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

FORM 10-Q

(Mark One)

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

For the quarterly period ended January 31, 2011

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
(State or other jurisdiction of
incorporation or organization)

26-1561397
(I.R.S. Employer
Identification No.)

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes 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 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 Accelerated filer Non-accelerated filer Smaller reporting company

(Do not check if a 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

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 4, 2011 |
|--|------------------------------|
| Common Stock, par value \$0.01 per share | 37,901,434 |

QUANEX BUILDING PRODUCTS CORPORATION
INDEX

| | |
|---|----|
| <u>PART I. FINANCIAL INFORMATION</u> | 1 |
| <u>Item 1: Financial Statements (Unaudited)</u> | |
| <u>Consolidated Balance Sheets — January 31, 2011 and October 31, 2010</u> | 1 |
| <u>Consolidated Statements of Income — Three Months Ended January 31, 2011 and 2010</u> | 2 |
| <u>Consolidated Statements of Cash Flow — Three Months Ended January 31, 2011 and 2010</u> | 3 |
| <u>Consolidated Statement of Stockholders' Equity — Three Months Ended January 31, 2011</u> | 4 |
| <u>Notes to Consolidated Financial Statements</u> | 5 |
| <u>Item 2: Management's Discussion and Analysis of Financial Condition and Results of Operations</u> | 18 |
| <u>Item 3: Quantitative and Qualitative Disclosures About Market Risk</u> | 28 |
| <u>Item 4: Controls and Procedures</u> | 29 |
| <u>PART II. OTHER INFORMATION</u> | 30 |
| <u>Item 1A: Risk Factors</u> | 30 |
| <u>Item 2: Unregistered Sales of Equity Securities and Use of Proceeds</u> | 30 |
| <u>Item 6: Exhibits</u> | 31 |
| <u>Exhibit 10.1</u> | |
| <u>Exhibit 31.1</u> | |
| <u>Exhibit 31.2</u> | |
| <u>Exhibit 32.1</u> | |
| <u>EX-101 INSTANCE DOCUMENT</u> | |
| <u>EX-101 SCHEMA DOCUMENT</u> | |
| <u>EX-101 CALCULATION LINKBASE DOCUMENT</u> | |
| <u>EX-101 LABELS LINKBASE DOCUMENT</u> | |
| <u>EX-101 PRESENTATION LINKBASE DOCUMENT</u> | |
| <u>EX-101 DEFINITION LINKBASE DOCUMENT</u> | |

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

QUANEX BUILDING PRODUCTS CORPORATION
CONSOLIDATED BALANCE SHEETS
(Unaudited)

| | January 31, 2011 | October 31, 2010 |
|--|---------------------|---------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and equivalents | \$ 182,466 | \$ 187,178 |
| Accounts receivable, net of allowance of \$1,031 and \$1,037 | 49,388 | 87,007 |
| Inventories | 56,097 | 45,200 |
| Deferred income taxes | 14,406 | 10,547 |
| Prepaid and other current assets | 8,170 | 8,229 |
| Current assets of discontinued operations | — | 462 |
| Total current assets | 310,527 | 338,623 |
| Property, plant and equipment, net | 134,452 | 135,517 |
| Deferred income taxes | 29,754 | 30,563 |
| Goodwill | 25,189 | 25,189 |
| Intangible assets, net | 43,897 | 44,668 |
| Other assets | 16,793 | 16,690 |
| Total assets | <u>\$ 560,612</u> | <u>\$ 591,250</u> |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable | \$ 53,424 | \$ 70,986 |
| Accrued liabilities | 30,673 | 43,447 |
| Current maturities of long-term debt | 327 | 327 |
| Current liabilities of discontinued operations | — | 30 |
| Total current liabilities | 84,424 | 114,790 |
| Long-term debt | 1,601 | 1,616 |
| Deferred pension and postretirement benefits | 3,934 | 3,667 |
| Non-current environmental reserves | 12,027 | 12,027 |
| Other liabilities | 23,150 | 17,718 |
| Total liabilities | 125,136 | 149,818 |
| 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 37,901,434 and 37,862,441, respectively | 379 | 379 |
| Additional paid-in-capital | 239,302 | 238,079 |
| Retained earnings | 203,945 | 210,366 |
| Accumulated other comprehensive income (loss) | (1,663) | (1,757) |
| | 441,963 | 447,067 |
| Less treasury stock at cost, 398,109 and 351,626 shares, respectively | (6,487) | (5,635) |
| Total stockholders' equity | 435,476 | 441,432 |
| Total liabilities and stockholders' equity | <u>\$ 560,612</u> | <u>\$ 591,250</u> |

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

QUANEX BUILDING PRODUCTS CORPORATION
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

| | Three Months Ended | |
|--|---|----------------|
| | January 31, | |
| | 2011 | 2010 |
| | (In thousands, except per share amounts) | |
| Net sales | \$ 159,808 | \$ 151,422 |
| Cost and expenses: | | |
| Cost of sales (exclusive of items shown separately below) | 139,655 | 126,134 |
| Selling, general and administrative | 20,294 | 16,107 |
| Depreciation and amortization | 7,525 | 7,334 |
| Operating income (loss) | (7,666) | 1,847 |
| Interest expense | (121) | (124) |
| Other, net | 100 | 78 |
| Income (loss) from continuing operations before income taxes | (7,687) | 1,801 |
| Income tax benefit (expense) | 2,959 | (718) |
| Income (loss) from continuing operations | (4,728) | 1,083 |
| Income (loss) from discontinued operations, net of taxes | (12) | (889) |
| Net income (loss) | <u>\$ (4,740)</u> | <u>\$ 194</u> |
| Basic earnings per common share: | | |
| Earnings (loss) from continuing operations | \$ (0.13) | \$ 0.03 |
| Income (loss) from discontinued operations | — | (0.02) |
| Basic earnings (loss) per share | <u>\$ (0.13)</u> | <u>\$ 0.01</u> |
| Diluted earnings per common share: | | |
| Earnings (loss) from continuing operations | \$ (0.13) | \$ 0.03 |
| Income (loss) from discontinued operations | — | (0.02) |
| Diluted earnings (loss) per share | <u>\$ (0.13)</u> | <u>\$ 0.01</u> |
| Weighted-average common shares outstanding: | | |
| Basic | 37,092 | 37,340 |
| Diluted | 37,092 | 37,797 |

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

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

| | Three Months Ended | |
|---|---------------------------|-------------|
| | January 31, | |
| | 2011 | 2010 |
| | (In thousands) | |
| Operating activities: | | |
| Net income (loss) | \$ (4,740) | \$ 194 |
| (Income) loss from discontinued operations | 12 | 889 |
| Adjustments to reconcile net income (loss) to cash provided by operating activities from continuing operations: | | |
| Depreciation and amortization | 7,542 | 7,352 |
| Deferred income taxes | (3,197) | 654 |
| Stock-based compensation | 1,291 | 1,097 |
| Changes in assets and liabilities, net of effects from acquisitions and dispositions: | | |
| Decrease (increase) in accounts receivable | 37,513 | 24,262 |
| Decrease (increase) in inventory | (10,889) | (2,200) |
| Decrease (increase) in other current assets | (598) | 257 |
| Increase (decrease) in accounts payable | (19,164) | (18,382) |
| Increase (decrease) in accrued liabilities | (9,903) | (5,929) |
| Increase (decrease) in income taxes payable | 191 | 23 |
| Increase (decrease) in deferred pension and postretirement benefits | 268 | 721 |
| Other, net | 2,356 | 23 |
| Cash provided by (used for) operating activities from continuing operations | 682 | 8,961 |
| Cash provided by (used for) operating activities from discontinued operations | (68) | (202) |
| Cash provided by (used for) operating activities | 614 | 8,759 |
| Investing activities: | | |
| Capital expenditures | (4,124) | (3,727) |
| Executive life insurance proceeds | 683 | — |
| Other, net | 74 | — |
| Cash provided by (used for) investing activities from continuing operations | (3,367) | (3,727) |
| Cash provided by (used for) investing activities from discontinued operations | — | — |
| Cash provided by (used for) investing activities | (3,367) | (3,727) |
| Financing activities: | | |
| Repayments of long-term debt | (15) | (14) |
| Common stock dividends paid | (1,501) | (1,132) |
| Issuance of common stock from stock option exercises, including related tax benefits | 579 | 26 |
| Purchase of treasury stock | (1,504) | — |
| Other, net | 392 | (201) |
| Cash provided by (used for) financing activities from continuing operations | (2,049) | (1,321) |
| Cash provided by (used for) financing activities from discontinued operations | (392) | 201 |
| Cash provided by (used for) financing activities | (2,441) | (1,120) |
| Effect of exchange rate changes on cash and equivalents | 22 | 8 |
| Less: (Increase) decrease in cash and equivalents from discontinued operations | 460 | 1 |
| Increase (decrease) in cash and equivalents from continuing operations | (4,712) | 3,921 |
| Cash and equivalents at beginning of period | 187,178 | 123,499 |
| Cash and equivalents at end of period | \$ 182,466 | \$ 127,420 |

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

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

| | <u>Common Stock</u> | <u>Additional Paid-in Capital</u> | <u>Retained Earnings</u> | <u>Accumulated Other Comprehensive Income (Loss)</u> | <u>Treasury Stock</u> | <u>Total Stockholders' Equity</u> |
|--|---|---|------------------------------|--|---------------------------|---|
| Three Months Ended January 31, 2011 | (In thousands, except per share amounts) | | | | | |
| Balance at October 31, 2010 | \$ 379 | \$ 238,079 | \$ 210,366 | \$ (1,757) | \$ (5,635) | \$ 441,432 |
| Net income (loss) | | | (4,740) | | | (4,740) |
| Common dividends (\$0.04 per share) | | | (1,501) | | | (1,501) |
| Treasury shares purchased, at cost | | | | | (1,504) | (1,504) |
| Stock-based compensation activity: | | | | | | |
| Stock-based compensation earned | | 1,223 | | | | 1,223 |
| Stock options exercised | | | (96) | | 652 | 556 |
| Restricted stock awards | | | | | | — |
| Stock-based compensation tax benefit | | | | | | — |
| Other | — | — | (84) | 94 | — | 10 |
| Balance at January 31, 2011 | <u>\$ 379</u> | <u>\$ 239,302</u> | <u>\$ 203,945</u> | <u>\$ (1,663)</u> | <u>\$ (6,487)</u> | <u>\$ 435,476</u> |

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

QUANEX BUILDING PRODUCTS CORPORATION
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. Description of Business and Basis of Presentation

Quanex Building Products Corporation and its subsidiaries (Quanex or the Company) are managed on a decentralized basis and operate in two business segments: Engineered Products and Aluminum Sheet Products. The Engineered Products segment produces engineered systems, products and components primarily serving the window and door industry, while the Aluminum Sheet Products segment produces mill finished and coated aluminum sheet serving the broader building products markets and secondary markets such as capital goods and transportation. The primary market drivers are residential housing starts and remodeling expenditures. Quanex believes it is a technological leader in the production of aluminum flat-rolled products, flexible insulating glass spacer systems, extruded vinyl profiles, thin film solar panel sealants, and precision-formed metal and wood products which primarily serve the North American building products markets. The Company uses low-cost production processes, and engineering and metallurgical expertise to provide customers with specialized products for specific applications.

On December 12, 2007, Quanex Building Products Corporation was incorporated in the state of Delaware as a subsidiary of Quanex Corporation to facilitate the separation of Quanex Corporation's vehicular products and building products businesses. The separation occurred on April 23, 2008 through the spin-off of Quanex Corporation's building products business to its shareholders immediately followed by the merger of Quanex Corporation (consisting principally of the vehicular products business and all non-building products related corporate accounts) with a wholly-owned subsidiary of Gerdau S.A. (Gerdau). This is hereafter referred to as the "Separation".

In January 2010, management committed to a plan to close its start-up facility in China due to the contraction of demand and the Company's ability to serve the overseas thin film solar panel market from its U.S. operations. Accordingly, the China assets and liabilities, results of operations and cash flows are reported as discontinued operations for all periods presented. Unless otherwise noted, all disclosures in the notes accompanying the consolidated financial statements reflect only continuing operations.

The interim unaudited consolidated financial statements of the Company include all adjustments which, in the opinion of management, are necessary for a fair presentation of the Company's financial position and results of operations. All such adjustments are of a normal recurring nature. These financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. The preparation of these financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying footnotes. 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 the Company's operating environment changes. Actual results could differ from estimates. These statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended October 31, 2010.

2. New Accounting Pronouncements

In December 2010, the Financial Accounting Standards Board (FASB) issued ASC Topic No. 2010-29 *Business Combinations (ASC Topic 805) — Disclosure of Supplementary Pro Forma Information for Business Combinations* which amended ASC Topic 805 "Business Combinations" to specify that if a public entity presents comparative financial statements, the entity should disclose revenue and earnings of the combined entity as though the business combination that occurred during the year had occurred as of the beginning of the comparable prior annual reporting period only. The ASC also expands the supplemental pro forma disclosures under ASC Topic 805 to include a description of the nature and the amount of material, nonrecurring pro forma adjustments directly attributable to the business combination included in the reported pro forma revenue and earnings. The ASC is effective prospectively for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2010 (November 1, 2011 for the Company). Early adoption is permitted. The Company will disclose information in accordance with the ASC within all financial statements issued after the effective date.

QUANEX BUILDING PRODUCTS CORPORATION
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (continued)

In December 2010, the FASB issued ASC Topic No. 2010-28 *Intangibles—Goodwill and Other (ASC Topic 350) — When to Perform Step 2 of the Goodwill Impairment Test for Reporting Units with Zero or Negative Carrying Amounts* which amended ASC Topic 350 “Goodwill and Other.” The ASC requires an entity with reporting units that have carrying amounts that are zero or negative to assess whether it is more likely than not that the reporting units’ goodwill is impaired. If the entity determines that it is more likely than not that the goodwill of one or more of its reporting units is impaired, the entity is required to perform Step 2 of the goodwill impairment test for those reporting unit(s) and record any resulting impairment as a cumulative-effect adjustment to beginning retained earnings. The provisions of this ASC are effective for fiscal years, and interim periods within those years, beginning after December 15, 2010 (November 1, 2011 for the Company). Early adoption is not permitted. The Company does not expect the adoption of this ASC to have a material impact on the Company’s consolidated financial statements.

In January 2010, the FASB issued ASC Topic No. 2010-06, *Fair Value Measurements and Disclosures (ASC Topic 820) — Improving Disclosures About Fair Value Measurements*. The ASC requires new disclosures about transfers into and out of Levels 1 (fair value determined based on quoted prices in active markets for identical assets and liabilities) and 2 (fair value determined based on significant other observable inputs) and separate disclosures about purchases, sales, issuances, and settlements relating to Level 3 measurements. It also clarifies existing fair value disclosures about the level of disaggregation and about inputs and valuation techniques used to measure fair value. Except for the detailed Level 3 roll-forward disclosures, the new standard is effective for the Company for interim and annual reporting periods beginning after December 31, 2009 (February 1, 2010 for the Company). The requirement to provide detailed disclosures about the purchases, sales, issuances and settlements in the roll-forward activity for Level 3 fair value measurements is effective for the Company for interim and annual reporting periods beginning after December 31, 2010 (February 1, 2011 for the Company). Other than requiring additional disclosures, none that currently impact the Company; the adoption of this new guidance does not have a material impact on the Company’s Consolidated Financial Statements.

3. Acquired Intangible Assets

Intangible assets consist of the following (in thousands):

| | <u>As of January 31, 2011</u> | | <u>As of October 31, 2010</u> | |
|------------------------------|-------------------------------|---------------------------------|-------------------------------|---------------------------------|
| | <u>Gross Carrying Amount</u> | <u>Accumulated Amortization</u> | <u>Gross Carrying Amount</u> | <u>Accumulated Amortization</u> |
| Amortized intangible assets: | | | | |
| Customer relationships | \$ 21,200 | \$ 6,556 | \$ 21,200 | \$ 6,291 |
| Trademarks and trade names | 33,530 | 9,522 | 33,530 | 9,156 |
| Patents | 11,560 | 6,315 | 11,560 | 6,175 |
| Total | <u>\$ 66,290</u> | <u>\$ 22,393</u> | <u>\$ 66,290</u> | <u>\$ 21,622</u> |

QUANEX BUILDING PRODUCTS CORPORATION
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (continued)

The aggregate amortization expense for the three month period ended January 31, 2011 was \$0.8 million. The aggregate amortization expense for the three month period ended January 31, 2010 was \$0.8 million. Estimated amortization expense for the next five years, based upon the amortization of pre-existing intangibles follows:

| Fiscal Years Ending October 31, | Estimated Amortization (In thousands) |
|--|---|
| 2011 (remaining nine months) | \$ 2,312 |
| 2012 | \$ 3,082 |
| 2013 | \$ 3,020 |
| 2014 | \$ 2,986 |
| 2015 | \$ 2,921 |

4. Inventories

Inventories consist of the following:

| | January 31, 2011 | October 31, 2010 |
|------------------------------------|-----------------------------|-----------------------------|
| | (In thousands) | |
| Raw materials | \$ 22,590 | \$ 18,823 |
| Finished goods and work in process | 31,039 | 23,756 |
| | 53,629 | 42,579 |
| Supplies and other | 2,468 | 2,621 |
| Total | <u>\$ 56,097</u> | <u>\$ 45,200</u> |

Fixed costs related to excess manufacturing capacity, if any, have been expensed in the period, and therefore, are not capitalized into inventory. The values of inventories in the consolidated balance sheets are based on the following accounting methods:

| | January 31, 2011 | October 31, 2010 |
|-------|-----------------------------|-----------------------------|
| | (In thousands) | |
| LIFO | \$ 28,654 | \$ 20,122 |
| FIFO | 27,443 | 25,078 |
| Total | <u>\$ 56,097</u> | <u>\$ 45,200</u> |

An actual valuation of inventory under the last in, first out (LIFO) method can be made only at the end of each year based on the inventory costs and levels at that time. Accordingly, interim LIFO calculations must be based on management's estimates of expected year-end inventory costs and levels. Because these are subject to many factors beyond management's control, interim results are subject to the final year-end LIFO inventory valuation which could significantly differ from interim estimates. To estimate the effect of LIFO on interim periods, the Company performs a projection of the year-end LIFO reserve and considers expected year-end inventory pricing and expected inventory levels. Depending on this projection, the Company may record an interim allocation of the projected year-end LIFO calculation. This projection resulted in zero interim LIFO allocation for the three months ended January 31, 2011. With respect to inventories valued using the LIFO method, replacement cost exceeded the LIFO value by approximately \$10.1 million as of January 31, 2011 and October 31, 2010.

QUANEX BUILDING PRODUCTS CORPORATION
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. Earnings and Dividends Per Share*Earnings Per Share*

Basic and diluted earnings per share from continuing operations for the three months ended January 31, 2011 are identical as the Company reported a loss from continuing operations. The computational components of basic and diluted earnings per share from continuing operations for the three months ended January 31, 2010 are below (shares and dollars in thousands except per share amounts):

| | For the Three Months Ended January 31, 2010 | | |
|---|--|---------------------------------|---------------------------------|
| | Income (Numerator) | Shares (Denominator) | Per Share Amount |
| Basic earnings and earnings per share | \$ 1,083 | 37,340 | \$ 0.03 |
| Effect of dilutive securities: | | | |
| Common stock equivalents arising from stock options | — | 200 | |
| Restricted stock | — | 155 | |
| Common stock held by rabbi trust | — | 102 | |
| Diluted earnings and earnings per share | \$ 1,083 | 37,797 | \$ 0.03 |

The computation of diluted earnings per share excludes outstanding options and other common stock equivalents in periods where inclusion of such potential common stock instruments would be anti-dilutive in the periods presented. When income from continuing operations is a loss, all potential dilutive instruments are excluded from the computation of diluted earnings per share as they would be anti-dilutive. Accordingly, for the three months ended January 31, 2011, 0.2 million of restricted stock and 0.4 million of common stock equivalents were excluded from the computation of diluted earnings per share as the Company had a loss from continuing operations.

For the three months ended January 31, 2011 and 2010, the Company had 0.5 million and 0.5 million, respectively, of securities that are potentially dilutive in future earnings per share calculations. Such dilution will be dependent on the excess of the market price of the Company's stock over the exercise price and other components of the treasury stock method.

Dividends Per Share

The Company pays a quarterly cash dividend on the Company's common stock. During the three months ended January 31, 2011, the Company paid \$0.04 cash dividend per common share. During the three months ended January 31, 2010, the Company paid \$0.03 cash dividend per common share.

QUANEX BUILDING PRODUCTS CORPORATION
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (continued)

6. Comprehensive Income

Comprehensive income comprises net income and all other non-owner changes in equity, including foreign currency translation, pension related adjustments and realized and unrealized gains and losses on derivatives, if any. Comprehensive income for the three months ended January 31, 2011 and 2010 was as follows:

| | Three Months Ended | |
|---|---------------------------|---------------|
| | January 31, | |
| | 2011 | 2010 |
| | (In thousands) | |
| Comprehensive income (loss): | | |
| Net income (loss) | \$ (4,740) | \$ 194 |
| Foreign currency translation adjustment | 92 | 13 |
| Other | 2 | — |
| Total comprehensive income (loss), net of taxes | <u>\$ (4,646)</u> | <u>\$ 207</u> |

7. Long-Term Debt and Capital Lease Obligations

Long-term debt consists of the following:

| | January 31, | October 31, |
|---|-----------------------|--------------------|
| | 2011 | 2010 |
| | (In thousands) | |
| Revolving Credit Facility | \$ — | \$ — |
| City of Richmond, Kentucky Industrial Building Revenue Bonds | 1,000 | 1,000 |
| Scott County, Iowa Industrial Waste Recycling Revenue Bonds | 800 | 800 |
| Capital lease obligations and other | 128 | 143 |
| Total debt | <u>\$ 1,928</u> | <u>\$ 1,943</u> |
| Less maturities due within one year included in current liabilities | 327 | 327 |
| Long-term debt | <u>\$ 1,601</u> | <u>\$ 1,616</u> |

Credit Facility

The Company's \$270.0 million Senior Unsecured Revolving Credit Facility (the Credit Facility) was executed on April 23, 2008. The Credit Facility has a five-year term and is unsecured. The Credit Facility expires April 23, 2013 and provides for up to \$50.0 million for standby letters of credit, limited to the undrawn amount available under the Credit Facility. Borrowings under the Credit Facility bear interest at a spread above LIBOR based on a combined leverage and ratings grid. Proceeds from the Credit Facility may be used to provide availability for acquisitions, working capital, capital expenditures and general corporate purposes.

QUANEX BUILDING PRODUCTS CORPORATION
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (continued)

Under the Credit Facility, the Company is obligated to comply with certain financial covenants requiring the Company to maintain a Consolidated Leverage Ratio of no more than 3.25 to 1 and a Consolidated Interest Coverage Ratio of no less than 3.00 to 1. As defined by the Credit Facility's indenture, the Consolidated Leverage Ratio is the ratio of consolidated indebtedness as of such date to consolidated EBITDA for the previous four fiscal quarters; and the Consolidated Interest Coverage 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 proforma EBITDA of acquisitions and to exclude certain items like non-cash charges. Additionally, the Credit Facility contains certain limitations on additional indebtedness, asset or equity sales, and acquisitions. Dividends and other distributions are permitted so long as after giving effect to such dividend or stock repurchase, there is no event of default.

As of January 31, 2011, the Company had no borrowings under the Credit Facility, and the Company was in compliance with all Credit Facility financial covenants. The availability under the Credit Facility is a function of both the facility amount utilized and meeting covenant requirements. Although there were no borrowings on the Credit Facility and only \$5.7 million of outstanding letters of credit under the Credit Facility, the aggregate availability under the Credit Facility was limited by the Consolidated Leverage Ratio resulting in an availability of \$190.3 million at January 31, 2011.

8. Retirement Plans

The Company has a number of retirement plans covering substantially all employees. The Company provides both defined benefit and defined contribution plans. In general, the plant or location of his/her employment determines an employee's coverage for retirement benefits.

Pension Plan

The Company has a non-contributory, single employer defined benefit pension plan that covers substantially all non-union employees. Effective January 1, 2007, the Company amended this defined benefit pension plan to include a new cash balance formula for all new salaried employees hired on or after January 1, 2007 and for any non-union employees who were not participating in a defined benefit plan prior to January 1, 2007. All new salaried employees are eligible to receive credits equivalent to 4% of their annual eligible wages, while some of the employees at the time of the plan amendment were "grandfathered" and are eligible to receive credits ranging up to 6.5% based upon a percentage they received in the defined contribution plan prior to the amendment of the pension plan. Additionally, every year the participants will receive an interest related credit on their respective balance equivalent to the prevailing 30-year Treasury rate. Benefits for participants in this plan prior to January 1, 2007 continue to be based on a more traditional formula for retirement benefits where the plan pays benefits to employees upon retirement, using a formula based upon years of service and pensionable compensation prior to retirement. Of the Company's participants, 99% are under the cash balance formula.

The components of net periodic pension cost are as follows:

| | Three Months Ended | |
|---------------------------------------|---------------------------|---------------|
| | January 31, | |
| | 2011 | 2010 |
| | (In thousands) | |
| Pension Benefits | | |
| Service cost | \$ 937 | \$ 752 |
| Interest cost | 200 | 132 |
| Expected return on plan assets | (258) | (127) |
| Amortization of unrecognized net loss | 22 | 35 |
| Net periodic pension cost | <u>\$ 901</u> | <u>\$ 792</u> |

QUANEX BUILDING PRODUCTS CORPORATION
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (continued)

The Company's pension funding policy generally has been to make the minimum annual contributions required by applicable regulations while considering targeted funded percentages. In fiscal 2010, the Company decided to modify its funding strategy and accelerate contributions to target a 100% funding threshold. Additionally, the Company will consider funding fiscal year requirements early in the fiscal year to potentially maximize returns on assets. During the three months ended January 31, 2011, the Company contributed \$0.7 million, to its defined benefit plan. The Company estimates that it will contribute approximately \$1.2 million for the remainder of fiscal 2011. Expected contributions are dependent on many variables, including the variability of the market value of the assets as compared to the obligation and other market or regulatory conditions. In addition, the Company takes into consideration its business investment opportunities and resulting cash requirements. Accordingly, actual funding may differ greatly from current estimates.

Defined Contribution Plans

The Company has defined contribution plans to which both employees and the Company make contributions. Effective April 1, 2009, the Company temporarily suspended its matching contributions to the Quanex Building Products Salaried and Non-Union Employee 401(k) Plan as part of its efforts to reduce controllable spending. Effective February 1, 2010, these matching contributions were reinstated. The Company matches 50% up to the first 5% of employee deferrals. For the three months ended January 31, 2011, the Company contributed \$0.8 million. For the three months ended January 31, 2010, the Company made no contributions.

9. Industry Segment Information

Quanex has two reportable segments: Engineered Products and 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 home construction and remodeling markets and transportation market. The main market drivers of both segments are residential remodeling activity and housing starts. Additionally, the Aluminum Sheet Products segment results are influenced by aluminum prices.

The Company measures its inventory at the segment level on a FIFO or weighted-average basis; however at the consolidated Company level, approximately half of the inventory is measured on a LIFO basis. The LIFO reserve is computed on a consolidated basis as a single pool and is thus treated as a corporate expense. See Note 4 to the financial statements for more information. LIFO inventory adjustments along with corporate office charges and intersegment eliminations are reported as Corporate, Intersegment Eliminations or Other. The Company accounts for intersegment sales and transfers as though the sales or transfers were to third parties, that is, at current market prices. Intersegment sales, related cost of sales, and intercompany profit are eliminated in consolidation at Corporate. Corporate assets primarily include cash and equivalents partially offset by the Company's consolidated LIFO inventory reserve:

QUANEX BUILDING PRODUCTS CORPORATION
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (continued)

| | Three Months Ended | |
|--|---------------------------|--------------------|
| | January 31, | |
| | 2011 | 2010 |
| | (In thousands) | |
| Net Sales: | | |
| Engineered Products | \$ 84,010 | \$ 72,809 |
| Aluminum Sheet Products | 79,138 | 81,563 |
| Intersegment Eliminations | (3,340) | (2,950) |
| Consolidated | <u>\$ 159,808</u> | <u>\$ 151,422</u> |
| Operating Income (Loss): | | |
| Engineered Products | \$ (649) | \$ 4,077 |
| Aluminum Sheet Products | 551 | 3,634 |
| Corporate & Other | (7,568) | (5,864) |
| Consolidated | <u>\$ (7,666)</u> | <u>\$ 1,847</u> |
| | January 31, | October 31, |
| | 2011 | 2010 |
| | (In thousands) | |
| Identifiable Assets: | | |
| Engineered Products | \$ 245,371 | \$ 258,919 |
| Aluminum Sheet Products | 136,303 | 152,113 |
| Corporate, Intersegment Eliminations & Other | 178,938 | 179,756 |
| Discontinued Operations ¹ | — | 462 |
| Consolidated | <u>\$ 560,612</u> | <u>\$ 591,250</u> |
| Goodwill: | | |
| Engineered Products | \$ 25,189 | \$ 25,189 |
| Consolidated | <u>\$ 25,189</u> | <u>\$ 25,189</u> |

10. Stock-Based Compensation

Effective with the Separation on April 23, 2008, the Company established the Quanex Building Products Corporation 2008 Omnibus Incentive Plan (the 2008 Plan). The 2008 Plan provides for the granting of stock options, stock appreciation rights, restricted stock, restricted stock units (RSUs), performance stock awards, performance unit awards, annual incentive awards, other stock-based awards and cash-based awards. The 2008 Plan is administered by the Compensation and Management Development Committee of the Board of Directors and allows for immediate, graded or cliff vesting options, but options must be exercised no later than ten years from the date of grant. The aggregate number of shares of common stock authorized for grant originally under the 2008 Plan was 2,900,000. In February 2011, the 2008 Plan was amended by shareholders to increase the aggregate number of shares available for awards by an additional 2,400,000 shares. Any officer, key employee and/or non-employee director of the Company or any of its affiliates is eligible for awards under the 2008 Plan. The initial awards granted under the 2008 Plan were on April 23, 2008; service is the vesting condition.

¹ In January 2010, management committed to a plan to shut down the operations of its start-up facility in China; therefore, the China assets are included in discontinued operations for all periods presented.

QUANEX BUILDING PRODUCTS CORPORATION
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (continued)

The Company's practice is to grant options and restricted stock or RSUs to non-employee directors on October 31st of each year, with an additional grant of options to each director on the date of his or her first anniversary of service. Additionally, the Company's practice is to grant options and restricted stock or RSUs to employees at the Company's December board meeting and occasionally to key employees as deemed appropriate at other times during the year. The exercise price of the option awards is equal to the closing market price on these pre-determined dates. The Company generally issues shares from treasury stock, if available, to satisfy stock option exercises. If there are no shares in treasury stock, the Company issues additional shares of common stock. The Company has not capitalized any stock-based compensation cost as part of inventory or fixed assets during the three months ended January 31, 2011 and 2010.

Restricted Stock Awards

Under the 2008 Plan, common stock may be awarded to key employees, officers and non-employee directors. The recipient is entitled to all of the rights of a shareholder, except that during the forfeiture period the shares are nontransferable. The awards vest over a specified time period, but typically either immediately vest or cliff vest over a three-year period with service as the vesting condition. Upon issuance of stock under the plan, fair value is measured by the grant-date price of the Company's shares. This fair value is then expensed over the restricted period with a corresponding increase to additional paid-in-capital. A summary of non-vested restricted stock award changes during the three months ended January 31, 2011 follows:

| | <u>Shares</u> | <u>Weighted Average Grant-Date Fair Value Per Share</u> |
|--------------------------------|-----------------|---|
| Non-vested at October 31, 2010 | 378,616 | \$ 13.07 |
| Granted | 64,200 | |
| Forfeited | <u>(25,207)</u> | |
| Non-vested at January 31, 2011 | <u>417,609</u> | \$ 13.62 |

The weighted-average grant-date fair value of restricted stock granted during the three months ended January 31, 2011 and 2010 was \$16.90 and \$16.21 per share, respectively. There were no restricted shares that vested during the three months ended January 31, 2011 or January 31, 2010. Total unrecognized compensation cost related to unamortized restricted stock awards was \$2.3 million as of January 31, 2011. That cost is expected to be recognized over a weighted-average period of 2.0 years.

QUANEX BUILDING PRODUCTS CORPORATION
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (continued)

Stock Options

As described in the Company's Annual Report on Form 10-K for the fiscal year ended October 31, 2010, the Company uses the Black-Scholes-Merton option-pricing model to estimate the fair value of its stock options. The fair value of each option was estimated on the date of grant. The following is a summary of valuation assumptions and resulting grant-date fair values for grants during the following periods:

| | Three Months Ended | |
|--|---------------------------|-------------|
| | January 31, | |
| | 2011 | 2010 |
| Weighted-average expected volatility | 53.0% | 55.0% |
| Expected term (in years) | 4.9-5.1 | 4.9-5.1 |
| Risk-free interest rate | 1.6% | 2.1% |
| Expected dividend yield over expected term | 1.0% | 1.0% |
| Weighted-average grant-date fair value per share | \$ 7.30 | \$ 7.32 |

Below is a table summarizing the stock option shares activity for the 2008 Plan since October 31, 2010:

| | <u>Shares</u> | <u>Weighted-Average Exercise Price Per Share</u> | <u>Weighted-Average Remaining Contractual Term (in years)</u> | <u>Aggregate Intrinsic Value (000s)</u> |
|--|------------------|--|---|---|
| Outstanding at October 31, 2010 | 1,724,301 | \$ 13.24 | | |
| Granted | 352,600 | 16.90 | | |
| Exercised | (40,166) | 13.86 | | |
| Forfeited | (1,167) | 12.45 | | |
| Outstanding at January 31, 2011 | <u>2,035,568</u> | 13.86 | 7.8 | \$ 11,463 |
| Vested or expected to vest at January 31, 2011 | <u>1,942,684</u> | 13.81 | 7.8 | \$ 11,025 |
| Exercisable at January 31, 2011 | <u>1,070,889</u> | \$ 13.02 | 7.2 | \$ 6,933 |

The total intrinsic value of options (the amount by which the market price of the stock on the date of exercise exceeded the exercise price of the option) exercised during the three months ended January 31, 2011 and 2010 was \$0.2 million and \$31 thousand, respectively. The total fair value of shares vested during the three months ended January 31, 2011 was \$1.3 million. Total unrecognized compensation cost related to stock options granted under the 2008 Plan was \$3.9 million as of January 31, 2011. That cost is expected to be recognized over a weighted-average period of 2.0 years.

11. Income Taxes

The provision for income taxes is determined by applying an estimated annual effective income tax rate to income from continuing operations before income taxes. The rate is based on the most recent annualized forecast of pretax income, permanent book versus tax differences and tax credits. The Company's estimated annual effective tax rate for the three months ended January 31, 2011 is 38.5% compared to the estimated annual effective tax rate of 39.9% for the three months ended January 31, 2010.

Prepaid and other current assets on the Consolidated Balance Sheets include an income tax receivable of \$2.6 million as of January 31, 2011 and October 31, 2010.

The non-current deferred income tax asset amount reflected on the Consolidated Balance Sheets as of January 31, 2011 of \$29.8 million includes a net non-current deferred income tax asset of \$41.1 million, an estimated state net operating loss (NOL) benefit of \$1.1 million, and a non-current liability for an unrecognized tax benefit of \$12.4 million, related to the Separation.

QUANEX BUILDING PRODUCTS CORPORATION
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (continued)

Non-current unrecognized tax benefit of \$6.4 million as of January 31, 2011 is related to the Separation and state tax items regarding the interpretations of tax laws and regulations and is recorded in Other liabilities on the Consolidated Balance Sheets. The total unrecognized tax benefit at January 31, 2011 is \$18.8 million (including \$0.9 million for which the disallowance 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 the Company's financial statements or income 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 the Company's financial statements. The Company is subject to the effects of these matters occurring in various jurisdictions. The Company has no knowledge of any event that would materially increase or decrease the unrecognized tax benefit within the next twelve months.

12. Contingencies

Environmental

Quanex is subject to extensive laws and regulations concerning the discharge of materials into the environment and the remediation of chemical contamination. To satisfy such requirements, Quanex must make capital and other expenditures on an ongoing basis. The Company accrues its best estimates of its remediation obligations and adjusts such accruals as further information and circumstances develop. Those estimates may change substantially depending on information about the nature and extent of contamination, appropriate remediation technologies, and regulatory approvals. In accruing 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 might be deemed to impose joint and several liability for the costs of responding to contamination, the Company accrues its allocable share of liability taking into account the number of parties participating, their ability to pay their shares, the volumes and nature of the wastes involved, the nature of anticipated response actions, and the nature of the Company's alleged connections. The cost of environmental matters has not had a material adverse effect on Quanex's operations or financial condition in the past, and management is not currently aware of any conditions that it believes are likely to have a material adverse effect on Quanex's operations, financial condition or cash flows.

As described below, the Company currently is engaged in remediation activities at one of its plant sites. The total associated environmental reserve and corresponding recovery as of January 31, 2011 and October 31, 2010 were as follows:

| | <u>January 31,</u> <u>2011</u> | <u>October 31,</u> <u>2010</u> |
|---|-----------------------------------|-----------------------------------|
| | <u>(In thousands)</u> | |
| Current | \$ 1,372 | \$ 1,564 |
| Non-current ¹ | 12,027 | 12,027 |
| Total environmental reserves | <u>13,399</u> | <u>13,591</u> |
| Receivable for recovery of remediation costs ² | <u>\$ 12,506</u> | <u>\$ 12,747</u> |

Approximately \$1.3 million of the January 31, 2011 reserve represents administrative costs; the balance represents estimated costs for investigation, studies, cleanup, and treatment. The reserve has not been discounted. As discussed below, an associated \$12.5 million and \$12.7 million undiscounted recovery from indemnitors of remediation costs at one plant site is recorded as of January 31, 2011 and October 31, 2010, respectively.

¹ Reported in Accrued liabilities on the Consolidated Balance Sheets.

² Reported in Accounts receivable and Other assets on the Consolidated Balance Sheets.

QUANEX BUILDING PRODUCTS CORPORATION
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (continued)

The Company's Nichols Aluminum-Alabama, LLC (NAA) subsidiary 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. Based on those plans, which NAA expects to refine subject to state approval, the Company's remediation reserve at NAA's Decatur plant is \$13.4 million. NAA was acquired through a stock purchase in which the sellers agreed to indemnify Quanex 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 proved to relate to releases occurring entirely after closing. The limit on indemnification is \$21.5 million excluding legal fees. While the Company's current estimates indicate it will not reach this limit, changing circumstances could result in additional costs or expense 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 ongoing costs. Based on its experience to date, its estimated cleanup costs going forward, and costs incurred to date as of January 31, 2011, the Company expects to recover from the sellers' shareholders an additional \$12.5 million. Of that, \$12.1 million is recorded in Other assets on the Consolidated Balance Sheets, and the balance is reflected in Accounts receivable on the Consolidated Balance Sheets.

The Company's 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, the Company believes it has 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. The Company currently expects to pay the accrued remediation reserve through at least fiscal 2034, although some of the same factors discussed earlier could accelerate or extend the timing.

Other

From time to time, the Company and its subsidiaries are involved in various litigation matters arising in the ordinary course of their business. Although the ultimate resolution and impact of such litigation on the Company is not presently determinable, the Company's management believes that the eventual outcome of such litigation will not have a material adverse effect on the overall financial condition, results of operations or cash flows of the Company.

13. Warranty Obligations

The Company's estimated obligations for warranty are accrued concurrently with the revenue recognized. The Company makes provisions for its warranty obligations based upon historical experience incurred for such obligations adjusted, as necessary, for current conditions and factors. Due to the significant uncertainties and judgments involved in estimating the Company's warranty obligations, including changing product designs, variance in customer installation process and future claims experience varying from historical claims experience, the ultimate amount incurred for warranty costs could change in the near and long term from the current estimate.

QUANEX BUILDING PRODUCTS CORPORATION
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (continued)

The following table provides a reconciliation of the activity related to the Company's accrued warranty, including both the current (reported in Accrued liabilities on the Consolidated Balance Sheets) and long-term portions (reported in Other liabilities on the Consolidated Balance Sheets), for the three months ended January 31, 2011 and 2010:

| | January 31, 2011 |
|--------------------------------|-----------------------------|
| | (In thousands) |
| Balance at October 31, 2010 | \$ 3,697 |
| Provision for warranty expense | 2,232 |
| Warranty costs paid | (309) |
| Total accrued warranty | \$ 5,620 |
| Less long-term portion | 4,159 |
| Current accrued warranty | <u>\$ 1,461</u> |

During the three months ended January 31, 2011, the reserve was increased by \$2.1 million related to a rise in projected claim experience for a legacy product that was discontinued some years ago.

14. Fair Value Measurement of Assets and Liabilities

The Company holds Money Market Fund investments that are classified as cash equivalents and are measured at fair value on a recurring basis, based on quoted prices in active markets for identical assets (Level 1). The Company had cash equivalent investments totaling approximately \$178.4 million and \$180.6 million at January 31, 2011 and October 31, 2010, respectively. Inputs and valuation techniques used to measure the fair value of the Company's pension plan assets vary according to the type of security being valued. All of the equity and debt securities held directly by the plans are actively traded and fair values are determined based on quoted market prices. As of January 31, 2011 and October 31, 2010, the fair value of pension plan assets was \$13.3 million and \$12.9 million, respectively. As of January 31, 2011, the Company did not have any assets or liabilities obtained from readily available pricing sources for comparable instruments (Level 2) or requiring measurement at fair value without observable market values that would require a high level of judgment to determine fair value (Level 3).

15. Stock Repurchase Program and Treasury Stock

On May 27, 2010, the Board of Directors approved a stock repurchase program of 1.0 million shares. The Company's objectives of this program are to manage the dilution created by shares issued under stock-based compensation plans and to repurchase shares opportunistically. The Company records treasury stock purchases under the cost method whereby the entire cost of the acquired stock is recorded as treasury stock. The Company uses a moving-average method on the subsequent reissuance of shares, and any resulting proceeds in excess of cost are credited to additional paid in capital while any deficiency is charged to retained earnings.

As of October 31, 2010, the number of shares in treasury was 351,626. During the three months ended January 31, 2011, the Company purchased 86,649 shares at a cost of \$1.5 million offset by shares issued for stock option exercises for a net increase to the number of shares in treasury to 398,109 as of January 31, 2011. The remaining shares authorized for repurchase in the program was 663,351 as of January 31, 2011.

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

General

The discussion and analysis of Quanex Building Products Corporation and its subsidiaries' financial condition and results of operations should be read in conjunction with the January 31, 2011 Consolidated Financial Statements of the Company and the accompanying notes and in conjunction with the Consolidated Financial Statements and notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended October 31, 2010. References made to the "Company" or "Quanex" include Quanex Building Products Corporation and its subsidiaries and Quanex Corporation (Predecessor to Quanex Building Products Corporation) unless the context indicates otherwise.

Private Securities Litigation Reform Act

Certain of the statements contained in this document and in documents incorporated by reference herein, including those made under the caption "Management's Discussion and Analysis of 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. All statements which address future operating performance, events or developments that the Company expects or anticipates will occur in the future, including statements relating to volume, sales, operating income and earnings per share, and statements expressing general outlook about future operating results, are forward-looking statements. Forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from the Company's historical experience and the present projections or expectations. As and when made, management believes that these forward-looking statements are reasonable. However, caution should be taken not to place undue reliance on any such forward-looking statements since such statements speak only as of the date when made and there can be no assurance that such forward-looking statements will occur. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Factors exist that could cause the Company's actual results to differ materially from the expected results described in or underlying the Company's forward-looking statements. Such factors include domestic and international economic activity, prevailing prices of aluminum scrap and other raw material costs, the rate of change in prices for aluminum scrap, energy costs, interest rates, construction delays, market conditions, particularly in the home building and remodeling markets, any material changes in purchases by the Company's principal customers, labor supply and relations, environmental regulations, changes in estimates of costs for known environmental remediation projects and situations, world-wide political stability and economic growth, warranty obligations, the Company's successful implementation of its internal operating plans, acquisition strategies and integration, performance issues with key customers, suppliers and subcontractors, and regulatory changes and legal proceedings. Accordingly, there can be no assurance that the forward-looking statements contained herein will occur or that objectives will be achieved. All written and verbal forward-looking statements attributable to the Company or persons acting on its behalf are expressly qualified in their entirety by such factors. For more information, see Part I, Item 1A, "Risk Factors" in the Company's Annual Report on Form 10-K, for the year ended October 31, 2010.

About Third-Party Information

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

Description of Business

On December 12, 2007, Quanex Building Products Corporation was incorporated in the state of Delaware as a subsidiary of Quanex Corporation to facilitate the separation of Quanex Corporation's vehicular products and building products businesses. The separation occurred on April 23, 2008 through the spin-off of Quanex Corporation's building products business to its shareholders immediately followed by the merger of Quanex Corporation (consisting principally of the vehicular products business and all non-building products related corporate accounts) with a wholly-owned subsidiary of Gerdau S.A. (Gerdau).

The spin-off and subsequent merger is hereafter referred to as the "Separation". For purposes of describing the events related to the Separation, as well as other events, transactions and financial results of Quanex Corporation and its subsidiaries related to periods prior to April 23, 2008, the term "the Company" refers to Quanex Building Products Corporation's accounting predecessor, Quanex Corporation.

In January 2010, management committed to a plan to close its start-up facility in China due to the contraction of demand and the Company's ability to serve the overseas thin film solar panel market from its North American operations. Accordingly, the China assets and liabilities, results of operation and cash flows are reported as discontinued operations for all periods presented. Unless otherwise noted, all discussions reflect only continuing operations.

Consolidated Results of Operations

Summary Information

| | Three Months Ended | | | |
|--|-----------------------|---------------|-----------------|----------------|
| | January 31, | | | |
| | 2011 | 2010 | Change | % |
| | (Dollars in millions) | | | |
| Net sales | \$ 159.8 | \$ 151.4 | \$ 8.4 | 5.5 |
| Cost of sales ¹ | 139.7 | 126.1 | 13.6 | 10.8 |
| Selling, general and administrative | 20.3 | 16.2 | 4.1 | 25.3 |
| Depreciation and amortization | 7.5 | 7.3 | 0.2 | 2.7 |
| Operating income (loss) | <u>(7.7)</u> | <u>1.8</u> | <u>(9.5)</u> | <u>(527.8)</u> |
| Interest expense | (0.1) | (0.1) | — | — |
| Other, net | 0.1 | 0.1 | — | — |
| Income tax (expense) benefit | 3.0 | (0.7) | 3.7 | (528.6) |
| Income (loss) from continuing operations | <u>\$ (4.7)</u> | <u>\$ 1.1</u> | <u>\$ (5.8)</u> | <u>(527.3)</u> |

Overview

Net sales were up \$8.4 million or 5.5% during the first fiscal quarter of 2011 compared to the year ago quarter despite the continued weak condition of the Company's primary end markets: U.S. residential remodeling activity and housing starts. The increase in net sales is primarily attributable to the addition of new customers, new products and customers building inventory to meet pre-buying demand ahead of the December 31, 2010 expiration of the \$1,500 energy efficient window tax credit. November 2010 and December 2010 orders were stronger than the Company anticipated, but, as expected January 2011 orders were weaker. Despite the rise in net sales, operating income fell by \$9.5 million during the first quarter of 2011 compared to the year ago quarter as a result of costs associated with rationalizing operations, higher raw material costs and warranty expense at Engineered Products, and lower shipped pounds at Aluminum Sheet Products.

The Company believes that consumer demand for more energy efficient products and its ability to provide innovative window and door systems, in addition to stand-alone components, along with its new sales and marketing efforts will help fuel organic growth. The Company works closely with customers in all phases of product development, which is critical to increasing revenue and a significant factor for its success in this otherwise difficult period. Efforts are also ongoing to increase business in the repair and remodel segment of the residential market. Demographics for long-term housing demand in the U.S. remain favorable when factoring the projected population increase and continuing immigration. Quanex began cross-selling initiatives in 2010 that combine the design, engineering and marketing talent within Engineered Products. The Company believes that taking a more disciplined approach to the way it seeks new business opportunities will make it a more successful company and a stronger competitor by offering a broader range of customers a more robust slate of systems, products and services. Additionally, the Company is elevating its programs to develop more energy efficient products. These programs and initiatives coupled with an eventual return to a more normal housing market will benefit Quanex over the long-term.

Business Segments

Quanex has two reportable segments: Engineered Products and 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 home construction and remodeling markets and transportation market. The primary market drivers of both segments are residential remodeling activity and housing starts.

¹ Exclusive of items shown separately below.

For financial reporting purposes, three of the Company's four operating segments, Homeshield, Truseal and Mikron, have been aggregated into the Engineered Products reportable segment. The remaining operating segment, Aluminum Sheet Products (Nichols Aluminum), is reported as a separate reportable segment. Corporate & Other is comprised of corporate office expenses and certain inter-division eliminations. The sale of products between segments is recognized at market prices. The financial performance of the operations is based upon operating income. The segments follow the accounting principles described in Item 1, Note 1 to the consolidated financial statements of the Company's 2010 Form 10-K. The two reportable segments value inventory on a FIFO or weighted-average basis while the LIFO reserve relating to those operations accounted for under the LIFO method of inventory valuation is computed on a consolidated basis in a single pool and treated as a corporate item.

Three Months Ended January 31, 2011 Compared to Three Months Ended January 31, 2010

Engineered Products

| | Three Months Ended January 31, | | | |
|-------------------------------------|-----------------------------------|---------------|-----------------|----------------|
| | 2011 | 2010 | Change | % |
| | (Dollars in millions) | | | |
| Net sales | \$ 84.0 | \$ 72.8 | \$ 11.2 | 15.4 |
| Cost of sales ¹ | 68.5 | 54.6 | 13.9 | 25.5 |
| Selling, general and administrative | 10.8 | 8.9 | 1.9 | 21.3 |
| Depreciation and amortization | 5.4 | 5.2 | 0.2 | 3.8 |
| Operating income (loss) | \$ (0.7) | \$ 4.1 | \$ (4.8) | (117.1) |

The primary market drivers for the Engineered Products segment are U.S. residential remodeling activity (approx. 60% of sales) and housing starts (approx. 40% of sales). Engineered Products outperformed U.S. residential window shipments during the first fiscal quarter of 2011 with net sales up 15.4% over the year ago quarter. Comparatively, Ducker Worldwide, a nationally recognized business-to-business market research company, data indicated U.S. residential window shipments were down 5.0%. The expiration of the \$1,500 window tax credit in December 2010 helped drive the volume growth during the first fiscal quarter of 2011, although volume in the month of January 2011 declined slightly compared to the previous two months from the hangover effect. Additionally, the increased sales in the first fiscal quarter of 2011 reflect the continuing progress we are making with the Company's sales initiatives with large and regional window and door customers. The Company believes it is gaining traction with its sales programs and new products.

Net sales less Cost of sales at Engineered Products for the three months ended January 31, 2011 compared to the same period last year declined by \$2.7 million. Net sales less Cost of sales as a percent of Net sales for the three months ended January 31, 2011 is below the same 2010 period by 6.5%. Margins declined year over year from higher raw material costs and temporary increases in labor expense as the Company used overtime to meet a hike in orders in November and December; additionally, the first fiscal quarter of 2010 benefited from hourly labor savings associated with the strike at the segment's Barbourville, Kentucky facility in mid-December 2009. Further reducing margins during the three months ended January 31, 2011 was \$3.1 million of costs associated with plant consolidations and closing as the Company rationalized production facilities. The Company finished the building consolidation project at its facility in Kent, Washington where four buildings have been consolidated to one, and the Company closed a facility in The Dalles, Oregon. Of the \$3.1 million in plant consolidation costs, \$1.3 million is recognized in Cost of sales. These building consolidations will reduce operating costs going forward. During the three months ended January 31, 2011, \$2.1 million of expense was recognized in Cost of sales to increase the warranty reserve associated with a legacy product that was discontinued some years ago. Because the establishment of the warranty reserve is an inherently uncertain process involving estimates of the number of future claims and the cost to settle claims, the Company's ultimate losses may differ from the warranty reserve and future adjustments to the reserve may be necessary.

¹ Exclusive of items shown separately below.

[Table of Contents](#)

The increase in Selling, general and administrative costs for the year were primarily attributable to \$1.4 million (included in the total \$3.1 million discussed above) of costs associated with the aforementioned plant consolidations and closing during the first fiscal quarter of 2011. The majority of the \$1.4 million represents an estimated liability to terminate a facility operating lease; if the associated sublease differs from the sublease assumptions used to derive the reserve, additional expense or a recovery of expense could be recognized in future periods. Furthermore, the Company incurred \$0.7 million of additional sales and marketing expenses in 2011 associated with the roll out of new products and programs. Benefiting the comparative 2011 results is \$1.0 million of costs associated with the aforementioned strike in mid December 2009 (partially offset by the direct labor savings in Cost of sales).

Depreciation and amortization has increased in 2011 compared to 2010 primarily due to \$0.3 million (included in the total \$3.1 million discussed above) of accelerated depreciation related to the plant consolidations and closing.

The Company formally announced Project Nexus in February 2010, a long-term organic growth program focused on connecting the sales, marketing, and product development efforts of its Engineered Products operating divisions: Mikron, Truseal and Homeshield. The Company believes it will drive profitable growth at Engineered Products by furthering the goal of becoming the leading energy efficient expert in the market by offering customers state-of-the-art engineering, design and marketing support. The organic growth program is comprised of related initiatives to execute this strategy: The sales, marketing and engineering efforts of these three divisions operated independently in the past. Today, the Engineered Products' sales and marketing employees have been organized into a single team to better utilize their combined capabilities to expand sales opportunities to the existing customer base. Additionally, the new sales and marketing structure is focused on developing and capturing more regional OEM opportunities. Regional OEMs, a customer class the Company has historically underserved, are believed to comprise about 60% of the market. The engineering resources across Engineered Products are also working together to develop products and systems that provide customers with the latest innovations in technology and energy efficiency. The Company is in the early stages of this long-term organic growth initiative but believes that it could have a valuable impact on the long-term growth and profitability of Engineered Products. The Company will be investing in additional resources in fiscal 2011 to support this organic growth effort. Annual incremental operating expenses and capital expenditures necessary associated with this initiative will be approximately \$4.0 million and \$3.0 million, respectively in fiscal 2011.

Aluminum Sheet Products

| | Three Months Ended | | | |
|-------------------------------------|-----------------------|---------|----------|--------|
| | January 31, | | | |
| | 2011 | 2010 | Change | % |
| | (Dollars in millions) | | | |
| Net sales | \$ 79.1 | \$ 81.6 | \$ (2.5) | (3.1) |
| Cost of sales ¹ | 74.4 | 74.3 | 0.1 | 0.1 |
| Selling, general and administrative | 2.0 | 1.6 | 0.4 | 25.0 |
| Depreciation and amortization | 2.1 | 2.1 | — | — |
| Operating income (loss) | \$ 0.6 | \$ 3.6 | \$ (3.0) | (83.3) |
| Shipped pounds | 52.2 | 61.1 | (8.9) | (14.6) |

The primary market drivers for the Aluminum Sheet Products segment are U.S. residential remodeling activity and housing starts (together approximately 70% of the segment's sales) and transportation (approximately 20% of the segment's sales) markets.

¹ Exclusive of items shown separately below.

The decrease in net sales at the Aluminum Sheet Products segment for the first quarter of fiscal 2011 was the result of a 15% decrease in shipped pounds during the period compared to the same period of 2010, partially offset by an increase in average selling price per pound of 14%. The Aluminum Association reported U.S. demand for the type of aluminum sheet the Company sells was up 10% from the year ago quarter while the segment's first quarter sheet shipments were down 15%. Part of the Company's underperformance can be attributed to relatively weak building and construction demand in the quarter, where Quanex has a sizable presence, compared to relatively strong distribution and transportation demand, where Quanex has a relatively small presence. Additionally, at this time last year, the Company's customers were aggressively restocking to meet pre-buying demand ahead of the expiration of the \$8,000 first time home buyers tax credit compared to the first quarter of 2011 where they were destocking. The Company's facilities also had planned and unplanned outages in the first fiscal quarter of 2011, some of which were deferred from last year because of strong demand throughout much of fiscal 2010 and the Company's commitment to give its customers uninterrupted service during that time. Average selling price increased primarily due to higher London Metal Exchange (LME) aluminum prices. LME aluminum prices are the most commonly used index for correlating aluminum sheet prices.

Selling, general and administrative costs increased by \$0.4 million for the three months ended January 31, 2011 compared to the same 2010 period primarily due to a reduction in estimated bad debt expense during the first quarter of 2010 as one customer's credit rating improved during that period.

Operating income decreased at the Aluminum Sheet Products segment for the three months ended January 31, 2011, compared to prior year primarily as a result of lower shipped pounds. This decline was partially offset by an increase in spreads (sales price less material costs). First quarter of fiscal 2011 spreads increased by 9% over the same 2010 period and up 11% over the sequential fourth quarter. The higher spread was generally a result of rising aluminum prices. The Aluminum Sheet Products' operating income and margins are impacted by changes in LME aluminum prices as its material spread is correlated with aluminum prices over time. Declines in aluminum prices generally result in spread compression; however, as aluminum prices rebound, spread and profits generally expand.

On January 31, 2011, Quanex announced it signed a definitive agreement with Lauren International to acquire Edgetech for \$107.0 million in an all cash transaction. Edgetech is headquartered in Cambridge, Ohio, and has three manufacturing facilities (U.S., U.K. and Germany) that produce and market a full line of warm edge insulating glass spacer systems for window and door customers in North America and abroad. Edgetech will be part of Quanex's Engineered Products Group. Quanex received the applicable governmental regulatory approval and now expects to close on or before April 1, 2011.

Corporate and Other

| | Three Months Ended January 31, | | | |
|-------------------------------------|---|-----------------|-----------------|-------------|
| | 2011 | 2010 | Change | % |
| (Dollars in millions) | | | | |
| Net sales | \$ (3.3) | \$ (3.0) | \$ (0.3) | (10.0) |
| Cost of sales ¹ | (3.2) | (2.8) | (0.4) | (14.3) |
| Selling, general and administrative | 7.5 | 5.7 | 1.8 | 31.6 |
| Depreciation and amortization | — | — | — | — |
| Operating income (loss) | <u>\$ (7.6)</u> | <u>\$ (5.9)</u> | <u>\$ (1.7)</u> | <u>28.8</u> |

Corporate and other operating expenses, which are not in the segments mentioned above, include intersegment eliminations, the consolidated LIFO inventory adjustments (calculated on a combined pool basis), if any, and corporate office expenses. Net sales amounts represent intersegment eliminations between the Engineered Products segment and the Aluminum Sheet Products segment with an equal and offsetting elimination in Cost of sales.

Selling, general and administrative costs for the three months ended January 31, 2011 increased by \$1.8 million primarily as a result of \$1.1 million of transaction costs associated with the pending acquisition of Edgetech I.G (Edgetech). The Company expects to incur additional Edgetech transaction costs, the amount of which will depend on the length of time necessary to close the acquisition as the transaction is subject to applicable governmental regulatory approval. Additionally, stock-based compensation expense has increased as the Company is adding layers of vesting awards with each annual grant since the Company's Separation; as the Company's stock option and restricted awards typically have three-year vesting periods, the Company would expect stock-based compensation expense to continue to increase through the Company's third anniversary of the Separation in April 2011. The Company anticipates corporate expenses to increase in fiscal 2011, primarily due to \$2.5 million of expected expenses associated with the launch of its Enterprise Resource Program, which when completed in 2014, will greatly enhance and streamline its back office processes, improve data collection and provide a foundation to support future growth opportunities. The balance of the increase in the quarter's Selling, general and administrative costs are primarily attributable to various other programs including lean six sigma employee training that the Company believes will result in future cost savings.

¹ Exclusive of items shown separately below.

Other items

Other, net typically includes interest income earned on the Company's cash and equivalents and changes associated with the cash surrender value of life insurance. Other income remained flat at \$0.1 million for the three months ended January 31, 2011 and 2010.

The Company's estimated annual effective tax rate for the three months ended January 31, 2011 is 38.5% compared to 39.9% for the three months ended January 31, 2010. The decline in the 2011 effective rate is primarily due to more benefit from the manufacturer's deduction.

Outlook

The Company's financial guidance for 2011 remains unchanged from guidance issued in December 2010. The Company continues to believe that residential repair & remodeling activity and housing starts will be lackluster in 2011. The spike in demand seen in November and December was associated with the expiration of the tax credit for energy efficient windows, and was followed by softer demand in January. High foreclosure activity, tight credit markets, large inventories of homes available for sale and continued high unemployment leave the Company with a very challenging business environment in the near term. However, the Company remains very confident in the long-term health of the U.S. economy and the building and construction markets where it competes.

The Company expects Engineered Products to earn about \$35 million of operating income in 2011, essentially flat to 2010. It expects to see slightly higher sales in 2011 compared to 2010 because of ongoing residential repair & remodeling share gains by its large customers, and to a lesser extent, gains it will make with national and regional customers through its organic growth initiatives. However, along with slightly better expected sales, the Company will see higher operating expenses as it continues to invest in organic growth.

At Aluminum Sheet Products, the Company expects to earn about \$25 million of operating income in 2011, compared to the \$30 million it earned in 2010. The \$25 million is based on lower shipped pounds as the Company doesn't expect to see the level of restocking activity that was present in the first half of 2010 repeated in the first half of 2011.

Guidance for 2011 assumes no LIFO activity and excludes estimated corporate expenses (before transaction costs) of \$26 million. Capital expenditures and depreciation & amortization are estimated to be \$30 million and \$29 million, respectively. Corporate expenses and capital expenditures include \$2.5 million and \$9 million, respectively, of costs associated with the launch of the Company's Enterprise Resource Program, which when completed in 2014, will enhance and streamline its back office processes, improve data collection and provide a foundation to support future growth opportunities.

Liquidity and Capital Resources

The Company's principal sources of funds are cash on hand, cash flow from operations, and borrowings under its \$270.0 million Senior Unsecured Revolving Credit Facility (the Credit Facility). As of January 31, 2011, the Company has a solid liquidity position, comprised of cash and equivalents and adequate availability under the Company's Credit Facility. The Company has \$182.5 million of cash and equivalents, \$190.3 million of current availability under the revolving credit facility and minimal debt of \$1.9 million as of January 31, 2011. The Company has grown its cash and equivalents balance steadily since its spin-off from Quanex Corporation in April 2008, throughout 2009 and 2010 from \$40.5 million as of April 30, 2008 to \$123.5 million at October 31, 2009 and to \$187.2 million at October 31, 2010. In a very weak year, Quanex was able to grow its cash balance in 2010 ending the year with \$187.2 million, a \$63.7 million increase over 2009. Cash equivalents during the three months ended January 31, 2011 declined slightly by \$4.7 million primarily from a decline in earnings coupled with various program expenditures like the stock buy back program as well as plant consolidations and transaction costs. The Company's strategy for cash uses are to make strategic acquisitions that fit its fenestration vision, invest in organic growth opportunities, and making ongoing purchases of Quanex stock and funding the cash dividend. Quanex expects to fund the pending \$107.0 million Edgetech I.G. Inc. (Edgetech) acquisition solely with cash.

[Table of Contents](#)

The Company's excess cash and equivalents is currently invested only in large, overnight money market funds due to the conditions of the financial market. The funds are diversified by security type across Treasuries, Government Agencies and Prime Corporate. These funds are all AAA-rated, approved by the NAIC and compliant with Rule 2A-7 of the Investment Company Act of 1940. The Company's current investments are diversified across multiple institutions that the Company believes to be financially sound. The Company intends to remain in highly rated money market funds, financial institutions and treasuries following a prudent investment philosophy. The Company had no material losses on its cash and marketable securities investments.

The Credit Facility was executed on April 23, 2008 and has a five-year term. Proceeds from the Credit Facility may be used to provide availability for acquisitions, working capital, capital expenditures, and general corporate purposes. Borrowings under the Credit Facility bear interest at a spread above LIBOR based on a combined leverage and ratings grid. There are certain limitations on additional indebtedness, asset or equity sales, and acquisitions. Dividends and other distributions are permitted so long as after giving effect to such dividend or stock repurchase, there is no event of default. Under the Credit Facility, the Company is obligated to comply with certain financial covenants requiring the Company to maintain a Consolidated Leverage Ratio of no more than 3.25 to 1 and a Consolidated Interest Coverage Ratio of no less than 3.00 to 1. As defined by the indenture, the Consolidated Leverage Ratio is the ratio of consolidated indebtedness as of such date to consolidated EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) for the previous four fiscal quarters, and the Consolidated Interest Coverage 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 proforma EBITDA of acquisitions and to exclude certain items like goodwill and intangible asset impairments and certain other non-cash charges and non-recurring items. The availability under the Credit Facility is a function of both the facility amount utilized and meeting covenant requirements. Additionally, the availability of the Credit Facility is dependent upon the financial viability of the Company's lenders. The Credit Facility is funded by a syndicate of nine banks, with three banks comprising over 55% of the commitment. If any of the banks in the syndicate were unable to perform on their commitments to fund the facility, the availability under the Credit Facility could be reduced; however, the Company has no reason to believe that such liquidity will be unavailable or decreased.

As of January 31, 2011, the Company had no borrowings under the Credit Facility, and the Company was in compliance with all Credit Facility covenants as seen by the table below:

| At January 31, 2011 | Required | Actual |
|--------------------------------------|------------------------|---------------|
| Consolidated Interest Coverage Ratio | No less than 3.00 to 1 | 140.07 to 1 |
| Consolidated Leverage Coverage Ratio | No more than 3.25 to 1 | 0.14 to 1 |

Although there were no borrowings on the Credit Facility and only \$5.7 million of outstanding letters of credit under the Credit Facility, the aggregate availability under the Credit Facility was limited by the Consolidated Leverage Ratio resulting in an availability of \$190.3 million at January 31, 2011. Because the Consolidated Leverage Ratio is based on a rolling twelve months of EBITDA, a change in future earnings will impact the amount available under the Credit Facility in future quarters, absent any pro-forma EBITDA benefit from any potential acquisitions. To have access to the full availability of the \$270.0 million Credit Facility, the Company must have a minimum rolling EBITDA of approximately \$84 million for the previous four fiscal quarters. Actual rolling EBITDA for the previous four fiscal quarters was \$61.2 million as of January 31, 2011. Increased earnings for any future periods could increase availability under the Credit Facility; conversely, reduced earnings for any future periods could adversely impact the amount available under the Credit Facility in future quarters, absent any pro-forma EBITDA benefit from any potential acquisitions.

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

The Company's working capital of \$226.1 million on January 31, 2011, approximated working capital at October 31, 2010 of \$223.8 million and was driven by a \$12.8 million decline in accrued liabilities partially offset by a decline in conversion capital (accounts receivable plus inventory less accounts payable) during the first fiscal quarter of 2011. Conversion capital fell by \$9.2 million as the Company's business seasonally contracts in the first quarter compared to the previous fourth fiscal quarter. The Company's net sales declined by almost 30% from the month of October 2010 to the month of January 2011 due to seasonality coupled with the December expiration of the replacement window tax credit.

[Table of Contents](#)

The following table summarizes the Company's cash flow results from continuing operations for the three months ended January 31, 2011 and 2010:

| | Three Months Ended January 31, | |
|--------------------------------------|-----------------------------------|----------|
| | 2011 | 2010 |
| | (In millions) | |
| Cash flows from operating activities | \$ 0.7 | \$ 9.0 |
| Cash flows from investing activities | \$ (3.4) | \$ (3.7) |
| Cash flows from financing activities | \$ (2.0) | \$ (1.3) |

Highlights from the Company's cash flow results for the three months ended January 31, 2011 and 2010 are as follows:

Operating Activities — Continuing Operations

Cash provided by operating activities from continuing operations for the first three months of fiscal 2011 compared to the same period last year declined by \$8.3 million. This decline is primarily attributable to reduced income partially offset by more cash generated from the reduction of conversion capital in the first fiscal quarter of 2011 compared to the same 2010 period. Conversion capital during the three months ended January 2011 provided \$7.5 million of cash flow compared to \$3.7 million in the same period of 2010. Cash from the reduction of conversion capital in the first quarter of 2010 was uncommonly low following the Company's 2009 emphasis and substantial reductions of conversion capital. Despite the continued overall weak condition of the Company's primary end markets, the Company's seasonally weakest quarter and expenditures on plant consolidations and acquisition activity, the Company generated positive cash flow from operating activities during the three months ended January 31, 2011. The Company expects to generate additional operating cash flow during the balance of fiscal 2011 as the Company's second half of its fiscal year is typically seasonally stronger.

Investing Activities — Continuing Operations

Cash spending from investing activities from continuing operations during the three months ended January 31, 2011, declined slightly by \$0.3 million compared to spending during the same prior year period. The slight decline in spending was the result of \$0.7 million of proceeds from executive life insurance in 2011 partially offset by a \$0.4 million increase in capital expenditures. The Company expects 2011 capital expenditures to approximate \$30.0 million. The increase in spending from prior year levels reflect approximately \$9.0 million associated with the launch of Quanex's Enterprise Resource Program, which when completed in 2014, will greatly enhance and streamline the Company's back office processes, improve data collection and provide a foundation to support future growth opportunities. Additionally, the increase relates to organic growth initiatives including capital to support new product development as well as spending on previously deferred projects. At January 31, 2011, the Company had commitments of approximately \$6.0 million for the purchase or construction of capital assets. The Company plans to fund these capital expenditures through cash flow from operations.

The Company has an active acquisition program. In March 2011, the Company completed a small acquisition to be integrated into one of its existing Engineered Products businesses for approximately \$6.4 million in cash consideration. This acquisition was effected through an asset purchase of vinyl extrusion related equipment and certain other assets. As previously discussed, on January 31, 2011, Quanex announced it signed a definitive agreement with Lauren International to acquire Edgetech for \$107.0 million in an all cash transaction. Quanex received the applicable governmental regulatory approval and now expects to close on or before April 1, 2011.

Financing Activities — Continuing Operations

The Company used \$2.0 million for financing activities from continuing operations during the three months ended January 31, 2011, compared to \$1.3 million in the same prior year period. The \$0.7 million increase in cash spending from financing activities was primarily the result of the Company's stock repurchase program and to a lesser extent an increase in the cash dividend in mid fiscal 2010. This increase was partially offset by an increase in proceeds from stock option exercises of \$0.6 million. The Board of Directors approved a stock repurchase program of 1.0 million shares in May 2010. During the three months ended January 31, 2011, the Company purchased 86,649 shares of common stock at a cost of \$1.5 million. In the first three months of fiscal 2011 and 2010, the Company paid quarterly dividends of \$0.04 per common share and \$0.03 per common share, respectively with shares outstanding remaining relatively flat. The Company increased its quarterly cash dividend in May 2010 by 33% to \$0.04 per share from \$0.03 per share.

Discontinued Operations

Cash flows from discontinued operations represent results related to the Company's start-up facility in China that was closed in fiscal year 2010. Residual 2011 cash flows represent wind-up activities, including repayment by the China facility (discontinued cash outflow) to its Quanex parent (offsetting financing cash inflow in continuing operations).

Critical Accounting Estimates

In preparing the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America, the Company's management must make decisions which impact the reported amounts and the related disclosures. Such decisions include the selection of the appropriate accounting principles to be applied and assumptions on which to base estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an on-going basis, the Company evaluates its estimates, including those related to revenue recognition, allowances for doubtful accounts, inventory, long-lived assets, environmental contingencies, insurance, U.S. pension and other post-employment benefits, litigation and contingent liabilities, warranty obligations and income taxes. The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. The Company's management believes the critical accounting estimates listed and described in Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" of the Company's 2010 Annual Report on Form 10-K are the most important to the fair presentation of the Company's financial condition and results. These policies require management's significant judgments and estimates in the preparation of the Company's consolidated financial statements. There have been no significant changes to the Company's critical accounting estimates since October 31, 2010.

New Accounting Pronouncements

In December 2010, the Financial Accounting Standards Board (FASB) issued ASC Topic No. 2010-29 *Business Combinations (ASC Topic 805) — Disclosure of Supplementary Pro Forma Information for Business Combinations* which amended ASC Topic 805 "Business Combinations" to specify that if a public entity presents comparative financial statements, the entity should disclose revenue and earnings of the combined entity as though the business combination that occurred during the year had occurred as of the beginning of the comparable prior annual reporting period only. The ASC also expands the supplemental pro forma disclosures under ASC Topic 805 to include a description of the nature and the amount of material, nonrecurring pro forma adjustments directly attributable to the business combination included in the reported pro forma revenue and earnings. The ASC is effective prospectively for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2010 (November 1, 2011 for the Company). Early adoption is permitted. The Company will disclose information in accordance with the ASC within all financial statements issued after the effective date.

In December 2010, the FASB issued ASC Topic No. 2010-28 *Intangibles—Goodwill and Other (ASC Topic 350) — When to Perform Step 2 of the Goodwill Impairment Test for Reporting Units with Zero or Negative Carrying Amounts* which amended ASC Topic 350 "Goodwill and Other." The ASC requires an entity with reporting units that have carrying amounts that are zero or negative to assess whether it is more likely than not that the reporting units' goodwill is impaired. If the entity determines that it is more likely than not that the goodwill of one or more of its reporting units is impaired, the entity is required to perform Step 2 of the goodwill impairment test for those reporting unit(s) and record any resulting impairment as a cumulative-effect adjustment to beginning retained earnings. The provisions of this ASC are effective for fiscal years, and interim periods within those years, beginning after December 15, 2010 (November 1, 2011 for the Company). Early adoption is not permitted. The Company does not expect the adoption of this ASC to have a material impact on the Company's consolidated financial statements.

In January 2010, the FASB issued ASC Topic No. 2010-06, *Fair Value Measurements and Disclosures (ASC Topic 820) — Improving Disclosures About Fair Value Measurements*. The ASC requires new disclosures about transfers into and out of Levels 1 (fair value determined based on quoted prices in active markets for identical assets and liabilities) and 2 (fair value determined based on significant other observable inputs) and separate disclosures about purchases, sales, issuances, and settlements relating to Level 3 measurements. It also clarifies existing fair value disclosures about the level of disaggregation and about inputs and valuation techniques used to measure fair value. Except for the detailed Level 3 roll-forward disclosures, the new standard is effective for the Company for interim and annual reporting periods beginning after December 31, 2009 (February 1, 2010 for the Company). The requirement to provide detailed disclosures about the purchases, sales, issuances and settlements in the roll-forward activity for Level 3 fair value measurements is effective for the Company for interim and annual reporting periods beginning after December 31, 2010 (February 1, 2011 for the Company). Other than requiring additional disclosures, none that currently impact the Company; the adoption of this new guidance does not have a material impact on the Company's Consolidated Financial Statements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The following discussion of the Company and its subsidiaries' exposure to various market risks contains "forward looking statements" that involve risks and uncertainties. These projected results have been prepared utilizing certain assumptions considered reasonable in light of information currently available to the Company. Nevertheless, because of the inherent unpredictability of interest rates, foreign currency rates and metal commodity prices as well as other factors, actual results could differ materially from those projected in such forward looking information. The Company does not use derivative financial instruments for speculative or trading purposes.

Interest Rate Risk

The Company and its subsidiaries have a Credit Facility and other long-term debt which subject the Company to the risk of loss associated with movements in market interest rates.

At January 31, 2011, the Company had fixed-rate debt totaling \$0.1 million or 7% of total debt, which does not expose the Company to the risk of earnings loss due to changes in market interest rates. The Company and certain of its subsidiaries' floating-rate obligations totaled \$1.8 million, or 93% of total debt at January 31, 2011. Based on the floating-rate obligations outstanding at January 31, 2011, a one percent increase or decrease in the average interest rate would result in a change to pre-tax interest expense of approximately \$18 thousand.

Commodity Price Risk

Within the Aluminum Sheet Products segment, the Company uses various grades of aluminum scrap as well as minimal amounts of prime aluminum ingot as raw materials for its 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, Nichols Aluminum enters into firm price sales commitments with its customers. In an effort to reduce the risk of fluctuating raw material prices, Nichols Aluminum enters 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 option contracts on the London Metal Exchange (LME). The Company's risk management policy as it relates to these LME contracts is to enter into contracts to cover the raw material needs of the Company's committed sales orders, to the extent not covered by fixed price purchase commitments.

Nichols Aluminum maintains a balanced metals book position which excludes a normal operational inventory level. This operating inventory level as a matter of practice is currently not hedged against material price (LME) movements. This practice reflects that over the commodity price cycle, no gain or loss is incurred on this inventory. Through the use of firm price raw material purchase commitments and LME contracts, the Company intends to protect cost of sales from the effects of changing prices of aluminum. 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. During fiscal 2011 and 2010, the Company primarily relied upon firm price raw material purchase commitments to protect cost of sales tied to firm price sales commitments. At January 31, 2011, there were 28 open LME forward contracts associated with metal exchange derivatives covering notional volumes of 0.7 million pounds with a fair value mark-to-market net gain of approximately \$0.3 million. In addition, at January 31, 2011 there were 69 open LME short sale contracts associated with metal exchange derivatives covering notional volumes of 1.7 million pounds with a fair value mark-to-market net loss of approximately \$0.6 million. These contracts were not designated as hedging instruments, and any mark-to-market net gain or loss was recorded in Cost of sales with the offsetting amount reflected as a current asset or liability on the balance sheet. At October 31, 2010, there were 22 open LME forward contracts associated with metal exchange derivatives covering notional volumes of 1.2 million pounds with a fair value mark-to-market net gain of approximately \$0.2 million. In addition, at October 31, 2010, there were 116 open LME short sale contracts associated with metal exchange derivatives covering notional volumes of 6.4 million pounds with a fair value mark-to-market net loss of approximately \$0.4 million.

Within the Engineered Products segment, polyvinyl resin (PVC) is the significant raw material consumed during the manufacture of vinyl extrusions. The Company has a monthly resin adjuster in place with the majority of its customers and resin supplier that is adjusted based upon published industry resin prices. This adjuster effectively shares the base pass-through price changes of PVC with the Company's customers commensurate with the market at large. The Company's long-term exposure to changes in PVC prices is thus significantly reduced due to the contractual component of the resin adjuster program.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of the Company's management, including the Chief Executive Officer and Chief Financial Officer, the Company has evaluated the effectiveness of its 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, 2011. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of January 31, 2011, 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 the Company's internal control over financial reporting.

PART II. OTHER INFORMATION**Item 1A. Risk Factors**

In addition to those Risk Factors described in the Company's Form 10-K for the year ended October 31, 2010 and elsewhere in this report, the following is a potential risk factor that could cause the Company's actual results to differ materially from those projected in any forward-looking statements. This factor, as well as the other information contained in this document and the Risk Factors described in the Company's Form 10-K for the year ended October 31, 2010, should be carefully considered when evaluating an investment in the Company's securities. The following risks and any of the Risk Factors in the Company's Form 10-K for the year ended October 31, 2010 could have material adverse effects on the Company's financial condition, operating results and cash flow. The factor below and the Risk Factors in the Company's Form 10-K for the year ended October 31, 2010 are not all-inclusive or necessarily in order of importance.

Product liability claims and product replacements could harm our reputation, sales and financial condition.

The Company designs and manufactures most of its standard products and expects to continue to do so. The Company has on occasion found flaws and deficiencies in the manufacturing, design, testing and installation of its products. Some deficiencies may not become apparent until after the products are installed by customers.

The Company may need to replace products, and it may be liable for any costs necessary to retrofit the affected structures. Any such replacement or retrofit could entail substantial costs and adversely affect the Company's reputation, sales and financial condition. The Company does not carry insurance against product replacement costs or the adverse business effect of a product replacement, and its product liability insurance may not cover retrofit costs.

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

On May 27, 2010, the Board of Directors approved a stock repurchase program that authorized the repurchase of 1.0 million shares of the Company's common stock. Set forth below is a table summarizing the program and the repurchase of shares during the quarter ended January 31, 2011:

| <u>Period</u> | <u>(a) Total Number of Shares Purchased</u> | <u>(b) Average Price Paid per Share</u> | <u>(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs⁽¹⁾</u> | <u>(d) Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs</u> |
|---|---|---|---|---|
| November 1, 2010 thru November 30, 2010 | 41,300 | \$ 17.36 | 41,300 | 708,700 |
| December 1, 2010 thru December 31, 2010 | 45,349 | \$ 17.36 | 45,349 | 663,351 |
| January 1, 2011 thru January 31, 2011 | — | \$ — | — | 663,351 |
| Total | <u>86,649</u> | <u>\$ 17.36</u> | <u>86,649</u> | <u>663,351</u> |

(1) On May 27, 2010, the Board of Directors approved a stock repurchase program of 1.0 million shares. The program does not have a dollar limit or an expiration date.

Table of Contents

Item 6. Exhibits

| Exhibit Number | Description of Exhibits |
|-----------------------|---|
| 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 28, 2008, filed as Exhibit 3.2 of the Registrant's Quarterly Report on Form 10-Q (Reg. No. 001-33913) for the quarter ended January 31, 2009, 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 April 23, 2008, among the Company, certain of its subsidiaries as guarantors, Wells Fargo Bank, National Association, in its capacity as administrative agent, and certain lender parties, filed as Exhibit 10.1 of the Registrant's Current Report on Form 8-K (Reg. No. 001-33913) dated April 23, 2008, and incorporated herein by reference. |
| *10.1 | Quanex Building Products Corporation 2008 Omnibus Incentive Plan, as amended effective February 24, 2011. |
| * 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. |

* Filed herewith

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.

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

/s/ Brent L. Korb

Brent L. Korb

Senior Vice President — Finance and Chief Financial Officer

(Principal Financial Officer)

Date: March 11, 2011

EXHIBIT INDEX

| Exhibit Number | Description of Exhibits |
|-----------------------|---|
| 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 28, 2008, filed as Exhibit 3.2 of the Registrant's Quarterly Report on Form 10-Q (Reg. No. 001-33913) for the quarter ended January 31, 2009, 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 April 23, 2008, among the Company, certain of its subsidiaries as guarantors, Wells Fargo Bank, National Association, in its capacity as administrative agent, and certain lender parties, filed as Exhibit 10.1 of the Registrant's Current Report on Form 8-K (Reg. No. 001-33913) dated April 23, 2008, and incorporated herein by reference. |
| *10.1 | Quanex Building Products Corporation 2008 Omnibus Incentive Plan, as amended effective February 24, 2011. |
| * 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. |

* Filed herewith

**QUANEX BUILDING PRODUCTS CORPORATION
2008 OMNIBUS INCENTIVE PLAN
AS AMENDED EFFECTIVE FEBRUARY 24, 2011**

| | |
|---|---|
| ARTICLE I ESTABLISHMENT, PURPOSE AND DURATION | 1 |
| 1.1 Establishment | 1 |
| 1.2 Purpose of the Plan | 1 |
| 1.3 Duration of Plan | 1 |
| ARTICLE II DEFINITIONS | 2 |
| 2.1 Affiliate | 2 |
| 2.2 Annual Incentive Award | 2 |
| 2.3 Award | 2 |
| 2.4 Award Agreement | 2 |
| 2.5 Board | 2 |
| 2.6 Cash-Based Award | 2 |
| 2.7 Change in Control of the Company | 2 |
| 2.8 Code | 3 |
| 2.9 Committee | 3 |
| 2.10 Company | 3 |
| 2.11 Corporate Change | 3 |
| 2.12 Covered Employee | 3 |
| 2.13 Director | 3 |
| 2.14 Disability | 3 |
| 2.15 Dividend Equivalent | 4 |
| 2.16 Effective Date | 4 |
| 2.17 Employee | 4 |
| 2.18 Fair Market Value | 4 |
| 2.19 Fiscal Year | 4 |
| 2.20 Full Value Award | 4 |
| 2.21 Holder | 4 |
| 2.22 Minimum Statutory Tax Withholding Obligation | 4 |
| 2.23 Option | 4 |
| 2.24 Option Price | 4 |
| 2.25 Other Stock-Based Award | 4 |
| 2.26 Performance-Based Compensation | 4 |
| 2.27 Performance Goals | 4 |
| 2.28 Performance Stock Award | 4 |
| 2.29 Performance Unit Award | 5 |
| 2.30 Period of Restriction | 5 |
| 2.31 Permissible under Section 409A | 5 |
| 2.32 Plan | 5 |
| 2.33 Restricted Stock | 5 |
| 2.34 Restricted Stock Award | 5 |
| 2.35 RSU | 5 |
| 2.36 RSU Award | 5 |
| 2.37 SAR | 5 |
| 2.38 Section 409A | 5 |
| 2.39 Stock | 5 |
| 2.40 Substantial Risk of Forfeiture | 5 |
| 2.41 Termination of Employment | 5 |
| ARTICLE III ELIGIBILITY AND PARTICIPATION | 6 |
| 3.1 Eligibility | 6 |
| 3.2 Participation | 6 |

| | |
|---|----|
| ARTICLE IV GENERAL PROVISIONS RELATING TO AWARDS | 7 |
| 4.1 Authority to Grant Awards | 7 |
| 4.2 Dedicated Shares; Maximum Awards | 7 |
| 4.3 Non-Transferability | 8 |
| 4.4 Requirements of Law | 8 |
| 4.5 Changes in the Company's Capital Structure | 8 |
| 4.6 Election Under Section 83(b) of the Code | 11 |
| 4.7 Forfeiture for Cause | 11 |
| 4.8 Forfeiture Events | 11 |
| 4.9 Award Agreements | 11 |
| 4.10 Amendments of Award Agreements | 11 |
| 4.11 Rights as Stockholder | 12 |
| 4.12 Issuance of Shares of Stock | 12 |
| 4.13 Restrictions on Stock Received | 12 |
| 4.14 Compliance With Section 409A | 12 |
| ARTICLE V OPTIONS | 13 |
| 5.1 Authority to Grant Options | 13 |
| 5.2 Option Agreement | 13 |
| 5.3 Option Price | 13 |
| 5.4 Duration of Option | 13 |
| 5.5 Amount Exercisable | 13 |
| 5.6 Exercise of Option | 13 |
| ARTICLE VI STOCK APPRECIATION RIGHTS | 13 |
| 6.1 Authority to Grant SAR Awards | 13 |
| 6.2 General Terms | 14 |
| 6.3 SAR Agreement | 14 |
| 6.4 Term of SAR | 14 |
| 6.5 Exercise of SAR | 14 |
| 6.6 Payment of SAR Amount | 14 |
| 6.7 Termination of Employment | 14 |
| ARTICLE VII RESTRICTED STOCK AWARDS | 15 |
| 7.1 Restricted Stock Awards | 15 |
| 7.2 Restricted Stock Award Agreement | 15 |
| 7.3 Holder's Rights as Stockholder | 15 |
| ARTICLE VIII RESTRICTED STOCK UNIT AWARDS | 16 |
| 8.1 Authority to Grant RSU Awards | 16 |
| 8.2 RSU Award | 16 |
| 8.3 RSU Award Agreement | 16 |
| 8.4 Dividend Equivalents | 16 |
| 8.5 Form of Payment Under RSU Award | 16 |
| 8.6 Time of Payment Under RSU Award | 16 |
| ARTICLE IX PERFORMANCE STOCK AWARDS AND PERFORMANCE UNIT AWARDS | 17 |
| 9.1 Authority to Grant Performance Stock Awards and Performance Unit Awards | 17 |
| 9.2 Performance Goals | 17 |
| 9.3 Time of Establishment of Performance Goals | 17 |

| | |
|--|-----------|
| 9.4 Written Agreement | 17 |
| 9.5 Form of Payment Under Performance Unit Award | 18 |
| 9.6 Time of Payment Under Performance Unit Award | 18 |
| 9.7 Holder's Rights as Stockholder With Respect to a Performance Stock Award | 18 |
| 9.8 Increases Prohibited | 18 |
| ARTICLE X ANNUAL INCENTIVE AWARDS | 19 |
| 10.1 Authority to Grant Annual Incentive Awards | 19 |
| 10.2 Covered Employees | 19 |
| 10.3 Written Agreement | 19 |
| 10.4 Form of Payment Under Annual Incentive Award | 19 |
| 10.5 Time of Payment Under Annual Incentive Award | 19 |
| 10.6 Increases Prohibited | 19 |
| ARTICLE XI OTHER STOCK-BASED AWARDS | 20 |
| 11.1 Authority to Grant Other Stock-Based Awards | 20 |
| 11.2 Value of Other Stock-Based Award | 20 |
| 11.3 Payment of Other Stock-Based Award | 20 |
| 11.4 Termination of Employment | 20 |
| ARTICLE XII CASH-BASED AWARDS | 21 |
| 12.1 Authority to Grant Cash-Based Awards | 21 |
| 12.2 Value of Cash-Based Award | 21 |
| 12.3 Payment of Cash-Based Award | 21 |
| 12.4 Termination of Employment | 21 |
| ARTICLE XIII SUBSTITUTION AWARDS | 22 |
| ARTICLE XIV ADMINISTRATION | 23 |
| 14.1 Awards | 23 |
| 14.2 Authority of the Committee | 23 |
| 14.3 Decisions Binding | 23 |
| 14.4 No Liability | 23 |
| ARTICLE XV AMENDMENT OR TERMINATION OF PLAN | 24 |
| 15.1 Amendment, Modification, Suspension, and Termination | 24 |
| 15.2 Awards Previously Granted | 24 |

| | |
|---|----|
| ARTICLE XVI MISCELLANEOUS | 25 |
| 16.1 Unfunded Plan/No Establishment of a Trust Fund | 25 |
| 16.2 No Employment Obligation | 25 |
| 16.3 Tax Withholding | 25 |
| 16.4 Gender and Number | 26 |
| 16.5 Severability | 26 |
| 16.6 Headings | 26 |
| 16.7 Other Compensation Plans | 26 |
| 16.8 Retirement and Welfare Plans | 26 |
| 16.9 Other Awards | 26 |
| 16.10 Successors | 26 |
| 16.11 Law Limitations/Governmental Approvals | 26 |
| 16.12 Delivery of Title | 26 |
| 16.13 Inability to Obtain Authority | 26 |
| 16.14 Investment Representations | 27 |
| 16.15 Persons Residing Outside of the United States | 27 |
| 16.16 Arbitration of Disputes | 27 |
| 16.17 Governing Law | 27 |
| 16.18 Section 162(m) Stockholder Approval | 27 |

ARTICLE I

ESTABLISHMENT, PURPOSE AND DURATION

1.1 **Establishment.** The Company hereby establishes an incentive compensation plan, to be known as the “Quanex Building Products Corporation 2008 Omnibus Incentive Plan,” as set forth in this document. The Plan permits the grant of Options, SARs, Restricted Stock, RSUs, Performance Stock Awards, Performance Unit Awards, Annual Incentive Awards, Cash-Based Awards and Other Stock-Based Awards. The Plan shall become effective as of the Effective Date.

1.2 **Purpose of the Plan.** The Plan is intended to advance the best interests of the Company, its Affiliates and its stockholders by providing those persons who have substantial responsibility for the management and growth of the Company and its Affiliates with additional performance incentives and an opportunity to obtain or increase their proprietary interest in the Company, thereby encouraging them to continue in their employment or affiliation with the Company or its Affiliates.

1.3 **Duration of Plan.** The Plan shall continue indefinitely until it is terminated pursuant to Section 15.1. The applicable provisions of the Plan will continue in effect with respect to an Award granted under the Plan for as long as such Award remains outstanding.

ARTICLE II

DEFINITIONS

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

2.1 **“Affiliate”** means any corporation, partnership, limited liability company or association, trust or other entity or organization which, directly or indirectly, controls, is controlled by, or is under common control with, the Company. For purposes of the preceding sentence, “control” (including, with correlative meanings, the terms “controlled by” and “under common control with”), as used with respect to any entity or organization, shall mean the possession, directly or indirectly, of the power (i) to vote more than fifty percent (50%) of the securities having ordinary voting power for the election of directors of the controlled entity or organization, or (ii) to direct or cause the direction of the management and policies of the controlled entity or organization, whether through the ownership of voting securities or by contract or otherwise.

2.2 **“Annual Incentive Award”** means an Award granted to a Holder pursuant to Article X.

2.3 **“Award”** means, individually or collectively, a grant under the Plan of Options, SARs, Restricted Stock, RSUs, Performance Stock Awards, Performance Unit Awards, Annual Incentive Awards, Other Stock-Based Awards and Cash-Based Awards, in each case subject to the terms and provisions of the Plan.

2.4 **“Award Agreement”** means an agreement that sets forth the terms and conditions applicable to an Award granted under the Plan.

2.5 **“Board”** means the board of directors of the Company.

2.6 **“Cash-Based Award”** means an Award granted pursuant to Article XII.

2.7 **“Change in Control of the Company”** means 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 2.7, 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 2.7; 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 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.

2.8 “**Code**” means the United States Internal Revenue Code of 1986, as amended from time to time.

2.9 “**Committee**” means the Compensation Committee of the Board.

2.10 “**Company**” means Quanex Building Products Corporation, a Delaware corporation, or any successor (by reincorporation, merger or otherwise).

2.11 “**Corporate Change**” shall have the meaning ascribed to that term in Section 4.5(c).

2.12 “**Covered Employee**” means an Employee who is a “covered employee,” as defined in section 162(m) of the Code and the regulations or other guidance promulgated by the Internal Revenue Service under section 162(m) of the Code, or any successor statute.

2.13 “**Director**” means a director of the Company who is not an Employee.

2.14 “**Disability**” means as determined by the Committee in its discretion exercised in good faith, a physical or mental condition of the Holder that would entitle him to payment of disability income payments under the Company’s long-term disability insurance policy or plan for Employees as then in effect; or in the event that the Holder is not covered, for whatever reason, under the Company’s long-term disability insurance policy or plan for Employees or in the event the Company does not maintain such a long-term disability insurance policy, “Disability” means a permanent and total disability as defined in section 22(e)(3) of the Code. A determination of Disability may be made by a physician selected or approved by the Committee and, in this respect, the Holder shall submit to an examination by such physician upon request by the Committee.

2.15 “**Dividend Equivalent**” means a payment equivalent in amount to dividends paid to the Company’s stockholders.

2.16 “**Effective Date**” means the later of (a) the date the Plan is approved by the Board, (b) the date the Plan is approved by the stockholder(s) of the Company and (c) the effective date of the Company’s first effective registration statement filed under the Securities Act of 1933, as amended.

2.17 “**Employee**” means a person employed by the Company or any Affiliate as a common law employee.

2.18 “**Fair Market Value**” of the Stock as of any particular date means (1) if the Stock is traded on a stock exchange, the closing sale price of the Stock on that date as reported on the principal securities exchange on which the Stock is traded, or (2) if the Stock is traded in the over-the-counter market, the average between the high bid and low asked price on that date as reported in such over-the-counter market; provided that (a) if the Stock is not so traded, (b) if no closing price or bid and asked prices for the stock was so reported on that date or (c) if, in the discretion of the Committee, another means of determining the fair market value of a share of Stock at such date shall be necessary or advisable, the Committee may provide for another means for determining such fair market value.

2.19 “**Fiscal Year**” means the Company’s fiscal year.

2.20 “**Full Value Award**” means an Award other than in the form of an Option or SAR, and which is settled by the issuance of shares of stock.

2.21 “**Holder**” means a person who has been granted an Award or any person who is entitled to receive shares of Stock or cash under an Award.

2.22 “**Minimum Statutory Tax Withholding Obligation**” means, with respect to an Award, the amount the Company or an Affiliate is required to withhold for federal, state and local taxes based upon the applicable minimum statutory withholding rates required by the relevant tax authorities.

2.23 “**Option**” means a “nonqualified stock option” to purchase Stock granted pursuant to Article V that does not satisfy the requirements of section 422 of the Code.

2.24 “**Option Price**” shall have the meaning ascribed to that term in Section 5.3.

2.25 “**Other Stock-Based Award**” means an equity-based or equity-related Award not otherwise described by the terms and provisions of the Plan that is granted pursuant to Article XI.

2.26 “**Performance-Based Compensation**” means compensation under an Award that satisfies the requirements of section 162(m) of the Code for deductibility of remuneration paid to Covered Employees.

2.27 “**Performance Goals**” means one or more of the criteria described in Section 9.2 on which the performance goals applicable to an Award are based.

2.28 “**Performance Stock Award**” means an Award designated as a performance stock award granted to a Holder pursuant to Article IX.

2.29 “**Performance Unit Award**” means an Award designated as a performance unit award granted to a Holder pursuant to Article IX.

2.30 “**Period of Restriction**” means the period during which Restricted Stock is subject to a substantial risk of forfeiture (based on the passage of time, the achievement of performance goals, or upon the occurrence of other events as determined by the Committee, in its discretion), as provided in Article VII.

2.31 “**Permissible under Section 409A**” means with respect to a particular action (such as, the grant, payment, vesting, settlement or deferral of an amount or award under the Plan) that such action shall not subject the compensation at issue to be subject to the additional tax or interest applicable under Section 409A.

2.32 “**Plan**” means the Quanex Building Products Corporation 2008 Omnibus Incentive Plan, as set forth in this document as it may be amended from time to time.

2.33 “**Restricted Stock**” means shares of restricted Stock issued or granted under the Plan pursuant to Article VII.

2.34 “**Restricted Stock Award**” means an authorization by the Committee to issue or transfer Restricted Stock to a Holder.

2.35 “**RSU**” means a restricted stock unit credited to a Holder’s ledger account maintained by the Company pursuant to Article VIII.

2.36 “**RSU Award**” means an Award granted pursuant to Article VIII.

2.37 “**SAR**” means a stock appreciation right granted under the Plan pursuant to Article VI.

2.38 “**Section 409A**” means section 409A of the Code and Department of Treasury rules and regulations issued thereunder.

2.39 “**Stock**” means the common stock of the Company, \$0.01 par value per share (or such other par value as may be designated by act of the Company’s stockholders). In addition, for purposes of the Plan and the Awards, the term Stock shall also be deemed to include any rights to purchase (“**Rights**”) any junior participating preferred stock of the Company that may then be trading together with the Stock as provided in any agreement entered into by the Company relating to the Rights.

2.40 “**Substantial Risk of Forfeiture**” shall have the meaning ascribed to that term in Section 409A.

2.41 “**Termination of Employment**” means the termination of the Award recipient’s employment relationship with the Company and all Affiliates.

ARTICLE III

ELIGIBILITY AND PARTICIPATION

3.1 **Eligibility.** The persons who are eligible to receive Awards under the Plan other than Annual Incentive Awards are key Employees and Directors. The persons who are eligible to receive Annual Incentive Awards under the Plan are key executive Employees who, by the nature and scope of their positions, regularly directly make or influence policy decisions which significantly impact the overall results or success of the Company.

3.2 **Participation.** Subject to the terms and provisions of the Plan, the Committee may, from time to time, select the Employees and Directors to whom Awards shall be granted and shall determine the nature and amount of each Award.

ARTICLE IV

GENERAL PROVISIONS RELATING TO AWARDS

4.1 Authority to Grant Awards. The Committee may grant Awards to those key Employees and Directors as the Committee shall from time to time determine, under the terms and conditions of the Plan. Subject only to any applicable limitations set out in the Plan, the number of shares of Stock or other value to be covered by any Award to be granted under the Plan shall be as determined by the Committee in its sole discretion.

4.2 Dedicated Shares; Maximum Awards.

(a) Number of Shares of Stock Dedicated under the Plan for Awards.

(i) The aggregate number of shares of Stock with respect to which Awards may be granted under the Plan is 2,752,518, comprising 352,518 Shares available under the Plan immediately prior to the date of approval of the amendment to the Plan approved by the stockholders of the Company at the Company's 2011 Annual Meeting of Stockholders (the "2011 Approval Date"), and 2,400,000 new Shares approved for issuance under the Plan as of the 2011 Approval Date.

(ii) The aggregate number of shares of Stock with respect to which Full Value Awards may be granted under the Plan is 1,000,000.

(b) Annual Award Limits. Unless and until the Committee determines that an Award to a Covered Employee shall not be designed to qualify as Performance-Based Compensation, the following limits (each an "**Annual Award Limit**" and, collectively, "**Annual Award Limits**") shall apply to grants of such Awards under the Plan:

(i) The maximum number of shares of Stock with respect to which Options may be granted to an Employee during a Fiscal Year is 350,000.

(ii) The maximum number of shares with respect to which SARs may be granted to an Employee during a Fiscal Year is 350,000.

(iii) The maximum aggregate number of shares of Stock with respect to which Restricted Stock and Performance Stock Awards may be granted to a Participant during a Fiscal Year is 175,000.

(iv) The maximum number of shares of Stock with respect to which Performance Unit Awards payable in Stock may be granted to an Employee during a Fiscal Year is 175,000.

(v) The maximum value of cash with respect to which Performance Unit Awards payable in cash may be granted to an Employee during a Fiscal Year, determined as of the dates of Grants of the Performance Unit Awards, is \$2,500,000.

(vi) The maximum amount that may be paid to an Employee under Annual Incentive Award(s) granted to an Employee during a Fiscal Year is \$2,500,000.

(c) Share Usage. Each of the foregoing numerical limits stated in this Section 4.2 shall be subject to adjustment in accordance with the provisions of Section 4.5. The number of shares of Stock stated in this Section 4.2 shall also be increased by such number of shares of Stock as become subject to substitute Awards granted pursuant to Article XIII; *provided, however*, that such increase shall be conditioned upon the approval of the stockholders of the Company to the extent stockholder approval is required by law or applicable stock exchange rules. If shares of Stock are withheld from payment of an Award to satisfy tax obligations with respect to the Award, such shares of Stock will count against the aggregate number of shares of Stock with respect to which Awards may be granted under the Plan. If shares of Stock are tendered in payment of an Option Price of an Option, such shares of Stock will not be added to the aggregate number of shares of Stock with respect to which Awards may be granted under the Plan. To the extent that any outstanding Award is forfeited or cancelled for any reason or is settled in cash in lieu of shares of Stock, the shares of Stock allocable to such portion of the Award may again be subject to an Award granted under the Plan. When a SAR is settled in shares of Stock, the number of shares of Stock subject to the SAR under the SAR Award Agreement will be counted against the aggregate number of shares of Stock with respect to which Awards may be granted under the Plan as one share for every share subject to the SAR, regardless of the number of shares used to settle the SAR upon exercise.

4.3 Non-Transferability. Except as specified in the applicable Award Agreements or in domestic relations court orders, an Award shall not be transferable by the Holder other than by will or under the laws of descent and distribution, and shall be exercisable, during the Holder's lifetime, only by him or her. Any attempted assignment of an Award in violation of this Section 4.3 shall be null and void. In the discretion of the Committee, any attempt to transfer an Award other than under the terms of the Plan and the applicable Award Agreement may terminate the Award.

4.4 Requirements of Law. The Company shall not be required to sell or issue any shares of Stock under any Award if issuing those shares of Stock would constitute or result in a violation by the Holder or the Company of any provision of any law, statute or regulation of any governmental authority. Specifically, in connection with any applicable statute or regulation relating to the registration of securities, upon exercise of any Option or pursuant to any other Award, the Company shall not be required to issue any shares of Stock unless the Committee has received evidence satisfactory to it to the effect that the Holder will not transfer the shares of Stock except in accordance with applicable law, including receipt of an opinion of counsel satisfactory to the Company to the effect that any proposed transfer complies with applicable law. The determination by the Committee on this matter shall be final, binding and conclusive. The Company may, but shall in no event be obligated to, register any shares of Stock covered by the Plan pursuant to applicable securities laws of any country or any political subdivision. In the event the shares of Stock issuable on exercise of an Option or pursuant to any other Award are not registered, the Company may imprint on the certificate evidencing the shares of Stock any legend that counsel for the Company considers necessary or advisable to comply with applicable law, or, should the shares of Stock be represented by book or electronic entry rather than a certificate, the Company may take such steps to restrict transfer of the shares of Stock as counsel for the Company considers necessary or advisable to comply with applicable law. The Company shall not be obligated to take any other affirmative action in order to cause or enable the exercise of an Option or any other Award, or the issuance of shares of Stock pursuant thereto, to comply with any law or regulation of any governmental authority.

4.5 Changes in the Company's Capital Structure.

(a) The existence of outstanding Awards shall not affect in any way the right or power of the Company or its stockholders to make or authorize any or all adjustments, recapitalizations, reorganizations or other changes in the Company's capital structure or its business, any merger or consolidation of the Company, any issue of bonds, debentures, preferred or prior preference shares ahead of or affecting the Stock or Stock rights, the dissolution or liquidation of the Company, any sale or transfer of all or any part of its assets or business or any other corporate act or proceeding, whether of a similar character or otherwise.

(b) If the Company shall effect a subdivision or consolidation of Stock or other capital readjustment, the payment of a Stock dividend, or other increase or reduction of the number of shares of Stock outstanding, without receiving compensation therefor in money, services or property, then (1) the number, class or series and per share price of Stock subject to outstanding Options or other Awards under the Plan shall be appropriately adjusted in such a manner as to entitle a Holder to receive upon exercise of an Option or other Award, for the same aggregate cash consideration, the equivalent total number and class or series of Stock the Holder would have received had the Holder exercised his or her Option or other Award in full immediately prior to the event requiring the adjustment, and (2) the number and class or series of Stock then reserved to be issued under the Plan shall be adjusted by substituting for the total number and class or series of Stock then reserved, that number and class or series of Stock that would have been received by the owner of an equal number of outstanding shares of Stock of each class or series of Stock as the result of the event requiring the adjustment.

(c) If while unexercised Options or other Awards remain outstanding under the Plan (1) the Company shall not be the surviving entity in any merger, consolidation or other reorganization (or survives only as a subsidiary of an entity other than an entity that was wholly-owned by the Company immediately prior to such merger, consolidation or other reorganization), (2) the Company sells, leases or exchanges or agrees to sell, lease or exchange all or substantially all of its assets to any other person or entity (other than an entity wholly-owned by the Company), (3) the Company is to be dissolved or (4) the Company is a party to any other corporate transaction (as defined under section 424(a) of the Code and applicable Department of Treasury regulations) that is not described in clauses (1), (2) or (3) of this sentence (each such event is referred to herein as a “*Corporate Change*”), then, except as otherwise provided in an Award Agreement or another agreement between the Holder and the Company (provided that such exceptions shall not apply in the case of a reincorporation merger), or as a result of the Committee’s effectuation of one or more of the alternatives described below, there shall be no acceleration of the time at which any Award then outstanding may be exercised, and no later than ten days after the approval by the stockholders of the Company of such Corporate Change, the Committee, acting in its sole and absolute discretion without the consent or approval of any Holder, shall act to effect one or more of the following alternatives, which may vary among individual Holders and which may vary among Awards held by any individual Holder (provided that, with respect to a reincorporation merger in which Holders of the Company’s ordinary shares will receive one ordinary share of the successor corporation for each ordinary share of the Company, none of such alternatives shall apply and, without Committee action, each Award shall automatically convert into a similar award of the successor corporation exercisable for the same number of ordinary shares of the successor as the Award was exercisable for ordinary shares of Stock of the Company):

(1) accelerate the time at which some or all of the Awards then outstanding may be exercised so that such Awards may be exercised in full for a limited period of time on or before a specified date (before or after such Corporate Change) fixed by the Committee, after which specified date all such Awards that remain unexercised and all rights of Holders thereunder shall terminate;

(2) require the mandatory surrender to the Company by all or selected Holders of some or all of the then outstanding Awards held by such Holders (irrespective of whether such Awards are then exercisable under the provisions of the Plan or the applicable Award Agreement evidencing such Award) as of a date, before or after such Corporate Change, specified by the Committee, in which event the Committee shall thereupon cancel such Award and the Company shall pay to each such Holder an amount of cash per share equal to the excess, if any, of the per share price offered to stockholders of the Company in connection with such Corporate Change over the exercise prices under such Award for such shares;

(3) with respect to all or selected Holders, have some or all of their then outstanding Awards (whether vested or unvested) assumed or have a new award of a similar nature substituted for some or all of their then outstanding Awards under the Plan (whether vested or unvested) by an entity which is a party to the transaction resulting in such Corporate Change and which is then employing such Holder or which is affiliated or associated with such Holder in the same or a substantially similar manner as the Company prior to the Corporate Change, or a parent or subsidiary of such entity, provided that (A) such assumption or substitution is on a basis where the excess of the aggregate fair market value of the Stock subject to the Award immediately after the assumption or substitution over the aggregate exercise price of such Stock is equal to the excess of the aggregate fair market value of all Stock subject to the Award immediately before such assumption or substitution over the aggregate exercise price of such Stock, and (B) the assumed rights under such existing Award or the substituted rights under such new Award, as the case may be, will have the same terms and conditions as the rights under the existing Award assumed or substituted for, as the case may be;

(4) provide that the number and class or series of Stock covered by an Award (whether vested or unvested) theretofore granted shall be adjusted so that such Award when exercised shall thereafter cover the number and class or series of Stock or other securities or property (including, without limitation, cash) to which the Holder would have been entitled pursuant to the terms of the agreement or plan relating to such Corporate Change if, immediately prior to such Corporate Change, the Holder had been the holder of record of the number of shares of Stock then covered by such Award; or

(5) make such adjustments to Awards then outstanding as the Committee deems appropriate to reflect such Corporate Change (provided, however, that the Committee may determine in its sole and absolute discretion that no such adjustment is necessary).

Any adjustment effected by the Committee under Section 4.5 shall be designed to provide the Holder with the intrinsic value of his or her Award, as determined prior to the Corporate Change, or, if applicable, equalize the Fair Market Value of the Award before and after the Corporate Change.

In effecting one or more of the alternatives set out in paragraphs (3), (4) or (5) immediately above, and except as otherwise may be provided in an Award Agreement, the Committee, in its sole and absolute discretion and without the consent or approval of any Holder, may accelerate the time at which some or all Awards then outstanding may be exercised.

(d) In the event of changes in the outstanding Stock by reason of recapitalizations, reorganizations, mergers, consolidations, combinations, exchanges or other relevant changes in capitalization occurring after the date of the grant of any Award and not otherwise provided for by this Section 4.5, any outstanding Award and any Award Agreement evidencing such Award shall be subject to adjustment by the Committee in its sole and absolute discretion as to the number and price of Stock or other consideration subject to such Award. In the event of any such change in the outstanding Stock, the aggregate number of shares of Stock available under the Plan may be appropriately adjusted by the Committee, whose determination shall be conclusive.

(e) After a merger of one or more corporations into the Company or after a consolidation of the Company and one or more corporations in which the Company shall be the surviving corporation, each Holder shall be entitled to have his Restricted Stock appropriately adjusted based on the manner in which the shares of Stock were adjusted under the terms of the agreement of merger or consolidation.

(f) The issuance by the Company of stock of any class or series, or securities convertible into, or exchangeable for, stock of any class or series, for cash or property, or for labor or services either upon direct sale or upon the exercise of rights or warrants to subscribe for them, or upon conversion or exchange of stock or obligations of the Company convertible into, or exchangeable for, stock or other securities, shall not affect, and no adjustment by reason of such issuance shall be made with respect to, the number, class or series, or price of shares of Stock then subject to outstanding Options or other Awards.

4.6 Election Under Section 83(b) of the Code. No Holder shall exercise the election permitted under section 83(b) of the Code with respect to any Award without the written approval of the Chief Financial Officer or General Counsel of the Company. Any Holder who makes an election under section 83(b) of the Code with respect to any Award without the written approval of the Chief Financial Officer or General Counsel of the Company may, in the discretion of the Committee, forfeit any or all Awards granted to him or her under the Plan.

4.7 Forfeiture for Cause. Notwithstanding any other provision of the Plan or an Award Agreement, if the Committee finds by a majority vote that a Holder, before or after his Termination of Employment (a) committed fraud, embezzlement, theft, felony or an act of dishonesty in the course of his employment by the Company or an Affiliate which conduct damaged the Company or an Affiliate or (b) disclosed trade secrets of the Company or an Affiliate, then as of the date the Committee makes its finding, any Awards awarded to the Holder that have not been exercised by the Holder (including all Awards that have not yet vested) will be forfeited to the Company. The findings and decision of the Committee with respect to such matter, including those regarding the acts of the Holder and the damage done to the Company, will be final for all purposes. No decision of the Committee, however, will affect the finality of the discharge of the individual by the Company or an Affiliate.

4.8 Forfeiture Events. The Committee may specify in an Award Agreement that the Holder's rights, payments, and benefits with respect to an Award shall be subject to reduction, cancellation, forfeiture, or recoupment upon the occurrence of certain specified events, in addition to any otherwise applicable vesting or performance conditions of an Award. Such events may include, but shall not be limited to, Termination of Employment for cause, termination of the Holder's provision of services to the Company or its Affiliates, violation of material policies of the Company and its Affiliates, breach of noncompetition, confidentiality, or other restrictive covenants that may apply to the Holder, or other conduct by the Holder that is detrimental to the business or reputation of the Company and its Affiliates.

4.9 Award Agreements. Each Award shall be embodied in a written agreement that shall be subject to the terms and conditions of the Plan. The Award Agreement shall be signed by an executive officer of the Company, other than the Holder, on behalf of the Company, and may be signed by the Holder to the extent required by the Committee. The Award Agreement may specify the effect of a Change in Control of the Company on the Award. The Award Agreement may contain any other provisions that the Committee in its discretion shall deem advisable which are not inconsistent with the terms and provisions of the Plan.

4.10 Amendments of Award Agreements. The terms of any outstanding Award under the Plan may be amended from time to time by the Committee in its discretion in any manner that it deems appropriate and that is consistent with the terms of the Plan. However, no such amendment shall adversely affect in a material manner any right of a Holder without his or her written consent. Except as specified in Section 4.5(b), the Committee may not directly or indirectly lower the exercise price of a previously granted Option or the grant price of a previously granted SAR.

4.11 Rights as Stockholder. A Holder shall not have any rights as a stockholder with respect to Stock covered by an Option, a SAR, an RSU, a Performance Stock Unit, or an Other Stock-Based Award until the date, if any, such Stock is issued by the Company; and, except as otherwise provided in Section 4.5, no adjustment for dividends, or otherwise, shall be made if the record date therefor is prior to the date of issuance of such Stock.

4.12 Issuance of Shares of Stock. Shares of Stock, when issued, may be represented by a certificate or by book or electronic entry.

4.13 Restrictions on Stock Received. The Committee may impose such conditions and/or restrictions on any shares of Stock issued pursuant to an Award as it may deem advisable or desirable. These restrictions may include, but shall not be limited to, a requirement that the Holder hold the shares of Stock for a specified period of time.

4.14 Compliance With Section 409A. Awards shall be designed and operated in such a manner that they are either exempt from the application of, or comply with, the requirements of Section 409A.

ARTICLE V

OPTIONS

5.1 **Authority to Grant Options.** Subject to the terms and provisions of the Plan, the Committee, at any time, and from time to time, may grant Options under the Plan to eligible persons in such number and upon such terms as the Committee shall determine.

5.2 **Option Agreement.** Each Option grant under the Plan shall be evidenced by an Award Agreement that shall specify (a) the Option Price, (b) the duration of the Option, (c) the number of shares of Stock to which the Option pertains, (d) the exercise restrictions, if any, applicable to the Option and (e) such other provisions as the Committee shall determine that are not inconsistent with the terms and provisions of the Plan.

5.3 **Option Price.** The price at which shares of Stock may be purchased under an Option (the “*Option Price*”) shall not be less than one hundred percent (100%) of the Fair Market Value of the shares of Stock on the date the Option is granted. Subject to the limitations set forth in the preceding sentences of this Section 5.3, the Committee shall determine the Option Price for each grant of an Option under the Plan.

5.4 **Duration of Option.** An Option shall not be exercisable after the earlier of (i) the general term of the Option specified in the applicable Award Agreement (which shall not exceed ten years) or (ii) the period of time specified in the applicable Award Agreement that follows the Holder’s Termination of Employment or severance of affiliation relationship with the Company.

5.5 **Amount Exercisable.** Each Option may be exercised at the time, in the manner and subject to the conditions the Committee specifies in the Award Agreement in its sole discretion.

5.6 **Exercise of Option.** Subject to the terms and provisions of the Plan and the applicable Award Agreement, Options may be exercised in whole or in part from time to time by the delivery of written or electronic notice in the manner designated by the Committee stating (1) that the Holder wishes to exercise such Option on the date such notice is so delivered, (2) the number of shares of Stock with respect to which the Option is to be exercised and (3) the address to which any certificate representing such shares of Stock should be mailed. For the notice to be effective the notice must be accompanied by payment of the Option Price by any combination of the following: (a) cash, certified check, bank draft or postal or express money order for an amount equal to the Option Price under the Option, (b) an election to make a cashless or net exercise (if approved in advance by the Committee or an executive officer of the Company, and in such form as permitted by the Committee) or (c) any other form of payment which is acceptable to the Committee and permitted by applicable law.

ARTICLE VI

STOCK APPRECIATION RIGHTS

6.1 **Authority to Grant SAR Awards.** Subject to the terms and provisions of the Plan, the Committee, at any time, and from time to time, may grant SARs under the Plan to eligible persons in such number and upon such terms as the Committee shall determine. Subject to the terms and conditions of the Plan, the Committee shall have complete discretion in determining the number of SARs granted to each Holder and, consistent with the provisions of the Plan, in determining the terms and conditions pertaining to such SARs.

6.2 General Terms. Subject to the terms and conditions of the Plan, a SAR granted under the Plan shall confer on the recipient a right to receive, upon exercise thereof, an amount equal to the excess of (a) the Fair Market Value of one share of the Stock on the date of exercise over (b) the grant price of the SAR, which shall not be less than one hundred percent (100%) of the Fair Market Value of one share of the Stock on the date of grant of the SAR.

6.3 SAR Agreement. Each Award of SARs granted under the Plan shall be evidenced by an Award Agreement that shall specify (a) the grant price of the SAR, (b) the term of the SAR, (c) the vesting and termination provisions of the SAR and (d) such other provisions as the Committee shall determine that are not inconsistent with the terms and provisions of the Plan. The Committee may impose such additional conditions or restrictions on the exercise of any SAR as it may deem appropriate.

6.4 Term of SAR. The term of a SAR granted under the Plan shall be determined by the Committee, in its sole discretion; provided that no SAR shall be exercisable on or after the tenth anniversary date of its grant.

6.5 Exercise of SAR. A SAR may be exercised upon whatever terms and conditions the Committee, in its sole discretion, imposes.

6.6 Payment of SAR Amount. Upon the exercise of a SAR, a Holder shall be entitled to receive payment from the Company in an amount determined by multiplying the excess of the Fair Market Value of a share of Stock on the date of exercise over the grant price of the SAR by the number of shares of Stock with respect to which the SAR is exercised. At the discretion of the Committee, the payment upon SAR exercise may be in cash, in Stock of equivalent value, in some combination thereof or in any other manner approved by the Committee in its sole discretion. The Committee's determination regarding the form of SAR payout shall be set forth in the Award Agreement pertaining to the grant of the SAR.

6.7 Termination of Employment. Each Award Agreement shall set forth the extent to which the Holder of a SAR shall have the right to exercise the SAR following the Holder's Termination of Employment. Such provisions shall be determined in the sole discretion of the Committee, may be included in the Award Agreement entered into with the Holder, need not be uniform among all SARs issued pursuant to the Plan, and may reflect distinctions based on the reasons for termination.

ARTICLE VII

RESTRICTED STOCK AWARDS

7.1 Restricted Stock Awards. The Committee may make Awards of Restricted Stock to eligible persons selected by it. The amount of, the vesting and the transferability restrictions applicable to any Restricted Stock Award shall be determined by the Committee in its sole discretion. If the Committee imposes vesting or transferability restrictions on a Holder's rights with respect to Restricted Stock, the Committee may issue such instructions to the Company's share transfer agent in connection therewith as it deems appropriate. The Committee may also cause the certificate for shares of Stock issued pursuant to a Restricted Stock Award to be imprinted with any legend which counsel for the Company considers advisable with respect to the restrictions or, should the shares of Stock be represented by book or electronic entry rather than a certificate, the Company may take such steps to restrict transfer of the shares of Stock as counsel for the Company considers necessary or advisable to comply with applicable law.

7.2 Restricted Stock Award Agreement. Each Restricted Stock Award shall be evidenced by an Award Agreement that contains any vesting, transferability restrictions and other provisions not inconsistent with the Plan as the Committee may specify.

7.3 Holder's Rights as Stockholder. Subject to the terms and conditions of the Plan, each recipient of a Restricted Stock Award shall have all the rights of a stockholder with respect to the shares of Restricted Stock included in the Restricted Stock Award during the Period of Restriction established for the Restricted Stock Award. Dividends paid with respect to Restricted Stock in cash or property other than shares of Stock or rights to acquire shares of Stock shall be paid to the recipient of the Restricted Stock Award currently. Dividends paid in shares of Stock or rights to acquire shares of Stock shall be added to and become a part of the Restricted Stock. During the Period of Restriction, certificates representing the Restricted Stock shall be registered in the Holder's name and bear a restrictive legend to the effect that ownership of such Restricted Stock, and the enjoyment of all rights appurtenant thereto, are subject to the restrictions, terms, and conditions provided in the Plan and the applicable Award Agreement. Such certificates shall be deposited by the recipient with the Secretary of the Company or such other officer of the Company as may be designated by the Committee, together with all stock powers or other instruments of assignment, each endorsed in blank, which will permit transfer to the Company of all or any portion of the Restricted Stock which shall be forfeited in accordance with the Plan and the applicable Award Agreement.

ARTICLE VIII

RESTRICTED STOCK UNIT AWARDS

8.1 Authority to Grant RSU Awards. Subject to the terms and provisions of the Plan, the Committee, at any time, and from time to time, may grant RSU Awards under the Plan to eligible persons in such amounts and upon such terms as the Committee shall determine. The amount of, the vesting and the transferability restrictions applicable to any RSU Award shall be determined by the Committee in its sole discretion. The Committee shall maintain a bookkeeping ledger account which reflects the number of RSUs credited under the Plan for the benefit of a Holder.

8.2 RSU Award. An RSU Award shall be similar in nature to a Restricted Stock Award except that no shares of Stock are actually transferred to the Holder until a later date specified in the applicable Award Agreement. Each RSU shall have a value equal to the Fair Market Value of a share of Stock.

8.3 RSU Award Agreement. Each RSU Award shall be evidenced by an Award Agreement that contains any Substantial Risk of Forfeiture, transferability restrictions, form and time of payment provisions and other provisions not inconsistent with the Plan as the Committee may specify.

8.4 Dividend Equivalents. An Award Agreement for an RSU Award may specify that the Holder shall be entitled to the payment of Dividend Equivalents under the Award.

8.5 Form of Payment Under RSU Award. Payment under an RSU Award shall be made in either cash or shares of Stock as specified in the applicable Award Agreement.

8.6 Time of Payment Under RSU Award. A Holder's payment under an RSU Award shall be made at such time as is specified in the applicable Award Agreement. The Award Agreement shall specify that the payment will be made (1) by a date that is no later than the date that is two and one-half (2 1/2) months after the end of the Fiscal Year in which the RSU Award payment is no longer subject to a Substantial Risk of Forfeiture or (2) at a time that is permissible under Section 409A.

ARTICLE IX

PERFORMANCE STOCK AWARDS AND PERFORMANCE UNIT AWARDS

9.1 Authority to Grant Performance Stock Awards and Performance Unit Awards. Subject to the terms and provisions of the Plan, the Committee, at any time, and from time to time, may grant Performance Stock Awards and Performance Unit Awards under the Plan to eligible persons in such amounts and upon such terms as the Committee shall determine. The amount of, the vesting and the transferability restrictions applicable to any Performance Stock Award or Performance Unit Award shall be based upon the attainment of such Performance Goals as the Committee may determine. If the Committee imposes vesting or transferability restrictions on a Holder's rights with respect to Performance Stock or Performance Unit Awards, the Committee may issue such instructions to the Company's share transfer agent in connection therewith as it deems appropriate. The Committee may also cause the certificate for shares of Stock issued pursuant to a Performance Stock or Performance Unit Award to be imprinted with any legend which counsel for the Company considers advisable with respect to the restrictions or, should the shares of Stock be represented by book or electronic entry rather than a certificate, the Company may take such steps to restrict transfer of the shares of Stock as counsel for the Company considers necessary or advisable to comply with applicable law.

9.2 Performance Goals. A Performance Goal must be objective such that a third party having knowledge of the relevant facts could determine whether the goal is met. The Performance Goals upon which the payment or vesting of an Award to a Covered Employee that is intended to qualify as Performance-Based Compensation shall be limited to one or more of the following Performance Goals, which may be based on one or more business criteria that apply to the Holder, one or more business units of the Company, or the Company as a whole, with reference to one or more of the following: earnings per share, total stockholder return, cash return on capitalization, increased revenue, revenue ratios (per employee or per customer), net income, stock price, market share, return on equity, return on assets, return on capital, return on capital compared to cost of capital, return on capital employed, return on invested capital, stockholder value, net cash flow, operating income, earnings before interest and taxes, cash flow, cash flow from operations, cost reductions and cost ratios (per employee or per customer), or the achievement of specified milestones or the completion of specified projects identified as contributing substantially to the Company's success or value or the attainment of the Company's strategic goals. Goals may also be based on performance relative to a peer group of companies. Unless otherwise stated, such a Performance Goal need not be based upon an increase or positive result under a particular business criterion and could include, for example, maintaining the status quo or limiting economic losses (measured, in each case, by reference to specific business criteria). In interpreting Plan provisions applicable to Performance Goals and Performance Stock or Performance Unit Awards, it is intended that the Plan will conform with the standards of section 162(m) of the Code and Treasury Regulations § 1.162-27(e)(2)(i), and the Committee in establishing such goals and interpreting the Plan shall be guided by such provisions. Prior to the payment of any compensation based on the achievement of Performance Goals, the Committee must certify in writing that applicable Performance Goals and any of the material terms thereof were, in fact, satisfied. Subject to the foregoing provisions, the terms, conditions and limitations applicable to any Performance Stock or Performance Unit Awards made pursuant to the Plan shall be determined by the Committee.

9.3 Time of Establishment of Performance Goals. With respect to an Award to a Covered Employee that is intended to qualify as Performance-Based Compensation, a Performance Goal for a particular Performance Stock Award or Performance Unit Award must be established by the Committee prior to the earlier to occur of (a) 90 days after the commencement of the period of service to which the Performance Goal relates or (b) the lapse of 25 percent of the period of service, and in any event while the outcome is substantially uncertain.

9.4 Written Agreement. Each Performance Stock Award or Performance Unit Award shall be evidenced by an Award Agreement that contains any vesting, transferability restrictions and other provisions not inconsistent with the Plan as the Committee may specify.

9.5 Form of Payment Under Performance Unit Award. Payment under a Performance Unit Award shall be made in cash and/or shares of Stock as specified in the Holder's Award Agreement.

9.6 Time of Payment Under Performance Unit Award. A Holder's payment under a Performance Unit Award shall be made at such time as is specified in the applicable Award Agreement. The Award Agreement shall specify that the payment will be made (1) by a date that is no later than the date that is two and one-half (2 1/2) months after the end of the calendar year in which the Performance Unit Award payment is no longer subject to a Substantial Risk of Forfeiture or (2) at a time that is permissible under Section 409A.

9.7 Holder's Rights as Stockholder With Respect to a Performance Stock Award. Subject to the terms and conditions of the Plan, each Holder of a Performance Stock Award shall have all the rights of a stockholder with respect to the shares of Stock issued to the Holder pursuant to the Award during any period in which such issued shares of Stock are subject to forfeiture and restrictions on transfer, including without limitation, the right to vote such shares of Stock.

9.8 Increases Prohibited. None of the Committee or the Board may increase the amount of compensation payable under a Performance Stock or Performance Unit Award. If the time at which a Performance Stock or Performance Unit Award will vest or be paid is accelerated for any reason, the number of shares of Stock subject to, or the amount payable under, the Performance Stock or Performance Unit Award shall be reduced pursuant to Department of Treasury Regulation section 1.162-27(e)(2)(iii) to reasonably reflect the time value of money.

ARTICLE X

ANNUAL INCENTIVE AWARDS

10.1 Authority to Grant Annual Incentive Awards. Subject to the terms and provisions of the Plan, the Committee, at any time, and from time to time, may grant Annual Incentive Awards under the Plan to key executive Employees who, by the nature and scope of their positions, regularly directly make or influence policy decisions which significantly impact the overall results or success of the Company in such amounts and upon such terms as the Committee shall determine. The amount of any Annual Incentive Awards shall be based on the attainment of such Performance Goals as the Committee may determine.

10.2 Covered Employees. The Performance Goals upon which the payment or vesting of an Annual Incentive Award to a Covered Employee that is intended to qualify as Performance-Based Compensation must meet the requirements of Sections 9.2, 9.3, 9.8 and 9.9 as applied to such Annual Incentive Award. In interpreting Plan provisions applicable to Performance Goals with respect to Covered Employees, it is intended that the Plan will generally conform with the standards of section 162(m) of the Code and Treasury Regulations section 1.162-27(e)(2)(i), and the Committee in establishing such goals and interpreting the Plan shall be guided by such provisions to the extent the Award is intended to qualify as Performance-Based Compensation as described under section 162(m) of the Code. Prior to the payment of any compensation to a Covered Employee based on the achievement of Performance Goals, the Committee must certify in writing that applicable Performance Goals and any of the material terms thereof were, in fact, satisfied.

10.3 Written Agreement. Each Annual Incentive Award shall be evidenced by an Award Agreement that contains any vesting, transferability restrictions and other provisions not inconsistent with the Plan as the Committee may specify.

10.4 Form of Payment Under Annual Incentive Award. Payment under an Annual Incentive Award shall be made in cash.

10.5 Time of Payment Under Annual Incentive Award. A Holder's payment under an Annual Incentive Award shall be made at such time as is specified in the applicable Award Agreement. The Award Agreement shall specify that the payment will be made (1) by a date that is no later than the date that is two and one-half (2 1/2) months after the end of the calendar year in which the Annual Incentive Award payment is no longer subject to a Substantial Risk of Forfeiture or (2) at a time that is permissible under Section 409A.

10.6 Increases Prohibited. None of the Committee or the Board may increase the amount of compensation payable under an Annual Incentive Award. If the time at which an Annual Incentive Award will be paid is accelerated for any reason, the amount payable under the Annual Incentive Award shall be reduced pursuant to Department of Treasury Regulation section 1.162-27(e)(2)(iii) to reasonably reflect the time value of money.

ARTICLE XI

OTHER STOCK-BASED AWARDS

11.1 Authority to Grant Other Stock-Based Awards. The Committee may grant to eligible persons other types of equity-based or equity-related Awards not otherwise described by the terms and provisions of the Plan (including the grant or offer for sale of unrestricted shares of Stock) in such amounts and subject to such terms and conditions, as the Committee shall determine. Such Awards may involve the transfer of actual shares of Stock to Holders, or payment in cash or otherwise of amounts based on the value of shares of Stock and may include, without limitation, Awards designed to comply with or take advantage of the applicable local laws of jurisdictions other than the United States.

11.2 Value of Other Stock-Based Award. Each Other Stock-Based Award shall be expressed in terms of shares of Stock or units based on shares of Stock, as determined by the Committee.

11.3 Payment of Other Stock-Based Award. Payment, if any, with respect to an Other Stock-Based Award shall be made in accordance with the terms of the Award, in cash or shares of Stock as the Committee determines.

11.4 Termination of Employment. The Committee shall determine the extent to which a Holder's rights with respect to Other Stock-Based Awards shall be affected by the Holder's Termination of Employment. Such provisions shall be determined in the sole discretion of the Committee and need not be uniform among all Other Stock-Based Awards issued pursuant to the Plan.

ARTICLE XII

CASH-BASED AWARDS

12.1 **Authority to Grant Cash-Based Awards.** Subject to the terms and provisions of the Plan, the Committee, at any time, and from time to time, may grant Cash-Based Awards under the Plan to eligible persons in such amounts and upon such terms as the Committee shall determine.

12.2 **Value of Cash-Based Award.** Each Cash-Based Award shall specify a payment amount or payment range as determined by the Committee.

12.3 **Payment of Cash-Based Award.** Payment, if any, with respect to a Cash-Based Award shall be made in accordance with the terms of the Award, in cash.

12.4 **Termination of Employment.** The Committee shall determine the extent to which a Holder's rights with respect to Cash-Based Awards shall be affected by the Holder's Termination of Employment. Such provisions shall be determined in the sole discretion of the Committee and need not be uniform among all Cash-Based Awards issued pursuant to the Plan.

ARTICLE XIII

SUBSTITUTION AWARDS

Awards may be granted under the Plan from time to time in substitution for stock options and other awards held by employees of other entities who are about to become Employees, or whose employer is about to become an Affiliate as the result of a merger or consolidation of the Company with another corporation, or the acquisition by the Company of substantially all the assets of another corporation, or the acquisition by the Company of at least fifty percent (50%) of the issued and outstanding stock of another corporation as the result of which such other corporation will become a subsidiary of the Company. The terms and conditions of the substitute Awards so granted may vary from the terms and conditions set forth in the Plan to such extent as the Board at the time of grant may deem appropriate to conform, in whole or in part, to the provisions of the Award in substitution for which they are granted.

ARTICLE XIV

ADMINISTRATION

14.1 Awards. The Plan shall be administered by the Committee or, in the absence of the Committee, the Plan shall be administered by the Board. The members of the Committee shall serve at the discretion of the Board. The Committee shall have full and exclusive power and authority to administer the Plan and to take all actions that the Plan expressly contemplates or are necessary or appropriate in connection with the administration of the Plan with respect to Awards granted under the Plan.

14.2 Authority of the Committee. The Committee shall have full and exclusive power to interpret and apply the terms and provisions of the Plan and Awards made under the Plan, and to adopt such rules, regulations and guidelines for implementing the Plan as the Committee may deem necessary or proper, all of which powers shall be exercised in the best interests of the Company and in keeping with the objectives of the Plan. A majority of the members of the Committee shall constitute a quorum for the transaction of business, and the vote of a majority of those members present at any meeting shall decide any question brought before that meeting. Any decision or determination reduced to writing and signed by a majority of the members shall be as effective as if it had been made by a majority vote at a meeting properly called and held. All questions of interpretation and application of the Plan, or as to Awards granted under the Plan, shall be subject to the determination, which shall be final and binding, of a majority of the whole Committee. No member of the Committee shall be liable for any act or omission of any other member of the Committee or for any act or omission on his own part, including but not limited to the exercise of any power or discretion given to him under the Plan, except those resulting from his own gross negligence or willful misconduct. In carrying out its authority under the Plan, the Committee shall have full and final authority and discretion, including but not limited to the following rights, powers and authorities to (a) determine the persons to whom and the time or times at which Awards will be made; (b) determine the number and exercise price of shares of Stock covered in each Award subject to the terms and provisions of the Plan; (c) determine the terms, provisions and conditions of each Award, which need not be identical and need not match the default terms set forth in the Plan; (d) accelerate the time at which any outstanding Award will vest; (e) prescribe, amend and rescind rules and regulations relating to administration of the Plan; and (f) make all other determinations and take all other actions deemed necessary, appropriate or advisable for the proper administration of the Plan.

The Committee may correct any defect or supply any omission or reconcile any inconsistency in the Plan or in any Award to a Holder in the manner and to the extent the Committee deems necessary or desirable to further the Plan's objectives. Further, the Committee shall make all other determinations that may be necessary or advisable for the administration of the Plan. As permitted by law and the terms and provisions of the Plan, the Committee may delegate its authority as identified in this Section 14.2. The Committee may employ attorneys, consultants, accountants, agents, and other persons, any of whom may be an Employee, and the Committee, the Company, and its officers and Board shall be entitled to rely upon the advice, opinions, or valuations of any such persons.

14.3 Decisions Binding. All determinations and decisions made by the Committee or the Board, as the case may be, pursuant to the provisions of the Plan and all related orders and resolutions of the Committee or the Board, as the case may be, shall be final, conclusive and binding on all persons, including the Company, its stockholders, its Affiliates, Holders and the estates and beneficiaries of Holders.

14.4 No Liability. Under no circumstances shall the Company, its Affiliates, the Board or the Committee incur liability for any indirect, incidental, consequential or special damages (including lost profits) of any form incurred by any person, whether or not foreseeable and regardless of the form of the act in which such a claim may be brought, with respect to the Plan or the Company's, an Affiliate's, the Committee's or the Board's roles in connection with the Plan.

ARTICLE XV

AMENDMENT OR TERMINATION OF PLAN

15.1 Amendment, Modification, Suspension, and Termination. Subject to Section 15.2, the Committee may, at any time and from time to time, alter, amend, modify, suspend, or terminate the Plan and any Award Agreement in whole or in part; provided, however, that, without the prior approval of the Company's stockholders and except as provided in Section 4.5, the Committee shall not directly or indirectly lower the Option Price of a previously granted Option, and no amendment of the Plan shall be made without stockholder approval if stockholder approval is required by applicable law or stock exchange rules.

15.2 Awards Previously Granted. Notwithstanding any other provision of the Plan to the contrary, no termination, amendment, suspension, or modification of the Plan or an Award Agreement shall adversely affect in any material way any Award previously granted under the Plan, without the written consent of the Holder holding such Award.

ARTICLE XVI

MISCELLANEOUS

16.1 Unfunded Plan/No Establishment of a Trust Fund. Holders shall have no right, title, or interest whatsoever in or to any investments that the Company or any of its Affiliates may make to aid in meeting obligations under the Plan. Nothing contained in the Plan, and no action taken pursuant to its provisions, shall create or be construed to create a trust of any kind, or a fiduciary relationship between the Company and any Holder, beneficiary, legal representative, or any other person. To the extent that any person acquires a right to receive payments from the Company under the Plan, such right shall be no greater than the right of an unsecured general creditor of the Company. All payments to be made hereunder shall be paid from the general funds of the Company and no special or separate fund shall be established and no segregation of assets shall be made to assure payment of such amounts, except as expressly set forth in the Plan. No property shall be set aside nor shall a trust fund of any kind be established to secure the rights of any Holder under the Plan. The Plan is not intended to be subject to the Employee Retirement Income Security Act of 1974, as amended.

16.2 No Employment Obligation. The granting of any Award shall not constitute an employment contract, express or implied, nor impose upon the Company or any Affiliate any obligation to employ or continue to employ, or utilize the services of, any Holder. The right of the Company or any Affiliate to terminate the employment of any person shall not be diminished or affected by reason of the fact that an Award has been granted to him, and nothing in the Plan or an Award Agreement shall interfere with or limit in any way the right of the Company or its Affiliates to terminate any Holder's employment at any time or for any reason not prohibited by law.

16.3 Tax Withholding. The Company or any Affiliate shall be entitled to deduct from other compensation payable to each Holder any sums required by federal, state, local or foreign tax law to be withheld with respect to the vesting or exercise of an Award or lapse of restrictions on an Award. In the alternative, the Company may require the Holder (or other person validly exercising the Award) to pay such sums for taxes directly to the Company or any Affiliate in cash or by check within one day after the date of vesting, exercise or lapse of restrictions. In the discretion of the Committee, and with the consent of the Holder, the Company may reduce the number of shares of Stock issued to the Holder upon such Holder's exercise of an Option to satisfy the tax withholding obligations of the Company or an Affiliate; provided that the Fair Market Value of the shares of Stock held back shall not exceed the Company's or the Affiliate's Minimum Statutory Tax Withholding Obligation. The Committee may, in its discretion, permit a Holder to satisfy any Minimum Statutory Tax Withholding Obligation arising upon the vesting of an Award by delivering to the Holder a reduced number of shares of Stock in the manner specified herein. If permitted by the Committee and acceptable to the Holder, at the time of vesting of shares under the Award, the Company shall (a) calculate the amount of the Company's or an Affiliate's Minimum Statutory Tax Withholding Obligation on the assumption that all such shares of Stock vested under the Award are made available for delivery, (b) reduce the number of such shares of Stock made available for delivery so that the Fair Market Value of the shares of Stock withheld on the vesting date approximates the Company's or an Affiliate's Minimum Statutory Tax Withholding Obligation and (c) in lieu of the withheld shares of Stock, remit cash to the United States Treasury and/or other applicable governmental authorities, on behalf of the Holder, in the amount of the Minimum Statutory Tax Withholding Obligation. The Company shall withhold only whole shares of Stock to satisfy its Minimum Statutory Tax Withholding Obligation. Where the Fair Market Value of the withheld shares of Stock does not equal the amount of the Minimum Statutory Tax Withholding Obligation, the Company shall withhold shares of Stock with a Fair Market Value slightly less than the amount of the Minimum Statutory Tax Withholding Obligation and the Holder must satisfy the remaining minimum withholding obligation in some other manner permitted under this Section 16.3. The withheld shares of Stock not made available for delivery by the Company shall be retained as treasury shares or will be cancelled and the Holder's right, title and interest in such shares of Stock shall terminate. The Company shall have no obligation upon vesting or exercise of any Award or lapse of restrictions on an Award until the Company or an Affiliate has received payment sufficient to cover the Minimum Statutory Tax Withholding Obligation with respect to that vesting, exercise or lapse of restrictions. Neither the Company nor any Affiliate shall be obligated to advise a Holder of the existence of the tax or the amount which it will be required to withhold.

16.4 **Gender and Number.** If the context requires, words of one gender when used in the Plan shall include the other and words used in the singular or plural shall include the other.

16.5 **Severability.** In the event any provision of the Plan shall be held illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining parts of the Plan, and the Plan shall be construed and enforced as if the illegal or invalid provision had not been included.

16.6 **Headings.** Headings of Articles and Sections are included for convenience of reference only and do not constitute part of the Plan and shall not be used in construing the terms and provisions of the Plan.

16.7 **Other Compensation Plans.** The adoption of the Plan shall not affect any other option, incentive or other compensation or benefit plans in effect for the Company or any Affiliate, nor shall the Plan preclude the Company from establishing any other forms of incentive compensation arrangements for Employees or Directors.

16.8 **Retirement and Welfare Plans.** Neither Awards made under the Plan nor shares of Stock or cash paid pursuant to such Awards, may be included as “compensation” for purposes of computing the benefits payable to any Participant under the Company’s or any Affiliate’s retirement plans (both qualified and non-qualified) or welfare benefit plans unless such other plan expressly provides that such compensation shall be taken into account in computing a participant’s benefit.

16.9 **Other Awards.** The grant of an Award shall not confer upon the Holder the right to receive any future or other Awards under the Plan, whether or not Awards may be granted to similarly situated Holders, or the right to receive future Awards upon the same terms or conditions as previously granted.

16.10 **Successors.** All obligations of the Company under the Plan with respect to Awards granted hereunder shall be binding on any successor to the Company, whether the existence of such successor is the result of a direct or indirect purchase, merger, consolidation, or otherwise, of all or substantially all of the business and/or assets of the Company.

16.11 **Law Limitations/Governmental Approvals.** The granting of Awards and the issuance of shares of Stock under the Plan shall be subject to all applicable laws, rules, and regulations, and to such approvals by any governmental agencies or national securities exchanges as may be required.

16.12 **Delivery of Title.** The Company shall have no obligation to issue or deliver evidence of title for shares of Stock issued under the Plan prior to (a)obtaining any approvals from governmental agencies that the Company determines are necessary or advisable; and (b)completion of any registration or other qualification of the Stock under any applicable national or foreign law or ruling of any governmental body that the Company determines to be necessary or advisable.

16.13 **Inability to Obtain Authority.** The inability of the Company to obtain authority from any regulatory body having jurisdiction, which authority is deemed by the Company’s counsel to be necessary to the lawful issuance and sale of any shares of Stock hereunder, shall relieve the Company of any liability in respect of the failure to issue or sell such shares of Stock as to which such requisite authority shall not have been obtained.

16.14 Investment Representations. The Committee may require any person receiving Stock pursuant to an Award under the Plan to represent and warrant in writing that the person is acquiring the shares of Stock for investment and without any present intention to sell or distribute such Stock.

16.15 Persons Residing Outside of the United States. Notwithstanding any provision of the Plan to the contrary, in order to comply with the laws in other countries in which the Company or any of its Affiliates operates or has Employees, the Committee, in its sole discretion, shall have the power and authority to (a)determine which Affiliates shall be covered by the Plan; (b)determine which persons employed outside the United States are eligible to participate in the Plan; (c)amend or vary the terms and provisions of the Plan and the terms and conditions of any Award granted to persons who reside outside the United States; (d)establish subplans and modify exercise procedures and other terms and procedures to the extent such actions may be necessary or advisable—any subplans and modifications to Plan terms and procedures established under this Section 16.15 by the Committee shall be attached to the Plan document as Appendices; and (e)take any action, before or after an Award is made, that it deems advisable to obtain or comply with any necessary local government regulatory exemptions or approvals. Notwithstanding the above, the Committee may not take any actions hereunder, and no Awards shall be granted, that would violate the Securities Exchange Act of 1934, as amended, the Code, any securities law or governing statute or any other applicable law.

16.16 Arbitration of Disputes. Any controversy arising out of or relating to the Plan or an Award Agreement shall be resolved by arbitration conducted pursuant to the arbitration rules of the American Arbitration Association. The arbitration shall be final and binding on the parties.

16.17 Governing Law. The provisions of the Plan and the rights of all persons claiming thereunder shall be construed, administered and governed under the laws of the State of Texas. Unless otherwise provided in the Award Agreement, recipients of an Award under the Plan are deemed to submit to the exclusive jurisdiction and venue of the federal or state courts of Texas, to resolve any and all issues that may arise out of or relate to the Plan or any related Award Agreement.

16.18 Section 162(m) Stockholder Approval. Payments of cash or Stock under the Plan are generally intended to meet the requirements of section 162(m) of the Code. Accordingly, the Plan shall be put before the stockholders of the Company for its approval, solely for purposes of meeting the requirements of section 162(m) of the Code, at or before the first regularly scheduled meeting of the stockholders of the Company that occurs more than 12 months after the date the Company becomes a separate publicly held corporation. However, if the Plan is not approved for purposes of section 162(m) of the Code at or before the first regularly scheduled meeting of the stockholders of the Company that occurs more than 12 months after the date the Company becomes a separate publicly held corporation, the Plan shall remain in effect and payments made under the Plan shall be subject to the limitations under section 162(m) of the Code. In such case, if the Company determines that section 162(m) of the Code may not allow the Company to take a deduction for part or all of any Performance-Based Compensation payable under the Plan, then, unless a Change in Control has occurred after the Effective Date, the payment of such Performance-Based Compensation otherwise payable hereunder will be delayed (or deferred under the Company's Deferred Compensation Plan, if the Holder is a participant in such plan) 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 delay (or deferral) required by this Section 16.18 with respect to a Holder who is not a member of the Committee but such waiver shall only be made on an individual basis. If the Plan is approved at or before the first regularly scheduled meeting of the stockholders of the Company that occurs more than 12 months after the date the Company becomes a separate publicly held corporation, this Section 16.18 automatically shall be deleted from the Plan.

CERTIFICATE

The undersigned, officer of Quanex Building Products Corporation (the “*Company*”), certifies that the board of directors of the Company adopted and approved certain amendments to the 2008 Omnibus Incentive Plan on the _____ day of _____ 2010 and the stockholder(s) of the Company adopted and approved certain amendments to the 2008 Omnibus Incentive Plan on the ____ day of _____ 2011.

WITNESS my hand this ____ day of _____ 2011.

Kevin P. Delaney
Senior Vice President — General Counsel and Secretary

CHIEF EXECUTIVE OFFICER CERTIFICATION

I, David D. Petratis, 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 11, 2011

/s/ David D. Petratis

David D. Petratis

Chairman of the Board, President and Chief Executive Officer
(Principal Executive Officer)

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 11, 2011

/s/ Brent L. Korb

Brent L. Korb

Senior Vice President — Finance and Chief Financial Officer

(Principal Financial Officer)

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

We hereby certify that the accompanying Quarterly Report of Quanex Building Products Corporation on Form 10-Q for the quarter ended January 31, 2011 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 11, 2011

/s/ David D. Petratis

David D. Petratis

*Chairman of the Board, President and
Chief Executive Officer
(Principal Executive Officer)*

/s/ Brent L. Korb

Brent L. Korb

*Senior Vice President—Finance and
Chief Financial Officer
(Principal Financial Officer)*