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

FORM 10-Q

(Mark One)

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended January 31, 2014

OR

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

For the transition period from to

Commission File Number 1-33913

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

DELAWARE	**26-1561397**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

1800 West Loop South, Suite 1500, Houston, Texas 77027
(Address of principal executive offices and zip code)
Registrant's telephone number, including area code: (713) 961-4600

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	x	Accelerated filer	☐
Non-accelerated filer	o (Do not check if a smaller reporting company)	Smaller reporting company	☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No x

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at March 3, 2014
Common Stock, par value $0.01 per share	37,487,907

QUANEX BUILDING PRODUCTS CORPORATION

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

QUANEX BUILDING PRODUCTS CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	January 31, 2014	October 31, 2013
	(In thousands, except share amounts)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 25,807	$ 49,736
Accounts receivable, net of allowance for doubtful accounts of $775 and $561	72,459	98,833
Inventories, net (Note 3)	74,498	58,316
Deferred income taxes	24,769	22,786
Prepaid and other current assets	7,352	6,612
Total current assets	204,885	236,283
Property, plant and equipment, net of accumulated depreciation of $354,014 and $348,927	160,531	157,219
Deferred income taxes	13,277	13,444
Goodwill (Note 4)	71,838	71,866
Intangible assets, net (Note 4)	76,969	78,962
Other assets	13,543	14,041
Total assets	$ 541,043	$ 571,815
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 67,278	$ 76,900
Accrued liabilities	29,679	44,785
Current maturities of long-term debt (Note 5)	187	183
Total current liabilities	97,144	121,868
Long-term debt (Note 5)	721	752
Deferred pension and postretirement benefits (Note 6)	4,506	3,712
Liability for uncertain tax positions (Note 8)	5,435	5,396
Non-current environmental reserves (Note 9)	8,862	9,255
Other liabilities	12,114	14,638
Total liabilities	128,782	155,621
Commitments and contingencies (Note 9)		
Stockholders' equity:		
Preferred stock, no par value, shares authorized 1,000,000; issued and outstanding - none	—	—
Common stock, $0.01 par value, shares authorized 125,000,000; issued 37,646,075 and 37,653,639, respectively	376	377
Additional paid-in-capital	247,479	247,642
Retained earnings	172,059	177,456
Accumulated other comprehensive loss	(2,209)	(2,400)
Less: Treasury stock at cost, 386,418 and 488,385 shares, respectively	(5,444)	(6,881)
Total stockholders' equity	412,261	416,194
Total liabilities and stockholders' equity	$ 541,043	$ 571,815

The accompanying notes are an integral part of the financial statements.

QUANEX BUILDING PRODUCTS CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF INCOME (LOSS)
(Unaudited)

	Three Months Ended January 31,	
	2014	2013
	(In thousands, except per share amounts)	
Net sales	$ 202,362	$ 185,713
Cost and expenses:		
Cost of sales (excluding depreciation and amortization)	171,904	162,690
Selling, general and administrative	24,767	27,051
Depreciation and amortization	10,294	9,657
Asset impairment charges	510	—
Operating loss	(5,113)	(13,685)
Non-operating income (expense):		
Interest expense	(158)	(139)
Other, net	96	(91)
Loss before income taxes	(5,175)	(13,915)
Income tax benefit	1,275	5,797
Net loss	$ (3,900)	$ (8,118)
Loss per common share:		
Basic	$ (0.11)	$ (0.22)
Diluted	$ (0.11)	$ (0.22)
Weighted-average common shares outstanding:		
Basic	37,003	36,809
Diluted	37,003	36,809
Cash dividends per share	$ 0.04	$ 0.04

The accompanying notes are an integral part of the financial statements.

QUANEX BUILDING PRODUCTS CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Unaudited)

	Three Months Ended January 31, 2014	Three Months Ended January 31, 2013
	(In thousands)	
Net loss	$ (3,900)	$ (8,118)
Other comprehensive income:		
Foreign currency translation adjustments (pretax)	55	901
Foreign currency translation adjustments tax benefit	14	125
Change in pension from net unamortized gain adjustment (pretax)	122	—
Other comprehensive income, net of tax	191	1,026
Comprehensive loss	$ (3,709)	$ (7,092)

The accompanying notes are an integral part of the financial statements.

QUANEX BUILDING PRODUCTS CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW
(Unaudited)

	Three Months Ended January 31,	
	2014	2013
	(In thousands)	
Operating activities:		
Net loss	$ (3,900)	$ (8,118)
Adjustments to reconcile net loss to cash used for operating activities:		
Depreciation and amortization	10,294	9,657
Stock-based compensation	1,090	1,709
Deferred income tax benefit	(1,885)	(6,499)
Excess tax benefit from share-based compensation	(1)	(169)
Asset impairment charges	510	—
Other, net	728	482
Changes in assets and liabilities, net of effects from acquisitions and dispositions:		
Decrease in accounts receivable	26,654	10,862
Increase in inventory	(15,998)	(13,417)
Increase in other current assets	(594)	(291)
Decrease in accounts payable	(10,894)	(11,496)
Decrease in accrued liabilities	(15,027)	(15,593)
Increase in income taxes	26	487
Increase in deferred pension and postretirement benefits	915	862
(Decrease) increase in other long-term liabilities	(1,087)	295
Other, net	(2,315)	889
Cash used for operating activities	(11,484)	(30,340)
Investing activities:		
Acquisitions, net of cash acquired	(5,161)	(22,449)
Capital expenditures	(6,748)	(11,500)
Proceeds from property insurance claim	400	—
Proceeds from disposition of capital assets	303	16
Cash used for investing activities	(11,206)	(33,933)
Financing activities:		
Repayments of other long-term debt	(26)	(25)
Common stock dividends paid	(1,490)	(1,482)
Issuance of common stock	331	508
Excess tax benefit from share-based compensation	1	169
Debt issuance costs	—	(1,070)
Cash used for financing activities	(1,184)	(1,900)
Effect of exchange rate changes on cash and cash equivalents	(55)	(524)
Decrease in cash and cash equivalents	(23,929)	(66,697)
Cash and cash equivalents at beginning of period	49,736	71,255
Cash and cash equivalents at end of period	$ 25,807	$ 4,558

The accompanying notes are an integral part of the financial statements.

QUANEX BUILDING PRODUCTS CORPORATION
CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
(Unaudited)

Three Months Ended January 31, 2014	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Total Stockholders' Equity
	(In thousands, no per share amounts shown except in verbiage)					
Balance at October 31, 2013	$ 377	$ 247,642	$ 177,456	$ (2,400)	$ (6,881)	$ 416,194
Net loss	—	—	(3,900)	—	—	(3,900)
Foreign currency translation adjustment (net of tax benefit of $14)	—	—	—	69	—	69
Change in pension from net unamortized gain				122		122
Common dividends ($0.04 per share)	—	—	(1,490)	—	—	(1,490)
Stock-based compensation activity:						
Expense related to stock-based compensation	—	1,090	—	—	—	1,090
Stock options exercised	—	27	—	—	304	331
Tax benefit from share-based compensation	—	(19)	—	—	—	(19)
Restricted stock awards granted	—	(1,133)	—	—	1,133	—
Other	(1)	(128)	(7)	—	—	(136)
Balance at January 31, 2014	$ 376	$ 247,479	$ 172,059	$ (2,209)	$ (5,444)	$ 412,261

The accompanying notes are an integral part of the financial statements.

QUANEX BUILDING PRODUCTS CORPORATION
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Nature of Operations and Basis of Presentation

Quanex Building Products Corporation is a leading component supplier of engineered materials and aluminum sheet products for original equipment manufacturers (OEMs) through two reportable business segments: (1) Engineered Products and (2) Aluminum Sheet Products. Quanex Building Products Corporation produces energy efficient window components that include flexible insulating glass spacers, extruded vinyl profiles, and thin film solar panel sealants, as well as window and door screens and precision-formed metal and wood products. Aluminum sheet products include high quality mill finished and coated aluminum sheet that is tailored to customers' specifications. Quanex Building Products Corporation serves a primary customer base in North America and also serves customers in international markets through operating plants in the United Kingdom and Germany, as well as through sales and marketing efforts in other countries.

Unless the context indicates otherwise, references to "Quanex", the "Company", "we", "us" and "our" refer to the consolidated business operations of Quanex Building Products Corporation and its subsidiaries.

The accompanying interim condensed consolidated financial statements include the accounts of Quanex Building Products Corporation. All intercompany accounts and transactions have been eliminated in consolidation. These financial statements have been prepared by us, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) have been condensed or omitted pursuant to such rules and regulations. The consolidated balance sheet as of October 31, 2013 was derived from audited financial information, but does not include all disclosures required by U.S. GAAP. The accompanying financial statements should be read in conjunction with the audited consolidated financial statements and the notes thereto, included in our Annual Report on Form 10-K for the fiscal year ended October 31, 2013. In our opinion, the accompanying financial statements contain all adjustments (which consist of normal recurring adjustments, except as disclosed herein) necessary to fairly present our financial position, results of operations and cash flows for the interim periods. The results of operations for the periods presented are not necessarily indicative of the results to be expected for the full year or for any future periods.

In preparing financial statements, we make informed judgments and estimates that affect the reported amounts of assets and liabilities as of the date of the financial statements and affect the reported amounts of revenues and expenses during the reporting period. We review our estimates on an on-going basis, including those related to impairment of long lived assets and goodwill, contingencies and income taxes. Changes in facts and circumstances may result in revised estimates and actual results may differ from these estimates.

Discontinued Operations:

In February 2014, we signed a purchase agreement with Aleris International, Inc., to sell our interest in a limited liability company which holds the net assets of our Nichols Aluminum business, the sole operating segment included in our Aluminum Sheet Products reportable segment. The sale price is $110.0 million, subject to a working capital adjustment. We expect to record a gain on the transaction when the transaction closes. We received regulatory approval and expect to close this transaction on March 31, 2014. The full text of the purchase agreement was included as an exhibit to our Current Report on Form 8-K as filed with the SEC on February 10, 2014.

We evaluated the criteria prescribed by U.S. GAAP for recording a disposal group as held for sale and discontinued operations. This criteria was not met as of January 31, 2014. Therefore, we did not present this disposal group as a discontinued operation in the accompanying balance sheets and statements of income (loss).

The following table presents the unaudited pro forma effect of the sale of this business on the presentation of net sales, loss before income taxes and net loss for each of the periods presented in the accompanying condensed consolidated statements of income (loss). No pro forma effect of the gain on the sale of this business is included in the following table.

	As Reported	Disposal Group	As Adjusted
		(In thousands)	
Quarter Ended January 31, 2014			
Net sales	$ 202,362	$ 79,491	$ 122,871
Loss before income taxes	$ (5,175)	$ (4,251)	$ (924)
Net loss	$ (3,900)	$ (2,689)	$ (1,211)

	As Reported	Disposal Group	As Adjusted
		(In thousands)	
Quarter Ended January 31, 2013			
Net sales	$ 185,713	$ 84,603	$ 101,110
Loss before income taxes	$ (13,915)	$ (4,229)	$ (9,686)
Net loss	$ (8,118)	$ (2,676)	$ (5,442)

If the assets and liabilities associated with our Aluminum Sheet Products reportable segment had been reclassified as held for sale at January 31, 2014 and October 31, 2013, the effect of such presentation at an unaudited condensed consolidated balance sheet caption level is summarized in the following table.

	As Reported	Disposal Group	As Adjusted
		(In thousands)	
As of January 31, 2014			
Current assets:			
Accounts receivable, net	$ 72,459	$ (31,110)	$ 41,349
Inventories, net	74,498	(22,423)	52,075
Deferred income taxes	24,769	(2,102)	22,667
Prepaid and other current assets	7,352	(1,616)	5,736
Current assets held-for-sale	$ —	$ 57,251	$ 57,251
Long-term assets:			
Property, plant and equipment, net	$ 160,531	$ (50,342)	$ 110,189
Deferred income taxes	13,277	(6,413)	6,864
Goodwill	71,838	—	71,838
Intangible assets, net	76,969	—	76,969
Other assets	13,543	(8,179)	5,364
Long-term assets held-for-sale	$ —	$ 64,934	$ 64,934
Current liabilities:			
Accounts payable	$ 67,278	$ (29,702)	$ 37,576
Accrued liabilities	29,679	(9,231)	20,448
Current maturities of long-term debt	187	(24)	163
Current liabilities held-for-sale	$ —	$ 38,957	$ 38,957
Long-term liabilities:			
Long-term debt	$ 721	$ (35)	$ 686
Deferred pension and postretirement benefits	4,506	(310)	4,196
Liability for uncertain tax positions	5,435	—	5,435
Non-current environmental reserves	8,862	(8,862)	—
Other liabilities	12,114	(1,018)	11,096
Long-term liabilities held-for-sale	$ —	$ 10,225	$ 10,225

	As Reported	Disposal Group	As Adjusted
		(In thousands)	
As of October 31, 2013			
Current assets:			
Accounts receivable, net	$ 98,833	$ (40,166)	$ 58,667
Inventories, net	58,316	(16,435)	41,881
Deferred income taxes	22,786	(2,102)	20,684
Prepaid and other current assets	6,612	(1,700)	4,912
Current assets held for sale	$ —	$ 60,403	$ 60,403
Long-term assets:			
Property, plant and equipment, net	$ 157,219	$ (50,398)	$ 106,821
Deferred income taxes	13,444	(6,413)	7,031
Goodwill	71,866	—	71,866
Intangible assets, net	78,962	—	78,962
Other assets	14,041	(8,472)	5,569
Long-term assets held for sale	$ —	$ 65,283	$ 65,283
Current liabilities:			
Accounts payable	$ 76,900	$ (39,483)	$ 37,417
Accrued liabilities	44,785	(9,802)	34,983
Current maturities of long-term debt	183	(22)	161
Current liabilities held for sale	$ —	$ 49,307	$ 49,307
Long-term liabilities:			
Long-term debt	$ 752	$ (51)	$ 701
Deferred pension and postretirement benefits	3,712	(234)	3,478
Liability for uncertain tax positions	5,396	—	5,396
Non-current environmental reserves	9,255	(9,255)	—
Other liabilities	14,638	(1,018)	13,620
Long-term liabilities held for sale	$ —	$ 10,558	$ 10,558

2. Acquisitions

On December 31, 2013, we acquired certain vinyl extrusion assets of Atrium Windows and Doors, Inc. (Atrium) at a facility in Greenville, Texas, for $5.2 million in cash (Greenville). We accounted for this transaction as a business combination resulting in an insignificant gain on the purchase. We entered into a supply agreement with Atrium related to the products produced at Greenville. We believe this acquisition expands our vinyl extrusion capacity and positions us with a platform from which to better serve our customers in the southern United States. This business has been included in our operating results for the Engineered Products reportable segment since the date of acquisition.

The purchase price has been allocated to the fair value of the assets acquired and liabilities assumed, as indicated in the table below. This allocation is based on estimates and assumptions that are subject to change within the purchase price allocation period (generally one year from the acquisition date).

	As of Date of Opening Balance Sheet
	(In thousands)
Net assets acquired:	
Inventories	$ 161
Prepaid and other current assets	145
Property, plant and equipment	4,695
Intangible assets	290
Deferred income tax liability	(50)
Net assets acquired	$ 5,241
Consideration:	
Cash, net of cash and cash equivalents acquired	$ 5,161
Gain recognized on bargain purchase	$ 80

We used recognized valuation techniques to determine the fair value of the assets and liabilities, including the income approach for customer relationships, with a discount rate that reflects the risk of the expected future cash flows. The gain on bargain purchase of approximately $0.1 million is included in "Other, net" on our condensed consolidated statement of income (loss).

Pro forma results of operations were not presented because this acquisition was not deemed to be material to our results of operations for the three months ended January 31, 2014.

Alumco

On December 31, 2012, we acquired substantially all of the assets of Alumco, Inc. and its subsidiaries (Alumco), including its aluminum screen business, for $22.4 million in cash. The purchase agreement contains (1) a working capital clause that provides for an adjustment to the purchase price based on the working capital balance as of the acquisition date and (2) an earn-out clause that provides for the payment of an additional $0.5 million to Alumco contingent upon the achievement of certain financial targets. We received $0.4 million from the prior owner of Alumco pursuant to the working capital clause which reduced the consideration paid from $22.4 million to $22.1 million during the second quarter of 2013. We recorded contingent consideration of $0.3 million as the fair value of the earn-out included in the purchase price. As of October 31, 2013, we determined that the earn-out provision criteria would not be met and decreased expense by $0.3 million.

The purchase price has been allocated to the fair value of the assets acquired and liabilities assumed, as indicated in the table below.

	As of Date of Opening Balance Sheet
	(In thousands)
Net assets acquired:	
Accounts receivable	$ 3,638
Inventories	5,062
Prepaid and other current assets	140
Property, plant and equipment	4,682
Intangible assets	8,939
Accounts payable	(2,066)
Accrued liabilities	(993)
Current maturities of long-term debt	(14)
Long-term debt	(77)
Goodwill	2,785
Net assets acquired	$ 22,096
Consideration:	
Cash, net of cash and cash equivalents acquired	$ 22,096

We used recognized valuation techniques to determine the fair value of the assets and liabilities, including the income approach for customer relationships, with a discount rate that reflects the risk of the expected future cash flows. The goodwill balance, which is deductible for tax purposes, was allocated entirely to the Engineered Products reportable segment. We expect that this acquisition expands our product portfolio and geographic distribution capabilities particularly in the vinyl window segment in the screen market.

The Alumco acquisition was not deemed material to our results of operations for the three months ended January 31, 2013. Therefore, we have not presented pro forma results of operations.

3. Inventories

Inventories consisted of the following at January 31, 2014 and October 31, 2013:

	January 31, 2014	October 31, 2013
	(In thousands)	
Raw materials	$ 37,726	$ 32,215
Finished goods and work in process	45,826	35,657
Supplies and other	2,727	2,269
Total	86,279	70,141
Less: Inventory reserves	11,781	11,825
Inventories, net	$ 74,498	$ 58,316

Fixed costs related to excess manufacturing capacity, if any, have been expensed in the period they were incurred and, therefore, are not capitalized into inventory. Our inventories at January 31, 2014 and October 31, 2013 were valued using the following costing methods:

	January 31, 2014	October 31, 2013
	(In thousands)	
LIFO	$ 24,868	$ 17,211
FIFO	49,630	41,105
Total	$ 74,498	$ 58,316

During interim periods, we estimate a LIFO reserve based on our expectations of year-end inventory levels and costs. If our calculations indicate that an adjustment at year-end will be required, we record a proportionate share of this amount during the period. At year-end, we calculate the actual LIFO reserve and record an adjustment for the difference between the annual calculation and any estimates recognized during the interim periods. Because the interim projections are subject to many factors beyond our control, the results could differ significantly from the year-end LIFO calculation. We recorded no interim LIFO allocation for the three-month periods ended January 31, 2014 and 2013.

For inventories valued under the LIFO method, replacement cost exceeded the LIFO value by approximately $8.1 million as of January 31, 2014 and October 31, 2013.

4. Goodwill and Intangible Assets

Goodwill

Goodwill was attributed entirely to our Engineered Products reportable segment. The change in the carrying amount of goodwill for the three months ended January 31, 2014 was as follows:

	Three Months Ended January 31, 2014
	(In thousands)
Beginning balance as of November 1, 2013	$ 71,866
Acquisition	—
Foreign currency translation adjustment	(28)
Balance as of the end of the period	$ 71,838

Identifiable Intangible Assets

Amortizable intangible assets consisted of the following as of January 31, 2014 and October 31, 2013:

	January 31, 2014		October 31, 2013	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
	(In thousands)			
Customer relationships	$ 53,074	$ 16,630	$ 52,793	$ 15,630
Trademarks and trade names	44,586	18,239	44,576	17,498
Patents and other technology	25,402	11,804	25,390	11,319
Other	1,392	812	1,392	742
Total	$ 124,454	$ 47,485	$ 124,151	$ 45,189

Included in intangible assets as of January 31, 2014 were customer relationships of $0.3 million associated with the Greenville acquisition. These assets have estimated useful lives of 5 years. See Note 2, "Acquisitions", included herewith.

The aggregate amortization expense related to identifiable intangible assets was $2.3 million and $2.2 million, for the three months ended January 31, 2014, and 2013, respectively.

Estimated remaining amortization expense, assuming current intangible balances and no new acquisitions, for each of the fiscal years ending October 31, was as follows (in thousands):

	Estimated Amortization Expense
2014 (remaining 9 months)	$ 6,769
2015	8,928
2016	8,657
2017	8,551
2018	8,303
Thereafter	35,761
Total	$ 76,969

5. Long-Term Debt and Capital Lease Obligations

Long-term debt consisted of the following at January 31, 2014 and October 31, 2013:

	January 31, 2014	October 31, 2013
	(In thousands)	
Revolving Credit Facility	$ —	$ —
City of Richmond, Kentucky Industrial Building Revenue Bonds	700	700
Capital lease obligations and other	208	235
Total debt	908	935
Less: Current maturities	187	183
Long-term debt	$ 721	$ 752

On January 28, 2013, we entered into a Senior Unsecured Revolving Credit Facility (the Credit Facility) that has a five-year term and permits aggregate borrowings at any time of up to $150 million, with a letter of credit sub-facility, a swing line sub-facility and a multi-currency sub-facility. Borrowings denominated in U.S. dollars bear interest at a spread above the London Interbank Borrowing Rate (LIBOR) or a base rate derived from the prime rate. Foreign denominated borrowings bear interest at a spread above the LIBOR applicable to such currencies. Subject to customary conditions, we may request that the aggregate commitments under the Credit Facility be increased by up to $100 million, with total commitments not to exceed $250 million. The Credit Facility replaces our previous senior unsecured revolving credit facility (the Retired Facility) that was scheduled to expire on April 23, 2013.

The Credit Facility requires us to comply with certain financial covenants, the terms of which are defined therein. Specifically, we must not permit, on a quarterly basis, our ratio of consolidated EBITDA to consolidated interest expense as defined (Minimum Interest Coverage Ratio), to fall below 3.00:1 or our ratio of consolidated funded debt to consolidated EBITDA, as defined (Maximum Consolidated Leverage Ratio), to exceed 3.25:1. The Maximum Consolidated Leverage Ratio is the ratio of consolidated EBITDA to consolidated interest expense, in each case for the previous four consecutive fiscal quarters. EBITDA is defined by the indenture to include pro forma EBITDA of acquisitions and to exclude certain items such as goodwill and intangible asset impairments and certain other non-cash charges and non-recurring items. Subject to our compliance with the covenant requirements, the amount available under the Credit Facility is a function of: (1) our trailing twelve-month EBITDA; (2) the Minimum Interest Coverage Ratio and Maximum Consolidated Leverage Ratio allowed under the Credit Facility; and (3) the aggregate amount of our outstanding debt and letters of credit. As of January 31, 2014, we were in compliance with the financial covenants set forth in the Credit Facility.

As of January 31, 2014, the amount available to us for use under the Credit Facility was limited to $142.8 million and we had outstanding letters of credit of $6.3 million. For the three-month period ended January 31, 2014, we did not borrow any amounts under the Credit Facility, and thus had no outstanding borrowings at January 31, 2014. Our current borrowing rate under the Credit Facility was 3.25% and 1.20% for the swing-line sub facility and the revolver, respectively, at January 31, 2014. As of October 31, 2013, the amount available to us for use under the Credit Facility was limited to $139.0 million and we had outstanding letters of credit of $6.2 million. Our borrowing rate under the Credit Facility was 3.25% and 1.20% for the swing-line sub facility and the revolver, respectively, at October 31, 2013.

Prior to January 28, 2013, we maintained a $270.0 million senior unsecured revolving credit facility (the Retired Facility) which had been executed on April 23, 2008 and was scheduled to mature on April 23, 2013. The Retired Facility provided for up to $50.0 million of standby letters of credit, limited based on availability, as defined. Amounts borrowed under the facility were to bear interest at a spread above LIBOR based on a combined leverage and ratings grid. In addition, the Retired Facility contained restrictive debt covenants, as defined in the indenture, and contained certain limits on additional indebtedness, asset or equity sales and acquisitions. During the period from November 1, 2012 through January 28, 2013, we were in compliance with our debt covenants and did not borrow funds pursuant to the Retired Facility.

6. Retirement Plans

Pension Plan

Our non-contributory, single employer defined benefit pension plan covers substantially all non-union employees. The net periodic pension cost for this plan for the three-month periods ended January 31, 2014 and 2013 was as follows:

	Three Months Ended January 31, 2014	2013
	(In thousands)	
Service cost	$ 920	$ 907
Interest cost	263	194
Expected return on plan assets	(423)	(365)
Amortization of net loss	—	62
Net periodic benefit cost	$ 760	$ 798

In February 2014, we contributed $1.1 million to fund our plan and currently we do not expect to make additional contributions during the remainder of our current fiscal year.

Deferred Compensation Plan

We also have a non-qualified deferred compensation plan covering members of the Board of Directors and certain key employees. As of January 31, 2014 and October 31, 2013, our liability under the deferred compensation plan was approximately $3.5 million and $6.7 million, respectively. In January 2014, we paid a vested balance of $3.3 million to our former Chairman, President and Chief Executive Officer, Mr. David Petratis.

7. Warranty Obligations

We accrue warranty obligations as we recognize revenue associated with certain products. We make provisions for our warranty obligations based upon historical experience of costs incurred for such obligations adjusted, as necessary, for current conditions and factors. During January 2014, we reduced our warranty accrual by $2.8 million for certain products associated with our insulating glass business that were discontinued in a prior year and for which claim activity for a particular customer had ceased. There are significant uncertainties and judgments involved in estimating our warranty obligations, including changing product designs, differences in customer installation processes and future claims experience which may vary from historical claims experience. Therefore, the ultimate amount we incur as warranty costs in the near and long-term may not be consistent with our current estimate.

A reconciliation of the activity related to our accrued warranty, including both the current and long-term portions (reported in accrued liabilities and other liabilities, respectively, on the accompanying condensed consolidated balance sheet) follows:

	Three Months Ended January 31, 2014	
	(In thousands)	
Beginning balance as of November 1, 2013	$	3,684
Provision for warranty expense		349
Change in accrual for pre-existing warranties		(3,071)
Warranty costs paid		(242)
Total accrued warranty as of the end of the period		720
Less: Current portion of accrued warranty		389
Long-term portion of accrued warranty	$	331

8. Income Taxes

To determine our income tax expense for interim periods, consistent with accounting standards, we apply the estimated annual effective income tax rate to year-to-date results. The rate is based on the annualized forecast of pretax income, permanent book versus tax differences and estimated tax credits. Our estimated annual effective tax rates for the three months ended January 31, 2014 and 2013, were a benefit of 24.6% and 41.7%, respectively. The decrease in the first quarter 2014 benefit is attributable to the change in the tax status of our facility in the United Kingdom (UK). On November 1, 2013, the assets of our UK branch were contributed to a newly formed wholly-owned UK subsidiary. This change resulted in a U.S. taxable charge and was booked as a discrete item in the quarter. We intend to indefinitely reinvest any future undistributed earnings of the new subsidiary.

We evaluate the likelihood of realization of our deferred tax assets by considering both positive and negative evidence. We believe there is no need for a valuation allowance of the federal net operating losses. However, if we record three years of cumulative losses, after adjusting for non-recurring items, we may be required to increase our valuation allowance to the full extent of our net deferred tax assets of $45.9 million. We will continue to evaluate our position throughout fiscal 2014. We maintain a valuation allowance for certain state net operating losses which totaled $2.5 million at January 31, 2014.

Our unrecognized tax benefit (UTB) is related to the 2008 spin-off of Quanex from its former parent and certain state tax items regarding the interpretation of tax laws and regulations. The total UTB as of January 31, 2014 is $13.2 million. Of this, $5.4 million is recorded as a liability for uncertain tax positions and $7.8 million is recorded in non-current deferred income taxes. The UTB includes $12.4 million for which the recognition of such items would not affect the annual effective tax rate.

Judgment is required in assessing the future tax consequences of events that have been recognized in our financial statements or tax returns. The final outcome of the future tax consequences of legal proceedings, if any, as well as the outcome of competent authority proceedings, changes in regulatory tax laws, or interpretation of those tax laws could impact our financial statements. We are subject to the effect of these matters occurring in various jurisdictions. We believe it is reasonably possible that a decrease of approximately $2.0 million in the UTB may be recognized within the next twelve months as a result of the lapse in the statute of limitations.

In February 2014, we were notified by the Internal Revenue Service that our federal income tax returns for the tax years ended October 31, 2011 and 2012 will be examined during 2014.

9. Contingencies

Environmental

We are subject to extensive laws and regulations concerning the discharge of materials into the environment and the remediation of chemical contamination. To satisfy such requirements, we must invest capital and make other expenditures on an on-going basis. We accrue for remediation obligations and adjust our accruals as information becomes available and circumstances develop. Those estimates may change substantially depending on various factors, including the nature and extent of contamination, appropriate remediation technologies, and regulatory approvals. When we accrue for environmental remediation liabilities, costs of future expenditures are not discounted to their present value, unless the amount and timing of the expenditures are fixed or reliably determinable. When environmental laws are deemed to impose joint and several liability for the costs of responding to contamination, information indicates that it is probable we have incurred a loss, and such amount is estimable, we accrue our allocable share of liability taking into account the number of parties participating, the ability of such counter-parties to pay their share of the costs, the volume and nature of the wastes involved, the nature of anticipated response actions, and the nature of our alleged connection to the contamination. The cost of environmental matters has not had a material adverse effect on our operations or financial condition in the past, and we are not currently aware of any conditions that, we believe, are likely to have a material adverse effect on our operations, financial condition or cash flows.

The table below indicates the total environmental reserve and corresponding recoverable balances as well as where these balances are reported in the accompanying condensed consolidated balance sheets as of January 31, 2014 and October 31, 2013:

	January 31, 2014	October 31, 2013
	(In thousands)	
Accrued liabilities	$ 1,550	$ 1,550
Non-current environmental reserves	8,862	9,255
Total environmental reserves	$ 10,412	$ 10,805
Accounts receivable	$ 1,257	$ 903
Other current assets	1,395	1,395
Other assets (non-current)	7,976	8,330
Total receivable for recovery of remediation costs	$ 10,628	$ 10,628

Currently, our on-going remediation activities are associated with one of our subsidiaries, Nichols Aluminum-Alabama, LLC (NAA). NAA operates a plant in Decatur, Alabama that is subject to an Alabama Hazardous Wastes Management and Minimization Act Post-Closure Permit. Among other things, the permit requires NAA to remediate, as directed by the state, historical environmental releases of wastes and waste constituents. Consistent with the permit, NAA has undertaken various studies of site conditions and, during the first quarter 2006, started a phased program to treat in-place free product petroleum that had been released underneath the plant. During the second quarter 2010, NAA submitted to the state the first component of its proposed workplan for implementing a site-wide remedy. The full workplan was submitted to the state during the third quarter 2010, revised during the second quarter 2011 to reflect both additional sampling data and responses to state comments, and revised again in the fourth quarter 2011 in response to another round of state comments. In September 2013, the state approved NAA's cleanup plan and incorporated it into a revised Post-Closure Permit. Based on the cleanup activities set forth in that Permit, and current information about site conditions, our remediation reserve at NAA's Decatur plant is $10.4 million as of January 31, 2014. Approximately $0.6 million of the January 31, 2014 reserve represents administrative costs; the balance of $9.8 million represents estimated costs for investigation, studies, cleanup, and treatment. The reserve has not been discounted. NAA was acquired through a stock purchase in which the sellers agreed to indemnify us and NAA for identified environmental matters related to the business and based on conditions initially created or events initially occurring prior to the acquisition. Environmental conditions are presumed to relate to the period prior to the acquisition unless proven to relate to releases occurring entirely after closing. The limit on indemnification is $21.5 million excluding legal fees. While our current estimates indicate we will not reach this limit, changing circumstances could result in additional costs or expenses that are not foreseen at this time. In accordance with the indemnification, the indemnitors paid the first $1.5 million of response costs and have been paying 90% of on-going costs. Based on our experience to date, the estimated cleanup costs going forward, and costs incurred to date as of January 31, 2014, we expect to recover from the sellers' shareholders an additional $10.6 million which has not been discounted.

Our final remediation costs and the timing of those expenditures will depend upon such factors as the nature and extent of contamination, the cleanup technologies employed, the effectiveness of the cleanup measures that are employed, and regulatory concurrences. While actual remediation costs, therefore, may be more or less than amounts accrued, we believe that we have established adequate reserves for all probable and reasonably estimable remediation liabilities. It is not possible at this point to reasonably estimate the amount of any obligation for remediation in excess of current accruals because of uncertainties as to the extent of environmental impact, cleanup technologies, and concurrence of governmental authorities. Currently, we expect the accrued remediation reserve to be paid through fiscal year 2035, although some of the same factors discussed earlier could accelerate or extend the timing.

As discussed in Note 1, "Nature of Operations and Basis of Presentation - Discontinued Operations", we signed a purchase agreement in February 2014 to sell our Aluminum Sheet Products business, of which NAA is a component business unit.

Fire Loss

In November 2013, the cold mill at NAA was damaged due to fire. There were no employee injuries. However, we sustained losses to the building, the cold mill and other equipment from the fire, smoke and water damage. Our current estimate of losses incurred including business interruption costs is $7.0 million. Of this amount, we expect to recover the full value, excluding our deductible of $0.5 million, from our insurance provider. In December 2013, we received a portion of the property insurance claim in the amount of $0.4 million from our insurance provider to recover these losses. We have also recorded an asset impairment charge of $0.5 million to write-off the net book value associated with the damaged assets in the accompanying condensed consolidated statement of income (loss). Other than the cold mill, the equipment at the facility is currently operating while repairs are underway.

Other

From time to time, we, along with our subsidiaries, are involved in various litigation matters arising in the ordinary course of our business. Although the ultimate resolution and impact of such litigation is not presently determinable, we believe that the eventual outcome of such litigation will not have a material adverse effect on our overall financial condition, results of operations or cash flows.

10. Derivative Instruments

Our derivative activities are subject to the management, direction, and control of the Chief Financial Officer and Chief Executive Officer. Certain transactions in excess of specified levels require further approval from the Board of Directors.

The nature of our business activities requires the management of various financial and market risks, including those related to changes in foreign currency exchange rates and aluminum scrap prices. We use foreign currency forwards and options and aluminum forward and swap contracts to mitigate or eliminate certain of those risks. Specifically, the foreign currency contracts are used to offset fluctuations in the value of accounts receivable and payable balances that are denominated in currencies other than the U.S. dollar, including the Euro, British Pound and Canadian Dollar. We use aluminum contracts to minimize the price risk related to customer sales contracts. Historically, we have entered into firm price raw material purchase commitments (which are designated as "normal purchases" under ASC topic 815 *"Derivatives and Hedging"* (ASC 815)) as well as certain forward purchase and sale contracts and a swap contract with the commodity price based on published amounts from the London Metal Exchange (LME). Our risk management policy, as it relates to these LME contracts, is to enter into contracts as needed so that raw material purchase levels, including both fixed price purchase commitments as well as LME contracts, match our needs to meet the committed sales orders. Currently, we do not enter into derivative transactions for speculative or trading purposes. We are exposed to credit loss in the event of nonperformance by the counterparties to our derivative transactions. We attempt to mitigate this risk by monitoring the creditworthiness of our counterparties and limiting our exposure to individual counterparties. In addition, we have established master netting agreements in certain cases to facilitate the settlement of gains and losses on specific derivative contracts.

We have not designated any of our derivative contracts as hedges for accounting purposes. Therefore, changes in the fair value of these contracts and the realized gains and losses are recorded in the condensed consolidated statements of income (loss) for the three months ended January 31, 2014 and 2013 as follows:

		Three Months Ended January 31,	
		2014	2013
Derivatives Not Designated as Hedging Instruments:	**Location of Gain or (Loss):**	(In thousands)	
Aluminum derivatives	Cost of sales	$ (115)	$ 70
Foreign currency derivatives	Other, net	$ 114	$ (708)

The fair values of our outstanding derivative contracts as of January 31, 2014 and October 31, 2013 are summarized in the following table (in thousands). We have chosen not to offset any of our derivative instruments in accordance with the provisions of ASC 815. Therefore, the assets and liabilities below are presented on a gross basis on our accompanying condensed consolidated balance sheets.

	January 31, 2014	October 31, 2013
Prepaid and other current assets:		
Aluminum derivatives	$ —	$ 50
Foreign currency derivatives	104	164
Other assets:		
Aluminum derivatives	—	8
Accrued liabilities:		
Aluminum derivatives	163	77
Foreign currency derivatives	—	39

The aluminum derivatives and foreign currency derivatives are each subject to master netting agreements.

The following table summarizes the notional amounts and fair value of outstanding derivative contracts at January 31, 2014 and October 31, 2013 (in thousands):

		Notional as indicated		Fair Value in $	
		January 31, 2014	October 31, 2013	January 31, 2014	October 31, 2013
Aluminum derivatives:					
Aluminum forward purchase contracts	LBS	2,480	3,142	$ (163)	$ 45
Aluminum swap contracts	LBS	—	187	—	(64)
Foreign currency derivatives:					
Sell EUR, buy USD	EUR	5,054	7,258	102	150
Sell CAD, buy USD	CAD	254	615	1	(2)
Sell GBP, Buy USD	GBP	216	—	1	—
Buy EUR, sell GBP	EUR	21	967	—	(12)
Buy GBP, sell USD	GBP	—	2,435	—	(25)
Sell EUR, buy GBP	EUR	—	880	$ —	$ 14

For the classification in the fair value hierarchy, see Note 11, "Fair Value Measurement of Assets and Liabilities", included herewith.

11. Fair Value Measurement of Assets and Liabilities

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy distinguishes between (1) market participant assumptions developed based on market data obtained from independent sources (observable inputs) and (2) an entity's own assumptions about market participant assumptions developed based on the best information available in the circumstances (unobservable inputs). The fair value hierarchy consists of three broad levels, which gives the highest priority to Level 1 and the lowest priority to Level 3. The three levels of the fair value hierarchy are described below:

- Level 1 - Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly including quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable for the asset or liability (e.g., interest rates) and inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 - Inputs that are both significant to the fair value measurement and unobservable.

The following table summarizes the assets and liabilities measured on a recurring basis based on the fair value hierarchy (in thousands):

	January 31, 2014				October 31, 2013			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets								
Investments in money market fund	$ 24,614	$ —	$ —	$ 24,614	$ 42,639	$ —	$ —	$ 42,639
Aluminum derivatives	—	—	—	—	—	58	—	58
Foreign currency derivatives	—	104	—	104	—	164	—	164
Total assets	$ 24,614	$ 104	$ —	$ 24,718	$ 42,639	$ 222	$ —	$ 42,861
Liabilities								
Aluminum derivatives	$ —	$ (163)	$ —	$ (163)	$ —	$ (77)	$ —	$ (77)
Foreign currency derivatives	—	—	—	—	—	(39)	—	(39)
Total liabilities	$ —	$ (163)	$ —	$ (163)	$ —	$ (116)	$ —	$ (116)
Net assets (liabilities)	$ 24,614	$ (59)	$ —	$ 24,555	$ 42,639	$ 106	$ —	$ 42,745

We hold investments in money market funds and derivative contracts that are measured at fair value on a recurring basis. The investments in money market funds are measured at fair value based on active market quotations and are therefore classified as Level 1. All of our derivative contracts are valued using quoted market prices from brokers or exchanges and are classified within Level 2 of the fair value hierarchy. We have classified our investments in money market funds as cash and cash equivalents in the accompanying condensed consolidated balance sheets.

As of January 31, 2014 and October 31, 2013, we had approximately $3.4 million and $3.7 million, respectively, of certain property, plant and equipment that was recorded at fair value on a non-recurring basis and classified as Level 3. The fair value was based on broker opinions. The decrease in value of $0.3 million from October 31, 2013 to January 31, 2014 was due to an asset sale.

Carrying amounts reported on the balance sheet for cash, cash equivalents, accounts receivable and accounts payable approximate fair value due to the short-term maturity of these instruments. Our outstanding debt was variable rate debt that re-prices frequently, thereby limiting our exposure to significant change in interest rate risk. As a result, the fair value of our debt instruments approximates carrying value at January 31, 2014 and October 31, 2013 (Level 3 measurement).

12. Stock-Based Compensation

We have established and maintain an Omnibus Incentive Plan (2008 Plan) that provides for the granting of restricted stock awards, stock options, restricted stock units, performance share awards and other stock-based and cash-based awards. The 2008 Plan is administered by the Compensation and Management Development Committee of the Board of Directors.

Restricted Stock Awards

Restricted stock awards are granted to key employees and officers annually, and typically cliff vest over a three-year period with service and continued employment as the only vesting criteria. The recipient of the restricted stock awards is entitled to all of the rights of a shareholder, except that the awards are nontransferable during the vesting period. The fair value of the restricted stock award is established on the grant date and then expensed over the vesting period resulting in an increase in additional paid-in-capital. Shares are generally issued from treasury stock at the time of grant.

A summary of non-vested restricted stock awards activity during the three months ended January 31, 2014 is presented below:

	Restricted Stock Awards	Weighted Average Grant Date Fair Value per Share
Non-vested at October 31, 2013	183,400	$ 17.46
Granted	80,400	17.63
Vested	(25,700)	16.90
Non-vested at January 31, 2014	238,100	$ 17.58

The total weighted average grant-date fair value of restricted stock awards that vested during the three months ended January 31, 2014 and 2013 was $0.4 million and $1.1 million, respectively. As of January 31, 2014, total unrecognized compensation cost related to unamortized restricted stock awards was $3.0 million. We expect to recognize this expense over the remaining weighted average period of 2.4 years.

Stock Options

Stock options are awarded to key employees, officers and non-employee directors. Director stock options vest immediately while employee and officer stock options typically vest ratably over a three-year period with service and continued employment as the vesting conditions. Our stock options may be exercised up to a maximum of ten years from the date of grant. The fair value of the stock options is determined on the grant date and expensed over the vesting period resulting in an increase in additional paid-in-capital.

We use a Black-Scholes pricing model to estimate the fair value of stock options. A description of the methodology for the valuation assumptions was disclosed in our Annual Report on Form 10-K for the fiscal year ended October 31, 2013.

The following table provides a summary of assumptions used to estimate the fair value of our stock options issued during the three-month periods ended January 31, 2014 and 2013.

	Three Months Ended January 31,	
	2014	2013
Weighted-average expected volatility	55.7%	54.0%
Weighted-average expected term (in years)	5.9	5.0
Risk-free interest rate	1.8%	0.6%
Expected dividend yield over expected term	1.0%	1.0%
Weighted average grant date fair value	$8.52	$8.98

The following table summarizes our stock option activity for the three months ended January 31, 2014:

	Stock Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (000s)
Outstanding at October 31, 2013	2,875,276	$ 15.64		
Granted	157,300	17.64		
Exercised	(21,567)	15.34		
Forfeited/Expired	(24,171)	17.36		
Outstanding at January 31, 2014	2,986,838	$ 15.74	6.9	$ 10,570
Vested or expected to vest at January 31, 2014	2,920,273	$ 15.66	6.8	$ 10,502
Exercisable at January 31, 2014	2,157,297	$ 14.80	6.0	$ 9,341

Intrinsic value is the amount by which the market price of the common stock on the date of exercise exceeds the exercise price of the stock option. The total intrinsic value of stock options exercised during the three months ended January 31, 2014 and 2013, was $0.1 million and $0.3 million, respectively. The total fair value of stock options vested during the three months ended January 31, 2014 and 2013, was $2.8 million and $2.5 million, respectively. As of January 31, 2014, total unrecognized compensation cost related to stock options was $4.1 million. We expect to recognize this expense over the remaining weighted average period of 2.1 years.

Restricted Stock Units

Restricted stock units may be awarded to key employees and officers from time to time, and annually to non-employee directors. The director restricted stock units vest immediately, whereas restricted stock units awarded to employees and officers typically cliff vest after a three-year period with service and continued employment as the vesting conditions. Restricted stock units are not considered outstanding shares and do not have voting rights, although the holder does receive a cash payment equivalent to the dividend paid, on a one-for-one basis, on our outstanding common shares. Once the vesting criteria is met, each restricted stock unit is payable to the holder in cash based on the market value of one share of our common stock. Accordingly, we record a liability for the restricted stock units on our balance sheet and recognize any changes in the market value during each reporting period as compensation expense.

The following table summarizes non-vested restricted stock unit activity during the three months ended January 31, 2014:

	Restricted Stock Units	Weighted Average Grant Date Fair Value per Share
Non-vested at October 31, 2013	101,000	$ 15.62
Granted	5,700	17.63
Non-vested at January 31, 2014	106,700	$ 15.73

There was no cash settlement of restricted stock units during the three-month periods ended January 31, 2014 and 2013.

Performance Share Awards

Historically, we have granted performance units to key employees and officers annually. These awards cliff vest after a three-year period with service and performance measures such as relative total shareholder return and earnings per share growth as vesting conditions. These awards were treated as a liability and marked to market based upon our assessment of the achievement of the performance measures, with the assistance of third-party compensation consultants.

For the annual grant which occurred in December 2013, we granted performance shares rather than performance units. These performance share awards have the same performance measures (relative total shareholder return and earnings per share growth). However, the number of shares earned is variable depending on the metrics achieved, and the settlement method is 50% in cash and 50% in our common stock.

To account for this award, we have bi-furcated the portion subject to a market condition (relative total shareholder return) and the portion subject to an internal performance measure (earnings per share growth). We have further bi-furcated these awards based on the settlement method, as the portion expected to settle in stock (equity component) and the portion expected to settle in cash (liability component).

To value the shares subject to the market condition, we utilized a Monte Carlo simulation model to arrive at a grant-date fair value. This amount will be expensed over the three-year term of the award with a credit to additional paid-in-capital. To value the shares subject to the internal performance measure, we used the value of our common stock on the date of grant as the grant-date fair value per share. This amount will be expensed over the three-year term of the award, with a credit to additional paid-in-capital, and could fluctuate depending on the number of shares ultimately expected to vest based on our assessment of the probability that the performance conditions will be achieved. For both performance conditions, the portion of the award expected to settle in cash will be recorded as a liability and will be marked to market over the three-year term of the award, and could fluctuate depending on the number of shares ultimately expected to vest.

In conjunction with the annual grant in December 2013, we awarded 155,800 performance shares, of which 0% to 200% of these shares may ultimately vest, depending on the achievement of the performance conditions. For the period from the date of grant through January 31, 2014, we have recorded $0.1 million of compensation expense related to these performance share awards.

Performance share awards are not considered outstanding shares and do not have voting rights, although dividends are accrued over the performance period and will be payable in cash based upon the number of performance shares ultimately earned.

13. Other Income (Expense)

Other income (expense) included under the caption "Other, net" on the accompanying condensed consolidated statements of income (loss), consisted of the following for the three months ended January 31, 2014 and 2013:

	Three Months Ended January 31, 2014	Three Months Ended January 31, 2013
	(In thousands)	
Foreign currency transaction gains (losses)	$ (104)	$ 662
Foreign currency derivative gains (losses)	114	(708)
Interest income	6	20
Other	80	(65)
Other income (expense)	$ 96	$ (91)

14. Segment Information

We have two reportable segments: (1) Engineered Products and (2) Aluminum Sheet Products. The Engineered Products segment produces systems, finished products and components serving the OEM residential window and door industry, while the Aluminum Sheet Products segment produces mill finished and coated aluminum sheet serving the broader building and construction markets. The primary market drivers of our segments are residential remodeling and replacement activity (R&R) and new home construction.

We have aggregated four operating segments into the Engineered Products reportable segment in accordance with ASC Topic 280-10-50, "*Segment Reporting*" (ASC 280). This aggregation is based on factors including, but not limited to: (1) similar nature of products serving the building products industry, specifically the fenestration business; (2) similar production processes, although there are some differences in the amount of automation amongst operating plants; (3) similar types or classes of customers, namely the primary original equipment manufacturers (OEMs) in the window and door industry; (4) similar distribution methods for product delivery, although the extent of the use of third-party distributors will vary amongst the businesses; and (5) similar regulatory environment.

We measure our inventory at the segment level on a FIFO or weighted-average basis; however, at the consolidated level, a portion of the inventory is measured on a LIFO basis. The LIFO reserve is computed on a consolidated basis as a single pool. (See Note 3, "Inventories", included herewith). We record LIFO inventory adjustments, corporate office charges and inter-segment eliminations as Corporate & Other. We account for inter-segment sales and transfers as though the sales or transfers were to third parties, at current market prices. Inter-segment sales, related cost of sales, and intercompany profit are eliminated in consolidation. The most significant components of corporate assets include cash and cash equivalents, property, plant and equipment, and deferred tax assets, among others. We measure segment profit and our chief operating decision makers evaluate segment results based on the U.S. GAAP measure of operating income (loss). We do not allocate interest expense, interest income or income taxes to our operating segments.

Our segment information for the three months ended January 31, 2014 and 2013 was as follows (in thousands):

	Engineered Products	Aluminum Sheet Products	Corporate & Other	Total
Three Months Ended January 31, 2014				
Net sales	$ 126,379	$ 75,983	$ —	$ 202,362
Inter-segment sales	—	3,508	(3,508)	—
Depreciation and amortization	7,644	1,750	900	10,294
Operating income (loss)	7,491	(4,251)	(8,353)	(5,113)
Capital expenditures	$ 4,578	$ 1,750	$ 420	$ 6,748

Three Months Ended January 31, 2013				
Net sales	$ 106,119	$ 79,594	$ —	$ 185,713
Inter-segment sales	—	5,009	(5,009)	—
Depreciation and amortization	7,473	1,627	557	9,657
Operating income (loss)	2,833	(4,229)	(12,289)	(13,685)
Capital expenditures	$ 4,189	$ 3,561	$ 3,750	$ 11,500
As of January 31, 2014				
Goodwill	$ 71,838	$ —	$ —	$ 71,838
Total assets	$ 386,047	$ 128,790	$ 26,206	$ 541,043

For a description of the change in the carrying amount of goodwill see Note 4, "Goodwill & Intangible Assets", included herewith.

15. Earnings Per Share

We compute basic earnings per share by dividing net income by the weighted average number of common shares outstanding during the period. Diluted earnings per common and potential common share includes the weighted average of additional shares associated with the incremental effect of dilutive employee stock options, non-vested restricted stock as determined using the treasury stock method prescribed by U.S. GAAP and contingent shares associated with performance share awards, if dilutive.

Basic and diluted loss per share was $0.11 and $0.22 for the three months ended January 31, 2014 and 2013, respectively. The computation of diluted earnings per share excludes outstanding stock options and other common stock equivalents when their inclusion would be anti-dilutive. This is always the case when an entity incurs a net loss, as we did for the three-month periods ended January 31, 2014 and 2013. During these three-month periods, 528,397 and 515,587 of common stock equivalents, respectively, and 83,594 and 97,414 shares of restricted stock, respectively, were excluded from the computation of diluted earnings per share. For the three-month period ended January 31, 2014, there were no potentially dilutive contingent shares related to performance share awards.

For the three-month periods ended January 31, 2014 and 2013, we had 1,083,988 and 600,350 securities, respectively, that were potentially dilutive in future earnings per share calculations. Such dilution will be dependent on the excess of the market price of our stock over the exercise price and other components of the treasury stock method.

16. New Accounting Pronouncements

In July 2013, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2013-11, *Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists*, which provides guidance related to the presentation of current and deferred income taxes on the balance sheet. In general, an entity must present an unrecognized tax benefit related to a net operating loss carryforward, similar tax loss or tax credit carryforward, as a reduction of a deferred tax asset, except in prescribed circumstances through which liability presentation would be appropriate. This guidance becomes effective for fiscal years beginning after December 15, 2013. We expect to adopt this guidance during fiscal 2015 with no material impact on our consolidated financial statements.

In February 2013, the FASB issued ASU No. 2013-2, *Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income*, which requires an entity to provide information about the amounts reclassified out of accumulated other comprehensive income by component. In addition, an entity is required to present, either on the face of the statement where net income is presented or in the notes, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income but only if the amount reclassified is required under U.S. GAAP to be reclassified to net income in its entirety in the same reporting period. For other amounts that are not required under U.S. GAAP to be reclassified in their entirety to net income, an entity is required to cross-reference to other disclosures required under U.S. GAAP that provide additional detail about those amounts. We adopted ASU 2013-2 as of November 1, 2013, with no material impact on our consolidated financial statements.

In December 2011, the FASB issued ASU No. 2011-11, *Disclosures about Offsetting Assets and Liabilities*, which requires entities to disclose both gross information and net information about instruments and transactions eligible for offset in the statement of financial position and instruments and transactions subject to an agreement similar to a master netting arrangement. The scope of this standard, which was subsequently clarified by ASU 2013-1, includes derivatives, sale and repurchase agreements, reverse sale and repurchase agreements, and securities borrowing and securities lending arrangements. These disclosures assist users of financial statements in evaluating the effect or potential effect of netting arrangements on an entity's financial position. We adopted ASU 2011-11 as of November 1, 2013, with no material impact on our consolidated financial statements.

17. Subsequent Events

On February 7, 2014, we signed a purchase agreement with Aleris International, Inc., to sell our interest in a limited liability company which holds the net assets of our Nichols Aluminum business, the sole operating segment included in our Aluminum Sheet Products reportable segment. The sale price is $110.0 million, subject to a working capital adjustment. We expect to record a gain on the transaction. We received regulatory approval and expect to close this transaction on March 31, 2014.

For tabular presentation of the operating results of this business for the three months ended January 31, 2014 and 2013 and the pro forma impact of this business on consolidated earnings during these periods, as well as the balance sheet presentation of this business as held for sale if such transaction had occurred as of January 31, 2014 and October 31, 2013, see Note 1, "Nature of Operations and Basis of Presentation - Discontinued Operations", included herewith.

Unless the context indicates otherwise, references to "Quanex", the "Company", "we", "us" and "our" refer to the consolidated business operations of Quanex Building Products Corporation and its subsidiaries.

Cautionary Note Regarding Forward-Looking Statements

Certain of the statements contained in this document and in documents incorporated by reference herein, including those made under the caption *“Management’s Discussion and Analysis of Financial Condition and Results of Operations”* are “forward-looking” statements as defined under the Private Securities Litigation Reform Act of 1995. Generally, the words “expect,” “believe,” “intend,” “estimate,” “anticipate,” “project,” “will” and similar expressions identify forward-looking statements, which generally are not historical in nature. Forward looking statements are (1) all statements which address future operating performance, (2)events or developments that we expect or anticipate will occur in the future, including statements relating to volume, sales, operating income and earnings per share, and (3) statements expressing general outlook about future operating results. Forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from our historical experience and our current projections or expectations. As and when made, we believe that these forward-looking statements are reasonable. However, caution should be taken not to place undue reliance on any such forward-looking statements since such statements speak only as of the date when made and there can be no assurance that such forward-looking statements will occur. We are not obligated to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Factors that could cause actual results to differ materially from those expressed or implied by the forward-looking statements include, but are not limited to the following:

- changes in market conditions, particularly in the new home construction, and residential remodeling and replacement (R&R) activity markets;
- fluctuations in aluminum prices on the London Metals Exchange, which impacts our cost of raw materials such as aluminum scrap and prime aluminum ingot, as well as the price we can demand for our coated aluminum sheet products;
- changes in prevailing prices of resin and other raw material costs;
- changes in domestic and international economic conditions;
- changes in purchases by our principal customers;
- fluctuations in foreign currency exchange rates;
- changes in estimates of costs for known environmental remediation projects and situations;
- our ability to maintain an effective system of internal controls;
- our ability to successfully implement our internal operating plans and acquisition strategies;
- our ability to successfully implement our plans with respect to information technology (IT) systems and processes;
- our ability to control costs and increase profitability;
- changes in environmental laws and regulations;
- changes in warranty obligations;
- changes in energy costs;
- changes in tax laws, and interpretations thereof;
- changes in interest rates;
- our ability to maintain a good relationship with our suppliers, subcontractors, and key customers; and
- the resolution of litigation and other legal proceedings.

For information on additional factors that could cause actual results to differ materially, please refer to the section entitled *“Item 1A. Risk Factors*” in our Annual Report on Form 10-K for the fiscal year ended October 31, 2013.

About Third-Party Information

In this report, we rely on and refer to information regarding industry data obtained from market research, publicly available information, industry publications, U.S. government sources and other third parties. Although we believe this information is reliable, we cannot guarantee the accuracy or completeness of the information and have not independently verified it.

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

The following discussion and analysis should be read in conjunction with the accompanying unaudited condensed consolidated financial statements and related notes as of January 31, 2014, and for the three-month periods ended January 31, 2014 and 2013, included elsewhere herein. For additional information pertaining to our business, including risk factors which should be considered before investing in our common stock, refer to our Annual Report on Form 10-K for the fiscal year ended October 31, 2013.

Our Business

We are a leading component supplier in the residential building products markets. We operate two business segments: Engineered Products and Aluminum Sheet Products. The Engineered Products segment manufactures systems, finished products, and components serving the original equipment manufacturer (OEM) residential window and door industry, while the Aluminum Sheet Products segment produces mill finished and coated aluminum sheet serving the broader residential building products markets and transportation sector. We use low-cost production processes and engineering and metallurgical expertise to provide our customers with specialized products for their specific window and door applications. We believe these capabilities provide us with unique competitive advantages. We serve a primary customer base in North America, and also serve customers in international markets through our operating plants in the United Kingdom and Germany, as well as through sales and marketing efforts in other countries.

We have four operating segments which comprise the Engineered Products reportable segment, and one operating segment which comprises the Aluminum Sheet Products reportable segment. Other costs, including corporate office expense, certain shared administrative functions, last-in first-out (LIFO) inventory valuation adjustments and inter-segment eliminations are categorized as Corporate & Other costs. The accounting policies of our business segments are the same as those used to prepare our accompanying condensed consolidated financial statements.

We continue to invest in organic growth initiatives and to pursue targeted business acquisitions, which may include vertically integrated vinyl extrusion businesses or screen manufacturers that allow us to expand our existing fenestration footprint, enhance our existing product offerings, acquire complementary technology, enhance our leadership position within the markets we serve, and expand into new markets or service lines.

Market Overview and Outlook

For each of our two business segments, we believe the primary drivers of our operating results are residential remodeling and replacement (R&R) activity and new home construction. We believe that housing starts and window shipments are indicators of activity levels in the home building industry, and we use this data, as published by or derived from third-party sources, to evaluate the market.

The following trends were identified at October 31, 2013 and have continued through the first quarter of 2014.

Housing starts and window shipments in the United States have increased in recent years and continued to increase during the first quarter of 2014. The National Association of Homebuilders (NAHB) has forecasted calendar-year housing starts to increase from 0.9 million units in 2013 to 1.2 million units in 2014 and 1.5 million units in 2015. Ducker Worldwide, a consulting and research firm, indicated that window shipments in the R&R market are expected to increase from 26.6 million units in 2013 to 28.1 million units in 2014, and new construction window shipments are forecasted to increase at a higher pace. Derived from reports published by Ducker Worldwide, the overall growth in window shipments for the trailing twelve-month period ended December 31, 2013 was 10.1%. During this period, growth in R&R activity increased 4.8%, and growth in new construction increased 19.2%. Growth in new construction continues to outpace the growth in R&R, with a greater portion of the new construction associated with multi-family homes. The current growth trend in single-family home construction is toward large tract builders, with a smaller portion of this construction associated with smaller custom builders.

The United States government has been reluctant to enforce stricter energy standards, but higher energy efficiency standards in Europe are impacting the industry. For instance, industry governing bodies in Europe recently approved standards that resulted in us having to switch to a new vapor barrier for our European insulating glass spacer products. We continue to be optimistic about our growth prospects in Europe, particularly in the United Kingdom, Germany and Scandinavian countries, where the push for higher energy efficiency standards has been the greatest. Older technology cold-edge spacers are still a dominant force in these regions and garner a larger portion of the total market share in Europe relative to the United States. We operate warm-edge spacer plants in the United Kingdom and in Germany, where we added a third production line during the fourth quarter of 2013. We believe we can become the provider of choice as demand for more energy-efficient warm edge spacers grows and eventually displaces cold edge spacers.

Aluminum commodity prices remain volatile and have impacted our operating results for the Aluminum Sheet Products business throughout 2013 and into the first quarter of 2014. Based on the primary aluminum cash price as published by Bloomberg, the cost of aluminum on the London Metals Exchange (LME) has decreased from $0.82 per pound at October 31, 2013, to $0.75 per pound at January 31, 2014.

The housing recovery continues to improve in the United States, but there remain challenges to growth prospects of the fenestration and aluminum markets that we serve.

Recent Transactions and Events

In February 2014, we signed a purchase agreement with Aleris International, Inc., to sell our interest in a limited liability company which holds the net assets of our Nichols Aluminum business, the sole operating segment included in our Aluminum Sheet Products reportable segment. The sale price is $110.0 million, subject to a working capital adjustment. We expect to record a gain when the transaction closes. We received regulatory approval and expect to close this transaction on March 31, 2014. Since the criteria prescribed by U.S. GAAP for recording a disposal group as held for sale and discontinued operations had not been met as of January 31, 2014, we did not present this disposal group as a discontinued operation as of January 31, 2014 in the accompanying balance sheet and statements of income (loss). For a tabular presentation of the operating results of this business for the three months ended January 31, 2014 and 2013 and the pro forma impact of this business on consolidated earnings during these periods, as well as the balance sheet presentation of this business as held for sale if the criteria had been met as of January 31, 2014 and October 31, 2013, see Note 1, "Nature of Operations and Basis of Presentation - Discontinued Operations", contained elsewhere herein.

In December 2013, we acquired certain vinyl extrusion assets of Atrium Windows and Doors, Inc. (Atrium) at a facility in Greenville, Texas, for $5.2 million in cash (Greenville). We accounted for this transaction as a business combination resulting in an insignificant gain on the purchase. We entered into a supply agreement with Atrium related to the products produced at Greenville. We believe this acquisition expands our vinyl extrusion capacity and positions us with a platform from which to better serve our customers in the southern United States. This business has been included in our operating results for the Engineered Products reportable segment since the date of acquisition.

In August 2013, we ceased all activities associated with our enterprise resource planning (ERP) implementation and migrated several operating units which were utilizing the ERP prior to August 2013 back to legacy systems as of October 31, 2013, although we continue to use certain elements of the ERP at the corporate office. We recorded a change in accounting estimate during the fourth quarter of 2013 and accelerated depreciation associated with certain ERP assets. We incurred certain charges related to one-time termination benefits and contract termination costs which were not deemed significant.

Our former Chairman, President and Chief Executive Officer, Mr. David Petratis, retired from his position effective July 8, 2013. Mr. Petratis participated in a number of our stock-based and deferred compensation plans. In January 2014, we paid approximately $3.3 million to Mr. Petratis, which represented his vested balances under our deferred compensation plan.

In December 2012, we acquired substantially all of the assets of Alumco Inc. and its subsidiaries (Alumco) for $22.1 million which included a working capital adjustment received of $0.4 million, and subject to an earn-out provision for which we determined the criteria would not be met as of October 31, 2013. The purchase of Alumco allowed us to expand the scope of our fenestration business to include screens for vinyl windows and door manufacturers, and to expand our geographic reach throughout the United States. We believe this acquisition allows us to build upon our national and regional original equipment manufacturer (OEM) customer base and to enhance our distribution capabilities. We recorded goodwill of $2.8 million in conjunction with this transaction which was included in the Engineered Products reportable segment.

Consolidated Results of Operations

This table sets forth our consolidated results of operations for the three-month periods ended January 31, 2014 and 2013. A general explanation of changes in net sales and operating income (loss) follow, with a more detailed explanation included in the analysis of the business segments.

	Three Months Ended January 31,			
	2014	2013	Change $	Change %
	(Dollars in millions)			
Net sales	$ 202.4	$ 185.7	$ 16.7	9 %
Cost of sales	171.9	162.7	9.2	6 %
Selling, general and administrative	24.8	27.1	(2.3)	(8)%
Depreciation and amortization	10.3	9.6	0.7	7 %
Asset impairment charges	0.5	—	0.5	N/A
Operating loss	(5.1)	(13.7)	8.6	(63)%
Interest expense	(0.2)	(0.1)	(0.1)	100 %
Other, net	0.1	(0.1)	0.2	(200)%
Income tax benefit	1.3	5.8	(4.5)	(78)%
Net loss	$ (3.9)	$ (8.1)	$ 4.2	(52)%

The improvement in our consolidated net sales for the three months ended January 31, 2014 compared to the same period in 2013 was attributable to an increase in sales for our Engineered Products reportable segment, due to several factors including: a general increase in activity levels in the building products industry resulting in more spending by window and door OEM's; the incremental contribution of the Alumco business acquired in December 2012; resin surcharge adjustments billed as a pass-through to customers; as well as increased volume and demand for our vinyl extrusion products, our insulating glass products and our engineered components in the United States. Partially offsetting the overall increase in sales was a decline in sales associated with our Aluminum Sheet Products business, as an increase in volume was not sufficient to defray the effect of a decline in LME aluminum pricing.

Our cost of sales increased $9.2 million, or 6%, for the three months ended January 31, 2014 compared to the same period in 2013. This increase was consistent with a 9% increase in net sales, but also reflected a $2.8 million benefit from the reversal of a warranty accrual associated with our insulating glass business which was settled in December 2013. In addition, we benefited from a decline in material costs for our insulating glass business, and favorable cost absorption at our Aluminum Sheet Products business due to an increase in inventory levels (more product was produced than shipped so a larger portion of the period costs were allocated to ending inventory as part of the seasonal inventory build).

Selling, general and administrative expense decreased $2.3 million, or 8%, due to the cessation of our ERP implementation in mid-2013, which contributed expense of $1.6 million during the three months ended January 31, 2013; a decrease in information technology costs, attributable to support of the ERP system during 2013; lower transaction related costs in 2014 relative to 2013; and a decrease in stock-based compensation and the effect of long-term incentive arrangements dependent upon changes in the price of our common stock.

Depreciation and amortization expense increased $0.7 million, or 7%, for the three months ended January 31, 2014 compared to the same period in 2013 due primarily to depreciation associated with assets placed into service during the twelve-month period ended January 31, 2014, as well as incremental depreciation and amortization expense associated with the Alumco acquisition in December 2012, partially offset by the run-off of depreciation and amortization expense associated with fixed and intangible assets which became fully depreciated or amortized during this period.

We recorded an impairment loss of $0.5 million associated with a fire at our aluminum finishing plant in Decatur, Alabama, which occurred in November 2013. Although we expect to recover damages to our equipment and business interruption losses from our insurance provider, we have incurred a charge to write-off the net book value associated with the damaged assets. As of January 31, 2014, we have received insurance reimbursement in the amount of $0.4 million, which offsets $0.4 million of related expenses.

Interest expense has increased $0.1 million for the three months ended January 31, 2014 compared to the same period in 2013. This increase in interest expense was primarily attributable to fees associated with our senior unsecured revolving credit facility, which was amended in January 2013.

Other, net typically includes interest income earned on our cash and cash equivalents and net foreign currency transaction gains and losses. Other income was lower for the three months ended January 31, 2014 compared to the same period in 2013 due primarily to the effect of net foreign currency transaction gains and losses and a small bargain purchase gain on the Greenville acquisition.

Our estimated annual effective tax rates for the three months ended January 31, 2014 and 2013 were 24.6% and 41.7%, respectively. The effective tax rate was negatively impacted during the three months ended January 31, 2014 due to converting a foreign branch in the United Kingdom to a subsidiary, which resulted in a discrete U.S. taxable charge. The change was more pronounced due to the relatively small amount of net loss recorded for the three-month period ended January 31, 2014.

Three Months Ended January 31, 2014 Compared to Three Months Ended January 31, 2013

Engineered Products

	Three Months Ended January 31,			
	2014	2013	Change $	Change %
	(Dollars in millions)			
Net sales	$ 126.4	$ 106.1	$ 20.3	19%
Cost of sales	96.1	83.2	12.9	16%
Selling, general and administrative	15.2	12.6	2.6	21%
Depreciation and amortization	7.6	7.5	0.1	1%
Operating income	$ 7.5	$ 2.8	$ 4.7	168%

The increase in net sales for the three months ended January 31, 2014 compared to the same period in 2013 was primarily attributable to the following: (1) the acquisition of Alumco on December 31, 2012, which contributed incremental net sales of $8.7 million for fiscal 2014; (2) an increase in demand for our insulating glass business in the United States including improved sales for solar edge tape, partially offset by a slight year-over-year decrease in European sales; (3) higher sales of vinyl window and door profiles driven by higher volume, the contribution of the Greenville assets acquired in December 2013 and resin surcharges which were implemented in January 2014 following price increases from our suppliers; and (4) higher-than-expected sales for our engineered components products for the three-month period ended January 31, 2014, driven in part by an increase in activity levels for certain national OEMs, and an increase in sales of fireplace screens. We expect demand for our warm-edge spacers to remain high in Europe, and to improve, as new vapor barrier technology is adopted by our European customers in response to new regulatory standards. Overall, improvement in the Canadian housing market continues to lag the recovery in the United States, where the current trend is toward lower-cost, less energy-efficient new construction. Window shipments, derived from data provided by Ducker Worldwide for the year-over-year calendar quarters ended December 31, 2013 and 2012 reflects an overall growth rate of 6%. As a comparable measure, our year-over-year fiscal quarters ended January 31, 2014 and 2013, excluding the Alumco business and foreign operations, reflect a growth rate of approximately 12%.

Our cost of sales for the three months ended January 31, 2014 increased $12.9 million, or 16%, compared to the same period in 2013. This increase was fairly consistent with an increase in net sales of 19% for the respective periods, of which a portion was associated with the Alumco acquisition in December 2012 and the Greenville purchase in December 2013. Year-over-year increases in freight and repair and maintenance costs were offset by declines in material cost, as an increase in the cost of resin was partially recovered through surcharges, and we were able to realize favorable material pricing variances for our spacer products. In addition, we recorded a benefit of $2.8 million pursuant to the reversal of a warranty accrual associated with historical product claims and specific release for a particular customer.

Our selling, general and administrative expenses increased $2.6 million, or 21%, during the three months ended January 31, 2014, compared to the same period in 2013. Of this amount, approximately $0.4 million related to the incremental costs associated with the Alumco business which was acquired in December 2012 and a portion related to the Greenville asset acquisition in December 2013. In addition, overall headcount increased associated with a general increase in activity levels on a year-over-year basis, higher incentive accruals based on earnings and an increase in information technology costs incurred directly at the operating segment level. We also incurred approximately $0.9 million of severance costs associated with streamlining and realigning our sales and marketing group within the Engineered Products segment.

Depreciation and amortization expense increased $0.1 million, or 1%, for the three months ended January 31, 2014 compared to the same period in 2013. An increase in depreciation and amortization expense attributable to new assets placed in service during the twelve-months ended January 31, 2014, and the incremental depreciation and amortization expense associated with the Alumco acquisition of $0.4 million was offset by the run-off of depreciable assets and intangible assets which became fully depreciated or amortized during the period.

Aluminum Sheet Products

	Three Months Ended January 31,			
	2014	2013	Change $	Change %
	(Dollars in millions)			
Net sales	$ 79.5	$ 84.6	$ (5.1)	(6)%
Cost of sales	79.2	84.5	(5.3)	(6)%
Selling, general and administrative	2.3	2.8	(0.5)	(18)%
Depreciation and amortization	1.8	1.5	0.3	20 %
Asset impairment charges	$ 0.5	$ —	$ 0.5	N/A
Operating loss	$ (4.3)	$ (4.2)	$ (0.1)	2 %
Shipped pounds (in millions)	60	59	1	2 %

Net sales for our Aluminum Sheet Products business segment decreased $5.1 million, or 6% for the three months ended January 31, 2014 compared to the same period in 2013. Although the volume of pounds shipped increased 2% during this period, the price we charge for our products was negatively impacted by lower aluminum prices, evidenced by lower LME pricing. In addition, we have not yet realized the more favorable shift of our product mix to value-added painted sheet from mill finished products. Mill finish product commands a lower sales price and less favorable profit margins than painted sheet products.

Cost of goods sold decreased 6% for the three months ended January 31, 2014 compared to the same period in 2013. The change in the cost of sales was consistent with the percent change in net sales for the period. Year-over-year decreases in material costs (scrap purchases), freight and repair and maintenance expense, were offset by higher labor and energy costs. In addition, more cost was absorbed into inventory during the first quarter of 2014 compared to the same period in 2013, as more units were produced and placed into inventory as part of the seasonal build of inventory. We expect to see an increase in repair and maintenance costs in the coming months. As LME prices continue to hover at historical lows, improvement in the profitability of the Aluminum Sheet Products segment will be dependent, to a certain extent, on the sales mix between painted and mill-finish product, and our ability to operate efficiently and monitor our costs.

Selling, general and administrative expense decreased $0.5 million, or 18%, for the three months ended January 31, 2014 compared to the same period in 2013. This decrease in expense was primarily attributable to an overall decrease in headcount and a decrease in information technology costs.

Depreciation and amortization expense increased $0.3 million or 20% for the three months ended January 31, 2014 compared to the same period in 2013. This increase was due primarily to assets placed into service during the twelve-month period ended January 31, 2014, including a new $10.3 million paint oven installed during mid-2013. This increase in depreciation expense was partially offset by the effect of asset retirements during the period.

The impairment loss of $0.5 million was associated with a fire at our Decatur, Alabama finishing plant which occurred in November 2013, and represents the charge incurred to write-off the net book value associated with the damaged assets.

Corporate & Other

	Three Months Ended January 31,			
	2014	2013	Change $	Change %
	(Dollars in millions)			
Net sales	$ (3.5)	$ (5.0)	$ 1.5	(30)%
Cost of sales	(3.4)	(5.0)	1.6	(32)%
Selling, general and administrative	7.4	11.7	(4.3)	(37)%
Depreciation and amortization	0.9	0.6	0.3	50 %
Operating loss	$ (8.4)	$ (12.3)	$ 3.9	(32)%

Net sales for Corporate & Other consist of inter-segment sales from the Aluminum Sheet Products business segment to the Engineered Products business segment, and cost of sales includes an offsetting elimination, as well as any other eliminations. There was no adjustment recorded related to the consolidated LIFO reserve for the three-month periods ended January 31, 2014 and 2013.

Selling, general and administrative expense decreased $4.3 million, or 37%, for the three months ended January 31, 2014 compared to the same period in 2013. This decrease in expense is largely attributable to the ERP implementation which resulted in expense of $1.6 million for the three months ended January 31, 2013, but was suspended mid-2013 and did not have a similar impact on the results for the same period in 2014. In addition, we incurred higher stock-based compensation costs in 2013, lower information technology costs and outside professional services fees in 2014, partially attributable to the support of our ERP implementation efforts in 2013, and lower transaction costs in 2014 compared to 2013 during which costs of $1.0 million were incurred associated with various transactions including the acquisition of Alumco in December 2012. In addition, headcount was reduced in late 2013 through attrition and the reduction of certain ERP support functions including information technology staff.

Depreciation and amortization expense increased $0.3 million, or 50%, for the three months ended January 31, 2014 compared to the same period in 2013. The increase in expense was attributable to certain ERP assets which were placed into service during March 2013 and continue to be used, as well as certain leasehold improvements placed into service in mid-2013.

Liquidity and Capital Resources

Our principal sources of funds are cash on hand, cash flow from operations, and borrowings under our $150 million Senior Unsecured Revolving Credit Facility (the Credit Facility). As of January 31, 2014, we had $25.8 million of cash and cash equivalents, $142.8 million of availability under the Credit Facility and outstanding debt of $0.9 million, of which no amounts were outstanding under our Credit Facility.

Cash and cash equivalents decreased by $23.9 million during the three months ended January 31, 2014 due primarily to the Greenville acquisition, capital investments in our manufacturing facilities, dividends paid and on-going operational activities.

The following table summarizes our cash flow results for the three months ended January 31, 2014 and 2013:

	Three Months Ended January 31,	
	2014	2013
	(In millions)	
Cash flows used for operating activities	$ (11.5)	$ (30.3)
Cash flows used for investing activities	$ (11.2)	$ (33.9)
Cash flows used for financing activities	$ (1.2)	$ (1.9)

Operating Activities

Cash used for operating activities for the three months ended January 31, 2014 decreased $18.9 million compared to the same period in 2013. The increase in our sales revenue and the timing of receivable collections contributed to higher gross cash inflows this year. Working capital was $107.7 million, $114.4 million and $97.2 million as of January 31, 2014, October 31, 2013 and January 31, 2013, respectively.

Investing Activities

Cash used for investing activities for the three months ended January 31, 2014 decreased by $22.7 million compared to the same period in 2013, driven primarily by the purchase of Alumco assets for $22.4 million in 2013.

Financing Activities

We used $1.2 million of cash from financing activities for the three months ended January 31, 2014, of which, $1.5 million was used to pay dividends, partially offset by $0.3 million of proceeds from the issuance of common stock associated with exercises of employee stock options.

Our strategy for deploying cash is to invest in organic growth opportunities, develop our infrastructure and make strategic acquisitions. Other uses of cash include paying cash dividends to our shareholders and opportunistically repurchasing our common stock. Any excess cash and cash equivalents are invested in overnight money market funds. The funds are diversified by security type across Treasuries, Government Agencies and Prime Corporate. These funds are all AAA-rated, approved by the National Association of Insurance Commissioners and compliant with Rule 2A-7 of the Investment Company Act of 1940. Our investments are diversified across multiple institutions that we believe are financially sound. We intend to remain in highly rated money market funds, financial institutions and treasuries following a prudent investment philosophy. From time to time, to prepare for potential disruption in the money markets, we may temporarily move funds into operating bank accounts of highly-rated financial institutions to meet on-going operational liquidity requirements. We did not experience any material losses on our cash and marketable securities investments during the three months ended January 31, 2014 and 2013. We maintain cash balances in foreign countries which total $4.3 million as of January 31, 2014. We consider these funds to be permanently reinvested in these countries.

Prior to January 28, 2013, we maintained a $270.0 million senior unsecured revolving credit facility (the Retired Facility) which had been executed on April 23, 2008 and was scheduled to mature on April 23, 2013. The Retired Facility provided for up to $50.0 million of standby letters of credit, limited based on availability, as defined. Amounts borrowed under the facility were to bear interest at a spread above the London Interbank Borrowing Rate (LIBOR) based on a combined leverage and ratings grid. In addition, the Retired Facility contained restrictive debt covenants, as defined in the indenture, and contained certain limits on additional indebtedness, asset or equity sales and acquisitions. For the period from November 1, 2012 through January 28, 2013, we were in compliance with our debt covenants and did not borrow funds pursuant to the Retired Facility.

On January 28, 2013, we replaced the Retired Facility by entering into a new $150 million senior unsecured revolving credit facility that has a five-year term, maturing on January 28, 2018, and which permits aggregate borrowings at any time of up to $150 million, with a letter of credit sub-facility, a swing line sub-facility and a multi-currency sub-facility. Borrowings denominated in U.S dollars bear interest at a spread above LIBOR or a base rate derived from the prime rate. Foreign denominated borrowings bear interest at a spread above LIBOR applicable to such currencies. Subject to customary conditions, we may request that the aggregate commitments under the Credit Facility be increased by up to $100 million, with total commitments not to exceed $250 million.

The Credit Facility requires us to comply with certain financial covenants, the terms of which are defined therein. Specifically, we must not permit, on a quarterly basis, our ratio of consolidated EBITDA to consolidated interest expense as defined (Minimum Interest Coverage Ratio), to fall below 3.00:1 or our ratio of consolidated funded debt to consolidated EBITDA, as defined (Maximum Consolidated Leverage Ratio), to exceed 3.25:1. The Maximum Consolidated Leverage Ratio is the ratio of consolidated EBITDA to consolidated interest expense, in each case for the previous four consecutive fiscal quarters. EBITDA is defined by the indenture to include pro forma EBITDA of acquisitions and to exclude certain items such as goodwill and intangible asset impairments and certain other non-cash charges and non-recurring items. Subject to our compliance with the covenant requirements, the amount available under the Credit Facility is a function of: (1) our trailing twelve month EBITDA; (2) the Minimum Interest Coverage Ratio and Maximum Consolidated Leverage Ratio allowed under the Credit Facility; and (3) the aggregate amount of our outstanding debt and letters of credit. As of January 31, 2014, we were in compliance with the financial covenants set forth in the Credit Facility, as indicated in the table below:

	Required		Actual
Minimum Interest Coverage Ratio	No less than	3.00:1	84.27:1
Maximum Consolidated Leverage Ratio	No greater than	3.25:1	0.13:1

The Credit Facility also contains certain limitations on additional indebtedness, asset or equity sales and acquisitions. The payment of dividends and other distributions is permitted, provided there is no event of default after giving effect to such transactions. If the counterparties to the Credit Facility were unable to fulfill their commitments, the funds available to us could be reduced. However, we have no reason to believe that such liquidity will be unavailable or reduced.

We believe that we have sufficient funds and adequate financial resources available to meet our anticipated liquidity needs. We also believe our cash balances and cash flow from operations will be sufficient in the next twelve months and foreseeable future to finance our anticipated working capital requirements, capital expenditures, debt service requirements, environmental expenditures, and dividends.

As of January 31, 2014, the amount available to us for use under the Credit Facility was limited to $142.8 million and we had outstanding letters of credit of $6.3 million. For the three-month period ended January 31, 2014, we did not borrow any amount under the Credit Facility, and thus had no outstanding borrowings at January 31, 2014. Our current borrowing rate under the Credit Facility was 3.25% and 1.20% for the swing-line sub facility and the revolver, respectively, at January 31, 2014.

Critical Accounting Polices and Estimates

The preparation of our financial statements in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) requires us to make estimates and assumptions that affect the reported amount of assets, liabilities, revenues and expenses and related disclosures of contingent assets and liabilities. Estimates and assumptions about future events and their effects cannot be perceived with certainty. Estimates may change as new events occur, as more experience is acquired, as additional information becomes available and as our operating environment changes. We base our estimates on historical experience and on various other assumptions that we believe are reasonable under the circumstances, and that we believe provide a basis for making judgments about the carrying value of assets and liabilities that are not readily available through open market quotes. We must use our judgment with regard to uncertainties in order to make these estimates. Actual results could differ from these estimates.

For a description of our critical accounting policies and estimates, see our Annual Report on Form 10-K for the fiscal year ended October 31, 2013. Our critical accounting policies and estimates have not changed materially during the three months ended January 31, 2014, except as noted below.

With regard to our critical accounting policy associated with income taxes as presented in our Annual Report on Form 10-K for the fiscal year ended October 31, 2013, we continue to evaluate the adequacy of our valuation allowance as it pertains to our net deferred tax assets and our ability to generate future taxable income to fully-utilize our net operating loss carry forwards. If we do not return to profitability in fiscal 2014 and we have three years of cumulative losses, after adjustment for non-recurring items, the potential impact could range from an increase in our valuation allowance to reduce our existing state deferred tax assets by approximately $0.5 million to a full valuation allowance against our net deferred tax assets, which totaled $45.9 million at January 31, 2014. We continue to believe that we will have future taxable income sufficient to utilize our net deferred tax assets and no additional valuation allowance is deemed necessary as of January 31, 2014.

With regard to our critical accounting policy related to the impairment or disposal of long-lived assets, specifically goodwill, we disclosed that the fair value of each of our reporting units exceeded their carrying value as of our annual impairment testing date. For clarification, we note that for two such reporting units, the fair value estimate exceeded the carrying value of the net assets by more than 150%. For the third such reporting unit, the fair value exceeded the carrying value of the net assets by approximately 15%. This third unit has only $2.8 million of goodwill, which resulted from the Alumco acquisition in December 2012.

New Accounting Pronouncements

From time to time, new accounting pronouncements are issued by the FASB or other standards setting bodies that we adopt as of the specified effective date. Unless otherwise discussed, we believe the impact of any other recently issued standards that are not yet effective are either not applicable to us at this time or will not have a material impact on our consolidated financial statements upon adoption. See Note 16, "New Accounting Pronouncements", contained elsewhere herein.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The following discussion of our exposure to various market risks contains “forward looking statements” regarding our estimates, assumptions and beliefs concerning our exposure. Although we believe these estimates and assumptions are reasonable in light of information currently available to us, we cannot provide assurance that these estimates will not materially differ from actual results due to the inherent unpredictability of interest rates, foreign currency rates and metal commodity prices as well as other factors. We do not use derivative financial instruments for speculative or trading purposes.

Interest Rate Risk

Our outstanding debt bears interest at variable rates and accordingly is sensitive to changes in interest rates. Interest rate changes would result in gains or losses in the market value of our debt portfolio due to differences in market interest rates and the rates at the inception of the debt agreements. Based upon the balances of the variable rate debt at January 31, 2014, a hypothetical 1.0% increase or decrease in interest rates would have the effect of causing a $0.01 million additional pre-tax charge or credit to our statement of income (loss).

Commodity Price Risk

We use various grades of aluminum scrap and minimal amounts of prime aluminum ingot as raw materials for our manufacturing processes. The price of this raw material is subject to fluctuations due to many factors in the aluminum market. In the normal course of business, in an effort to reduce the risk of fluctuating raw material prices, we enter into firm price raw material purchase commitments as well as option contracts on the London Metal Exchange (LME). Our risk management policy, as it relates to these LME forward purchase contracts and LME forward sales contracts, is to enter into contracts as needed, so that the raw material inventory levels are sufficient to meet committed sales orders. We maintain a balanced metals book position which excludes a normal operational inventory level. This operating inventory level as a matter of practice is not hedged against material price (LME) movements. We believe this practice minimizes the likelihood of net transaction gains or losses on this inventory over the commodity price cycle.

We also enter into LME swap contracts to exchange variable pricing for fixed pricing for anticipated sales to our customers. The notional volume and contract period coincide with the anticipated sales.

Through the use of firm price raw material purchase commitments and LME contracts, we attempt to protect ourselves from the effects of changing prices of aluminum on our cost of sales. To the extent that the raw material costs factored into the firm price sales commitments are matched with firm price raw material purchase commitments, changes in aluminum prices should have no effect. While we consider the LME derivative contracts to provide an economic hedge against changes in aluminum prices, the derivatives have not been designated as hedges in accordance with ASC 815 for accounting purposes. As such, any mark-to-market net gain or loss was recorded in cost of sales, with the offsetting asset or liability reflected on the balance sheet. We primarily rely upon firm price raw material purchase commitments to protect cost of sales tied to firm price sales commitments.

The following table indicates the notional volume as well as the fair value of the open LME forward and swap contracts as of January 31, 2014 and October 31, 2013. See Note 10, "Derivative Instruments", contained elsewhere herein.

		Notional in LBS		Fair Value in $	
		January 31, 2014	October 31, 2013	January 31, 2014	October 31, 2013
		(In thousands)			
Aluminum derivatives:					
Aluminum forward purchase contracts	LBS	2,480	3,142	$ (163)	$ 45
Aluminum swap contracts	LBS	—	187	$ —	$ (64)

We purchase polyvinyl resin (PVC) as the significant raw material consumed in the manufacture of vinyl extrusions. We have a monthly resin adjuster in place with a majority of our customers and resin supplier that is adjusted based upon published industry resin prices for the prior month. This adjuster effectively shares the base pass-through price changes of PVC with our customers commensurate with the market at large. Our long-term exposure to changes in PVC prices is thus reduced due to the contractual component of the resin adjuster program; however, there is a level of exposure to short-term volatility due to a one month lag. From time to time, we may lock in customer pricing for less than one year which results in us becoming exposed to fluctuations in resin pricing.

We initiated an oil-based materials surcharge on one of our major product lines, effective May 1, 2011. The surcharge is intended to offset the rising cost of products which are highly correlated to the price of oil, including butyl and other oil-based raw materials. The surcharge is in place with the majority of our customers who purchase these products and is adjusted monthly based upon the 90 day average published price for Brent crude. The oil-based raw materials purchased by us are subject to similar pricing schemes. Therefore, our long-term exposure to changes in oil-based raw material prices is significantly reduced under this surcharge program.

Foreign Currency Rate Risk

Our international operations have exposure to foreign currency rate risks, primarily due to fluctuations in the Euro, the British Pound and the Canadian dollar. From time to time, we enter into foreign exchange contracts associated with our operations to manage a portion of the foreign currency rate risk.

The notional and fair market values of these positions at January 31, 2014 and October 31, 2013, were as follows:

		Notional as indicated		Fair Value in $	
		January 31, 2014	October 31, 2013	January 31, 2014	October 31, 2013
		(In thousands)			
Foreign currency derivatives:					
Sell EUR, buy USD	EUR	5,054	7,258	$ 102	$ 150
Sell CAD, buy USD	CAD	254	615	1	(2)
Sell GBP, Buy USD	GBP	216	—	1	—
Buy EUR, sell GBP	EUR	21	967	—	(12)
Buy GBP, sell USD	GBP	—	2,435	—	(25)
Sell EUR, buy GBP	EUR	—	880	$ —	$ 14

At January 31, 2014 and October 31, 2013, we held foreign currency derivative contracts hedging cross-border intercompany and commercial activity for our insulating glass business. Although these derivatives hedge our exposure to fluctuations in foreign currency rates, we do not apply hedge accounting and therefore, the change in the fair value of these foreign currency derivatives is recorded directly to other income and expense in the accompanying consolidated statements of income (loss). To the extent the gain or loss on the derivative instrument offsets the gain or loss from the remeasurement of the underlying foreign currency balance, changes in exchange rates should have no effect. See Note 10, "Derivative Instruments", contained elsewhere herein.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including the Chief Executive Officer and Chief Financial Officer, we have evaluated the effectiveness of our disclosure controls and procedures pursuant to Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (1934 Act) as of January 31, 2014. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of January 31, 2014, the disclosure controls and procedures are effective.

Changes in Internal Control over Financial Reporting

There have been no changes in internal controls over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the 1934 Act) during the most recent fiscal quarter that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

On May 27, 2010, our Board of Directors approved a stock repurchase program that authorized the repurchase of 1,000,000 shares of our common stock. On August 25, 2011, our Board of Directors authorized an additional 1,000,000 shares under this repurchase program. The program does not have a dollar limit or an expiration date. There were no repurchases of shares during the three months ended January 31, 2014. As of January 31, 2014, there were 905,663 authorized shares remaining available for purchase pursuant to the program.

Item 6. Exhibits

The exhibits required to be furnished pursuant to Item 6 are listed in the Exhibit Index filed herewith, which Exhibit Index is incorporated herein by reference.

SIGNATURES

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

QUANEX BUILDING PRODUCTS CORPORATION

Date: March 6, 2014

/s/ Brent L. Korb

Brent L. Korb
Senior Vice President – Finance and Chief Financial Officer
(Principal Financial Officer)

EXHIBIT INDEX

Exhibit Number	Description of Exhibits
2.1	Limited Liability Company Interest Purchase Agreement dated February 7, 2014, by and among Quanex Building Products Corporation, Nichols Aluminum, LLC and Aleris International Inc., filed as Exhibit 2.1 to the Registrant's Current Report on Form 8-K (Reg. No. 001-33913), as filed with the Securities and Exchange Commission on February 10, 2014.
3.1	Certificate of Incorporation of the Registrant dated as of December 12, 2007, filed as Exhibit 3.1 of the Registrant's Registration Statement on Form 10 (Reg. No. 001-33913) as filed with the Securities and Exchange Commission on January 11, 2008, and incorporated herein by reference.
3.2	Amended and Restated Bylaws of the Registrant dated as of August 25, 2011, filed as Exhibit 3.1 of the Registrant's Current Report on Form 8-K (Reg. No. 001-33913) filed with the Securities and Exchange Commission on August 29, 2011, and incorporated herein by reference.
4.1	Form of Registrant's Common Stock certificate, filed as Exhibit 4.1 of Amendment No. 1 to the Registrant's Registration Statement on Form 10 (Reg. No. 001-33913) as filed with the Securities and Exchange Commission on February 14, 2008, and incorporated herein by reference.
4.2	Credit Agreement dated as of January 28, 2013, among the Company; certain of its subsidiaries as guarantors; Wells Fargo Bank, National Association, as administrative agent; Wells Fargo Securities, LLC, as lead arranger and syndication agent; and the lenders parties thereto, filed as Exhibit 10.1 of the Registrant's Current Report on Form 8-K (Reg. No. 001-33913)as filed with the Securities and Exchange Commission on January 30, 2013, and incorporated herein by reference.
†10.1	Quanex Building Products Corporation Amended and Restated 2008 Omnibus Incentive Plan, filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K (Reg. No. 001-33913), as filed with the Securities and Exchange Commission on February 28, 2014, and incorporated herein by reference.
*†10.2	Quanex Building Products Corporation Deferred Compensation Plan, as amended.
*31.1	Certification by chief executive officer pursuant to Rule 13a-14(a)/15d-14(a).
*31.2	Certification by chief financial officer pursuant to Rule 13a-14(a)/15d-14(a).
*32.1	Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
*101.INS	XBRL Instance Document
*101.SCH	XBRL Taxonomy Extension Schema Document
*101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
*101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
*101.LAB	XBRL Taxonomy Extension Label Linkbase Document
*101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

* Filed herewith
† Management Compensation or Incentive Plan

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

Exhibit 10.2

Includes 1st amendment
Includes 2nd amendment
Includes 3rd amendment

QUANEX BUILDING PRODUCTS CORPORATION
DEFERRED COMPENSATION PLAN

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QUANEX BUILDING PRODUCTS CORPORATION
DEFERRED COMPENSATION PLAN

This agreement by Quanex Building Products Corporation (the "*Sponsor*"),

W I T N E S S E T H :

WHEREAS, Quanex Corporation ("*Quanex*") previously established the Quanex Corporation Deferred Compensation Plan (the "*Prior Plan*") effective October 1, 1981, which provides a mechanism by which certain highly compensated management personnel may defer certain prior to such compensation being earned and directors may defer their director's fees prior to their being earned;

WHEREAS, Quanex amended and restated the Prior Plan effective October 12, 1995, June 1, 1999, November 1, 2001 and July 1, 2004;

WHEREAS, in connection with the transactions contemplated by the Distribution Agreement dated as of December 19, 2007 among Quanex Corporation, Quanex Building Products Corporation LLC, and Quanex Building Products Corporation (the "*Distribution Agreement*"), Quanex, Quanex Building Products Corporation LLC (the "*LLC*") and the Sponsor desire to spin-off from the Prior Plan a mirror image pension plan for the exclusive benefit of employees previously employed by Quanex in connection with its Building Products businesses and the employees of the corporate office of Quanex who are employed by the LLC or the Sponsor at or after the "Distribution" (as defined in the Distribution Agreement);

WHEREAS, subsequent to the Distribution, the Sponsor shall assume the sponsorship of the spun-off portion of the Prior Plan

NOW, THEREFORE, effective as of, and contingent upon, the closing of the Distribution (the "*Effective Date*"), the LLC and the Sponsor agree that the spun-off portion of the Prior Plan shall be amended and restated as the "Quanex Building Products Deferred Compensation Plan" as set forth as follows:

ARTICLE I

DEFINITIONS

1.1 ***"Account"*** means a Participant's account in the Deferred Compensation Ledger maintained by the Committee which reflects the benefits a Participant is entitled to under the Plan.

1.2 ***"Affiliate"*** means all business organizations which are members of a controlled group of corporations (within the meaning of section 414(b) of the Code), or which are trades or businesses (whether or not incorporated) which is under common control (within the meaning of section 414(c) of the Code), or which are members of an affiliated service group of employers (within the meaning of section 414(m) of the Code), which related group of corporations, businesses or employers includes the Sponsor.

1.3 ***"Applicable Covered Employee"*** means any of the following:

(a) a Covered Employee of the Sponsor;

(b) a Covered Employee of an Affiliate; and

(c) a former employee who was a Covered Employee at the time of termination of employment with the Sponsor or an Affiliate.

1.4 ***"Beneficiary"*** means a person or entity designated by the Participant under the terms of the Plan to receive any amounts distributed under the Plan upon the death of the Participant.

1.5 ***"Board"*** means the board of directors of the Sponsor.

1.6 ***"Change of Control"*** means the occurrence of one or more of the following events after the Effective Date of the Plan:

(a) the acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Act) (a *"Covered Person"*) of beneficial ownership (within the meaning of rule 13d-3 promulgated under the Securities Act) of 20 percent (20%) or more of either (i) the then outstanding shares of the common stock of the Sponsor (the *"Outstanding Quanex BP Common Stock"*), or (ii) the combined voting power of the then outstanding voting securities of the Sponsor entitled to vote generally in the election of directors (the *"Outstanding Quanex BP Voting Securities"*); *provided, however,* that for purposes of this subsection (a) of this Section, the following acquisitions shall not constitute a Change of Control of the Sponsor: (i) any acquisition directly from the Sponsor, (ii) any acquisition by the Sponsor, (iii) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Sponsor or any entity controlled by the Sponsor, or (iv) any acquisition by any corporation pursuant to a transaction which complies with clauses (i), (ii) and (iii) of subsection (c) of this Section; or

(b) individuals who, as of the Effective Date, constitute the Board (the *"Incumbent Board"*) cease for any reason to constitute at least a majority of the Board;

provided, however, that any individual becoming a director subsequent to the Effective Date, whose election, or nomination for election by the Sponsor's stockholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Covered Person other than the Board; or

(c) the consummation of (xx) a reorganization, merger or consolidation or sale of the Sponsor or (yy) a disposition of all or substantially all of the assets of the Company (a "*Business Combination*"), in each case, unless, following such Business Combination, (i) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Quanex BP Common Stock and Outstanding Quanex BP Voting Securities immediately prior to such Business Combination beneficially own, direct or indirectly, more than 80 percent (80%) of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination (including, without limitation, a corporation which as a result of such transaction owns the Sponsor or all or substantially all of the Sponsor's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership immediately prior to such Business Combination of the Outstanding Quanex BP Common Stock and Outstanding Quanex BP Voting Securities, as the case may be, (ii) no Covered Person (excluding any employee benefit plan (or related trust) of the Sponsor or such corporation resulting from such Business Combination) beneficially owns, directly or indirectly, 20 percent (20%) or more of, respectively, the then outstanding shares of common stock of the corporation resulting from such Business Combination or the combined voting power of the then outstanding voting securities of such corporation, except to the extent that such ownership existed prior to the Business Combination, and (iii) at least a majority of the members of the board of directors of the corporation resulting from such Business Combination, were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board of Directors, providing for such Business Combination; or

(d) the approval by the stockholders of the Sponsor of a complete liquidation or dissolution of the Sponsor.

Notwithstanding the foregoing, for purposes of a distribution from the Plan, including upon termination of the Plan, the term "Change of Control" means a "change in the ownership or effective control" of the Sponsor, or a "change in the ownership of a substantial portion of the assets" of the Sponsor as described in section 409A of the Code.

1.7 ***"Change of Control Value"*** means the amount determined in clause (i), (ii) or (iii), whichever is applicable, as follows: (i) the per share price offered to stockholders of the Sponsor in the merger, consolidation, reorganization, sale of assets or dissolution transaction that constitutes a Change of Control, (ii) the price per share offered to stockholders of the Sponsor in any tender offer or exchange offer that constitutes a Change of Control, or (iii) if a Change of Control occurs other than a Change of Control specified in clause (i) or (ii), the fair market value per share of the Common Stock on the date of the Change of Control, based on the closing quotation as described in Section 4.2, on that day. If the consideration offered to stockholders of the Company in any transaction described above consists of anything other than cash, the Committee shall determine the cash equivalent of the fair market value of the portion of the consideration offered that is other than cash.

1.8 ***"Code"*** means the Internal Revenue Code of 1986, as amended from time to time.

1.9 ***"Committee"*** means the persons who are from time to time serving as members of the committee administering the Plan.

1.10 ***"Common Stock"*** means the Sponsor's common stock, $0.01 par value (or such other par value as may be designated by the vote of the Sponsor stockholders or such other equity securities of the Sponsor into which such common stock may be converted, reclassified or exchanged).

1.11 "***Common Stock Fund***" means an Investment Fund which is invested exclusively in Common Stock and which is accounted for as a unitized stock fund.

1.12 ***"Company"*** means the Sponsor and any Subsidiary adopting the Plan.

1.13 ***"Company Match"*** means the 20 percent (20%) match which the Company makes to the amount deferred by a Participant under the Plan for three or more Plan Years and deemed credited in the form of Stock Fund Units during a Plan Year.

1.14 ***"Covered Employee"*** means an individual (i) described in section 162(m)(3) of the Code or (ii) subject to the requirements of Section 16(a) of the Securities Act.

1.15 ***"Deferred Compensation Ledger"*** means the ledger maintained by the Committee for each Participant which reflects the amount of compensation deferred for the Participant under the Plan, the Company match, and the amount of income or losses credited on each of these amounts.

1.16 ***"Director"*** means any person serving as a member of the Board of Directors.

1.17 ***"Director Fees"*** means any amount paid to a Director for services in such capacity.

1.18 ***"Disability"*** means the Participant (i) is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, or (ii) is, by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, receiving income replacement benefits for a period of not less than three months under an accident and health plan covering employees of the Participant's employer.

1.19 ***“Effective Date”*** has the meaning ascribed to it in the Preamble of the Plan.

1.20 ***“Incentive Bonus”*** means a bonus awarded or to be awarded to the Participant under the Quanex Building Products Management Incentive Program (or its successor plan).

1.21 ***“Investment Fund”*** means a mutual fund or other investment option that is designated by the Committee for purposes of determining the amount of the Company’s deferred compensation obligation to a Participant under the Plan.

1.22 ***“Normal Retirement Date”*** means the first day of the month that coincides with or next follows the date on which the Participant or former Participant (a) attains age 65 or (b) in the case of a Director, completes either two full terms or six years of service as a Director.

1.23 ***“NYSE”*** means the New York Stock Exchange.

1.24 ***“Omnibus Compensation”*** means compensation earned under an annual incentive award, long term incentive award or other cash-based award granted under the Quanex Building Products Corporation 2008 Omnibus Incentive Plan (or any successor plan(s) making awards of this type), as each award is defined under such plan.

1.25 ***“Participant”*** means an employee or director of a Company who is participating in the Plan.

1.26 ***“Plan”*** means the Quanex Building Products Corporation Deferred Compensation Plan set forth in this document, as amended from time to time.

1.27 ***“Plan Year”*** means a one-year period that coincides with the fiscal year of the Sponsor, which begins on the first day of November of each calendar year and ends on October 31 of the next ensuing calendar year.

1.28 ***“Sponsor”*** means the Quanex Building Products Corporation, the sponsor of the Plan.

1.29 ***“Rabbi Trust”*** means the Quanex Building Products Corporation Deferred Compensation Trust, which agreement was entered into between the Sponsor and Bank of America.

1.30 ***“Restricted Period”*** means, for any qualified defined benefit plan sponsored by the Sponsor or an Affiliate, any period during which the plan is in at-risk status as described in section 409A of the Code.

1.31 ***“Retirement”*** means a Participant’s Separation From Service that meets the requirements of retirement from any Company covered by the Plan under the terms of the Retirement Plan or, in the case of a Director, after completing either two full terms or six years of service as a Director.

1.32 ***“Retirement Plan”*** means the Quanex Building Products Group Salaried and Nonunion Employee Pension Plan (or its successor), or if the Participant does not participate in that plan, the defined contribution plan maintained by the Company that is intended to satisfy the requirements of section 401(a) of the Code in which the Participant participates.

1.33 ***"Securities Act"*** means the Securities Exchange Act of 1934, as amended from time to time.

1.34 ***"Separation From Service"*** means a Participant's complete separation from service with the Company and of its Affiliates. The determination of whether a Participant incurs a Separation From Service will be determined in accordance with section 409A of the Code.

1.35 ***"Stock Fund Unit"*** means each unit of the Common Stock Fund, which unit shall be equal in value to a share of Common Stock.

1.36 ***"Subsidiary"*** means any wholly-owned subsidiary of the Sponsor.

1.37 ***"Term of Deferral"*** means the period of deferral chosen by the Participant under the election procedure established in Section 3.1 or by the Committee which pertains to that portion of the Incentive Bonus, Omnibus Compensation or Director Fees for each given Plan Year and its accumulated income accrued that has been deferred under an election made prior to the commencement of the period during which it is earned.

1.38 ***"Valuation Date"*** means the date as of which an Investment Fund is valued for purposes of the Plan. Until the Committee determines otherwise, the Valuation Dates shall be each business day. The Valuation Date for purposes of a distribution shall be determined as set forth in Section 6.6.

1.39 ***"Voting Securities"*** means any security which ordinarily possesses the power to vote in the election of the Board without the happening of any precondition or contingency.

ARTICLE II

ELIGIBILITY

Except as specified below, all Directors, executive officers of the Sponsor and all members of the Corporate Executive Committee (or successor thereto) will be eligible to participate in the Plan. The Committee retains the right to establish such additional eligibility requirements for participation in the Plan as it may determine are appropriate or necessary from time to time and has the right to determine, in its sole discretion, that any one or more persons who meet the eligibility requirements will not be eligible to participate for one or more Plan Years beginning after the date they are notified of this decision by the Committee.

ARTICLE III

DEFERRALS AND COMPANY CONTRIBUTIONS

3.1 **Deferral Election**. A Participant may elect during the election period(s) established by the Committee prior to the beginning of any Plan Year or calendar year, as applicable (except in the cases of Incentive Bonus or Omnibus Compensation that is performance-based), or, in the case of a newly eligible Participant, within 30 days of notification that he is eligible to participate in the Plan:

(1) the percentage of his Incentive Bonus earned during and relating to the ensuing Plan Year which is to be deferred under the Plan;

(2) the percentage of his Omnibus Compensation earned during the performance period that begins during the ensuing Plan Year which is to be deferred under the Plan;

(3) the percentage of his Director Fees earned during and relating to the ensuing calendar year which is to be deferred under the Plan;

(4) the percentage of the amount deferred, if any, to be deferred and deemed credited in the form of Stock Fund Units and the percentages, if any, to be deferred in the form of cash and deemed credited to the Investment Funds;

(5) the length of the period of deferral, if any amount has been elected to be deferred (which amount shall include any corresponding matching contributions for such Plan Year), which deferral shall be:

A. to a date certain, or

B. to Separation From Service with the Company.

(6) the form of payment of the amount that has been elected to be deferred for such Plan Year (and earnings thereon) – a lump sum, or quarterly or annual installment payments of the principal amount adjusted for earnings and losses accrued after the distribution date, or last installment paid, if later, over no less than three nor more than 20 years.

In the case of any Omnibus Compensation that is performance-based and based on services performed over a period of at least 12 months, an initial deferral election may be made during the election period established by the Committee which may occur prior to or after the beginning of any Plan Year or calendar year, *provided*, that such election must be made no later than six months before the end of the performance period.

If a Participant elects a deferral period to a date certain, the deferral period shall end upon the Participant’s death, Disability or Separation From Service, if earlier.

In the event a Participant fails to make a time of payment election under Section 3.1(6) with respect to any amounts deferred under the Plan, such amounts shall be distributed upon the earlier of the Participant's death, Disability or Separation from Service and such distribution shall be made in the form of a lump sum payment.

The deferrals deemed credited to the Common Stock Fund in Stock Fund Units as elected by Participants in any Plan Year must not exceed three percent (3%) of the shares of Common Stock outstanding on the first day of the Plan Year. In the event this maximum would be exceeded, each Participant who is an employee of a Company and elected to defer in the form of Stock Fund Units shall have his election reduced on a pro rata basis as compared to all Participants who elected to defer in the form of Stock Fund Units until those deferrals in the aggregate for that Plan Year equal the maximum and the portion of his Incentive Bonus and Omnibus Compensation which would have been deferred in the form of Stock Fund Units shall instead be distributed to the Participant as provided in the Quanex Building Products Management Incentive Program and the Quanex Building Products Corporation 2008 Omnibus Incentive Plan, as applicable (or their successor plans).

The election to participate in the Plan for a given Plan Year will be effective only upon receipt by the Committee or its designee of the Participant's properly executed election on such form or in accordance with such procedures as will be determined by the Committee from time to time. If the Participant does not exercise his right to defer, the Participant will be deemed to have elected not to defer any part of his Incentive Bonus, Omnibus Compensation or Director Fees for that Plan Year and all of his Incentive Bonus, Omnibus Compensation and Director Fees will be paid in cash.

3.2 **Change of Election.** Once an election has been made it becomes irrevocable for that Plan Year, except that a Participant may change his deemed investment selections in accordance with Section 4.5 and procedures established by the Committee and may change the election of the time and form of payment he previously elected under Section 3.1(5) or 3.1(6); *provided* that all changes of election of a Participant's time or form of payment shall be effective only if the election change is received by the Committee or its designee in proper form 12 months prior to the event which would require a distribution under the Plan, such election change does not provide for a payment or commencement of payment that is earlier than five (5) years after the date on which such payment would otherwise have been made, and during the 12-month period prior to the effective date of such election change, the last effective election made by the Participant shall continue to remain in force; *provided further*, that with respect to amounts deferred and vested on or before December 31, 2004, all changes of election of a Participant's time or form of payment with respect to such amounts shall be effective only if the election change is received by the Committee or its designee in proper form during the 30-day period ending 12 months prior to the event which would require a distribution under the Plan.

3.3 **Special 409A Transition Election**. Pursuant to, and in accordance with, the transition guidance issued by the Internal Revenue Service under section 409A of the Code, and as such guidance was modified by I.R.S. Notice 2007-86, the directors and executive officers of the Company who participate in the Plan may elect during 2008, at such time(s) as determined by the management of the Company after consultation with the Compensation Committee of the Company, to change the time and form of payment of the compensation such directors and officers previously elected to defer under the Plan, including amounts deferred and vested prior to January 1, 2005; *provided*, that any such election may not permit the payment of any such compensation that is payable during 2008 to be deferred to a subsequent year or any such compensation that is otherwise payable during a year subsequent to 2008 to be paid in 2008.

3.4 **Company Match**. Effective April 1, 2009, Company Match shall no longer be made to the Plan on behalf of any Participant until such time as the Board determines otherwise. With respect to periods prior to April 1, 2009, for each Participant who makes an election under the Plan to defer a portion of his annual incentive award Omnibus Compensation or Director Fees in the form of Stock Fund Units for a period of three full years or more from the effective date of the deferral election, the Company will credit to the Account of such Participant additional Stock Fund Units equal to 20 percent (20%) of the amount which is deferred in the form of Stock Fund Units.

3.5 **Mandatory. Deferral**. If a Participant becomes entitled to a cash payment of part or all of an Incentive Bonus or his Omnibus Compensation because the Participant did not elect to defer all of his Incentive Bonus or Omnibus Compensation and the Company determines that section 162(m) of the Code may not allow the Company to take a deduction for part or all of the Incentive Bonus or Omnibus Compensation, then, unless a Change of Control has occurred after the Effective Date, the payment of the Incentive Bonus or Omnibus Compensation otherwise payable hereunder will be delayed to the extent any such payment would not be deductible by the Company by reason of section 162(m) of the Code. The Committee may waive the mandatory deferral required by this Section 3.5 with respect to a Participant who is not a member of the Committee but such waiver shall only be made on an individual basis. In accordance with procedures established by the Committee, a Participant whose Incentive Bonus or Omnibus Compensation is in whole or in part mandatorily deferred pursuant to this Section 3.5 shall be permitted to have the amount of such mandatory deferral deemed invested in the Common Stock Fund or the Investment Funds in such proportions as he shall designate.

ARTICLE IV

ACCOUNT

4.1 **Establishing a Participant's Account**. The Committee will establish an Account for each Participant in a special Deferred Compensation Ledger which will be maintained by the Company. The Account will reflect the amount of the Company's obligation to the Participant at any given time.

4.2 **Credit of the Participant's Deferral and the Company's Match.** Upon completion of the Plan Year or quarter, as applicable, the Committee will determine, as soon as administratively practicable, the amount of a Participant's annual incentive award Omnibus Compensation or Director Fees that has been deferred for that Plan Year or quarter, as applicable, and the amount of the Company Match, if any, and will credit that or those amounts to the Participant's Account as of the end of the Plan Year or quarter, as applicable, during which the annual incentive award Omnibus Compensation or Director Fees were earned. If the Participant elected his deferral to be in Stock Fund Units, the number of full and fractional Stock Fund Units credited to his Account shall be the number of full and fractional shares of Common Stock that could have been purchased with the dollar amount deferred and the related Company Match, if any, without taking into account any brokerage fees, taxes or other expenses which might be incurred in such a transaction, based upon the closing quotation on the NYSE, or if not traded on the NYSE, the principal market in which the Common Stock is traded on the date the amount would have been paid had it not been deferred pursuant to Article III.

4.3 **Crediting of Dividends and Distributions on Common Stock.** When dividends are declared and paid, or other distributions, whether stock, property, cash or other rights, are made with respect to the Common Stock, those dividends and other distributions shall be accrued in a Participant's Account based upon the number of Stock Fund Units credited to his Account. The dividends or other distributions on shares of Common Stock shall be credited to the Participant's Account as additional Stock Fund Units. The number of additional Stock Fund Units credited to the Participant's Account shall be the number of full and fractional shares of Common Stock that could have been purchased with the dollar amount of the dividend or other distribution, without taking into account any brokerage fees, taxes or other expenses which might be incurred in such a transaction, based upon the closing quotation at the NYSE or if not traded on the NYSE, the principal market in which the Common Stock is traded, on the date of the dividend or other distribution.

4.4 **Crediting of Earnings and Losses.** Each Participant shall be awarded by the Committee earnings and losses on his deferred compensation as part of his total deferred compensation under the Plan equal to the amount which is deemed to be earned and lost on his bookkeeping Account established to enable the Company to determine its obligations under the Plan. For the purpose of determining the earnings and losses to be credited to the Participant's Account under the Plan, the Committee shall assume that the Participant's Account is invested in units or shares of the Investment Funds in the proportions selected by the Participant in accordance with procedures established by the Committee. This amount accrued by the Committee as deferred compensation shall be a part of the Company's obligation to the Participant and payment of it shall be a general obligation of the Company. The determination of earnings and losses based on the income and appreciation of the Participant's Account shall in no way affect the ability of the general creditors of the Company to reach the assets of the Company or the Rabbi Trust in the event of the insolvency or bankruptcy of the Company or place the Participants in a secured position ahead of the general creditors of the Company. Although a Participant's investment selections made in accordance with the terms of the Plan and such procedures as may be established by the Committee shall be relevant for purposes of determining the Company's obligation to the Participant under the Plan, there is no requirement that any assets of the Company (including those held in the Rabbi Trust) shall be invested in accordance with the Participant's investment selections.

Earnings and losses will be accrued on each Valuation Date on each portion of a Participant's Account deemed invested in an Investment Fund from the later of (a) the time the amount is deemed credited to the Investment Fund or (b) the last previous Valuation Date.

4.5 **Common Stock Conversion Election.** At any time during a period of three years prior to the earliest time a Participant who is an employee of a Company could retire under the Retirement Plan and ending on that Participant's Normal Retirement Date, a Participant who is an employee of a Company may elect a Retirement date under the Retirement Plan and may elect to have all or a portion of the Stock Fund Units in his Account converted to cash and deemed to be invested in any Investment Fund(s) selected by him. In that event, all such Stock Fund Units shall be converted on the date notice is received by the Company based upon the closing quotation as described in Section 4.2, on that day, unless the Participant has specified no more than five different dates after the date of the notice on which the Participant desires all or a portion of the Stock Fund Units to be converted and the percentage of units to be converted on each date. If the Participant has specified dates for and the percentage of units to be converted, then the designated percentage of Stock Fund Units to be converted on each date shall be converted on the specified date based on the closing quotation as described in Section 4.2 on such specified dates.

At any time that is at least three years after a Stock Fund Unit is credited to his Account pursuant to Section 4.2, a Participant may elect to have such Stock Fund Unit converted to cash and deemed to be invested in any Investment Fund(s) selected by him. In that event, all such Stock Fund Units specified by the Participant in a written notice to the Company which have been credited to the Participant's Account for at least three years prior to the giving of such notice shall be converted on the date notice is received by the Company based upon the closing quotation as described in Section 4.2, on that day.

A Participant may elect at any time to have each Stock Fund Unit that is credited to his Account pursuant to Section 4.3 converted to cash and deemed to be invested in any Investment Fund(s) selected by him. In that event, all such Stock Fund Units specified by the Participant in a written notice to the Company which were credited to the Participant's Account pursuant to Section 4.3 shall be converted on the date notice is received by the Company based upon the closing quotation as described in Section 4.2, on that day.

4.6 **Conversion and Cash-Out Upon a Change of Control.** Notwithstanding any other provision of the Plan, including but not limited to Section 6.6, immediately upon the occurrence of a Change of Control, all Stock Fund Units credited to a current or former Participant's Account shall be converted to cash based on the Change of Control Value of such Stock Fund Units. If such

Change of Control meets the requirements of a “change of control” as defined by section 409A of the Code, within five days after the date on which such Change of Control occurs, all current and former Participants shall be paid in cash lump sum payments the balances credited to their Accounts. If such Change of Control does not meet the requirements of a “change of control” as defined by section 409A of the Code, no payments shall be made to the current and former Participants in the Plan as a result of such Change of Control.

ARTICLE V

VESTING AND EVENTS CAUSING FORFEITURE

5.1 **Vesting.**

(a) *Deferrals*. All deferrals of the Incentive Bonus, Omnibus Compensation and Director Fees and all income accrued on the deferrals will be 100 percent (100%) vested except for the events of forfeiture described in Sections 5.2 and 5.3.

(b) *Company Match and Dividends*. Except as provided in Sections 5.2 and 5.3, each Stock Fund Unit accrued under Section 3.4 as a Company Match and credited to the Participant's account pursuant to Section 4.2 (including any dividends or other property or rights accumulated because of such Unit and credited on such Stock Fund Unit under Section 4.3) shall vest on the earlier to occur of (i) the third anniversary of the date on which such Stock Fund Unit was credited to the Participant's account, (ii) the Participant's death, (iii) the Participant's Separation From Service due to a Disability, or (iv) the Participant's Retirement. If a Participant ceases to be an employee or director, other than due to death, Disability or Retirement, within three years after a Company Matching accrual of Stock Fund Units is credited to the Participant's account, such Company Matching accruals (including any dividends or other property or rights accumulated because of those Stock Fund Units) shall be immediately forfeited.

5.2 **Forfeiture for Cause.** If the Committee finds, after full consideration of the facts presented on behalf of both the Company and a former Participant, that the Participant was discharged by the Company for fraud, embezzlement, theft, commission of a felony, proven dishonesty in the course of his employment by the Company which damaged the Company, or for disclosing trade secrets of the Company, the entire amount credited to his Account, exclusive of an amount equal to the total balance of deferrals of the Participant, will be forfeited. The decision of the Committee as to the cause of a former Participant's discharge and the damage done to the Company will be final. No decision of the Committee will affect the finality of the discharge of the Participant by the Company in any manner.

5.3 **Forfeiture for Competition.** If at the time a distribution is being made or is to be made to a Participant or former Participant, the Committee finds after full consideration of the facts presented on behalf of the Company and the Participant or former Participant, that the Participant or former Participant at any time within two years from his Separation From Service from the Company, and without written consent of the Company, directly or indirectly owns, operates, manages, controls or participates in the ownership, management, operation or control of or is employed by, or is paid as a consultant or other independent contractor by a business which competes or at any time did compete with the Company by which he was formerly employed in a trade area served by the Company at the time distributions are being made or to be made and in which the Participant or former Participant had represented the Company while employed by it; and, if the Participant or former Participant continues to be so engaged 60 days after written notice has been given to him, the Committee will forfeit all amounts otherwise due the Participant or former

Participant, exclusive of an amount equal to the total balance of deferrals of the Participant or former Participant.

5.4 **Full Vesting in the Event of a Change of Control.** The forfeitures created by Sections 5.1(b), 5.2 and 5.3 shall not apply with respect to any amounts credited to the Accounts of current or former Participants after the occurrence of a Change of Control.

ARTICLE VI

DISTRIBUTIONS

6.1 **Form of Distributions or Withdrawals.** Upon a distribution or withdrawal, the number of Stock Fund Units credited to the Participant's Account, if any, and the amounts credited to the Participant's Account and deemed invested in the Investment Funds, if any, required to be distributed shall be distributed in cash, whether the distribution or withdrawal is in a lump sum or in installments. For this purpose, the amount per unit in the Company Stock Fund deemed credited to Participant's Account shall equal the closing quotation for the Common Stock on the NYSE (or if not traded on the NYSE, the principal market in which the Common Stock is traded) on the third business day prior to the date of distribution. If the distribution is in installments, all dividends and other property or rights accumulating on the shares still undistributed will be credited as provided in Section 4.3 and distributed with the next installment. A lump sum or installment distribution of amounts deemed invested in an Investment Fund shall be based upon the value of the Investment Fund as of the close of the Valuation Date immediately preceding such distribution.

6.2 **Death.** Upon the death of a Participant prior to the expiration of the Term of Deferral, the Participant's Beneficiary or Beneficiaries will receive in cash as required by Section 6.1 the balance then credited to the Participant's Account in the Deferred Compensation Ledger. The lump sum distribution or the first installment of the periodic distribution will be made 90 days after the Participant's death, or, if later, as soon as administratively practicable following the Participant's death.

Each Participant, upon making his initial deferral election, will file with the Committee or its designee a designation of one or more Beneficiaries to whom distributions otherwise due the Participant will be made in the event of his death prior to the complete distribution of the amount credited to his Account in the Deferred Compensation Ledger. The designation will be effective upon receipt by the Committee or its designee of a form which the Committee has approved for that purpose and which has been completed in accordance with procedures approved by the Committee. The Participant may from time to time revoke or change any designation of Beneficiary by filing another approved Beneficiary designation form with the Committee or its designee. If there is no valid designation of Beneficiary on file with the Committee or its designee at the time of the Participant's death, or if all of the Beneficiaries designated in the last Beneficiary designation have predeceased the Participant or otherwise ceased to exist, the Beneficiary will be the Participant's spouse, if the spouse survives the Participant, or otherwise the Participant's estate. A Beneficiary must survive the Participant by 60 days in order to be considered to be living on the date of the Participant's death. If any Beneficiary survives the Participant but dies or otherwise ceases to exist before receiving all amounts due the Beneficiary from the Participant's Account, the balance of the amount which would have been paid to that Beneficiary will, unless the Participant's designation provides otherwise, be distributed to the individual deceased Beneficiary's estate or to the Participant's estate in the case of a Beneficiary which is not an individual. Any Beneficiary designation which designates any person or entity other than the Participant's spouse must be consented to in a form and in accordance with procedures acceptable to the Committee in order to be effective.

6.3 **Disability.** Upon the Disability of a Participant prior to the expiration of the Term of Deferral, the Participant will receive in cash as required by Section 6.1 the balance then credited to the Participant's Account. The lump sum distribution or the first installment of the periodic distribution will be made 90 days after the Participant is determined to be disabled, or, if later, as soon as administratively practicable following such date.

6.4 **Expiration of Term of Deferral.** Upon the expiration of the Term of Deferral, the Participant shall be entitled to receive in cash as required by Section 6.1 the balance credited to the Participant's Account. Except as provided below, the lump sum distribution or the first installment of the periodic distribution will be made 90 days after the expiration of the Term of Deferral, or, if later, as soon as administratively practicable following such expiration, without regard to whether the Participant is still employed by the Company or not. Payments due to the Separation From Service of a Participant who is an employee of a Company, excluding a Separation From Service due to death or Disability but including due to Retirement, shall be made on the first business day following the six-month anniversary of the Participant's Separation From Service or as soon as administratively practicable thereafter.

6.5 **Unforeseeable Emergency Withdrawals.** Any Participant who is in the employ of a Company and is not entitled to a distribution from the Plan may request an unforeseeable emergency withdrawal. No unforeseeable emergency withdrawal can exceed the lesser of the amount credited to the Participant's Account or the amount reasonably needed to satisfy the unforeseeable emergency need. Whether an unforeseeable emergency exists and the amount reasonably needed to satisfy the unforeseeable emergency need will be determined by the Committee based upon the evidence presented by the Participant and the rules established in this Section. If a hardship withdrawal is approved by the Committee it will be made in cash as required in Section 6.1 within ten days of the Committee's determination. An unforeseeable emergency for this purpose is a severe financial hardship to the Participant resulting from an illness or accident of the Participant, the Participant's spouse, or a dependent (as defined in section 152(a)) of the Participant, loss of the Participant's property due to casualty, or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant. The circumstances that will constitute an unforeseeable emergency will depend upon the facts of each case, but, in any case, payment under this Section shall not be made to the extent that such emergency is or may be relieved: (i) through reimbursement or compensation by insurance; (ii) by liquidation of the Participant's assets, to the extent the liquidation of such assets would not itself cause a severe financial hardship; or (iii) by cessation of deferrals under this Plan and any other plan in which the Participant participates. Such foreseeable needs for funds as the need to send a Participant's child to college or the desire to purchase a home will not be considered to be an unforeseeable emergency.

6.6 **Valuation**.

(a) For purposes of a distribution under Sections 6.2, 6.3 or 6.5, the Valuation Date shall be the first business day coincident with or immediately preceding the date of the distribution.

(b) For purposes of a distribution under Section 6.4, the Valuation Date shall be as follows:

(1) the first business day following the date which is 90 days following the expiration of the Term of Deferral or

(2) in the case of a distribution due to a Separation From Service of an employee, the date which is the six-month anniversary of such Separation From Service or

(3) in the case of a distribution due to a Separation From Service that occurs within three years after a Change of Control, which Change of Control did not meet the requirements of a “change of control” as defined by section 409A of the Code, the first business day coincident with or following the date of the closing of such Change of Control, but only if the value of the Participant’s account on such Valuation Date would be greater than the value as determined under clause (2) above.

6.7 **Mandatory Immediate Lump Sum Payment.** Notwithstanding any other provisions of the Plan, if the balance then credited to the Participant’s Account on the date the Participant would commence payment of his benefits under Sections 6.2, 6.3. or 6.4 is less than or equal to $10,000.00, the benefit shall be paid in the form of a lump sum payment.

6.8 **Payment Restrictions on Any Portion of a Benefit Determined Not to Be Deductible.** Except for hardship withdrawals under Section 6.5, if a Participant has a benefit that is due during a Plan Year and the Committee determines that section 162(m) of the Code could affect the Company’s deduction on the amount paid, the distribution of his benefit will be delayed until December 1 following the end of the Plan Year. Then on such December 1 if the Company’s deduction is determined by the Committee not to be affected, the benefit in total will be distributed immediately. However, if the Committee determines that some portion of the benefit is still affected, then only that portion of the benefit which is deductible by the Company shall be distributed on such December 1 and the distribution of the remaining portion of the benefit will be delayed to the first day of the first complete month of the Plan Year or Years on which a portion or all of the remaining distribution can be made and deducted by the Company on its federal income tax return. The Committee may waive the mandatory deferral required by this Section 6.8 with respect to a Participant who is not a member of the Committee, but such waiver shall only be made on an individual basis and at the time the distribution is to be made.

6.9 **Responsibility for Distributions and Withholding of Taxes.** The Committee or its designee will furnish information to the Company last employing the Participant, concerning the amount and form of distribution to any Participant entitled to a distribution so that the Company may make or cause the Rabbi Trust to make the distribution required. It will also calculate the deductions from the amount of the benefit paid under the Plan for any taxes required to be withheld by federal, state or local government and will cause them to be withheld. If a Participant has deferred compensation under the Plan while in the service of more than one Company, each Company for which the Participant was working will reimburse the disbursing agent for the amount attributable to compensation deferred while the Participant was in the service of that Company if it has not already provided that funding to the disbursing agent.

ARTICLE VII

ADMINISTRATION

7.1 **Committee Appointment.** The Committee will be appointed by the Board. The initial Committee members will be Compensation Committee of the Board. Each Committee member will serve until his or her resignation or removal. The Board will have the sole discretion to remove any one or more Committee members and appoint one or more replacement or additional Committee members from time to time.

7.2 **Committee Organization and Voting.** The Committee will select from among its members a chairman who will preside at all of its meetings and will elect a secretary without regard to whether that person is a member of the Committee. The secretary will keep all records, documents and data pertaining to the Committee's supervision and administration of the Plan. A majority of the members of the Committee will constitute a quorum for the transaction of business and the vote of a majority of the members present at any meeting will decide any question brought before the meeting. In addition, the Committee may decide any question by vote, taken without a meeting, of a majority of its members. If a member of the Committee is ever appointed who is or becomes a Participant, that Committee member will not vote or act on any matter relating solely to himself.

7.3 **Powers of the Committee.** The Committee will have the exclusive responsibility for the general administration of the Plan according to the terms and provisions of the Plan and will have all powers necessary to accomplish those purposes, including but not by way of limitation the right, power and authority:

(a) to make rules and regulations for the administration of the Plan;

(b) to construe all terms, provisions, conditions and limitations of the Plan;

(c) to correct any defect, supply any omission or reconcile any inconsistency that may appear in the Plan in the manner and to the extent it deems expedient to carry the Plan into effect for the greatest benefit of all parties at interest;

(d) to designate the persons eligible to become Participants and to establish the maximum and minimum amounts that may be elected to be deferred;

(e) to determine all controversies relating to the administration of the Plan, including but not limited to:

(1) differences of opinion arising between the Company and a Participant except when the difference of opinion relates to the entitlement to, the amount of or the method or timing of a distribution of a benefit affected by a Change of Control, in which event it shall be decided by judicial action; and

(2) any question it deems advisable to determine in order to promote the uniform administration of the Plan for the benefit of all parties at interest;

(f) to select the menu of Investment Funds available for purposes of determining the amount of the Company's obligation to any Participant under the Plan; and

(g) to delegate by written notice those duties of the Committee, as it deems necessary or advisable for the proper and efficient administration of the Plan.

7.4 **Committee Discretion.** The Committee, in exercising any power or authority granted under the Plan or in making any determination under the Plan, shall perform or refrain from performing those acts using its sole discretion and judgment. Any decision made by the Committee or any refraining to act or any act taken by the Committee in good faith shall be final and binding on all parties. The Committee's decision shall never be subject to de novo review. Notwithstanding the foregoing, the Committee's decision, refraining to act or acting is to be subject to judicial review for those incidents occurring during the Plan Year in which a Change of Control occurs and during the next three succeeding Plan Years.

7.5 **Annual Statements.** The Committee will cause each Participant to receive an annual statement as soon as administratively possible after the conclusion of each Plan Year containing the amounts deferred, the Company match, if any, and the income accrued on the deferred and matched amounts.

7.6 **Reimbursement of Expenses.** The Committee will serve without compensation for their services but will be reimbursed by the Sponsor for all expenses properly and actually incurred in the performance of their duties under the Plan.

7.7 **Limitation on Liability.** Neither the Committee nor its designees will be liable for any decision or action taken in good faith in connection with the administration of the Plan. Without limiting the generality of the foregoing, any decision or action taken by the Committee when it relies upon information supplied it by any officer of the Company, the Company's legal counsel, the Company's independent accountants or other advisors in connection with the administration of the Plan will be deemed to have been taken in good faith. None of the Company, the Committee or any designee of the Committee shall bear any liability with respect to the investment performance of any of the Investment Funds and none of them are under any obligation to furnish the Participants any financial information concerning the Investment Funds. Each Participant is solely responsible for the results of any investment selections and none of the Company, the Committee or any designee of the Committee makes any representations concerning the advisability of investing or refraining from investing in any particular Investment Fund.

ARTICLE VIII

ADOPTION BY SUBSIDIARIES

8.1 **Procedure for and Status After Adoption.** Any Subsidiary may, with the approval of the Committee, adopt the Plan by appropriate action of its board. The terms of the Plan will apply separately to each Subsidiary adopting the Plan and its Participants in the same manner as is expressly provided for the Sponsor and its Participants except that the powers of the Board and the Committee under the Plan will be exercised by the Board alone. The Sponsor and each Subsidiary adopting the Plan will bear the cost of providing plan benefits for its own Participants. It is intended that the obligation of the Sponsor and each Subsidiary with respect to its Participants will be the sole obligation of the Company that is employing the Participant and will not bind any other Company.

8.2 **Termination of Participation by Adopting Subsidiary.** Any Subsidiary adopting the Plan may, by appropriate action of its board of directors, terminate its participation in the Plan. The Committee may, in its discretion, also terminate a Subsidiary's participation in the Plan at any time. The termination of the participation in the Plan by a Subsidiary will not, however, affect the rights of any Participant who is working or has worked for the Subsidiary as to amounts or Stock Fund Units previously standing to his credit in his Account or reduce the income accrued on amounts deferred by him or matched by the Company and credited to his Account whether in cash or in Stock Fund Units, prior to the distribution of the benefit to the Participant without his consent.

ARTICLE IX

AMENDMENT AND/OR TERMINATION

9.1 **Amendment or Termination of the Plan**. The Board may amend or terminate the Plan at any time by an instrument in writing without the consent of any adopting Company; *provided, however*, that no amendment of the Plan shall apply to amounts deferred and vested on or before December 31, 2004, unless the instrument explicitly states that the amendment shall apply to such amounts.

9.2 **No Retroactive Effect on Awarded Benefits**. No amendment will affect the rights of any Participant to the amounts, whether deemed invested in the Company Stock Fund or the Investment Funds, then standing to his credit in his Account, to change the method of calculating the income already accrued or to accrue in the future on amounts already deferred by him or matched by the Company prior to the date of the amendment or to change a Participant's right under any provision relating to a Change of Control after a Change of Control has occurred, without the Participant's consent. However, the Board shall retain the right at any time to change in any manner the method of calculating the match by the Company and the income to accrue on all amounts to be deferred in the future by a Participant and/or to be matched in the future by the Company after the date of the amendment if it has been announced to the Participants.

9.3 **Effect of Termination.** If the Plan is terminated, all amounts, whether deemed invested in the Company Stock Fund or the Investment Funds, deferred by Participants and matched by the Company will continue to be held under the terms of the Plan until all amounts have been distributed according to the elections made by the Participants or the directives made by the Committee prior to the deferrals. The forfeiture provisions of Sections 5.1(b), 5.2 and 5.3 and the restriction set out in Section 6.8 would continue to apply throughout the period after the termination of the Plan but prior to the completed distribution of all benefits. The Board may terminate the Plan within the 30 days preceding or the 12 months following a Change of Control, as defined by section 409A of the Code, or as otherwise permitted under section 409A of the Code, and distribute the value of the Participants' Accounts to Participants in the manner and at the time determined by the Committee, in its sole discretion, subject to Section 9.2 and as permitted by section 409A of the Code.

ARTICLE X

FUNDING

10.1 **Payments Under This Agreement Are the Obligation of the Company.** The Company will distribute, or direct the trustee of the funding trust contemplated by Section 10.2, if any, to distribute the benefits due the Participants under the Plan; however, should it fail to do so when a benefit is due and such funding trust exists, the benefit will be distributed by the trustee of such funding trust. If the Company directly distributes benefits due to Participants, the funding trust shall, upon written request by the Company, accompanied by documentation supporting such distribution, reimburse the Company for the amount of benefit distributed to the Participant. In any event, if the trust fails to distribute a benefit for any reason, the Company still remains liable for all benefits provided by the Plan.

10.2 **Agreement May Be Funded Through Rabbi Trust.** It is specifically recognized by both the Company and the Participants that the Company may, but is not required to transfer any funds, shares of Common Stock or other assets that it finds desirable to a trust established to accumulate assets sufficient to fund the obligations of all of the Companies signatory to the Plan. However, under all circumstances, the Participants will have no rights to any of those assets; and likewise, under all circumstances, the rights of the Participants to the assets held in the trust will be no greater than the rights expressed in this agreement. Nothing contained in the trust agreement which creates the funding trust will constitute a guarantee by any Company that assets of the Company transferred to the trust will be sufficient to fund all benefits under the Plan or would place the Participant in a secured position ahead of general creditors should the Company become insolvent or bankrupt. Any trust agreement prepared to fund the Company’s obligations under this agreement must specifically set out these principles so it is clear in that trust agreement that the Participants in the Plan are only unsecured general creditors of the Company in relation to their benefits under the Plan.

Notwithstanding the foregoing, no assets shall be set aside or reserved (directly or indirectly) in a trust (or other arrangement as determined by the Internal Revenue Service), or transferred to a trust or other arrangement established to fund the Company’s obligations under the Plan during any Restricted Period for purposes of paying benefits to an Applicable Covered Employee. The rule contained in the preceding sentence does not apply to assets set aside, reserved or transferred before or after a Restricted Period.

10.3 **Reversion of Excess Assets**. Any adopting Company may, at any time, request the actuary who last performed the annual actuarial valuation of the Quanex Building Products Corporation Employees’ Pension Plan, to determine the present Account balance, assuming the accrual rate for income not to be reduced (whether it actually is or not), as of the month end coincident with or next preceding the request, of all Participants and Beneficiaries of deceased Participants for which all Companies are or will be obligated to make benefit distributions under the Plan. If the fair market value of the assets held in the trust, as determined by the Trustee as of that same date exceeds the total of the Account balances of all Participants and Beneficiaries by 25 percent (25%), any Company may direct the trustee to return to each Company its proportionate part of the assets which are in excess of 125 percent (125%) of the Account balances. Each Company’s share of the excess assets will be the Participants' Accounts accrued while in the employ of that Company as compared to the total of the Account balances accrued by all Participants under the Plan times the excess assets. If there has been a Change of Control, for the purpose of determining if there are excess funds, all contributions made prior to the Change of Control will be subtracted from the fair market value of the assets held in the trust as of the determination date but before the determination is made.

Notwithstanding the foregoing, if the Company directly distributes benefits due to Participants, the funding trust shall reimburse the Company for the amount of benefit distributed to the Participant, as provided in Section 10.1.

10.4 **Participants Must Rely Only on General Credit of the Company.** It is also specifically recognized by both the Company and the Participants that the Plan is only a general corporate commitment and that each Participant must rely upon the general credit of the Company for the fulfillment of its obligations under the Plan. Under all circumstances the rights of Participants to any asset held by the Company will be no greater than the rights expressed in this agreement. Nothing contained in this agreement will constitute a guarantee by the Company that the assets of the Company will be sufficient to distribute any benefits under the Plan or would place the Participant in a secured position ahead of general creditors of the Company. Though the Company may establish or become a signatory to a Rabbi Trust, as indicated in Section **Error! Reference source not found.**, to accumulate assets to fulfill its obligations, the Plan and any such trust will not create any lien, claim, encumbrance, right, title or other interest of any kind in any Participant in any asset held by the Company, contributed to any such trust or otherwise designated to be used in fulfillment of any of its obligations created in this agreement. No specific assets of the Company have been or will be set aside, or will in any way be transferred to the trust or will be pledged in any way for the performance of the Company's obligations under the Plan which would remove such assets from being subject to the general creditors of the Company.

ARTICLE XI

MISCELLANEOUS

11.1 **Limitation of Rights.** Nothing in the Plan will be construed:

(c) to give any employee of any Company any right to be designated a Participant in the Plan;

(d) to give a Participant any right with respect to the compensation deferred, the Company match or the income accrued and credited in the Deferred Compensation Ledger except in accordance with the terms of the Plan;

(e) to limit in any way the right of the Company to terminate a Participant's employment with the Company at any time;

(f) to evidence any agreement or understanding, expressed or implied, that the Company will employ a Participant in any particular position or for any particular remuneration; or

(g) to give a Participant or any other person claiming through him any interest or right under the Plan other than that of any unsecured general creditor of the Company.

11.2 **Distributions to Incompetents or Minors.** Should a Participant become incompetent or should a Participant designate a Beneficiary who is a minor or incompetent, the Committee is authorized to distribute the benefit due to the parent of the minor or to the guardian of the minor or incompetent or directly to the minor or to apply those assets for the benefit of the minor or incompetent in any manner the Committee determines in its sole discretion.

11.3 **Nonalienation of Benefits.** No right or benefit provided in the Plan will be transferable by the Participant except, upon his death, to a named Beneficiary as provided in the Plan. No right or benefit under the Plan will be subject to anticipation, alienation, sale, assignment, pledge, encumbrance or charge, and any attempt to anticipate, alienate, sell, assign, pledge, encumber, or charge the same will be void. No right or benefit under the Plan will in any manner be liable for or subject to any debts, contracts, liabilities or torts of the person entitled to such benefits. If any Participant or any Beneficiary becomes bankrupt or attempts to anticipate, alienate, sell, assign, pledge, encumber or charge any right or benefit under the Plan, that right or benefit will, in the discretion of the Committee, cease. In that event, the Committee may have the Company hold or apply the right or benefit or any part of it to the benefit of the Participant or Beneficiary, his or her spouse, children or other dependents or any of them in any manner and in any proportion the Committee believes to be proper in its sole and absolute discretion, but is not required to do so.

11.4 **Expenses Incurred in Enforcing the Plan.** The Company will, in addition, pay a Participant for all legal fees and expenses incurred by him in contesting or disputing his termination or in seeking to obtain or enforce any benefit provided by the Plan if the termination occurs in the Plan Year in which a Change of Control occurs or during the next three succeeding Plan Years following the Plan Year in which a Change of Control occurs except to the extent that the payment of those fees or expenses are restricted under Section 6.8.

11.5 **Reliance Upon Information.** The Committee will not be liable for any decision or action taken or not taken in good faith in connection with the administration of the Plan. Without limiting the generality of the foregoing, any decision or action taken or not taken by the Committee when it relies upon information supplied it by any officer of the Company, the Company's legal counsel, the Company's independent accountants or other advisors in connection with the administration of the Plan will be deemed to have been taken in good faith.

11.6 **Severability.** If any term, provision, covenant or condition of the Plan is held to be invalid, void or otherwise unenforceable, the rest of the Plan will remain in full force and effect and will in no way be affected, impaired or invalidated.

11.7 **Notice.** Any notice or filing required or permitted to be given to the Committee or a Participant will be sufficient if in writing and hand-delivered or sent by U.S. mail to the principal office of the Company or to the residential mailing address of the Participant. Notice will be deemed to be given as of the date of hand-delivery or if delivery is by mail, as of the date shown on the postmark.

11.8 **Gender and Number.** If the context requires it, words of one gender when used in the Plan will include the other genders, and words used in the singular or plural will include the other.

11.9 **Governing Law.** The Plan will be construed, administered and governed in all respects by the laws of the State of Texas.

11.10 **Section 409A**. The Plan is intended to be a nonqualified deferred compensation arrangement and is not intended to meet the requirements of section 401(a) of the Code. The Plan is intended to meet the requirements of section 409A of the Code and shall be administered in a manner that is intended to meet those requirements and shall be construed and interpreted in accordance with such intent. To the extent that a deferral, accrual, vesting or payment of an amount under the Plan is subject to section 409A of the Code, except as the Committee otherwise determines in writing, the amount will be deferred, accrued, vested or paid in a manner that will meet the requirements of section 409A of the Code, including regulations or other guidance issued with respect thereto, such that the deferral, accrual, vesting or payment shall not be subject to the excise tax applicable under section 409A of the Code. Any provision of the Plan that would cause the deferral, accrual, vesting or payment of an amount under the Plan to fail to satisfy section 409A of the Code shall be amended (in a manner that as closely as practicable achieves the original intent of the Plan) to comply with section 409A of the Code on a timely basis, which may be made on a retroactive basis, in accordance with regulations and other guidance issued under section 409A of the Code. In the event additional regulations or other guidance is issued under section 409A of the Code or a court of competent jurisdiction provides additional authority concerning the application of section 409A of the Code with respect to the distributions under the Plan, then the provisions of the Plan regarding distributions shall be automatically amended to permit such distributions to be made at the earliest time permitted under such additional regulations, guidance or authority that is practicable and achieves the intent of the Plan prior to its amendment to comply with section 409A of the Code.

11.11 **Amendment and Restatement of the Plan**. Except as specifically provided, the amendment and restatement of the Prior Plan effective as of January 1, 2005, and this Plan effective as of the Effective Date shall apply only to amounts deferred and vested on or after January 1, 2005. The provisions of the Prior Plan prior to its amendment and restatement effective as of January 1, 2005 shall apply to any amounts that were earned and vested under the Prior Plan on or before December 31, 2004. The amendment and restatement of the Plan is not intended to be a material modification of the Plan or Prior Plan with respect to amounts deferred and vested on or before December 31, 2004, and, any provision of the Plan that is considered to be a material modification of the Plan or Prior shall be retroactively amended to the extent required to prevent such provision from being considered a material modification of the Plan with respect to such amounts.

IN WITNESS WHEREOF, the Sponsor has executed this amended and restated Plan this ____ day of ______________, 2008, effective as of the Effective Date.

QUANEX BUILDING

PRODUCTS CORPORATION

____

Kevin P. Delaney, Senior Vice President – General Counsel and Secretary

Exhibit 31.1

CHIEF EXECUTIVE OFFICER CERTIFICATION

I, William C. Griffiths, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Quanex Building Products Corporation (the "Registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;

4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures [as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)] and internal control over financial reporting [as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)] for the Registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and

5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

March 6, 2014

/s/ William C. Griffiths

William C. Griffiths
Chairman of the Board, President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CHIEF FINANCIAL OFFICER CERTIFICATION

I, Brent L. Korb, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Quanex Building Products Corporation (the “Registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The Registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures [as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)] and internal control over financial reporting [as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)] for the Registrant and have:
    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c. Evaluated the effectiveness of the Registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. Disclosed in this report any change in the Registrant’s internal control over financial reporting that occurred during the Registrant’s most recent fiscal quarter (the Registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant’s internal control over financial reporting; and
5. The Registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant’s auditors and the audit committee of the Registrant’s board of directors (or persons performing the equivalent functions):
    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant’s ability to record, process, summarize and report financial information; and
    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant’s internal control over financial reporting.

March 6, 2014

/s/ Brent L. Korb

Brent L. Korb
Senior Vice President – Finance and Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

Certification Pursuant To Section 906 of the Sarbanes-Oxley Act of 2002

We hereby certify that the accompanying Quarterly Report on Form 10-Q of Quanex Building Products Corporation for the quarter ended January 31, 2014 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Report fairly presents, in all material respects, the financial condition and results of operations of Quanex Building Products Corporation.

March 6, 2014

/s/ William C. Griffiths	/s/ Brent L. Korb
William C. Griffiths *Chairman of the Board, President and Chief Executive Officer* *(Principal Executive Officer)*	Brent L. Korb *Senior Vice President—Finance and Chief Financial Officer* *(Principal Financial Officer)*