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

**FORM 8-K**

**CURRENT REPORT**

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

**Date of Report (Date of earliest event reported): May 20, 2008**

**QUANEX BUILDING PRODUCTS CORPORATION**

(Exact name of registrant as specified in its charter)

<b>Delaware</b> (State or other Jurisdiction of Incorporation)	<b>1-33913</b> (Commission File Number)	<b>26-1561397</b> (IRS Employer Identification No.)
<b>1900 West Loop South, Suite 1500, Houston, Texas</b> (Address of Principal Executive Offices)		<b>77027</b> (Zip Code)

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

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(Former name or former address if changed since last report.)

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

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

The disclosure set forth below under Item 5.02 relating to the Company's agreements with David D. Petratis is incorporated into this Item 1.01.

### **Item 5.02. Departure of Directors or Principal Officer; Election of Directors; Appointment of Principal Officers.**

#### *(a) Appointment of President and Chief Executive Officer*

On May 20, 2008, Quanex Building Products Corporation (the "**Company**") announced that its Board of Directors has elected David D. Petratis as President and Chief Executive Officer of the Company, and as a director of the Company, effective July 1, 2008.

#### *(b) Agreements*

In connection with Mr. Petratis's appointment, the Company and Mr. Petratis entered into an agreement (the "**Agreement**"), and will enter into a change in control agreement (the "**Change in Control Agreement**"), each effective as of July 1, 2008. The following discussion is qualified by reference to the Agreement, a copy of which is attached hereto as Exhibit 10.1 and incorporated herein by reference, and the Change in Control Agreement, the form of which is attached hereto as Exhibit 10.2 and incorporated herein by reference.

Under the Agreement, the Company will provide the following:

- (i) An annual base salary of \$700,000, to be increased to an annualized amount of \$725,000 on December 1, 2008.
  - (ii) An annual incentive award under the Quanex Building Products Corporation 2008 Omnibus Incentive Plan (the "**Plan**"), with a maximum award potential of 200% of Mr. Petratis's base salary (pro-rated for the current fiscal year with a guaranteed minimum award for fiscal 2008 of \$500,000). ;
  - (iii) An award of 40,000 shares of restricted stock of the Company, which award will cliff vest on the third anniversary date of Mr. Petratis's employment, or in the event of a change in control of the Company;
  - (iv) An option to purchase 100,000 shares of the Company's Common Stock pursuant to the terms and conditions of the Plan, to be granted at a grant price equal to the closing price of the Company's common stock on July 1, 2008. This option will vest in thirds on the first, second and third employment anniversary dates, or will fully vest in the event of a change in control of the Company;
  - (v) A "Make Whole" grant of \$750,000 and 25,000 shares of restricted stock of the Company, which shares will vest in thirds on the first, second and third employment anniversary dates, or will fully vest in the event of a change in control of the Company. Mr. Petratis will forfeit the right to receive the cash payment of \$750,000 if his interest in a certain equity award issued by his prior employer vests;
  - (vi) A severance payment equal to two years' worth of base salary and a pro-rated annual bonus payment, in the event that Mr. Petratis's employment is terminated for a reason other than an Event of Termination for Cause (as defined in the Change in Control Agreement) or a material violation of the Company's Code of Business Conduct and Ethics, except that no such severance payment will be made if Mr. Petratis is entitled to receive change in control benefits under the Change in Control Agreement;
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- (vii) Other benefits to the same extent and same cost as may be provided to other Company employees and officers in accordance with Company policies then in effect and subject to the terms and conditions of such benefit plans.

Under the Change in Control Agreement, the Company will provide the following benefits in the event that Mr. Petratis's employment is terminated following a Change in Control of the Company (as defined in the Change in Control Agreement), if such termination is (x) by the Company for any reason other than occurrence of an Event of Termination for Cause, or (y) by Mr. Petratis after the occurrence of an Event of Termination for Good Reason (as defined in the Change in Control Agreement):

- (i) The Company will pay to Mr. Petratis his base salary, bonus and benefits accrued through the termination date but not previously paid;
- (ii) The Company will pay to Mr. Petratis a performance bonus equal to the higher of (x) the target performance bonus for the Fiscal Year in which the termination date occurs and (y) the performance bonus that was actually paid out for the Fiscal Year preceding the Fiscal Year in which the termination date occurs (the higher of (x) and (y) is referred to herein as the "**Highest Bonus**"), in each case pro-rated to reflect the number of days that passed between the beginning of the current fiscal year and the termination date;
- (iii) The Company will pay to Mr. Petratis an amount equal to three (3) times the sum of (x) the Highest Bonus and (y) the amount of base salary that would have been paid during the fiscal year in which the termination date occurs based on the assumption that Mr. Petratis's employment would have continued throughout that fiscal year at the base salary rate in effect in the fiscal year in which the termination date occurs, or in the immediately preceding fiscal year, whichever is higher; and
- (iv) For a period of three years or until Mr. Petratis begins new employment, the Company will maintain in effect, and not materially reduce the benefits provided by, certain of the Company's benefit plans in which Mr. Petratis will participate.

**Item 8.01 Other Events.**

On May 20, 2008, the Company issued a press release (the "**Press Release**") announcing the election of David D. Petratis as a Director, and as President and Chief Executive Officer of the Company. The foregoing is qualified by reference to the Press Release which is filed as Exhibit 99.1 to this Current Report on Form 8-K and is incorporated herein by reference.

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

(a) Financial Statements of businesses acquired.

Not applicable

(b) Pro forma financial information.

Not applicable

(c) Exhibits.

10.1 Agreement between Quanex Building Products Corporation and David D. Petratis, effective July 1, 2008.

10.2 Form of Change in Control Agreement between Quanex Building Products Corporation and David D. Petratis.

99.1 Press Release dated May 20, 2008

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**SIGNATURE**

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

**QUANEX BUILDING PRODUCTS CORPORATION**  
(Registrant)

**May 22, 2008**

/s/ RAYMOND A. JEAN

(Date)

Raymond A. Jean  
*Chairman, President and Chief Executive Officer*  
*(Principal Executive Officer)*

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## **Exhibit Index**

- 10.1 Agreement between Quanex Building Products Corporation and David D. Petratis, effective July 1, 2008.
- 10.2 Form of Change in Control Agreement between Quanex Building Products Corporation and David D. Petratis.
- 99.1 Press Release dated May 20, 2008

**CONFIDENTIAL**

May 5, 2008

Mr. David D. Petratis  
29 Rolling Hills Drive  
Barrington Hills, IL 60010

Dear Dave:

We are pleased to offer you the position of President and Chief Executive Officer with Quanex Building Products Corporation (“Company”), effective July 1, 2008 (“Effective Date”), after approval of the Quanex Building Products Corporation’s Board of Directors. Your election as a Director will also be accomplished at that time. When Mr. Raymond A. Jean retires as Chairman of the Board of Directors of Quanex Building Products Corporation in December 2008, the Board of Directors will elect you as Chairman of the Board of Directors at that time.

Your total compensation will include the following:

1. **Base Salary.** Your base salary will be \$29,166.66 paid semi-monthly (annualized at \$700,000). Your base salary will be increased to an annualized amount of \$725,000 on December 1, 2008.
  2. **Annual Incentive Award (AIA).** The AIA target for your position is 100% of your base salary. You will receive a guaranteed AIA award of \$500,000 for the fiscal year ending October 31, 2008, to be paid in December 2008 after approval of the Board of Directors. Should the fiscal year for 2008 AIA award exceed the guaranteed amount, you will receive the greater of the guaranteed or computed amount.
  3. **Initial Restricted Stock Grant.** You will receive 40,000 shares of the Company’s Restricted Stock the Effective Date of your employment. This stock will cliff vest on your third employment anniversary date. However in the event of a change in control, as defined in the 2008 QBP Omnibus Incentive Plan, you will become fully vested in your restricted stock award of 40,000 shares.
  4. **Initial Stock Option Grant.** You will receive a Non-Incentive Stock Option to purchase 100,000 shares of Quanex Building Products Corporation common stock for a per-share exercise price equal to the closing prices on the Effective Date. The option grant will vest in thirds on the first, second and third employment anniversary dates. However, the option will become fully vested and exercisable in the event of a change in control, as defined in the 2008 Omnibus Incentive Plan.
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5. **Long Term Incentive Awards.** You will also be eligible to receive a Long Term Incentive Award in December 2008 based upon approval of the Compensation and Management Development Committee. Currently, the Long Term Incentive Award is comprised of grants from the Omnibus Incentive Plan that include a mix of options, restricted stock and Performance Units. The Performance Units have historically been based on the Company achieving a certain level of Earnings per Share growth and Relative Total Shareholder Return results against our peer group over a three year period.
  6. **“Make Whole” Grant and Cash Payment** – You will be granted an additional 25,000 shares of the Company’s Restricted Stock the Effective Date of your employment. This stock will vest in thirds on the first, second and third employment anniversary dates. However in the event of a change in control, as defined in the 2008 QBP Omnibus Incentive Plan, you will become fully vested in your restricted stock award of 25,000 shares. You will also receive a cash payment of \$750,000 on the Effective Date of your employment. However, in the event you vest in your Schneider Electric equity award granted on June 28, 2005, you agree to forfeit the right to receive the cash payment of \$750,000.
  7. **Company Furnished Automobile.** You may select a four door, luxury or sport utility, vehicle with a maximum company investment cost of \$60,000. Insurance will be paid by the Company. You will be reimbursed for gasoline and maintenance costs.
  8. **Vacation.** You will be entitled to four weeks of paid vacation each calendar year.
  9. **Benefits.** You will be eligible to participate in the Quanex Building Products Group Benefits Plan beginning on the first day of the month following 30 days of employment. It is a flexible cafeteria plan that offers a variety of benefit choices from which you can select that will best meet the needs of you and your family. Additionally, the Company provides certain benefits that are employer-paid (i.e., short-term disability, long-term disability, basic life insurance, and AD&D benefits).
  10. **Officer Life Insurance.** You will participate in the Quanex Building Products Corporation Officer Life Insurance Plan.
  11. **Financial and Tax Counsel.** You will be eligible to receive financial, tax and legal consulting services at Company expense up to a maximum of \$10,000 per year.
  12. **401(k) Plan.** You will be eligible to participate in the Quanex Building Products Salaried and Nonunion Employee 401(k) Plan beginning the first day of employment. You may contribute up to a maximum of 50% of your eligible compensation up to the government mandated maximum. Under the terms of the 401(k) Savings Plan, Quanex will match \$0.50 for each dollar you contribute up to a maximum of 5% of your eligible compensation. There is a five year vesting schedule on the Company match. In addition, you may elect to save on a before-tax or after-tax basis, or a combination of the two.
  13. **Pension.** You will be eligible for pension benefits from two programs, Quanex Building Products Salaried and Nonunion Employee Pension Plan (the qualified plan), and the Quanex Building Products Supplemental Employee Retirement Plan (SERP).
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- a. **Qualified Plan.** You will be eligible for the qualified plan provided you meet the vesting requirements of the plan. The qualified plan consists of a notional account balance in your name. The account will receive an annual benefit credit of 4% based on your base pay plus bonus paid during the year. In addition to annual interest credits based on the 30 year Treasury (rate is established each August for the next year). The benefit is portable once you are vested (100% after three years of vesting service), you can take it with you if you leave.
- b. **SERP.** The SERP is a nonqualified plan designed to provide substantial additional pension benefits to Corporate Officers. In addition, it implicitly restores benefits on pay in excess of the qualified plan limit (currently \$185,000). Under the SERP, an eligible participant receives a monthly single life annuity payable at age 65 equal to:
  - 2.75% of the average of the highest 36-month of salary and bonus compensation from the last 60 months of employment,
  - multiplied by the named executive officer's years of service (but not in excess of 20 years), and
  - reduced by (i) any benefits payable under the Pension Plan and (ii) 50% of the named executive officer's Social Security benefits adjusted pro rata for years of service not in excess of 20 years.

To be eligible to receive a benefit you must remain employed until you have accumulated five years of service. You are eligible for early retirement benefits when you attain age 55 with five years of service. The early retirement benefit is calculated based on average compensation and service at early retirement, and reduced by 5% for each year benefit commencement precedes age 65.

In the event of a change in control, you will be eligible to receive a lump sum payment in lieu of any other benefit payable from the SERP. The lump sum is equal to the present value of the SERP life annuity, which is payable immediately without reduction for early payment, based on your years of service and compensation at date of termination. The SERP will be administered in a manner that is intended to comply with Section 409A of the Internal Revenue Code.

14. **Relocation.** You will be relocated from your home in Barrington Hills to Houston, Texas in accordance with the terms of the Quanex Building Products Corporation Executive Relocation Policy, including an incidentals allowance of \$50,000. This will include participation in the home purchase program, when and if that option is necessary to facilitate your relocation. The company will do all that is necessary, to assist you and your family in this process. The relocation policy and guide are enclosed.
    - a. Kevin P. Delaney, Senior Vice President – General Counsel, will assist you and your family in this process. His direct line is (713) 877-5349.
    - b. Dina Snow, Legal Assistant, will coordinate your relocation process and provide necessary liaison with relocation and transportation services. Her direct line is (713) 877-5351 and her fax is (713) 626-7549.
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15. **Change in Control.** As an Officer of Quanex Building Products Corporation you will be eligible for protection under the provision of the Corporate *Change in Control Agreement*. A blank copy of the agreement is attached.
- a. The Change in Control Agreement provides for a “double trigger.” First a change in control of Quanex Building Products Corporation must occur. Generally a change in control would occur if an unrelated person purchased 20 percent or more of Quanex Building Products Corporation’s outstanding stock. Second, your employment must be terminated by the acquiring organization for other than cause, or you must resign for “good reason” as defined in the Change in Control Agreement.
  - b. Examples of “good reason” defined in the Change in Control Agreement include: (1) when the common stock of Quanex Building Products Corporation or the entity into which Quanex Building Products Corporation is merged is no longer being actively traded on the New York Stock Exchange; and (2) the “relocation of the executive’s principal office outside the portion of the metropolitan area of the City of Houston, Texas that is located within the Highway known as ‘Beltway 8.’”
16. **Executive Severance Provision.** The purpose of this provision is to establish a severance provision for you that recognizes (a) the relatively more difficult employment transition that occurs upon the termination of employment of higher paid individuals; and (b) that you, to a greater extent than other salaried employees, serve at the pleasure of the Board of Directors. Therefore, in the event that your employment is terminated by the Board of Directors for a reason other than an *Event of Termination for Cause* as defined in your Change in Control Agreement, you shall be entitled to the following benefits upon execution of a Release of Claims Agreement in such form as is satisfactory to the Company:
- a. **Base Salary for Two Years.** Annualized base salary as in effect immediately before the date of termination of employment, paid semi-monthly for a period of 24 months starting on the date of termination of employment.
  - b. **Partial AIA Bonus Payment.** The AIA bonus you earned in the fiscal year in which your termination of employment occurs will be determined on a prorated basis by the Board of Directors. However, if your termination of employment occurs during the fiscal year ending October 31, 2008, you shall receive the AIA bonus outlined in paragraph two of this letter agreement.
  - c. **Continuation of Welfare Benefits.** The Company, at its expense, will pay COBRA (Consolidated Omnibus Reconciliation Act) premiums for the Company’s group health plan coverage (i.e. medical, dental, vision, life, disability and any other company welfare plans in which you participate) for 18 months following the termination of your employment.

However, no benefits are payable to you under this “severance provision” if you are entitled to receive change in control benefits under your Change in Control Agreement.

In the event your termination is an “Event of Termination for Cause” as defined in your Change in Control Agreement, or for a material violation of the Company’s

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Code of Business Conduct and Ethics, you will not be entitled to the severance terms as set forth above.

17. **Additional Perquisites.** Employee benefits are described in the enclosed booklets. Also, as an Officer of the Corporation you will receive other perquisites which we can discuss at your convenience.
18. **Background Check and Drug Screen.** The offer is contingent upon your completing and passing a drug test to be taken at the company's expense, as well as a successful completion of the background check.
19. **Principal Office.** The Quanex Corporation offices at 1900 West Loop South, Suite 1500, Houston, Texas will be your principal office.

Your employment may be terminated by either you or Quanex Building Products Corporation at any time upon thirty days advance, written notice. This agreement is governed by the laws of the State of Texas.

We believe that you will help provide the leadership we need to meet our long-term goals established for the Corporation. The executive management team enjoys a positive and effective working relationship. The members of the Board of Directors and the executive management team look forward to welcoming you to this team.

I look forward to your positive response on or before May 9th.

Sincerely,

Joseph J. Ross  
Lead Director  
of the Quanex Building Products Corporation Board of Directors

Enclosures

**ACCEPTANCE OF OFFER**

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David D. Petratis

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Date

**CHANGE IN CONTROL AGREEMENT  
BETWEEN QUANEX BUILDING PRODUCTS CORPORATION  
AND [CEO]**

THIS AGREEMENT between Quanex Building Products Corporation, a Delaware corporation (the “Company”), and [CEO] (the “Executive”) is effective as of the Effective Date (as defined herein).

WITNESSETH:

WHEREAS, the Company considers it to be in the best interests of its stockholders to encourage the continued employment of certain key employees of the Company notwithstanding the possibility, threat or occurrence of a Change in Control of the Company (as that phrase is defined in Section 2); and

WHEREAS, the Executive is a key employee of the Company; and

WHEREAS, the Company believes that the possibility of the occurrence of a Change in Control of the Company may result in the termination by the Executive of the Executive’s employment by the Company or in the distraction of the Executive from the performance of his duties to the Company, in either case to the detriment of the Company and its stockholders; and

WHEREAS, the Company previously recognized that the Executive could suffer adverse financial and professional consequences if a Change in Control of the Company were to occur and entered into this Agreement to protect the Executive if a Change in Control of the Company occurs; and

WHEREAS, under current Internal Revenue Service guidance, the Agreement is subject to Section 409A of the Internal Revenue Code of 1986, as amended by the American Jobs Creation Act of 2004 (“Section 409A”);

NOW, THEREFORE, the parties agree, effective as stated above, as follows:

Section 1. Other Employment Arrangements.

(a) Except as specified below in this paragraph, this Agreement does not affect the Executive’s existing or future employment arrangements with the Company unless a Change in Control of the Company shall have occurred before the expiration of the term of this Agreement. The Executive’s employment with the Company shall continue to be governed by the Executive’s existing or future employment agreements with the Company, if any, or, in the absence of any employment agreement, shall continue to be at the will of the Board of Directors or, if the Executive is not an officer of the Company at the time of the termination of the Executive’s employment with the Company, the will of the Chief Executive Officer of the Company, except that if (i) a Change in Control of the Company shall have occurred before the expiration of the term of this Agreement, and (ii) the Executive’s employment with the Company is terminated (whether by the Executive or the Company or automatically as provided in Section 3) after the occurrence of that Change in Control of the Company, then the Executive shall be entitled to receive certain benefits as provided in this Agreement.

(b) Notwithstanding anything contained in this Agreement to the contrary, if following the commencement of any discussion with a third person that ultimately results in a Change in Control of the Company, (i) the Executive’s employment with the Company is terminated, (ii) the Executive is removed from any material duties or position with the Company, (iii) the Executive’s Base Salary is reduced, or (iv) the Executive’s annual bonus is reduced to an amount less than the Benchmark Bonus, then for all

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purposes of this Agreement, such Change in Control of the Company shall be deemed to have occurred on the date immediately prior to the date of such termination, removal, or reduction.

(c) Nothing in this Agreement shall prevent or limit the Executive's continuing or future participation in any plan, program, policy or practice of or provided by the Company or any of its Affiliates and for which the Executive may qualify, nor shall anything herein limit or otherwise affect such rights as the Executive may have under any contract or agreement with the Company or any of its Affiliates. Amounts which are vested benefits or which the Executive is otherwise entitled to receive under any plan, program, policy or practice of or provided by, or any contract or agreement with, the Company or any of its Affiliates at or subsequent to the date of termination of the Executive's employment with the Company shall be payable or otherwise provided in accordance with such plan, program, policy or practice or contract or agreement except as explicitly modified by this Agreement.

Section 2. Change in Control of the Company. For purposes of this Agreement, a "Change in Control of the Company" shall mean the occurrence of any of the following after the Effective Date:

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

(b) individuals who, as of the Effective Date, constitute the Board of Directors (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board of Directors; provided, however, that any individual becoming a director subsequent to the Effective Date whose election, or nomination for election by the Company'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 Company, 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 Company Common Stock and Outstanding Company Voting Securities immediately prior to such Business Combination beneficially own, direct or indirectly, more than 80 percent of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination (including, without limitation, a corporation which as a result of such transaction owns the Company or all or substantially all of the Company'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 Company Common Stock and Outstanding

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Company Voting Securities, as the case may be, (ii) no Covered Person (excluding any employee benefit plan (or related trust) of the Company or such corporation resulting from such Business Combination) beneficially owns, directly or indirectly, 20 percent or more of, respectively, the then outstanding shares of common stock of the corporation resulting from such Business Combination or the combined voting power of the then outstanding voting securities of such corporation, except to the extent that such ownership existed prior to the Business Combination, and (iii) at least a majority of the members of the board of directors of the corporation resulting from such Business Combination, were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board of Directors, providing for such Business Combination; or

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

Section 3. Term of This Agreement. The term of this Agreement shall begin on the Effective Date and, unless automatically extended pursuant to the second sentence of this Section 3, shall expire on the first to occur of:

(i) the Executive's death or the Executive's Disability, which events shall also be deemed automatically to terminate Executive's employment by the Company;

(ii) the termination by the Executive or the Company of the Executive's employment by the Company; or

(iii) the end of the last day (the "Expiration Date") of:

(1) the three-year period beginning on the Effective Date (or any period for which the term of this Agreement shall have been automatically extended pursuant to the second sentence of this Section 3) if no Change in Control of the Company shall have occurred during that three-year period (or any period for which the term of this Agreement shall have been automatically extended pursuant to the second sentence of this Section 3); or

(2) if one or more Changes in Control of the Company shall have occurred during the three-year period beginning on the Effective Date (or any period for which the term of this Agreement shall have been automatically extended pursuant to the second sentence of this Section 3), the three-year period beginning on the date on which the last Change in Control of the Company occurred.

If (i) the term of this Agreement shall not have expired as a result of the occurrence of one of the events described in clause (i) or (ii) of the immediately preceding sentence, and (ii) the Company shall not have given notice to the Executive at least ninety (90) days before the Expiration Date that the term of this Agreement will expire on the Expiration Date, then the term of this Agreement shall be automatically extended for successive one-year periods (the first such period to begin on the day immediately following the Expiration Date) unless the Company shall have given notice to the Executive at least ninety (90) days before the end of any one-year period for which the term of this Agreement shall have been automatically extended that such term will expire at the end of that one-year period. The expiration of the term of this Agreement shall not terminate this Agreement itself or affect the right of the Executive or the Executive's legal representatives to enforce the payment of any amount or other benefit to which the Executive was

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entitled before the expiration of the term of this Agreement or to which the Executive became entitled as a result of the event (including the termination, whether by the Executive or the Company or automatically as provided in this Section 3, of the Executive's employment by the Company) that caused the term of this Agreement to expire.

Section 4. Event of Termination for Cause. An "Event of Termination for Cause" shall have occurred if, after a Change in Control of the Company, the Executive shall have committed:

- (i) gross negligence or willful misconduct in connection with his duties or in the course of his employment with the Company;
- (ii) an act of fraud, embezzlement or theft in connection with his duties or in the course of his employment with the Company;
- (iii) intentional wrongful damage to property of the Company;
- (iv) intentional wrongful disclosure of secret processes or confidential information of the Company; or
- (v) an act leading to a conviction of a felony or a misdemeanor involving moral turpitude.

For purposes of this Agreement, no act, or failure to act, on the part of the Executive shall be deemed "intentional" if it was due primarily to an error in judgment or negligence, but shall be deemed "intentional" only if done, or omitted to be done, by the Executive not in good faith and without reasonable belief that his action or omission was in the best interest of the Company. Notwithstanding the foregoing, the Executive shall not be deemed to have been terminated as a result of an "Event of Termination for Cause" hereunder unless and until there shall have been delivered to the Executive a copy of a resolution duly adopted by the affirmative vote of not less than three-quarters of the Board of Directors then in office at a meeting of the Board of Directors called and held for such purpose (after reasonable notice to the Executive and an opportunity for the Executive, together with his counsel, to be heard before the Board of Directors), finding that, in the good faith opinion of the Board of Directors, the Executive had committed an act set forth above in this Section 4 and specifying the particulars thereof in detail. Nothing herein shall limit the right of the Executive or his legal representatives to contest the validity or propriety of any such determination.

Section 5. An Event of Termination for Good Reason. An "Event of Termination for Good Reason" shall mean the occurrence of any of the following on or after a Change in Control of the Company:

- (i) the Company or the Successor assigns to the Executive any duties inconsistent with the Executive's position (including offices, titles and reporting requirements), authority, duties or responsibilities with the Company in effect immediately before the occurrence of the first Change in Control of the Company or otherwise make any change in any such position, authority, duties or responsibilities;
  - (ii) the Company or the Successor removes the Executive from, or fails to re-elect or appoint the Executive to, any duties or position with the Company that were assigned or held by the Executive immediately before the occurrence of the first Change in Control of the Company, except that a nominal change in the Executive's title that is merely descriptive and does not affect rank or status shall not constitute such an event;
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(iii) the Company or the Successor takes any other action that results in a material diminution in such position, authority, duties or responsibilities or otherwise take any action that materially interferes therewith;

(iv) the Company or the Successor reduces the Executive's annual base salary as in effect immediately before the occurrence of the first Change in Control of the Company or as the Executive's annual base salary may be increased from time to time after that occurrence (the "Base Salary");

(v) the Company or the Successor reduces the Executive's annual bonus (x) to an amount less than \$700,000 at any time on or prior to the third anniversary of the Effective Date, or (y) to an amount less than the average of the two annual bonuses earned by such Executive with respect to the two preceding years at any time after the third anniversary of the Effective Date (the amount determined pursuant to clause (x) or (y), as applicable, is referred to herein as the "Benchmark Bonus");

(vi) the Company or the Successor relocates the Executive's principal office outside of the portion of the metropolitan area of the City of Houston, Texas that is located within the highway known as "Beltway 8";

(vii) the Company or the Successor fails to (x) continue in effect any bonus, incentive, profit sharing, performance, savings, retirement or pension policy, plan, program or arrangement (such policies, plans, programs and arrangements collectively being referred to herein as "Basic Benefit Plans"), including, but not limited to, any deferred compensation, supplemental executive retirement or other retirement income, stock option, stock purchase, stock appreciation, or similar policy, plan, program or arrangement of the Company, in which the Executive was a participant immediately before the occurrence of the first Change in Control of the Company, or any substitute plan adopted by the Board of Directors and in which the Executive was a participant immediately before the occurrence of the last Change in Control of the Company, unless an equitable and reasonably comparable arrangement (embodied in a substitute or alternative benefit or plan) shall have been made with respect to such Basic Benefit Plan promptly following the occurrence of the last Change in Control of the Company, or (y) continue the Executive's participation in any Basic Benefit Plan (or any substitute or alternative plan) on substantially the same basis, both in terms of the amount of benefits provided to the Executive (which are in any event always subject to the terms of any applicable Basic Benefit Plan) and the level of the Executive's participation relative to other participants, as existed immediately before the occurrence of the first Change in Control of the Company;

(viii) the Company or the Successor fails to continue to provide the Executive with benefits substantially similar to those enjoyed by the Executive under any of the Company's other Executive benefit plans, policies, programs and arrangements, including, but not limited to, life insurance, medical, dental, health, hospital, accident or disability plans, in which the Executive was a participant immediately before the occurrence of the first Change in Control of the Company;

(ix) the Company or the Successor takes any action that would directly or indirectly materially reduce any other non-contractual benefits that were provided to the Executive by the Company immediately before the occurrence of the first Change in Control of the Company or deprive the Executive of any material fringe benefit enjoyed

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by the Executive immediately before the occurrence of the first Change in Control of the Company;

(x) the Company or the Successor fails to provide the Executive with the number of paid vacation days to which the Executive was entitled in accordance with the Company's vacation policy in effect immediately before the occurrence of the first Change in Control of the Company;

(xi) the Company or the Successor fails to continue to provide the Executive with office space, related facilities and support personnel (including, but not limited to, administrative and secretarial assistance) (y) that are both commensurate with Executive's responsibilities to and position with the Company immediately before the occurrence of the first Change in Control of the Company and not materially dissimilar to the office space, related facilities and support personnel provided to other Executives of the Company having comparable responsibility to the Executive, or (z) that are physically located at the Company's principal executive offices;

(xii) the Company or the Successor requires the Executive to perform a majority of his duties outside the Company's principal executive offices for a period of more than 21 consecutive days or for more than 90 days in any calendar year;

(xiii) the Company or the Successor fails to honor any provision of any employment agreement Executive has or may in the future have with the Company or fail to honor any provision of this Agreement;

(xiv) the Company or the Successor gives effective notice of an election to terminate at the end of the term or extended the term of any employment agreement Executive has or may in the future have with the Company or the Successor in accordance with the terms of any such agreement; or

(xv) the Company or the Successor purports to terminate the Executive's employment by the Company unless notice of that termination shall have been given to the Executive pursuant to, and that notice shall meet the requirements of, Section 6.

Section 6. Notice of Termination If a Change in Control of the Company shall have occurred before the expiration of the term of this Agreement, any subsequent termination by the Executive or the Company of the Executive's employment by the Company, or any determination of the Executive's Disability, shall be communicated by notice to the other party that shall indicate the specific paragraph of Section 7 pursuant to which the Executive is to receive benefits as a result of the termination. If the notice states that the Executive's employment by the Company has been automatically terminated as a result of the Executive's Disability, the notice shall (i) specifically describe the basis for the determination of the Executive's Disability, and (ii) state the date of the determination of the Executive's Disability, which date shall be not more than ten (10) days before the date such notice is given. If the notice is from the Company and states that the Executive's employment by the Company is terminated by the Company as a result of the occurrence of an Event of Termination for Cause, the notice shall specifically describe the action or inaction of the Executive that the Company believes constitutes an Event of Termination for Cause and shall be accompanied by a copy of the resolution satisfying Section 4. If the notice is from the Executive and states that the Executive's employment by the Company is terminated by the Executive as a result of the occurrence of an Event of Termination for Good Reason, the notice shall specifically describe the action or inaction of the Company that the Executive believes constitutes an Event of Termination for Good Reason. Each notice given pursuant to

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this Section 6 (other than a notice stating that the Executive's employment by the Company has been automatically terminated as a result of the Executive's Disability) shall state a date, which shall be not fewer than thirty (30) days nor more than sixty (60) days after the date such notice is given, on which the termination of the Executive's employment by the Company is effective. The date so stated in accordance with this Section 6 shall be the "Termination Date". If a Change in Control of the Company shall have occurred before the expiration of the term of this Agreement, any subsequent purported termination by the Company of the Executive's employment by the Company, or any subsequent purported determination by the Company of the Executive's Disability, shall be ineffective unless that termination or determination shall have been communicated by the Company to the Executive by notice that meets the requirements of the foregoing provisions of this Section 6 and the provisions of Section 9.

Section 7. Benefits Payable on Change in Control and Termination. (a) If (x) a Change in Control of the Company shall have occurred before the expiration of the term of this Agreement, and (y) the Executive's employment by the Company is terminated (whether by the Executive or the Company or automatically as provided in Section 3) after the occurrence of that Change in Control of the Company, the Executive shall be entitled to the following benefits:

(i) If the Executive's employment by the Company is terminated (x) by the Company as a result of the occurrence of an Event of Termination for Cause, or (y) by the Executive before the occurrence of an Event of Termination for Good Reason, then the Company shall pay to the Executive the Base Salary accrued through the Termination Date but not previously paid to the Executive, and the Executive shall be entitled to any other amounts or benefits provided under any plan, policy, practice, program, contract or arrangement of or with the Company, including, but not limited to, the Basic Benefit Plans and the Other Benefit Plans, which shall be governed by the terms thereof (except as explicitly modified by this Agreement).

(ii) If the Executive's employment by the Company is automatically terminated as a result of the Executive's death or the Executive's Disability, then (x) the Company shall pay to the Executive the Base Salary accrued through the date of the occurrence of that event but not previously paid to the Executive, and (y) the Executive shall be entitled to any other amounts or benefits provided under any plan, policy, practice, program, contract or arrangement of or with the Company, including, but not limited to, the Basic Benefit Plans and the Other Benefit Plans, which shall be governed by the terms thereof (except as explicitly modified by this Agreement).

(iii) If the Executive's employment by the Company is terminated (x) by the Company otherwise than as a result of the occurrence of an Event of Termination for Cause, or (y) by the Executive after the occurrence of an Event of Termination for Good Reason, then the Executive shall be entitled to the following:

(1) the Company shall pay to the Executive the Base Salary and compensation for earned but unused vacation time accrued through the Termination Date but not previously paid to the Executive;

(2) the Company shall pay to the Executive an amount equal to the product of (A) the greater of (I) the Executive's target performance bonus for the Fiscal Year in which the Termination Date occurs and (II) the Executive's performance bonus for the Fiscal Year preceding the Fiscal Year in which the Termination Date occurs (including any deferred portion thereof) (the greater of the amounts described in clauses

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(I) and (II) of this Section 7(a)(iii)(2)(A) being referred to herein as the “Highest Bonus”), and (B) a fraction, the numerator of which is the number of days in the current Fiscal Year through the Termination Date and the denominator of which is 365;

(3) the Company shall pay to the Executive, as a lump sum, an amount (the “Severance Payment”) equal to three (3) times the sum of:

(A) the amount (including any deferred portion thereof) of the Base Salary that would have been paid to the Executive during the Fiscal Year in which the Termination Date occurs based on the assumption that the Executive’s employment by the Company had continued throughout that Fiscal Year at the Base Salary rate in effect in the Fiscal Year in which the Termination Date occurs, or in the immediately preceding Fiscal Year, whichever is higher;

(B) the amount of the Highest Bonus;

(4) the Company (at its sole expense) shall take the following actions:

(A) throughout the Relevant Period, the Company shall maintain in effect, and not materially reduce the benefits provided by, each of the Other Benefit Plans in which the Executive was a participant immediately before the Termination Date; and

(B) the Company shall arrange for the Executive’s uninterrupted participation throughout the Relevant Period in each of such Other Benefit Plans,

provided that if the Executive’s participation after the Termination Date in any such Other Benefit Plan is not permitted by the terms of that Other Benefit Plan, then throughout the Relevant Period, the Company (at its sole expense) shall provide the Executive with substantially the same benefits that were provided to the Executive by that Other Benefit Plan immediately before the Termination Date; and

(5) the Executive shall be entitled to any other amounts or benefits provided under any plan, policy, practice, program, contract or arrangement of or with the Company, including, but not limited to, the Basic Benefit Plans and the Other Benefit Plans, which shall be governed by the terms thereof (except as explicitly modified by this Agreement).

(b) Each payment required to be made to the Executive pursuant to the foregoing provisions of this Section 7(a) above (i) shall be made by check drawn on an account of the Company at a bank located in the United States of America, and (ii) shall be paid (x) if the Executive’s employment by the Company was terminated as a result of the Executive’s death or the Executive’s Disability, not more than

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thirty (30) days immediately following the date of the occurrence of that event, and (y) if the Executive's employment by the Company was terminated for any other reason, on the Termination Payment Date.

(c) The following shall occur immediately upon the occurrence of a Change in Control of the Company:

(i) all options to acquire Voting Stock and all stock appreciation rights pertaining to Voting Stock held by the Executive immediately prior to a Change in Control of the Company shall become fully exercisable, regardless of whether or not the vesting conditions set forth in the relevant stock option agreements have been satisfied in full; and

(ii) all restrictions on any restricted Voting Stock granted to the Executive prior to a Change in Control of the Company shall be removed and the stock shall be freely transferable, regardless of whether the conditions set forth in the relevant restricted stock agreements have been satisfied in full.

Section 8. Successors. If a Change in Control of the Company shall have occurred before the expiration of the term of this Agreement,

(i) the Company shall not, directly or indirectly, consolidate with, merge into or sell or otherwise transfer its assets as an entirety or substantially as an entirety to, any person, or permit any person to consolidate with or merge into the Company, unless immediately after such consolidation, merger, sale or transfer, the Successor shall have assumed in writing the Company's obligations under this Agreement; and

(ii) not fewer than ten (10) days before the consummation of any consolidation of the Company with, merger by the Company into, or sale or other transfer by the Company of its assets as an entirety or substantially as an entirety to, any person, the Company shall give the Executive notice of that proposed transaction.

Section 9. Notice. Notices required or permitted to be given by either party pursuant to this Agreement shall be in writing and shall be deemed to have been given when delivered personally to the other party or when deposited with the United States Postal Service as certified or registered mail with postage prepaid and addressed:

(i) if to the Executive, at the Executive's address last shown on the Company's records, and

(ii) if to the Company, at 1900 West Loop West, Suite 1500, Houston, Texas 77027, directed to the attention of the Chair of the Compensation & Management Development Committee of the Board of Directors.

or, in either case, to such other address as the party to whom or which such notice is to be given shall have specified by notice given to the other party.

Section 10. Withholding Taxes. The Company may withhold from all payments to be paid to the Executive pursuant to this Agreement all taxes that, by applicable federal or state law, the Company is required to so withhold.

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Section 11. Certain Additional Payments by the Company.

(a) Anything in this Agreement to the contrary notwithstanding, in the event it shall be determined that any payment or distribution by, or benefit from, the Company or any of its Affiliates to or for the benefit of the Executive, whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise (any such payments, distributions or benefits being individually referred to herein as a "Payment," and any two or more of such payments, distributions or benefits being referred to herein as "Payments"), would be subject to the excise tax imposed by Section 4999 of the Code (such excise tax, together with any interest thereon, any penalties, additions to tax, or additional amounts with respect to such excise tax, and any interest in respect of such penalties, additions to tax or additional amounts, being collectively referred herein to as the "Excise Tax"), then the Executive shall be entitled to receive an additional payment or payments (individually referred to herein as a "Gross-Up Payment" and any two or more of such additional payments being referred to herein as "Gross-Up Payments") in an amount such that after payment by the Executive of all taxes (as defined in Section 11(k)) imposed upon the Gross-Up Payment, the Executive retains an amount of such Gross-Up Payment equal to the Excise Tax imposed upon the Payments. The purpose of this Section 11 and the intent of the parties to this Agreement is to place the Executive in the same economic position the Executive would have been in had no Excise Tax been imposed with respect to the Payments.

(b) Subject to the provisions of Section 11(c) through (i), any determination (individually, a "Determination") required to be made under this Section 11(b), including whether a Gross-Up Payment is required and the amount of such Gross-Up Payment, shall initially be made, at the Company's expense, by nationally recognized tax counsel mutually acceptable to the Company and the Executive ("Tax Counsel"). Tax Counsel shall provide detailed supporting legal authorities, calculations, and documentation both to the Company and the Executive within 15 business days of the termination of the Executive's employment, if applicable, or such other time or times as is reasonably requested by the Company or the Executive. If Tax Counsel makes the initial Determination that no Excise Tax is payable by the Executive with respect to a Payment or Payments, it shall furnish the Executive with an opinion reasonably acceptable to the Executive that no Excise Tax will be imposed with respect to any such Payment or Payments. The Executive shall have the right to dispute any Determination (a "Dispute") within 15 business days after delivery of Tax Counsel's opinion with respect to such Determination. The Gross-Up Payment, if any, as determined pursuant to such Determination shall, at the Company's expense, be paid by the Company to the Executive within five business days of the Executive's receipt of such Determination. The existence of a Dispute shall not in any way affect the Executive's right to receive the Gross-Up Payment in accordance with such Determination. If there is no Dispute, such Determination shall be binding, final and conclusive upon the Company and the Executive, subject in all respects, however, to the provisions of Section 11(c) through (i) below. As a result of the uncertainty in the application of Sections 4999 and 280G of the Code, it is possible that Gross-Up Payments (or portions thereof) which will not have been made by the Company should have been made ("Underpayment"), and if upon any reasonable written request from the Executive or the Company to Tax Counsel, or upon Tax Counsel's own initiative, Tax Counsel, at the Company's expense, thereafter determines that the Executive is required to make a payment of any Excise Tax or any additional Excise Tax, as the case may be, Tax Counsel shall, at the Company's expense, determine the amount of the Underpayment that has occurred and any such Underpayment shall be promptly paid by the Company to the Executive.

(c) The Company shall defend, hold harmless, and indemnify the Executive on a fully grossed-up after tax basis from and against any and all claims, losses, liabilities, obligations, damages, impositions, assessments, demands, judgements, settlements, costs and expenses (including reasonable attorneys', accountants', and experts' fees and expenses) with respect to any tax liability of the Executive resulting from any Final Determination (as defined in Section 11(j)) that any Payment is subject to the Excise Tax.

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(d) If a party hereto receives any written or oral communication with respect to any question, adjustment, assessment or pending or threatened audit, examination, investigation or administrative, court or other proceeding which, if pursued successfully, could result in or give rise to a claim by the Executive against the Company under this Section 11 ("Claim"), including, but not limited to, a claim for indemnification of the Executive by the Company under Section 11(c), then such party shall promptly notify the other party hereto in writing of such Claim ("Tax Claim Notice").

(e) If a Claim is asserted against the Executive ("Executive Claim"), the Executive shall take or cause to be taken such action in connection with contesting such Executive Claim as the Company shall reasonably request in writing from time to time, including the retention of counsel and experts as are reasonably designated by the Company (it being understood and agreed by the parties hereto that the terms of any such retention shall expressly provide that the Company shall be solely responsible for the payment of any and all fees and disbursements of such counsel and any experts) and the execution of powers of attorney, provided that:

(i) within 30 calendar days after the Company receives or delivers, as the case may be, the Tax Claim Notice relating to such Executive Claim (or such earlier date that any payment of the taxes claimed is due from the Executive, but in no event sooner than five calendar days after the Company receives or delivers such Tax Claim Notice), the Company shall have notified the Executive in writing ("Election Notice") that the Company does not dispute its obligations (including, but not limited to, its indemnity obligations) under this Agreement and that the Company elects to contest, and to control the defense or prosecution of, such Executive Claim at the Company's sole risk and sole cost and expense; and

(ii) the Company shall have advanced to the Executive on an interest-free basis, the total amount of the tax claimed in order for the Executive, at the Company's request, to pay or cause to be paid the tax claimed, file a claim for refund of such tax and, subject to the provisions of the last sentence of Section 11(g), sue for a refund of such tax if such claim for refund is disallowed by the appropriate taxing authority (it being understood and agreed by the parties hereto that the Company shall only be entitled to sue for a refund and the Company shall not be entitled to initiate any proceeding in, for example, United States Tax Court) and shall indemnify and hold the Executive harmless, on a fully grossed-up after tax basis, from any tax imposed with respect to such advance or with respect to any imputed income with respect to such advance; and

(iii) the Company shall reimburse the Executive for any and all costs and expenses resulting from any such request by the Company and shall indemnify and hold the Executive harmless, on fully grossed-up after-tax basis, from any tax imposed as a result of such reimbursement.

(f) Subject to the provisions of Section 11(e) hereof, the Company shall have the right to defend or prosecute, at the sole cost, expense and risk of the Company, such Executive Claim by all appropriate proceedings, which proceedings shall be defended or prosecuted diligently by the Company to a Final Determination; provided, however, that (i) the Company shall not, without the Executive's prior written consent, enter into any compromise or settlement of such Executive Claim that would adversely affect the Executive, (ii) any request from the Company to the Executive regarding any extension of the statute of limitations relating to assessment, payment, or collection of taxes for the taxable year of the Executive with respect to which the contested issues involved in, and amount of, the Executive Claim relate is limited solely to such contested issues and amount, and (iii) the Company's control of any

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contest or proceeding shall be limited to issues with respect to the Executive Claim and the Executive shall be entitled to settle or contest, in his sole and absolute discretion, any other issue raised by the Internal Revenue Service or any other taxing authority. So long as the Company is diligently defending or prosecuting such Executive Claim, the Executive shall provide or cause to be provided to the Company any information reasonably requested by the Company that relates to such Executive Claim, and shall otherwise cooperate with the Company and its representatives in good faith in order to contest effectively such Executive Claim. The Company shall keep the Executive informed of all developments and events relating to any such Executive Claim (including, without limitation, providing to the Executive copies of all written materials pertaining to any such Executive Claim), and the Executive or his authorized representatives shall be entitled, at the Executive's expense, to participate in all conferences, meetings and proceedings relating to any such Executive Claim.

(g) If, after actual receipt by the Executive of an amount of a tax claimed (pursuant to an Executive Claim) that has been advanced by the Company pursuant to Section 11(e)(ii) hereof, the extent of the liability of the Company hereunder with respect to such tax claimed has been established by a Final Determination, the Executive shall promptly pay or cause to be paid to the Company any refund actually received by, or actually credited to, the Executive with respect to such tax (together with any interest paid or credited thereon by the taxing authority and any recovery of legal fees from such taxing authority related thereto), except to the extent that any amounts are then due and payable by the Company to the Executive, whether under the provisions of this Agreement or otherwise. If, after the receipt by the Executive of an amount advanced by the Company pursuant to Section 11(e)(ii), a determination is made by the Internal Revenue Service or other appropriate taxing authority that the Executive shall not be entitled to any refund with respect to such tax claimed and the Company does not notify the Executive in writing of its intent to contest such denial of refund prior to the expiration of 30 days after such determination, then such advance shall be forgiven and shall not be required to be repaid and the amount of such advance shall offset, to the extent thereof, the amount of any Gross-Up Payments and other payments required to be paid hereunder.

(h) With respect to any Executive Claim, if the Company fails to deliver an Election Notice to the Executive within the period provided in Section 11(e)(i) hereof or, after delivery of such Election Notice, the Company fails to comply with the provisions of Section 11(e)(ii) and (iii) and (f) hereof, then the Executive shall at any time thereafter have the right (but not the obligation), at his election and in his sole and absolute discretion, to defend or prosecute, at the sole cost, expense and risk of the Company, such Executive Claim. The Executive shall have full control of such defense or prosecution and such proceedings, including any settlement or compromise thereof. If requested by the Executive, the Company shall cooperate, and shall cause its Affiliates to cooperate, in good faith with the Executive and his authorized representatives in order to contest effectively such Executive Claim. The Company may attend, but not participate in or control, any defense, prosecution, settlement or compromise of any Executive Claim controlled by the Executive pursuant to this Section 11(h) and shall bear its own costs and expenses with respect thereto. In the case of any Executive Claim that is defended or prosecuted by the Executive, the Executive shall, from time to time, be entitled to current payment, on a fully grossed-up after tax basis, from the Company with respect to costs and expenses incurred by the Executive in connection with such defense or prosecution.

(i) In the case of any Executive Claim that is defended or prosecuted to a Final Determination pursuant to the terms of this Section 11(i), the Company shall pay, on a fully grossed-up after tax basis, to the Executive in immediately available funds the full amount of any taxes arising or resulting from or incurred in connection with such Executive Claim that have not theretofore been paid by the Company to the Executive, together with the costs and expenses, on a fully grossed-up after tax basis, incurred in connection therewith that have not theretofore been paid by the Company to the Executive, within ten calendar days after such Final Determination. In the case of any Executive Claim not covered

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by the preceding sentence, the Company shall pay, on a fully grossed-up after tax basis, to the Executive in immediately available funds the full amount of any taxes arising or resulting from or incurred in connection with such Executive Claim at least ten calendar days before the date payment of such taxes is due from the Executive, except where payment of such taxes is sooner required under the provisions of this Section 11(i), in which case payment of such taxes (and payment, on a fully grossed-up after tax basis, of any costs and expenses required to be paid under this Section 11(i) shall be made within the time and in the manner otherwise provided in this Section 11(i).

(j) For purposes of this Agreement, the term “Final Determination” shall mean (A) a decision, judgment, decree or other order by a court or other tribunal with appropriate jurisdiction, which has become final and non-appealable; (B) a final and binding settlement or compromise with an administrative agency with appropriate jurisdiction, including, but not limited to, a closing agreement under Section 7121 of the Code; (C) any disallowance of a claim for refund or credit in respect to an overpayment of tax unless a suit is filed on a timely basis; or (D) any final disposition by reason of the expiration of all applicable statutes of limitations.

(k) For purposes of this Agreement, the terms “tax” and “taxes” mean any and all taxes of any kind whatsoever (including, but not limited to, any and all Excise Taxes, income taxes, and employment taxes), together with any interest thereon, any penalties, additions to tax, or additional amounts with respect to such taxes and any interest in respect of such penalties, additions to tax, or additional amounts.

(l) Notwithstanding anything in this Agreement to the contrary, if any additional payment required pursuant to this Section 11 is determined by the Board (or its delegate) to be subject to Section 409A, such payment shall be made no later than the end of the Executive’s taxable year following the year in which the related Excise Taxes are remitted to the relevant taxing authority.

Section 12. Expenses of Enforcement. If a Change in Control of the Company shall have occurred before the expiration of the term of this Agreement, then, upon demand by the Executive made to the Company, the Company shall reimburse the Executive for the reasonable expenses (including attorneys’ fees and expenses) incurred by the Executive in enforcing or seeking to enforce the payment of any amount or other benefit to which the Executive shall have become entitled pursuant to this Agreement, including those incurred in connection with any arbitration initiated pursuant to Section 20. To the extent that any such reimbursement would be subject to the Excise Tax, then the Executive shall be entitled to receive Gross-Up Payments in an amount such that after payment by the Executive of all taxes imposed on such Gross-Up Payments, the Executive retains an amount equal to the Excise Tax imposed upon the reimbursement, and the other provisions of Section 11 hereof shall also apply to such circumstance unless the context thereof otherwise indicates.

Section 13. Employment by Wholly Owned Entities. If, at or after the Effective Date, the Executive is or becomes an Executive of one or more corporations, partnerships, limited liability companies or other entities that are, directly or indirectly, wholly owned by the Company (“Wholly Owned Entities”), references in this Agreement to the Executive’s employment by the Company shall include the Executive’s employment by any such Wholly Owned Entity.

Section 14. No Obligation to Mitigate; No Rights of Offset.

(a) The Executive shall not be required to mitigate the amount of any payment or other benefit required to be paid to the Executive pursuant to this Agreement, whether by seeking other employment or otherwise, nor shall the amount of any such payment or other benefit be reduced on account of any compensation earned by the Executive as a result of employment by another person.

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(b) The Company's obligation to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any set-off, counterclaim, recoupment, defense or other claim, right or action which the Company may have against the Executive or others.

Section 15. Amendment and Waiver. No provision of this Agreement may be amended or waived (whether by act or course of conduct or omission or otherwise) unless that amendment or waiver is by written instrument signed by the parties hereto. No waiver by either party of any breach of this Agreement shall be deemed a waiver of any other or subsequent breach.

Section 16. Governing Law. The validity, interpretation, construction and enforceability of this Agreement shall be governed by the laws of the State of Texas.

Section 17. Validity. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

Section 18. Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original but all of which together will constitute the same instrument.

Section 19. Assignment; Binding Effect. This Agreement shall inure to the benefit of and be enforceable by the Executive's legal representative. This Agreement shall be binding upon any Successor. The Company may not assign any of its obligations under this Agreement unless (i) such assignment is to a Successor and (ii) the requirements of Section 8 are fulfilled.

Section 20. Arbitration. Except as otherwise explicitly provided in Section 11, any dispute between the parties arising out of this Agreement, whether as to this Agreement's construction, interpretation or enforceability or as to any party's breach or alleged breach of any provision of this Agreement, shall be submitted to arbitration in accordance with the following procedures:

(i) Either party may demand such arbitration by giving notice of that demand to the other party. The notice shall state (x) the matter in controversy, and (y) the name of the arbitrator selected by the party giving the notice.

(ii) Not more than 15 days after such notice is given, the other party shall give notice to the party who demanded arbitration of the name of the arbitrator selected by the other party. If the other party shall fail to timely give such notice, the arbitrator that the other party was entitled to select shall be named by the Arbitration Committee of the American Arbitration Association. Not more than 15 days after the second arbitrator is so named, the two arbitrators shall select a third arbitrator. If the two arbitrators shall fail to timely select a third arbitrator, the third arbitrator shall be named by the Arbitration Committee of the American Arbitration Association.

(iii) The dispute shall be arbitrated at a hearing that shall be concluded within ten days immediately following the date the dispute is submitted to arbitration unless a majority of the arbitrators shall elect to extend the period of arbitration. Any award made by a majority of the arbitrators (x) shall be made within ten days following the conclusion of the arbitration hearing, (y) shall be conclusive and binding on the parties, and (z) may be made the subject of a judgment of any court having jurisdiction.

(iv) All expenses of the arbitration shall be borne by the Company.

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The agreement of the parties contained in the foregoing provisions of this Section 20 shall be a complete defense to any action, suit or other proceeding instituted in any court or before any administrative tribunal with respect to any dispute between the parties arising out of this Agreement.

Section 21. Interpretation.

(a) As used in this Agreement, the following terms and phrases have the indicated meanings:

(i) “*Affiliate*” and “*Affiliates*” mean, when used with respect to any entity, individual, or other person, any other entity, individual, or other person which, directly or indirectly, through one or more intermediaries controls, or is controlled by, or is under common control with such entity, individual or person.

(ii) “*Base Salary*” has the meaning assigned to that term in Section 5.

(iii) “*Basic Benefit Plans*” has the meaning assigned to that term in Section 5.

(iv) “*Benchmark Bonus*” has the meaning assigned to that term in Section 5.

(v) “*Board of Directors*” means the Board of Directors of the Company.

(vi) “*Business Combination*” has the meaning assigned to that term in Section 2.

(vii) “*Change in Control of the Company*” has the meaning assigned to that phrase in Section 2.

(viii) “*Claim*” has the meaning assigned to such term in Section 11.

(ix) “*Code*” means the Internal Revenue Code of 1986, as amended from time to time.

(x) “*Commission*” means the United States Securities and Exchange Commission or any successor agency.

(xi) “*Company*” has the meaning assigned to that term in the preamble to this Agreement. The term “*Company*” shall also include any Successor, whether the liability of such Successor under this Agreement is established by contract or occurs by operation of law.

(xii) “*Covered Person*” has the meaning assigned to that term in Section 2.

(xiii) “*Determination*” has the meaning assigned to that term in Section 11.

(xiv) “*Dispute*” has the meaning assigned to that term in Section 11.

(xv) “*Effective Date*” means the first day of employment with the Company by the Executive.

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(xvi) "*Election Notice*" has the meaning assigned to such term in Section 11.

(xvii) "*Executive*" has the meaning assigned to such term in the preamble to this Agreement.

(xviii) "*Executive Claim*" has the meaning assigned to such term in Section 11.

(xix) "*Executive's Disability*" means:

(1) if no Change in Control of the Company shall have occurred before the date of determination, the physical or mental disability of the Executive determined in accordance with the disability policy of the Company at the time in effect and generally applicable to its salaried Executives; and

(2) if a Change in Control of the Company shall have occurred at that date, the physical or mental disability of the Executive determined in accordance with the disability policy of the Company in effect immediately before the occurrence of the first Change in Control of the Company and generally applicable to its salaried Executives.

The Executive's Disability, and the automatic termination of the Executive's employment by the Company by reason of the Executive's Disability, shall be deemed to have occurred on the date of determination, provided that if (1) a Change in Control of the Company shall have occurred before the expiration of the term of this Agreement, (2) the Company shall have subsequently given notice pursuant to Section 6 of the Company's determination of the Executive's Disability, and (3) the Executive shall have given notice to the Company that the Executive disagrees with that determination, then (A) whether the Executive's Disability shall have occurred shall be submitted to arbitration pursuant to Section 20, and (B) if a majority of the arbitrators decide that the Executive's Disability had not occurred, at the date of determination by the Company, then (I) the Executive's Disability, and the automatic termination of the Executive's employment by the Company by reason of the Executive's Disability, shall be deemed not to have occurred, and (II) on demand by the Executive made to the Company, the Company shall reimburse the Executive for the reasonable expenses (including attorneys' fees and expenses) incurred by the Executive in obtaining that decision.

(xx) "*Event of Termination for Good Reason*" has the meaning assigned to that phrase in Section 5.

(xxi) "*Event of Termination for Cause*" has the meaning assigned to that phrase in Section 4.

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

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(xxiii) “*Excise Tax*” has the meaning assigned to that term in Section 11.

(xxiv) “*Expiration Date*” has the meaning assigned to that term in Section 3.

(xxv) “*Final Determination*” has the meaning assigned to such term in Section 11.

(xxvi) “*Fiscal Year*” means the fiscal year of the Company.

(xxvii) “*Gross-Up Payment*” has the meaning assigned to that term in Section 11.

(xxviii) “*Other Benefit Plan*” means any employee welfare benefit plan (within the meaning of section 3(1) of the Employee Retirement Income Security Act of 1974, as amended) maintained by the Company.

(xxix) “*Outstanding Company Common Stock*” has the meaning assigned to that term in Section 2.

(xxx) “*Outstanding Company Voting Securities*” has the meaning assigned to that term in Section 2.

(xxxi) “*Payment*” has the meaning assigned to that term in Section 11.

(xxxii) “*Person*” means any individual, corporation, partnership, joint venture, association, joint-stock company, limited partnership, limited liability company, trust, unincorporated organization, government, or agency or political subdivision of any government.

(xxxiii) “*Relevant Period*” means a period beginning on the Termination Date and ending on the first to occur of (x) the third anniversary of the Termination Date, or (y) the date on which the Executive becomes employed on a full-time basis by another person.

(xxxiv) “*Severance Payment*” has the meaning assigned to that term in Section 7.

(xxxv) “*Successor*” means a person with or into which the Company shall have been merged or consolidated or to which the Company shall have transferred its assets as an entirety or substantially as an entirety.

(xxxvi) “*Tax*” has the meaning assigned to that term in Section 11.

(xxxvii) “*Tax Claim Notice*” has the meaning assigned to that term in Section 11.

(xxxviii) “*Tax Counsel*” has the meaning assigned to that term in Section 11.

(xxxix) “*Termination Date*” has the meaning assigned to that term in Section 6.

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(xl) “*Termination Payment Date*” means

(1) if the Board (or its delegate) determines in its sole discretion that as of the Termination Date, other than a termination due to death or Disability, the Executive is a specified employee (as defined in Section 409A(a)(2)(B)(i), and Department of Treasury regulations and other interpretive guidance issued thereunder) as of such date (a “*Specified Employee*”) and that Section 409A applies with respect to a portion of the payments hereunder, then with respect to such portion, the first business day following the six-month anniversary of the Termination Date (the “*Six-Month Delay Period*”) or

(2) if the Board (or its delegate) determines in its sole discretion that as of the Termination Date, other than a termination due to death or Disability, the Executive is not a Specified Employee as of such date or that Section 409A does not apply with respect to a portion of the payments hereunder, then with respect to such portion, not more than ten (10) days immediately following the Termination Date and

(3) with respect to any amount payable to or on behalf of the Executive under a welfare or benefit plan program of the Company, including but not limited to a Basic Benefit Plan or Other Benefit Plan, then, to the extent such benefits are provided after the period of time during which the Executive would be entitled to (or would, but for this Agreement, be entitled to) COBRA continuation coverage under a group health plan of the Company, the Company shall make any payments due for such coverage during the Relevant Period on the last business day of the calendar month following the month in which such payments become due.

If the Board (or its delegate) determines in its sole discretion that as of the Termination Date, other than a termination due to death or Disability, the Executive is a Specified Employee as of such date and that Section 409A applies with respect to a portion of the payments hereunder, then any such portion payable during the Six-Month Delay Period, including but not limited to any payments under Section 11 or any other reimbursements, shall be transferred to a rabbi trust (which shall be a rabbi trust previously created by the Company that contains other amounts of deferred compensation payable by the Company to the Executive or a rabbi trust created by the Company or its successor, on terms reasonably acceptable to the Executive) as soon as administratively feasible following the occurrence of the event giving rise to the Executive’s right to such payment, except to the extent such transfer would subject the Executive to penalties under the funding restriction provisions of Section 409A, as amended by the Pension Protection Act of 2006, and such amounts (together with earnings thereon determined in accordance with the terms of the trust agreement) shall be transferred from the trust to the Executive upon the earlier of (i) the expiration of the Six-Month Delay Period, or (ii) any other earlier date permitted under Section 409A.

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(xli) “*This Agreement*” means this Change in Control Agreement as it may be amended from time to time in accordance with Section 15.

(xlii) “*Underpayment*” has the meaning assigned to that term in Section 11.

(xliii) “*Wholly Owned Entities*” has the meaning assigned to that term in Section 13.

(b) In the event of the enactment of any successor provision to any statute or rule cited in this Agreement, references in this Agreement to such statute or rule shall be to such successor provision.

(c) The headings of Sections of this Agreement shall not control the meaning or interpretation of this Agreement.

(d) References in this Agreement to any Section are to the corresponding Section of this Agreement unless the context otherwise indicates.

(e) This Agreement is intended to meet the requirements of Section 409A and shall be administered, construed and interpreted in a manner that is intended to meet those requirements. To the extent that the provision of a benefit or payment under the Agreement is subject to Section 409A, except as the Company and Executive otherwise determine in writing, the provision or payment shall be provided or paid in a manner that will meet the requirements of Section 409A, including regulations or other guidance issued with respect thereto, such that the provisions or payment shall not be subject to the additional tax or interest applicable under Section 409A. Any provision of this Agreement that would cause the provision or payment to fail to satisfy Section 409A shall be amended to comply with Section 409A on a timely basis, which may be made on a retroactive basis, in accordance with regulations and other guidance issued under Section 409A. In the event additional regulations or other guidance is issued under Section 409A or a court of competent jurisdiction provides additional authority concerning the application of Section 409A with respect to the distributions under the Agreement, then the provisions of the Agreement 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 Agreement prior to its amendment to comply with Section 409A.

SIGNATURE PAGE TO FOLLOW

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IN WITNESS WHEREOF, the Company and the Executive have executed this Agreement this \_\_\_\_ day of \_\_\_\_\_, 2008, to be effective as set forth herein.

**QUANEX BUILDING  
PRODUCTS CORPORATION**

By: \_\_\_\_\_

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

Title: \_\_\_\_\_

**EXECUTIVE**

\_\_\_\_\_

CEO

**Quanex Names David D. Petratis as President and Chief Executive Officer,  
Succeeding Raymond A. Jean Who Remains Chairman**

Houston, Texas, May 20, 2008 — **Quanex Building Products Corporation** (NYSE:NX), an industry-leading manufacturer of value added, engineered materials and components for the Building Products market, announced today that its Board of Directors has elected David D. Petratis, 50, as President and Chief Executive Officer of Quanex, effective July 1, 2008. The Board also elected Mr. Petratis as a director, effective July 1, 2008. Mr. Petratis currently serves as President and CEO of Schneider Electric North American Operating Division. Mr. Petratis will succeed Raymond A. Jean as President and CEO, and Mr. Jean will remain Chairman of the Board.

“Ray Jean has done an outstanding job during his tenure as Chief Executive Officer,” said Joseph J. Ross, Chairman of the Nominating and Corporate Governance Committee, on behalf of the Board. “Ray transformed Quanex to a market driven firm focused on two distinct markets and delivered tremendous value for our shareholders. The Board is delighted in having recruited Dave Petratis to be its next CEO, and Ray will continue to serve as Executive Chairman until his retirement around calendar year-end to provide for a smooth transition.”

“Dave is the right executive to be the CEO of a newly reconstituted Quanex focused on becoming a significant force in the Building Products industry,” Mr. Jean said. “He is a well-rounded leader with a track record of positioning businesses under his stewardship with leading-edge manufacturing capabilities and driving impressive growth. His process based, results-oriented management style and knowledge of the Building Products industry will be invaluable as he drives growth at Quanex.”

**About David D. Petratis:** Dave is currently the President and Chief Executive Officer of Schneider Electric’s North American Operating Division with sales of \$4.3 billion in 2007. Schneider Electric, well known for its flagship Square D brand employs 22,400 employees with 46 manufacturing facilities throughout North America. Under Dave’s leadership, Schneider Electric has grown its North American operations by over \$2 billion in revenue while doubling earnings. He successfully completed several significant acquisitions to include Juno Lighting, PMI and numerous electrical service providers.

Dave began his career with Square D Company in 1981 where he quickly advanced into key management positions. Schneider Electric acquired Square D in 1991. In 1994, Dave was appointed President of MGE UPS Systems America, which was spun off from Schneider Electric. Under Dave’s leadership, MGE America grew from a \$60 million business to over \$300 million in 2001. In 2001, he was awarded the Ernst & Young Entrepreneur of the Year. Schneider Electric re-acquired MGE in 2003 and Dave was subsequently promoted to be the Chief Operating Officer of Schneider Electric North America and became CEO in 2004.

Dave earned his Bachelor’s Degree in Industrial Management from the University of Northern Iowa in 1981 and his Masters in Business Administration from Pepperdine University in 1998. He is Vice-Chairman of the National Electrical Manufacturers Association, Board member of the Electrical Safety Foundation and a member of the Board of Directors of Gardner Denver, Inc.

*Statements that use the words “expect,” “should,” “believe,” “will,” “might,” or similar words reflecting future expectations or beliefs are forward-looking statements. The statements found above are based on current expectations. Actual results or events may differ materially from this release. Factors that could impact future results may include, without limitation, the effect of both domestic and global economic conditions, the impact of competitive products and pricing, and the availability and cost of raw materials. For a more complete discussion of factors that may affect the Company’s future performance, please refer to the Company’s Form 10, filed with the SEC on April 4, 2008 pursuant to the Securities Exchange Act of 1934, in particular the section titled, “Special Note About Forward-Looking Statements” contained therein.*

Financial Contact: Jeff Galow, 713/877-5327

Media Contact: Valerie Calvert, 713/877-5305

**For additional information, visit the Company’s website at [www.quanex.com](http://www.quanex.com).**

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