain this service, the client shall be required to provide the information identified in the Fidelity Discrimination Testing Package Guidelines.

2. Monitor and process required minimum distribution amounts (MRD) as follows: the Trustee will notify the MRD Participant and, upon notification from the MRD Participant, will use the MRD Participant's information to process their distributions. If the MRD Participant does not respond to the Trustee's notification, the Sponsor directs the Trustee to automatically begin the required distributions for the Participant.

3. The Fidelity Recordkeeping System is available on-line to the Sponsor via our Plan Sponsor Webstation ("PSW"). PSW is a graphical, Windows-based application that provides current plan and participant-level information, including indicative data, account balances, activity and history. PSW also provides Sponsors with the ability to instruct the Trustee to process particular transactions.

4. NetBenefits: Plan participants may access their accounts and conduct transactions via the Internet's World Wide Web, including obtaining current account balances, exchanges, contributions, dividend/capital gains, new loans and repayments, new withdrawals, quotes on all plan level investment options, fund performance on all plan level investment options, and Plan literature ordering

QUANEX CORPORATION

FIDELITY MANAGEMENT TRUST COMPANY

By: _____
Date

By: _____
Vice President Date

SCHEDULE "B"

FEE SCHEDULE

Annual Participant Fee:	\$15.00 per Participant* per year, billed and payable quarterly.
Loan Fee:	Establishment fee of \$35.00 per loan account; annual fee of \$15.00 per loan account.
Minimum Required Distribution:	\$25.00 per Participant per MRD withdrawal.
Plan Sponsor Webstation (PSW):	Two (2) user IDs provided free of charge, each additional user ID, \$500 per year.
Return of Excess Contribution Fee:	\$25.00 per Participant, one-time charge per calculation and check generation.
Non-Fidelity Mutual Funds:	.35% annual administration fee on the following Non-Fidelity Mutual Fund assets which are equity/balanced funds: AMR Funds, Calvert Funds, Franklin/Templeton Funds, Founders Funds, Pilgrim Baxter Funds and Warburg Pincus Funds. .25% annual administration fee on all other Non-Fidelity Mutual Fund assets (to be paid by the Non-Fidelity Mutual Fund vendor.)

o Other Fees: separate charges for optional non-discrimination testing, extraordinary expenses resulting from large numbers of simultaneous manual transactions, from errors not caused by Fidelity, reports not contemplated in this Agreement, or extraordinary and/or duplicative expenses associated with electronic services. The Administrator may withdraw reasonable administrative fees from the Trust by written direction to the Trustee.

* This fee will be imposed pro rata for each calendar quarter, or any part thereof, that it remains necessary to keep a Participant's account(s) as part of the Plan's records, e.g., vested, deferred, forfeiture, top-heavy and terminated Participants who must remain on file through calendar year-end for 1099-R reporting purposes.

TRUSTEE FEE

o To the extent that assets are invested in Mutual Funds, 0.02% per year payable pro rata quarterly on the basis of such assets in the Trust as of the calendar quarter's last valuation date, but no less than \$2,500.00 nor more than \$5,000.00 per year.

- o To the extent that assets are invested in Sponsor Stock, 0.25% of such assets in the Trust payable pro rata quarterly on the basis of such assets as of the calendar quarter's last valuation date, but no less than \$10,000 per year.

QUANEX CORPORATION

FIDELITY MANAGEMENT TRUST COMPANY

By: _____
Date

By: _____
Vice President Date

SCHEDULE "C"

INVESTMENT OPTIONS

In accordance with Section 5(b), the Named Fiduciary hereby directs the Trustee that Participants' individual accounts may be invested in the following investment options:

- Quanex Corporation Stock Fund
- Fidelity Balanced Fund
- Fidelity Contrafund
- Fidelity Growth & Income Portfolio
- Fidelity Low-Priced Stock Fund
- Fidelity Magellan Fund
- Fidelity Money Market Trust: Retirement Government Money Market Portfolio
- Fidelity Overseas Fund
- Fidelity Puritan Fund
- Fidelity Asset Manager
- Managed Income Portfolio
- Neuberger & Berman Partners Trust
- Templeton Foreign Fund
- Fidelity Blue Chip Growth Fund
- Fidelity Retirement Growth Fund

The investment option referred to in Section 5(c) and Section 5(e)(v)(B)(5) shall be Fidelity Money Market Trust: Retirement Government Money Market Portfolio.

QUANEX CORPORATION

By: _____
Date

SCHEDULE "D"

[Administrator's Letterhead]

[DATE]

Mr. David Phillips
Fidelity Investments Institutional Operations Company, Inc.
82 Devonshire Street - MM3H
Boston, Massachusetts 02109

[Name of Plan]

*** NOTE: This schedule should contain names and signatures for ALL individuals who will be providing directions to Fidelity representatives in connection with the Plan.

Fidelity representatives will be unable to accept directions from any individual whose name does not appear on this schedule.***

Dear Mr. Phillips:

This letter is sent to you in accordance with Section 8(b) of the Trust Agreement, dated as of [date], between [name of Plan Sponsor] and Fidelity Management Trust Company. [I or We] hereby designate [name of individual], [name of individual], and [name of individual], as the individuals who may provide directions, on behalf of the Administrator, upon which Fidelity Management Trust Company shall be fully protected in relying. Only one such individual need provide any direction. The signature of each designated individual is set forth below and certified to be such.

You may rely upon each designation and certification set forth in this letter until [I or we] deliver to you written notice of the termination of authority of a designated individual.

Very truly yours,

[SPONSOR]

By

[signature of designated individual]
[name of designated individual]

[signature of designated individual]
[name of designated individual]

[signature of designated individual]
[name of designated individual]

SCHEDULE "E"

[Named Fiduciary's Letterhead]

[DATE]

Mr. David Phillips
Fidelity Investments Institutional Operations Company, Inc.
82 Devonshire Street - MM3H
Boston, Massachusetts 02109

[Name of Plan]

Dear Mr. Phillips:

This letter is sent to you in accordance with Section 8(c) of the Trust Agreement, dated as of [date], between [name of Plan Sponsor] and Fidelity Management Trust Company. [I or We] hereby designate [name of individual], [name of individual], and [name of individual], as the individuals who may provide directions, on behalf of the Named Fiduciary, upon which Fidelity Management Trust Company shall be fully protected in relying. Only one such individual need provide any direction. The signature of each designated individual is set forth below and certified to be such.

You may rely upon each designation and certification set forth in this letter until [I or we] deliver to you written notice of the termination of authority of a designated individual.

Very truly yours,

[NAMED FIDUCIARY]

By

[signature of designated individual]
[name of designated individual]

[signature of designated individual]
[name of designated individual]

[signature of designated individual]
[name of designated individual]

SCHEDULE "G"

TELEPHONE EXCHANGE GUIDELINES

The following telephone exchange guidelines are currently employed by Fidelity Investments Institutional Operations Company, Inc. (FIIOC).

Telephone exchange hours via a Fidelity Representative are 8:30 a.m. (ET) to 12:00 midnight (ET) on each business day. A "business day" is any day on which the New York Stock Exchange ("NYSE") is open. Exchanges via the Internet and Fidelity's voice response system are intended to be available virtually 24 hours a day.

FIIOC reserves the right to change these telephone exchange guidelines at its discretion.

Note: The NYSE's normal closing time is 4:00 p.m. (ET); in the event the NYSE alters its closing time, all references below to 4:00 p.m. shall mean the NYSE closing time as altered.

MUTUAL FUNDS

EXCHANGES BETWEEN MUTUAL FUNDS

Participants may call on any business day to exchange between the mutual funds. If the request is received before 4:00 p.m. (ET), it will receive that day's trade date. Calls received after 4:00 p.m. (ET) will be processed on a next day basis.

MANAGED INCOME PORTFOLIO

I. EXCHANGES BETWEEN MUTUAL FUNDS AND MANAGED INCOME PORTFOLIO

Participants who wish to exchange between a mutual fund and the Managed Income Portfolio may call on any business day. If the request is received before 4:00 p.m. (ET), it will receive that day's trade date. Calls received after 4:00 p.m. (EST) will be processed on a next day basis.

II. EXCHANGE RESTRICTIONS

Participants will not be permitted to make direct transfers from the Managed Income Portfolio into a competing fund. Participants who wish to exchange from the Managed Income Portfolio into a competing fund must first exchange into a non-competing fund for a period of 90 days.

QUANEX CORPORATION STOCK FUND

I. EXCHANGES BETWEEN MUTUAL FUNDS AND SPONSOR STOCK FUND

Participants may call on any business day to exchange between the mutual funds and the Sponsor Stock Fund. If the request is received before 4:00 p.m. (ET), it will receive that day's trade date. Calls received after 4:00 p.m. (ET) will be processed on a next day basis.

II. EXCHANGES BETWEEN SPONSOR STOCK FUND AND MANAGED INCOME PORTFOLIO

Participants who wish to exchange between the Sponsor Stock Fund and the Managed Income Portfolio may call on any business day. If the request is received before 4:00 p.m. (ET), it will receive that day's trade date. Calls received after 4:00 p.m. (ET) will be processed on a next day basis.

III. EXCHANGE RESTRICTIONS

Investments in the Sponsor Stock Fund will consist primarily of shares of Sponsor Stock. In order to satisfy daily Participant requests for exchanges, loans and withdrawals, the Stock Fund will also hold cash or other short-term liquid investments in an amount that has been agreed to in writing by the Sponsor and the Trustee. The Trustee will be responsible for ensuring that the percentage of these investments falls within the agreed upon range over time. However, if there is insufficient liquidity in the Sponsor Stock Fund to allow for such activity, the Trustee will sell shares of Sponsor Stock in the open market. Exchange and redemption transactions will be processed as soon as proceeds from the sale of Sponsor Stock are received.

QUANEX CORPORATION

By: _____
Date

SCHEDULE "H"

OPERATIONAL GUIDELINES FOR NON-FIDELITY MUTUAL FUNDS

PRICING

By 7:00 p.m. Eastern Time ("ET") each Business Day, the Non-Fidelity Mutual Fund Vendor (Fund Vendor) will input the following information ("Price Information") into the Fidelity Participant Recordkeeping System ("FPRS") via the remote access price screen that Fidelity Investments Institutional Operations Company, Inc. ("FIIOC"), an affiliate of the Trustee, has provided to the Fund Vendor: (1) the net asset value for each Fund at the Close of Trading, (2) the change in each Fund's net asset value from the Close of Trading on the prior Business Day, and (3) in the case of an income fund or funds, the daily accrual for interest rate factor ("mil rate"). FIIOC must receive Price Information each Business Day (a "Business Day" is any day the New York Stock Exchange is open). If on any Business Day the Fund Vendor does not provide such Price Information to FIIOC, FIIOC shall pend all associated transaction activity in the Fidelity Participant Recordkeeping System ("FPRS") until the relevant Price Information is made available by Fund Vendor.

TRADE ACTIVITY AND WIRE TRANSFERS

By 7:00 a.m. ET each Business Day following Trade Date ("Trade Date plus One"), FIIOC will provide, via facsimile, to the Fund Vendor a consolidated report of net purchase or net redemption activity that occurred in each of the Funds up to 4:00 p.m. ET on the prior Business Day. The report will reflect the dollar amount of assets and shares to be invested or withdrawn for each Fund. FIIOC will transmit this report to the Fund Vendor each Business Day, regardless of processing activity. In the event that data contained in the 7:00 a.m. ET facsimile transmission represents estimated trade activity, FIIOC shall provide a final facsimile to the Fund Vendor by no later than 9:00 a.m. ET. Any resulting adjustments shall be processed by the Fund Vendor at the net asset value for the prior Business Day.

The Fund Vendor shall send via regular mail to FIIOC transaction confirms for all daily activity in each of the Funds. The Fund Vendor shall also send via regular mail to FIIOC, by no later than the fifth Business Day following calendar month close, a monthly statement for each Fund. FIIOC agrees to notify the Fund Vendor of any balance discrepancies within twenty (20) Business Days of receipt of the monthly statement.

For purposes of wire transfers, FIIOC shall transmit a daily wire for aggregate purchase activity and the Fund Vendor shall transmit a daily wire for aggregate redemption activity, in each case including all activity across all Funds occurring on the same day.

PROSPECTUS DELIVERY

FIIOC shall be responsible for the timely delivery of Fund prospectuses and periodic Fund reports ("Required Materials") to Plan participants, and shall retain the services of a third-party vendor to handle such mailings. The Fund Vendor shall be responsible for all materials and production costs, and hereby agrees to provide the Required Materials to the third-party vendor selected by FIIOC. The Fund Vendor shall bear the costs of mailing annual Fund reports to Plan participants. FIIOC shall bear the costs of mailing prospectuses to Plan participants.

PROXIES

The Fund Vendor shall be responsible for all costs associated with the production of proxy materials. FIIOC shall retain the services of a third-party vendor to handle proxy solicitation mailings and vote tabulation. Expenses associated with such services shall be billed directly to the Fund Vendor by the third-party vendor.

PARTICIPANT COMMUNICATIONS

The Fund Vendor shall provide internally-prepared fund descriptive information approved by the Funds' legal counsel for use by FIIOC in its written Participant communication materials. FIIOC shall utilize historical performance data obtained from third-party vendors (currently Morningstar, Inc., FACTSET Research Systems and Lipper Analytical Services) in telephone conversations with plan Participants and in quarterly Participant statements. The Sponsor hereby consents to FIIOC's use of such materials and acknowledges that FIIOC is not responsible for the accuracy of such third-party information. FIIOC shall seek the approval of the Fund Vendor prior to retaining any other third-party vendor to render such data or materials under this Agreement.

COMPENSATION

FIIOC shall be entitled to fees as set forth in a separate agreement with the Fund Vendor.

SCHEDULE "I"

[Sponsor's Letterhead]

Mr. David Phillips
Fidelity Investments Institutional Operations Company, Inc.
82 Devonshire Street
Boston, Massachusetts 02109

[Name of Plan]

Dear Mr. Phillips:

This letter is sent to you in accordance with Section 8(a) of the Trust Agreement dated as of the [] day of [], 199X, between [] and Fidelity Management Trust Company.

Each of the plans identified below is a tax-qualified defined contribution plan which meets the requirements of Section 18 of said Trust Agreement and which is maintained by the undersigned, or one of its subsidiaries or affiliates, for the benefit of their eligible employees. Each such plan is hereby designated as a "Plan" for purposes of said Trust Agreement. The following individuals or entities are the Administrator and Named Fiduciary (ies) of said Plan(s).

Plans Administrator

Named Fiduciary(ies)

We hereby further certify that each Employer with respect to each of the foregoing Plan(s) has authorized the assets of such Plan to be deposited in the Trust and, as a result, is bound by Section 16(b) of said Trust Agreement.

You may rely upon the foregoing designations and certifications until we deliver to you written notice of a change in any of the information set forth therein.

Very truly yours,

[SPONSOR]

By

FIRST AMENDMENT TO TRUST AGREEMENT BETWEEN
FIDELITY MANAGEMENT TRUST COMPANY AND
QUANEX CORPORATION

THIS FIRST AMENDMENT, dated as of the first day of November, 1999, by and between Fidelity Management Trust Company (the "Trustee") and Quanex Corporation (the "Sponsor").

WITNESSETH:

WHEREAS, the Trustee and the Sponsor heretofore entered into a Trust Agreement dated February 1, 1999 with regard to the Quanex Corporation Employee Savings Plan, the Quanex Corporation Hourly Bargaining Unit Employees Savings Plan, the Piper Impact 401(k) Plan, the Nichols-Homeshield 401(k) Savings Plan and the Nichols-Homeshield 401(k) Savings Plan for Hourly Davenport Employees (the "Plan"); and

WHEREAS, the Trustee and the Sponsor now desire to amend said Trust Agreement as provided for in Section 14 thereof;

NOW THEREFORE, in consideration of the above premises, the Trustee and the Sponsor hereby amend the Trust Agreement by:

- (1) Amending Schedule "G" by adding the following to the Exchange Restrictions for the Quanex Corporation Stock Fund, as follows:

Participants who exchange into the Sponsor Stock Fund must wait a minimum of forty-five (45) days prior to exchanging out of the Sponsor Stock Fund.

Participants who exchange out of the Sponsor Stock Fund must wait a minimum of forty-five (45) days prior to exchanging back into the Sponsor Stock Fund.

IN WITNESS WHEREOF, the Trustee and the Sponsor have caused this First Amendment to be executed by their duly authorized officers effective as of the day and year first above written.

QUANEX CORPORATION

FIDELITY MANAGEMENT TRUST COMPANY

By: _____
Date

By: _____
Vice President Date

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in this Post-Effective Amendment No. 2 to Registration Statement No. 333-22977 of Quanex Corporation on Form S-8 of our reports dated November 23, 1998 and June 1, 1999, appearing in the Annual Report on Form 10-K of Quanex Corporation for the fiscal year ended October 31, 1998 and in the Annual Report on Form 11-K of Piper Impact 401(K) for the year ended December 31, 1998, respectively.

DELOITTE & TOUCHE LLP

Houston, Texas
October 15, 1999

MASTER POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Vernon E. Oeschle , James H. Davis, Wayne M. Rose, Viren M. Parikh and Thomas R. Royce, and each of them, either one of whom may act without joinder of the other, his true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign any or all amendments (including post-effective amendments) to the Registration Statements listed below, and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, and each of them, or the substitute to substitutes of any or all of them, may lawfully do or cause to be done by virtue hereof.

Registration Statement No. 333-66777, filed November 4, 1998, relating to the Quanex Corporation 1997 Key Employee Stock Option Plan and the Quanex Corporation 1997 Non-Employee Director Sock Option Plan

Registration Statement No. 333-22977, filed March 7, 1997, as amended by Post- Effective Amendment No. 1, filed February 2, 1999, relating to the Piper Impact 401(k) Plan

Registration Statement No. 333-18267, filed December 19, 1996, relating to the Quanex Corporation 1996 Employee Stock Option and Restricted Stock Plan and the Quanex Corporation Deferred Compensation Plan

Registration Statement No. 33-57235, filed January 11, 1995, relating to the Quanex Corporation Employee Stock Purchase Plan

Registration Statement No. 33-54081, filed June 10, 1994, as amended by Post- Effective Amendment No. 1 filed February 2, 1999, relating to the Nichols- Homeshield 401(k) Savings Plan

Registration Statement No. 33-54085, filed June 10, 1994, as amended by Post- Effective Amendment No. 1 filed February 2, 1999, relating to the Nichols- Homeshield 401(k) Savings Plan for Davenport Hourly Employees

Registration Statement No. 33-54087, filed June 10, 1994, relating to the Quanex Corporation Employee Stock Option and Restricted Stock Plan

Registration Statement No. 33-46824, filed March 30, 1992, as amended by Post- Effective Amendment No. 1 filed February 2, 1999, relating to the Quanex Corporation Hourly Bargaining Unity Employee Savings Plan

Registration Statement No. 33-38702, filed January 25, 1991, as amended by Post- Effective Amendment No. 1 filed February 2, 1999, relating to the Quanex Corporation Employee Savings Plan

Registration Statement No. 33-35128, filed June 4, 1990, relating to the Quanex Corporation 1989 Non-Employee Director Stock Option Plan

Registration Statement No. 33-29585, filed June 29, 1989, relating to the Quanex Corporation 1988 Stock Option Plan

Registration Statement No. 33-22550, filed June 15, 1988, relating to the Quanex Corporation 1987 Non-Employee Director Stock Option Plan

Registration Statement No. 33-23474, as amended by Post-Effective Amendment No. 1 and Post-Effective Amendment No. 2 filed June 28, 1989, relating to the Quanex Corporation 1978 Stock Option Plan

Registration Statement No. 333-36635, filed September 29, 1997, relating to the Quanex Corporation Deferred Compensation Trust

Dated: February 25, 1999

/s/ VERNON E.OECHSLE

Vernon E. Oechsle

/s/ DONALD G. BARGER, JR.

Donald G. Barger, Jr.

/s/ SUSAN F. DAVIS

Susan F. Davis

/s/ RUSSELL M. FLAUM

Russell M. Flaum

/s/ JOHN D. O'CONNER

John D. O'Connell

/s/ CARL E. PFEIFFER

Carl E. Pfeiffer

/s/ VINCENT R. SCORSONE

Vincent R. Scorsone

/s/ MICHAEL J. SEBASTIAN

Michael J. Sebastian