SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

Current Report Pursuant
to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of report (Date of earliest event reported) August 9, 1996

QUANEX CORPORATION

(Exact name of registrant as specified in its charter)

DELAWARE	1-5725	38-1872178
State or other jurisdiction of incorporation or organization)	Commission File Number	(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

No Change
(Former name or former address, if changed since last report)

Item 2 - Acquisition or Disposition of Assets

On August 9, 1996, pursuant to an asset purchase agreement among the Company, Piper Impact, Inc., a Delaware corporation, Piper Impact, Inc., a Tennessee corporation ("Piper"), B. F. Sammons and M. W. Robbins, the Company closed on the acquisition of substantially all the assets of Piper, a manufacturer of custom-designed, impact-extruded aluminum and steel parts for the transportation, electronics and defense markets. Piper's net sales for the years ended December 31, 1995 and 1994, were $106.9 million and $95.3 million, respectively. Piper has production facilities in New Albany, Mississippi and Park City, Utah. The Company intends to continue to devote the assets purchased to the manufacture of impact extrusions.

Piper's assets, net of various liabilities, were acquired for approximately $130 million in cash, cash equivalents, and notes. The purchase price will be allocated to the assets and liabilities of Piper based on their estimated fair values. The Company anticipates that the purchase price and associated acquisition expenses will exceed the fair value of Piper's net assets, with the excess to be recorded as goodwill.

To finance the acquisition, the Company entered into an unsecured revolving credit/term loan facility with a group of five banks which provides for the borrowing of up to $250 million. This agreement replaced the Company's $75 million revolving credit facility.

Item 7 - Financial Statements and Exhibits

a) It is impracticable to provide financial statements as of the date of this report. The financial statements will be filed as soon as practicable, but no later than October 25, 1996.

b) It is impracticable to provide pro-forma financial information as of the date of this report. The pro-forma financial information will be filed as soon as practicable, but no later than October 25, 1996.

c) Exhibits:

Exhibit 2.1	Asset Purchase Agreement dated July 31, 1996, among the Company, Piper Impact, Inc., a Delaware corporation, Piper Impact, Inc., a Tennessee corporation, B. F. Sammons and M. W. Robbins.
Exhibit 4.1	$250,000,000 Revolving Credit and Term Loan Agreement dated as of July 23, 1996, among the Company, Comerica Bank, as Agent, and Harris Trust and Savings Bank and Wells Fargo Bank (Texas), N.A. as Co-Agents.
Exhibit 99	Press release dated August 12, 1996, announcing the completion of the acquisition of Piper Impact, Inc.

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 hereunto duly authorized.

QUANEX CORPORATION

Registrant

Date August 21, 1996

/s/ Wayne M. Rose

Wayne M. Rose
Vice President and Chief Financial Officer

EXHIBIT INDEX

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EXHIBIT 2.1

ASSET PURCHASE AGREEMENT

Dated July 31, 1996,

And effective March 29, 1996,

Among

QUANEX CORPORATION,
a Delaware corporation,

PIPER IMPACT, INC.
(formerly named "Quanex Aluminum, Inc."),
a Delaware corporation,

PIPER IMPACT, INC.,
a Tennessee corporation,

B. F. SAMMONS

and

MARSHALL W. ROBBINS

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INDEX OF DEFINITIONS (CONT'D)

INDEX OF EXHIBITS AND SCHEDULES

This Index of Exhibits and Schedules is solely for convenience of reference and shall be given no effect in the construction or interpretation of this Agreement.

ASSET PURCHASE AGREEMENT

THIS AGREEMENT (this "Agreement") dated July 31, 1996, and effective at 11:59 p.m. mountain time on March 29, 1996 (the "Effective Time"), is among Quanex Corporation, a Delaware corporation ("Quanex"), Piper Impact, Inc. (formerly named "Quanex Aluminum, Inc."), a Delaware corporation ("Quanex Subsidiary"), Piper Impact, Inc., a Tennessee corporation ("Piper"), B. F. Sammons ("Sammons") and Marshall W. Robbins ("Robbins").

WHEREAS, Quanex Subsidiary wishes to acquire the assets of Piper and Piper wishes to sell its assets to Quanex Subsidiary;

WHEREAS, Quanex owns all of the outstanding capital stock of Quanex Subsidiary; and

WHEREAS, Sammons and Robbins own substantially all of the outstanding capital stock of Piper;

NOW THEREFORE, in consideration of the mutual agreements and covenants contained in this Agreement and for other good, fair and valuable consideration, the receipt and sufficiency of which are acknowledged, Piper, Sammons and Robbins (together, the "Selling Parties") and Quanex and Quanex Subsidiary (together, the "Purchasing Parties") agree as follows:

1. ASSETS TO BE PURCHASED, CONSIDERATION TO BE PAID AND LIABILITIES TO BE ASSUMED.

1.1 ASSETS TO BE PURCHASED. In reliance on the representations and warranties contained in this Agreement, and on the terms and subject to the conditions set forth in this Agreement, at the closing described in Section 2 of this Agreement (the "Closing"), Quanex Subsidiary shall purchase from Piper and Piper shall sell, transfer, convey and deliver to Quanex Subsidiary the following assets:

(a) MISSISSIPPI LAND. The four parcels of an aggregate of approximately 178 acres of land more specifically described in Schedule 1.1(a) to this Agreement located in New Albany, Mississippi, and consisting of (i) the parcel (the "Owned Original Parcel") that is owned by Piper and constitutes a portion of Piper's facility at 922 State Highway 15 North in New Albany, Mississippi, (ii) the parcel (the "Contiguous Parcel") that is owned by Piper and is contiguous to the Owned Original Parcel, (iii) the parcel (the "Adjacent Parcel") that is owned by Piper and is located near the Owned Original Parcel on the opposite side of State Highway 15 North in New Albany, Mississippi, and (iv) the parcel (the "New Facility Parcel") located on Union County Road 269 in New Albany, Mississippi;

(b) UTAH LAND. The parcel (the "Park City Parcel") of approximately eight acres of land more specifically described in SCHEDULE 1.1(b) to this Agreement, located in Park City, Utah;

(c) MISSISSIPPI LEASES. The rights of Piper under (i) that certain Industrial Enterprise Contract dated March 19, 1958, between the Board of Supervisors of Union County, Mississippi, acting for and in behalf of Supervisor's District No. 3 of said county ("Lessor"), and National Impact Metal Corporation, a Mississippi corporation ("NIMCO"), as lessee, as amended by that certain Supplemental Industrial Enterprise Contract dated January 24, 1961, between Lessor and NIMCO, and as assigned pursuant to an Acknowledgment of Lease and Assignment dated March 31, 1986, among Lessor, Piper Industries, Inc., a Tennessee corporation ("Piper Industries") and Piper, which is SCHEDULE 1.1(c)(i) to this Agreement (the "Mississippi Lease") relating to the parcel (the "Leased Original Parcel") of approximately ten acres of land more specifically described in the Mississippi Lease and that constitutes a portion of Piper's facility at 922 State Highway 15 North in New Albany, Mississippi; (ii) that certain Lease Agreement dated February 15, 1995, between Master-Bilt Products, as lessor, and Piper, as lessee, which is SCHEDULE 1.1(c)(ii) to this Agreement (the "Parking Lot Lease") relating to the parking lot (the "Parking Lot Parcel") more specifically described in the Parking Lot Lease and that is located at or near Piper's facility at 922 State Highway 15 North in New Albany, Mississippi; and (iii) that certain oral lease agreement between Piper, as lessor, and Lamar Frazier, as lessee, described in SCHEDULE 1.1(c)(iii) to this Agreement (the "Adjacent Parcel Lease") relating to the Adjacent Parcel (which is to be amended and novated as described in Section 6.7 of this Agreement);

(d) BUILDINGS AND IMPROVEMENTS. All buildings and other improvements located on the Owned Original Parcel, the Contiguous Parcel, the Adjacent Parcel, the New Facility Parcel and the Park City Parcel and Piper's interest in any buildings and other improvements owned by Piper located on the Leased Original Parcel and the Parking Lot Parcel;

(e) OTHER TANGIBLE ASSETS. All furniture, fixtures, tools, dies, machinery, equipment, vehicles and other rolling stock owned by Piper, including without limitation those items listed in SCHEDULE 1.1(e)(i) to this Agreement, and any rights and interests of Piper under the equipment leases and other leases described in SCHEDULE 1.1(e)(ii) to this Agreement;

(f) INVENTORY. All inventory relating to Piper's impact extrusion production business ("Piper's Business") as of 11:59 p.m. mountain time on the day immediately preceding the date of the Closing (the "Closing Time");

(g) ACCOUNTS RECEIVABLE. All accounts receivable described in SCHEDULE 1.1(g) to this Agreement, which reflects the accounts receivable of Piper as of July 31, 1996, and all additional accounts receivable of Piper as of the Closing Time, which additional accounts receivable will be described on SCHEDULE 1.1(g)-A, to be delivered by Piper to the Purchasing Parties at the Closing;

(h) INTELLECTUAL PROPERTY. The rights of Piper to (i) the trade names or trademarks "Piper" and "Piper Impact", including package design and the right to use all existing packages, invoices, letterhead, envelopes and the like using those names or marks, (ii) any other trade names or trademarks and similar rights owned by Piper or used in Piper's Business, (iii) patents and patent applications, copyrights and copyright applications applied for, issued to or owned by Piper or used in Piper's Business and (iv) processees, know-how, tool and die technology, other technology, inventions, formulae, trade secrets and computer programs owned by Piper or used in Piper's Business;

(i) TECHNOLOGY TRANSFER AGREEMENT. The rights to be acquired by the Purchasing Parties under the Technology Transfer Agreement in substantially the form attached to this Agreement as EXHIBIT A (the "Technology Agreement") to be executed and delivered at or before the Closing;

(j) Piper Agreements. The rights of Piper under those agreements described in SCHEDULE 1.1(j) to this Agreement, which describes those agreements to be transferred to Quanex Subsidiary at the Closing known to the Selling Parties as of the date of this Agreement, and all additional agreements to which Piper is a party, which will be transferred to Quanex Subsidiary at the Closing and which exist as of the Closing Time, which additional agreements will be described in SCHEDULE 1.1(j)-A, to be delivered by Piper to the Purchasing Parties at the Closing (the agreements described in SCHEDULES 1.1(j) and SCHEDULE 1.1(j)-A being referred to as the "Piper Agreements"); provided, however, that the rights to the Piper Agreements transferred hereunder shall not include those rights relating to the operation of Piper's Business before the Effective Time, which rights shall be deemed to be excluded assets under Section 1.2 of this Agreement;

(k) PREPAID EXPENSES. The prepaid expenses and deposits described in SCHEDULE 1.1(k) to this Agreement;

(l) CASH AND CASH EQUIVALENTS. All cash and cash equivalents of Piper and any bank, money market, investment, brokerage or other accounts of Piper, including, but not limited to, those described in SCHEDULE 1.1(l) to this Agreement;

(m) CERTAIN WARRANTY RIGHTS. Subject to the provisions of subsection 1.2(f) of this Agreement, all rights of Piper under express or implied warranties from Piper's suppliers;

(n) RECORDS. All books, records and correspondence owned by Piper, including, but not limited to, customer and supplier records, production records, employment records and any confidential information that has been reduced to writing or stored electronically;

(o) TAX ACCOUNTS. All tax accounts that are reflected or accrued on the unaudited balance sheet of Piper as of March 29, 1996, which balance sheet is Schedule 1.1(o) to this Agreement (the "Effective Time Balance Sheet"); and

(p) OTHER ASSETS. Subject to the provisions of Section 1.2 of this Agreement, all other assets used or useful to Piper's Business and owned by Piper as of Closing Time, wherever located, even if not named or described on a schedule to this Agreement or in any financial statements of Piper, including, but not limited to, goodwill, supplies, contract rights, other tangible assets and all other assets used by or useful to Piper in Piper's Business (to the extent Piper owns such assets or has any rights with respect to such assets) or otherwise owned by Piper.

The term "Assets" as used in this Agreement shall mean the assets described in subsections 1.1(a) through 1.1(p) above, excluding the assets described in Section 1.2 of this Agreement.

1.2 ASSETS RELATING TO PIPER'S BUSINESS NOT TO BE PURCHASED PURSUANT TO THIS AGREEMENT. Specifically excluded from any assets to be purchased pursuant to this Agreement are:

(a) OFFICE LEASE. The rights of Piper under any lease agreement relating to Piper's administrative offices in Memphis, Tennessee (the "Office Lease");

(b) TAX MATTERS. All amounts representing any rights to tax refunds or other tax payments that are not reflected or accrued on the Effective Time Balance Sheet;

(c) RIGHTS TO CLAIMS. All rights of Piper pursuant to any lawsuits or other claims involving Piper's Business based on events occurring before the Effective Time other than those rights included within the Assumed Liabilities described in subsections 1.4(g), 1.4(h), 1.4(k) and 1.4(n) of this Agreement;

(d) CERTAIN RECEIVABLES. Amounts reflected on Piper's books and records as of the Effective Time as receivables by Piper pursuant to loans and advances made by Piper to Sammons, Robbins and

other shareholders of Piper and their family members described on SCHEDULE 1.2(d) to this Agreement (the "Shareholder Loans"), which receivables equal $0 in the aggregate;

(e) CORPORATE RECORDS. The minute book and stock transfer records of Piper and such other corporate records that relate directly and solely thereto; and

(f) CERTAIN WARRANTY RIGHTS. The rights of Piper under express or implied warranties from Piper's suppliers to the extent the exercise of those rights by Piper is necessary or useful in connection with any product liability claims not assumed by the Purchasing Parties pursuant to this Agreement.

1.3 CONSIDERATION.

(a) CASH PURCHASE PRICE. In reliance on the representations and warranties of the Selling Parties contained in this Agreement, and on the terms and subject to the conditions set forth in this Agreement, at the Closing, Quanex or Quanex Subsidiary shall pay Piper, as consideration for the transfer and delivery of the Assets by Piper, an aggregate cash purchase price of $2,000,000 (the "Cash Purchase Price"). The Cash Purchase Price shall be paid by wire transfer of immediately available funds to the account designated by Piper in writing to Quanex at least two business days before the Closing.

(b) PROMISSORY NOTE PURCHASE PRICE. In reliance on the representations and warranties of the Selling Parties contained in this Agreement, and on the terms and subject to the conditions set forth in this Agreement, at the Closing, Quanex and Quanex Subsidiary shall, in addition to paying the Cash Purchase Price, execute and deliver to Piper the promissory note in substantially the form attached to this Agreement as EXHIBIT B (the "Purchase Price Promissory Note").

(c) CONTINGENCY PROMISSORY NOTE. In reliance on the representations and warranties of the Selling Parties contained in this Agreement, and on the terms and subject to the conditions set forth in this Agreement, at the Closing, Quanex and Quanex Subsidiary shall, in addition to paying the Cash Purchase Price and delivering the Purchase Price Promissory Note, execute and deliver to Piper the promissory note in substantially the form attached to this Agreement as EXHIBIT C (the "Contingency Promissory Note").

(d) DETERMINATION OF ADJUSTMENT AMOUNT PURSUANT TO THE PURCHASE PRICE PROMISSORY NOTE. Within 90 days after the date of the Closing, the accounting firm of Whitehorn, Tankersley & Co., CPA's ("Piper's Outside Accountant") shall determine (i) the amount of federal income taxes and any state taxes payable by Sammons, Robbins and the other shareholders of record of Piper as a result of any gain to be recognized as ordinary income, rather than capital gain, by Piper pursuant to Section 1245 and Section 1250 of the Internal Revenue Code of 1986, as amended (the "Code"), as a result of Piper's sale of the Assets to Quanex Subsidiary pursuant to this

Agreement (the "Recapture Amount") and (ii) the amount of any additional federal income taxes and any additional state taxes payable by Sammons, Robbins and the other shareholders of record of Piper arising from their receipt of the Recapture Amount (the "Gross-Up Amount"), but excluding any additional taxes payable by Sammons, Robbins or any other record shareholder of Piper arising from receipt of the Gross-Up Amount. The Recapture Amount shall be calculated on the basis of a December 31, 1996, tax year. Within that 90-day period, Piper's Outside Accountant shall provide a reasonably detailed written report to the Selling Parties, the Purchasing Parties and Deloitte & Touche L.L.P. setting forth its calculation of the Recapture Amount and the Gross-Up Amount. The Purchasing Parties and Deloitte & Touche L.L.P. shall have ten days to review the report and to notify Piper's Outside Accountant and the Selling Parties in writing of any objections to the contents of the report. If that notice has not been given within the ten-day period, the post-closing purchase price adjustment described in this subsection 1.3(d) shall be based on Piper's Outside Accountant's report. If, however, the Purchasing Parties or Deloitte & Touche L.L.P. has given the notice of objection within the ten-day period and Deloitte & Touche L.L.P., the Purchasing Parties, Piper's Outside Accountant and the Selling Parties cannot agree on appropriate changes to be made to the report within five days after the expiration of that ten-day period, then the Selling Parties and Quanex shall submit the report, along with the written objections of the Purchasing Parties or Deloitte & Touche L.L.P., to the Houston, Texas, office of Ernst & Young L.L.P., who shall finally determine the contents of the report, and the post-closing purchase price adjustment described in this subsection 1.3(d) shall be based on the report as so adjusted by Ernst & Young L.L.P. The Selling Parties shall instruct Piper's Outside Accountant to make available to the Purchasing Parties and Deloitte & Touche L.L.P. all of its work papers and any other papers related to Piper's Outside Accountant's reports described in this subsection 1.3(d) and, if the Purchasing Parties so request and Ernst & Young L.L.P. is requested to conduct the review described in this subsection 1.3(d), the Selling Parties shall instruct Piper's Outside Accountant to make available to Ernst & Young L.L.P. all of Piper's Outside Accountant's work papers and any other papers related to Piper's Outside Accountant's reports described in this subsection 1.3(d). If the sum of the Recapture Amount and the Gross-Up Amount reflected in the final report (the "Adjustment Sum") exceeds $4,720,000, the "Adjustment Amount" referred to in the Purchase Price Promissory Note shall be an amount equal to the sum of that excess and $1,720,000. If $4,720,000 exceeds the Adjustment Sum, the "Adjustment Amount" referred to in the Purchase Price Promissory Note shall be an amount equal to $1,720,000 less the amount of that excess. If Ernst & Young L.L.P. is requested to review and adjust the report of Deloitte & Touche L.L.P. pursuant to the provisions of this subsection 1.3(d), each of Quanex and Piper shall pay one-half of the fees of the Ernst & Young L.L.P. and costs in connection with its services. The Selling Parties and the Purchasing Parties shall cooperate to determine the Adjustment Amount before December 1, 1996.

(e) POST-CLOSING ADJUSTMENTS TO CONTINGENCY PROMISSORY NOTE. Adjustments to the principal amount of the Contingency Promissory Note shall be made in accordance with the terms of the Contingency Promissory Note.

1.4 LIABILITIES AND OBLIGATIONS TO BE ASSUMED. In reliance on the representations and warranties of the Selling Parties contained in this Agreement and on the terms and subject to the conditions set forth in this Agreement, at the Closing, Quanex and Quanex Subsidiary shall jointly and severally assume the following specified liabilities and obligations, subject to the provisions of Section 1.5 of this Agreement (the "Assumed Liabilities"):

(a) MISSISSIPPI LEASE. All of Piper's obligations and liabilities accrued after the Effective Time under the Mississippi Lease, the Parking Lot Lease and the Adjacent Parcel Lease, except with respect to obligations or liabilities, if any, relating to environmental matters arising before the Closing Time;

(b) EQUIPMENT LEASES. All of Piper's liabilities and obligations pursuant to the equipment leases and other leases described in SCHEDULE 1.1(e)(ii) to this Agreement;

(c) PURCHASE ORDERS. All contracts or purchase orders to acquire goods or services listed in SCHEDULE 1.4(c) to this Agreement and such other contracts and purchase orders to acquire goods or services that exist as of the Closing Time, which other contracts or purchase orders will be listed on SCHEDULE 1.4(c)-A to be delivered by Piper to the Purchasing Parties at the Closing;

(d) SALES COMMITMENTS. All sales orders and obligations listed in SCHEDULE 1.4(d) to this Agreement providing for the manufacture and delivery of impact extrusion products to Piper's customers and such other sales orders and obligations providing for the manufacture and delivery of impact extrusion products to Piper's customers, which will be listed on SCHEDULE 1.4(d)-A to be delivered by Piper to the Purchasing Parties at the Closing;

(e) PAYABLES. All of Piper's accounts payable and notes payable set forth in SCHEDULE 1.4(e) to this Agreement, which reflects the accounts payable and notes payable of Piper as of July 31, 1996, and all additional accounts payable of Piper as of the Closing Time, which additional accounts payable will be described on SCHEDULE 1.4(e)-A to be delivered by Piper to the Purchasing Parties at the Closing;

(f) PIPER AGREEMENTS. All of Piper's obligations and liabilities under the Piper Agreements relating to the operation of Piper's Business after the Effective Time;

(g) TAX ACCOUNTS. All tax accounts that are reflected as accrued on the Effective Time Balance Sheet;

(h) CLAIMS. All of Piper's obligations and liabilities pursuant to those suits, actions, proceedings, investigations and claims described in SCHEDULE 1.4(h) to this Agreement;

(i) PRODUCT REPLACEMENT. All obligations to repurchase or replace products produced by Piper in Piper's Business after the Effective Time and returned by the purchasers thereof;

(j) PRODUCT LIABILITY. Any product liability (other than obligations assumed pursuant to subsection 1.4(i) of this Agreement) relating to products produced by Piper in Piper's Business (i) after the Effective Time and before the Closing Time (the "Interim Period"), but only to the extent that the liability exceeds Piper's insurance coverage with respect to the liability, and (ii) after the Closing Time, regardless of the amount of Piper's insurance coverage;

(k) GENERAL LIABILITIES AFTER THE EFFECTIVE TIME. All obligations and liabilities relating to Piper's Business reflected or accrued on the Effective Time Balance Sheet or accrued after the Effective Time, other than product liability relating to products produced by Piper in Piper's Business, which is governed by subsection 1.4(j) of this Agreement;

(l) SECTION 401(k) PLAN. Subject to the provisions of Section 1.5 of this Agreement and as provided in the 401(k) Assumption and Termination Agreement described in Section 2.2(f) of this Agreement, all liabilities with respect to the Piper Impact, Inc. 401(k) Plan accruing after the Effective Time;

(m) WELFARE BENEFIT LIABILITIES. Subject to the provisions of Section 1.5 of this Agreement and as provided in the Welfare Benefit Plan Assumption and Termination Agreement described in Section 2.2(f) of this Agreement, all liabilities with respect to the welfare benefit plans identified in SCHEDULE 1.4(m) to this Agreement accruing after the Effective Time; and

(n) CERTAIN ENVIRONMENTAL LIABILITIES. Any liability of Piper (and any liability of Piper's shareholders, directors and officers named in SCHEDULE 1.4(n) to this Agreement, in such capacities):

(i) to investigate and remediate or correct, to such extent, in such manner and according to such schedule as may be required by any regulatory authority exercising its jurisdiction pursuant to any Environmental Law (as defined below) the tetrachloroethene contamination (including impurities and degradation products of tetrachloroethene, as well as toluene, chlorobenzene and dichlorobenzene) in soil and groundwater (as identified by Eckenfelder, Inc. in its pre-Closing investigation) at or migrating from Piper's

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facility located at the Owned Original Parcel, the Leased Original Parcel, the Contiguous Parcel and the Adjacent Parcel (the "Original Facility Plant") (including but not limited to, and as required, groundwater remediation, any construction of slurry walls, any measures to contain contaminated soil, any soil excavation and treatment/disposal, any septic tank cleanout, any relocation of manufacturing equipment necessary for remediation, any demolition, removal/disassembling or installation/reassembly of a facility, and any indirect costs or costs of business interruption related to the investigation or remediation) and the heavy metals contamination as identified by Eckenfelder, Inc. in its pre-closing investigation only as follows: in sediments of certain northern and western ditches, in and under the wastewater holding pond, and in and under the wastewater treatment facility at the Original Facility Plant, as identified in SCHEDULE 1.4(n) to this Agreement (the "Specified Contamination Problems"); and

(ii) to implement the following measures to such extent and in such manner as may be required by any Environmental Laws to correct possible non-compliance with Environmental Laws at the Original Facility Plant: (u) to upgrade or replace the wastewater holding pond and treatment system (including installing aboveground tanks or taking alternative actions to correct such non-compliance), (v) to upgrade the sanitary wastewater treatment system, (w) to complete any steps necessary to obtain a stormwater discharge permit, (x) to provide for closure of the non-hazardous waste burial area identified in SCHEDULE 1.4(n) to this Agreement (but only to the extent such area contains materials that are non-hazardous), (y) up to a maximum cost of $100,000, to complete any steps required by regulatory authorities to obtain a Title V air operating permit, including supplementing or amending the Title V permit application currently pending before MDEQ and (z) to conduct certain administrative compliance program updates consisting of preparing an oil spill prevention control and countermeasures plan, conducting an asbestos survey, preparing an asbestos operations and maintenance plan, and correcting as necessary any toxic release inventory reports (the "Specified Compliance Problems").

For purposes of this Agreement, "Environmental Laws" shall mean all federal, state and local laws now or hereafter in effect relating to pollution or protection of the environment, including common law decisions, statutes and any other laws relating to emissions, discharges, releases or threatened releases of pollutants, contaminants, chemicals or industrial, toxic or hazardous substances or wastes into the environment

(including without limitation ambient air, surface water, ground water or land) or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, removal, transport or handling of pollutants, contaminants, chemicals or industrial, toxic or hazardous substances or wastes (and including without limitation the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. Section 9601 et seq., as amended ("CERCLA"), the Resource Conservation and Recovery Act, 42 U.S.C. Section 6901 et seq., as amended; the Toxic Substances Control Act, 15 U.S.C. Section 2601 et seq., as amended; the Clean Air Act, 42 U.S.C. Section 7401 et seq., as amended; and state and federal environmental lien and cleanup requirements), and all regulations promulgated or approved under those laws, and orders issued or entered in connection with those laws, by a federal, state or local environmental agency.

1.5 LIABILITIES NOT TO BE ASSUMED. Neither Quanex nor Quanex Subsidiary shall assume:

(a) CERTAIN AGREEMENTS. Any obligations of Piper pursuant to the Office Lease (including without limitation any accounts payable pursuant to the Office Lease at the Effective Time);

(b) TAX MATTERS. Any amounts representing taxes paid, accrued or payable that are not accrued on the Effective Time Balance Sheet;

(c) CERTAIN PAYABLES. Amounts reflected on Piper's books and records as of the Effective Time as payables by Piper to Sammons, Robbins and other shareholders of Piper and their family members, which payables equal $2,580,000;

(d) PRODUCT REPLACEMENT. Subject to the provisions of Section 5.13 of this Agreement, any obligation to repurchase or replace products produced by Piper in Piper's Business before the Effective Time and returned by the purchasers thereof;

(e) PRODUCT LIABILITY. Any product liability (other than obligations described in subsection 1.5(d) of this Agreement) relating to products produced by Piper in Piper's Business (i) during the Interim Period, but only to the extent the liability does not exceed Piper's insurance coverage with respect to the liability, and (ii) before the Effective Time, regardless of the amount of Piper's insurance coverage;

(f) SECTION 401(k) PLAN. Any liabilities with respect to the Piper Impact, Inc. 401(k) Plan arising from acts or omissions that occur during the Interim Period and that constitute breaches or violations of, or conflicts with, any Legal Requirements or the terms of the Piper Impact, Inc. 401(k) Plan;

(g) Welfare Benefit Liabilities. Any liabilities with respect to the welfare benefit plans identified in SCHEDULE 1.4(m) to this

Agreement arising from acts or omissions that occur during the Interim Period and that constitute breaches or violations of, or conflicts with, any Legal Requirements or the terms of such welfare benefit plans;

(h) GENERAL OBLIGATIONS. Except as specified in subsections 1.4(g), 1.4(h), 1.4(k) and 1.4(n) of this Agreement, obligations and liabilities relating to Piper's Business accrued before the Effective Time;

(i) SPECIFIED ENVIRONMENTAL MATTERS. Except as specified in subsection 1.4(n) of this Agreement or as specified by the penultimate sentence of the last paragraph of subsection 9.1(j) of this Agreement, liabilities of any kind with respect to the Specified Contamination Problems or the Specified Compliance Problems, including without limitation any liabilities for governmental claims seeking fines, penalties or natural resource damages, and any liabilities for third party claims alleging property damage or personal injury; and

(j) OTHER ENVIRONMENTAL MATTERS. Except as specified in subsection 1.4(n) of this Agreement, liabilities of any kind relating to Environmental Laws or Hazardous Material (as defined below) arising from ownership or use of the Assets before the Closing Time or the conduct of Piper's Business before the Closing Time.

"Hazardous Material" means all those materials, wastes or substances that are regulated by, or that may form the basis of liability under, any Environmental Law, including all materials, wastes or substances identified under any Environmental Law as a pollutant, contaminant, hazardous waste, hazardous constituent, hazardous chemical, special waste, hazardous substance, hazardous material, or toxic substance. Without limiting the generality of the foregoing, the term "Hazardous Material" includes, but is not limited to, any material, waste or substance that contains petroleum or any fraction thereof, asbestos, or polychlorinated biphenyls, or that is flammable, explosive or radioactive.

2. CLOSING.

2.1 TIME AND PLACE OF THE CLOSING. The closing of the transactions described in this Agreement shall take place at the offices of Fulbright & Jaworski L.L.P., 1301 McKinney, Suite 5100, Houston, Texas at 10:00 o'clock a.m. central time on August 9, 1996, or such other place, time, and date as the parties may agree on in writing. Failure to consummate the transactions described in this Agreement at or before such time shall not result in a termination of this Agreement or relieve any party to this Agreement of any obligation under this Agreement, except as otherwise provided in Article 8 of this Agreement.

2.2 ACTIONS TO BE TAKEN AT THE CLOSING.

(a) DOCUMENTS TRANSFERRING ASSETS. At the Closing, Piper shall deliver to Quanex Subsidiary the general warranty deeds in substantially the forms attached to this Agreement as EXHIBITS D and E, a bill of sale in substantially the form attached to this Agreement as EXHIBIT F, such other deeds, bills of sale, endorsements and assignments as are customary in the jurisdiction in which the property being transferred is located and other good and sufficient instruments of transfer, conveyance, sale and assignment duly executed and sufficient to convey and transfer the Assets to Quanex Subsidiary free and clear of all liens, judgments, charges and encumbrances except those set forth in SCHEDULE 2.2(a).

(b) PROVISION FOR UNASSIGNABLE CONTRACTS. The Purchasing Parties acknowledge that Piper's ability to assign its rights under the contracts included within the Assets identified on SCHEDULE 2.2(b) to this Agreement may be subject to receipt of written consent from other parties. Piper shall use its best efforts to obtain those consents as soon as possible after the date of this Agreement. To the extent that any consent is required, this Agreement shall not constitute an agreement to assign a contract if an attempted assignment would constitute a breach of the contract. If any contract cannot, in the reasonable opinion of Piper's counsel, be transferred effectively without the consent of a third party, and Piper is unable to obtain that consent even after using its best efforts to do so, Piper shall only be obligated to assure Quanex Subsidiary of the benefits of the contract at Piper's cost and expense; provided, however, that Piper shall not have any obligation to pay any transfer fees or similar costs imposed by any parties to such contracts as a condition to obtaining such consents. At the Closing, Piper shall execute and deliver to Quanex Subsidiary such documentation that, in the reasonable opinion of Quanex's counsel, assures Quanex Subsidiary of those benefits.

(c) PAYMENT OF PURCHASE PRICE. At the Closing, the Purchasing Parties shall pay the Cash Purchase Price in the manner described in subsection 1.3(c) of this Agreement.

(d) PROMISSORY NOTES. At the Closing, the Purchasing Parties shall execute and deliver to Piper the Purchase Price Promissory Note and the Contingency Promissory Note.

(e) ASSUMPTION AGREEMENT. At the Closing, the Purchasing Parties shall deliver an assignment and assumption agreement in the form of EXHIBIT G to this Agreement (the "Assumption Agreement") pursuant to which they shall assume and agree to be liable for performance of the Assumed Liabilities.

(f) CERTAIN ADDITIONAL AGREEMENTS. At the Closing the parties to this Agreement, as applicable, shall execute and deliver, or cause to be executed and delivered, the Technology Transfer Agreement, the Non-Competition Agreement in substantially the form attached to this Agreement as EXHIBIT H, the 401(k) Assumption and Termination Agreement in substantially the form attached to this Agreement as

EXHIBIT I and the Welfare Benefit Plan Assumption and Termination Agreement in substantially the form attached to this Agreement as EXHIBIT J.

(g) LEGAL OPINIONS. At the Closing, the Selling Parties shall cause Burch, Porter & Johnson PLLC, counsel to Piper, to deliver a written opinion to the Purchasing Parties, to the effect described on EXHIBIT K to this Agreement, and the Purchasing Parties shall cause Fulbright & Jaworski L.L.P., counsel to the Purchasing Parties to deliver its written opinion to Piper, to the effect described on EXHIBIT L to this Agreement.

(h) CERTAIN UPDATED SCHEDULES. At the Closing, the Selling Parties shall provide Quanex Subsidiary with SCHEDULE 1.1(g)-A, which relates to receivables and is described in subsection 1.1(g) of this Agreement, SCHEDULE 1.1(j)-A, which relates to Piper's Agreements and is described in subsection 1.1(j) of this Agreement, SCHEDULE 1.4(c)-A, which relates to purchase orders and is described in subsection 1.4(c) of this Agreement, SCHEDULE 1.4(d)-A, which relates to sales orders and is described in subsection 1.4(d) of this Agreement, and SCHEDULE 1.4(e)-A, which relates to payables and is described in subsection 1.4(e) of this Agreement.

(i) COMPLIANCE CERTIFICATES. At the Closing, (i) the Selling Parties shall deliver to Quanex a certificate dated as of the date of the Closing and executed by Sammons as the chief executive officer of Piper, and Sammons and Robbins, as individuals, stating that the representations made by the Selling Parties in this Agreement are accurate as of the date of the Closing and that all covenants, agreements and conditions required by this Agreement to be performed or fulfilled by the Selling Parties before the Closing have been performed, and (ii) the Purchasing Parties shall deliver to Piper a certificate dated the date of the Closing and executed by the president or any vice president of each of Quanex and Quanex Subsidiary stating that the representations made by the Purchasing Parties in this Agreement are accurate as of the date of the Closing and that all covenants, agreements and conditions required by this Agreement to be performed or fulfilled by the Purchasing Parties before the Closing have been performed or fulfilled.

(j) CERTIFICATES OF INCUMBENCY AND AUTHORITY. At the Closing, (i) Piper shall deliver to the Purchasing Parties a properly executed certificate of corporate incumbency and resolutions authorizing Sammons to sign this Agreement and all related documents on behalf of Piper and (ii) the Purchasing Parties shall deliver to Piper a properly executed certificate of corporate incumbency and resolutions authorizing the individuals signing this Agreement and all related documents to do so on behalf of Quanex and Quanex Subsidiary.

(k) OTHER DOCUMENTS TO BE DELIVERED. At the Closing, the parties to this Agreement shall deliver or shall cause to be delivered such other documents as a party may reasonably require to evidence compliance with the covenants contained in this Agreement and the fulfillment of the conditions contained in this Agreement.

(l) FORM OF DOCUMENTS DELIVERED. Each document delivered at or before the Closing pursuant to this Section 2.2 shall be in form reasonably satisfactory

to counsel for each of the parties to this Agreement, shall be appropriately executed and, if applicable, shall be in form suitable for filing. Except with respect to any promissory notes, each party to this Agreement shall deliver such number of executed agreements, certificates and opinions as the parties to this Agreement may reasonably request.

(m) TIMING OF ACTIONS TO BE TAKEN AT THE CLOSING. All actions to be taken at the Closing shall be deemed to occur concurrently. To effect the concurrent payment of consideration, transfer of the Assets, assumption of the Assumed Liabilities and recordation of title with respect to the real property that constitutes a portion of the Assets, the Purchasing Parties and the Selling Parties agree that they shall take the following steps in the following order at the Closing: first, all documents to be executed or delivered in connection with the Closing shall be so executed and delivered; second, any deeds or other instruments that are required to be recorded with respect to the real property that constitutes a portion of the Assets shall be recorded; and third, the Purchasing Parties shall commence the wire transfer of the Cash Purchase Price. Unless the parties otherwise agree, no escrow fund will be required to be established in connection with the Closing.

2.3 CERTAIN ACTIONS TO BE TAKEN AFTER THE CLOSING.

(a) PURCHASING PARTIES' OBLIGATIONS. If, at any time after the Closing, demand is made on a Selling Party for payment or performance under any contract, agreement, commitment, plan, arrangement or obligation in respect of any Assumed Liability, a Selling Party shall immediately notify Quanex Subsidiary of the demand in writing and Quanex or Quanex Subsidiary shall make the payment or provide the performance on behalf of the Selling Parties in accordance with the requirements of the agreement or obligation or any judgment rendered in respect of the Assumed Liability. Failing payment or performance by Quanex or Quanex Subsidiary, unless (i) Quanex or Quanex Subsidiary is contesting the Assumed Liability diligently by appropriate proceedings instituted in good faith, (ii) Quanex or Quanex Subsidiary has agreed to the satisfaction of the Selling Parties to indemnify the Selling Parties on a current basis for any increased costs, including without limitation defense costs and any increased liability, resulting from the contest, and (iii) Quanex or Quanex Subsidiary is so indemnifying the Selling Parties on a current basis, the Selling Parties may make the payment or provide the performance and, if the Selling Parties do so, Quanex or Quanex Subsidiary shall promptly, upon written demand of a Selling Party, reimburse a Selling Party for the amount of a Selling Party's payment or pay a Selling Party's cost of performance, as applicable.

(b) PIPER'S OBLIGATIONS. If, at any time after Closing, demand is made on a Purchasing Party for payment or performance under any contract, agreement, commitment, plan, arrangement or obligation relating to the Assets or to Piper's Business with respect to any liability that is not an Assumed Liability, a Purchasing Party shall immediately notify the Selling Parties of the demand in writing and Piper, Sammons or Robbins shall make the payment or provide the performance on behalf of the Purchasing Parties with respect to the liability or obligation or any judgment rendered with respect to the liability. Failing payment or performance by the Selling

Parties, unless (i) the Selling Parties are contesting the liability diligently by appropriate proceedings instituted in good faith, (ii) the Selling Parties have agreed to the satisfaction of the Purchasing Parties to indemnify the Purchasing Parties on a current basis for any increased costs, including without limitation defense costs and any increased liability, resulting from the contest, and (iii) the Selling Parties are so indemnifying the Purchasing Parties on a current basis, the Purchasing Parties may make the payment or provide the performance and, if the Purchasing Parties do so, Piper shall promptly, upon written demand of a Purchasing Party, reimburse a Purchasing Party for the amount of a Purchasing Party's payment or pay a Purchasing Party's cost of performance, as applicable.

(c) ALLOCATION OF PURCHASE PRICE. The Purchase Price for the Assets shall be allocated as set forth in SCHEDULE 2.3(c) to this Agreement. This allocation shall be used by Piper, Quanex and Quanex Subsidiary for all tax purposes. Each of Piper and Quanex shall file IRS Form 8594 with its applicable federal income tax return (or the federal income tax return of its consolidated group) as required by law.

(d) FURTHER ASSURANCES. At the Closing and at any time or from time to time after the date of the Closing, the Selling Parties shall, at the request of a Purchasing Party, take such reasonable action necessary to put Quanex Subsidiary in actual possession and operating control of the Assets and shall execute, acknowledge and deliver such additional instruments of conveyance, sale, transfer and assignment, and take such other action as a Purchasing Party may reasonably request to more effectively convey, sell, transfer and assign to Quanex Subsidiary any of the Assets and to assist Quanex Subsidiary in exercising rights with respect to the Assets. The Purchasing Parties shall bear the cost of any additional actions that a Purchasing Party requests a Selling Party to take after the Closing pursuant to this subsection 2.3(d), unless and until the costs of all such actions exceed $10,000, after which time any such cost will be borne by the party who would have been required to take the action had it been taken at or before the Closing; provided, however, that Piper shall not have any obligation to pay any transfer fees or similar costs imposed by any third parties as a condition to a transfer or assignment of any of the Assets.

(e) TRANSACTION TAXES AND OTHER CLOSING COSTS. Any sales, use or other transfer taxes, and any transfer, recording or similar fees and charges arising in connection with the transfer of the Assets from Piper to Quanex Subsidiary shall be paid by Quanex or Quanex Subsidiary.

3. REPRESENTATIONS AND WARRANTIES OF THE SELLING PARTIES. For purposes of this Article 3, the "knowledge" of a Selling Party shall mean the actual knowledge of any of the persons named on SCHEDULE 3 to this Agreement and the knowledge that any such person should have had in light of such person's position or relationship with Piper and with respect to Piper's Business. The Selling Parties jointly and severally represent and warrant to Quanex that:

3.1 ORGANIZATION AND EXISTENCE. Piper is a corporation duly organized, validly existing and in good standing under the laws of the State of Tennessee and has the corporate power and authority to own, operate and lease its properties and carry

on its business in all material respects as now owned, operated, leased or conducted. Piper is duly qualified to conduct its business and is in good standing in each jurisdiction in which the failure to be so qualified would have a material adverse effect on Piper's Business. True and correct copies of the charter and bylaws of Piper have been provided to Quanex.

3.2 AUTHORITY. Piper has all requisite corporate power and authority to enter into, deliver and perform this Agreement and any other agreement or document necessary to perform this Agreement and to consummate the transactions described in this Agreement. This Agreement has been duly executed and delivered by Piper pursuant to all necessary corporate action.

3.3 CAPITALIZATION. The authorized capital stock of Piper consists of 100,000 shares of common stock, $1.00 par value (the "Piper Stock"), 1,000 shares of which are issued and outstanding. Each issued and outstanding share of Piper Stock is duly authorized, validly issued, fully paid and nonassessable and has not been issued, and is not owned or held, in violation of any preemptive right of shareholders. All issued and outstanding shares of the Piper Stock are owned of record and beneficially by Sammons, Robbins and trusts controlled by and for the benefit of members of Sammons' family, free and clear of all claims, liens, security interests, pledges, charges, encumbrances, stockholders' agreements and voting trusts (except as set forth on SCHEDULE 3.3 to this Agreement, which claims, liens, security interests, pledges, charges, encumbrances, stockholders' agreements and voting trusts shall be released or terminated at or before the Closing), and there are no other beneficial owners of that stock. Sammons and Robbins together own of record and beneficially at least 90 percent of the outstanding shares of Piper Stock.

3.4 INTERESTS IN OTHER ENTITIES AND SCOPE OF BUSINESS. Piper does not own or control any securities or other ownership interest in any corporation, association, joint venture, limited liability company, partnership or other business entity. Piper is not a general partner and does not have responsibility for the management of any joint venture, limited liability company or partnership. Piper does not operate and has not operated any facility other than the facilities located on the real property described in subsections 1.1(a), 1.1(b) and 1.1(c) of this Agreement (the "Real Property"). Piper has not engaged in any activities and has not conducted any operations other than those activities and operations that are incident to Piper's Business.

3.5 NO CONFLICT. Neither the execution and delivery by the Selling Parties of this Agreement, the consummation of the transactions described in this Agreement by the Selling Parties nor compliance by the Selling Parties with any of the provisions of this Agreement will violate, conflict with, result in a breach of or constitute a default under (a) Piper's charter or bylaws, (b) except as set forth in SCHEDULE 3.5 to this Agreement, any contracts, commitments or agreements to which a Selling Party is a party or by which a Selling Party's assets are bound or (c) except as set forth in SCHEDULE 3.5 to this Agreement, any law, statute, code, act, ordinance, order, judgment, decree, injunction, rule, regulation, permit, license, authorization,

direction or requirement (collectively, "Legal Requirements") by which a Selling Party is subject or bound.

3.6 NO CONSENTS OR GOVERNMENTAL APPROVALS. Except for any filings required to be made pursuant to the Hart-Scott-Rodino Antitrust Improvements Act of 1976 (the "HSR Act") or as set forth in SCHEDULE 3.6 to this Agreement, no Selling Party is required to submit any notice, report or other filing with any federal, state, local, foreign or other governmental agency, department, commission, board, bureau, instrumentality, authority, court, administration or body ("Governmental Body") in connection with the execution, delivery or performance of this Agreement by the Selling Parties and the consummation of the transactions described in this Agreement.

3.7 FINANCIAL CONDITION. Piper has delivered to Quanex true and correct copies of the audited balance sheets of Piper as of December 31, 1994, and December 31, 1995, the Effective Time Balance Sheet, the audited income statements of Piper for the years ended December 31, 1994, and December 31, 1995, and the unaudited income statement of Piper for the quarter ended March 29, 1996. Each of the balance sheets presents fairly the financial condition, assets, liabilities and stockholders' equity of Piper as of its date, subject, in the case of interim statements, to normal year-end adjustments. Each of the statements of income presents fairly the results of operations of Piper for the periods indicated, subject, in the case of interim statements, to normal year-end adjustments. Each of the financial statements referred to in this Section 3.7 has been prepared in accordance with U.S. federal income tax accounting principles consistently applied throughout the periods indicated, subject, in the case of interim statements, to normal year-end adjustments, and is in accordance with the books and records of Piper. Except as disclosed in SCHEDULE 3.7 to this Agreement, since March 29, 1996, there has been no material adverse change in the financial condition, results of operations, business, properties, assets or liabilities of Piper.

3.8 TITLE TO ASSETS. Except as set forth in SCHEDULE 3.8 to this Agreement, Piper has (a) good and marketable title to all of the Assets (other than the Assets described in subsections 1.1(a) and 1.1(b) of this Agreement (the "Owned Real Property")) free and clear of all liens, claims, security interests and encumbrances and (b) good and transferable title to the Owned Real Property, free and clear of all liens, claims, security interests and encumbrances.

3.9 REAL PROPERTIES. The only real properties now or in the past owned or leased by Piper, as lessee, are the Real Properties. There are no persons in possession or occupancy of any part of the Real Properties or the improvements or facilities located on the Real Property (the "Facilities") or who have possessory rights with respect to any part of the Real Properties or the Facilities, except the Lessor pursuant to the provisions of the Mississippi Lease, the lessor under the provisions of the Parking Lot Lease and the lessee under the terms of the Adjacent Parcel Lease. Except as set forth on SCHEDULE 3.9 to this Agreement, Piper has not received any notice of any alleged violations of any applicable Legal Requirements of any Governmental Body having jurisdiction over any part of the Real Properties or the Facilities or the operation of any part of the Real Properties or the Facilities. There

is no existing, pending or, to the Selling Parties' knowledge, contemplated, threatened or anticipated, condemnation or other taking of all or any part of the Real Properties or the Facilities. Piper has delivered to Quanex true and correct copies of the Mississippi Lease and the Parking Lot Lease, and the description of the Adjacent Parcel Lease contained in SCHEDULE 1.1(c)(iii) of this Agreement is true, correct and complete in all material respects. Except as set forth in SCHEDULE 3.9, and except for the Mississippi Lease, the Parking Lot Lease, the Adjacent Lease and the Office Lease, Piper is not a party to any lease or rental agreement with respect to real property (whether as a landlord or a tenant). As to each of the Mississippi Lease and the Parking Lot Lease, to the Selling Parties' knowledge, all obligations of the landlord have been satisfied, the lease is in full force and effect, no material rights or interests of Piper have been waived or released, all of Piper's obligations have been satisfied, no party to the lease is in default, and the lease contains no right on the part of the landlord to terminate the lease before the end of its term, except as set forth in SCHEDULE 3.9 to this Agreement. As to the Adjacent Parcel Lease, to the Selling Parties' knowledge, all obligations of the tenant and of Piper have been satisfied, the lease is in full force and effect, no material rights of the tenant have been waived or released and no party is in default. Except as set forth on SCHEDULE 3.9 to this Agreement, no environmental studies, reports, assessments, sampling results or audits have been conducted with respect to the Real Property or the Facilities during the period of time that a Selling Party owned or managed the business conducted at such place (the "Selling Parties' Watch") or, to the knowledge of the Selling Parties, during any other time. There has been no disposal of any Hazardous Material or solid waste on the Real Properties or at the Facilities during the Selling Parties' Watch or, to the knowledge of the Selling Parties, during any other time, except for the Specified Contamination Problems, the Specified Compliance Problems and as set forth in SCHEDULE 3.9 to this Agreement.

3.10 EQUIPMENT USED IN PIPER'S BUSINESS. The furniture, fixtures, tools, dies, machinery, equipment, vehicles and other rolling stock listed in SCHEDULES 1.1(e)(i) AND 1.1(e)(ii) to this Agreement constitutes all of the furniture, fixtures, tools, dies machinery, equipment, vehicles and other rolling stock used in or considered part of Piper's Business as of the date of this Agreement that has a per item book value in excess of $1,000. No underground storage tanks have been used at any time at any of the Facilities during the Selling Parties' Watch or, to the knowledge of the Selling Parties, during any other time, except as set forth in SCHEDULE 3.10 to this Agreement.

3.11 CONTRACTS. SCHEDULE 3.11 to this Agreement contains a list of each contract, commitment, agreement, instrument, lease, license and arrangement (i) to which Piper is a party, by which Piper is or any of the Assets are bound or relating to Piper's Business and (ii) which, after the Effective Date, requires or could require, Piper to pay or give, or gives or could give Piper the right to receive, cash or assets having a value of at least $50,000. There has not been any violation or breach of, or default with respect to complying with, any material provision of any contract, commitment, agreement, instrument, lease, license or arrangement described in SCHEDULE 3.11 to this Agreement by Piper or, to the Selling Parties' knowledge, any other party. Each contract, agreement, instrument, lease, license and arrangement described in SCHEDULE 3.11 to this Agreement is in full force and effect; is the legal,

valid and binding obligation of Piper and, to the knowledge of Piper, the other parties thereto; and, except as may be limited by principles of equity or bankruptcy, insolvency, reorganization, moratorium or other similar laws or judicial decisions relating to or affecting the enforcement of creditors' rights, is enforceable against the parties thereto in accordance with its terms. Piper enjoys peaceful and undisturbed possession of the assets, properties and rights possessed under the leases and licenses described in SCHEDULE 3.11 to this Agreement. Except as set forth in SCHEDULE 3.11 to this Agreement, Piper has no contract, commitment, agreement, lease license, arrangement or understanding with any director, officer, employee or affiliate of Piper. Piper has not waived any right under any contract, commitment, agreement, instrument, lease, license or arrangement described in SCHEDULE 3.11 to this Agreement. Piper has not, by contract or otherwise, assumed environmental liabilities or obligations of or on behalf of any person or entity except as set forth in SCHEDULE 3.11 to this Agreement.

3.12 CONDITION OF ASSETS. The property, plant, furniture, fixtures, tools, machinery and equipment included in the Assets are in as good a condition as they were on June 15, 1996, ordinary wear and tear excepted. During the Selling Parties' Watch and, to the Selling Parties' knowledge during all other times, no events occurred and no conditions were created to cause the Facilities or the Real Properties to have any Hazardous Material contamination or any other hazard or condition that reasonably may be expected with the passage of time to result in environmental contamination, injury or harm, or in physical harm to any person, except for the Specified Contamination Problems, the Specified Compliance Problems and as set forth in SCHEDULE 3.12 to this Agreement.

3.13 CLAIMS. Except as described in SCHEDULE 3.13 to this Agreement, there is no suit, action, proceeding, investigation or claim pending or, to the Selling Parties' knowledge, threatened or contemplated against and affecting Piper or Piper's Business in or by any Governmental Body or arbitration panel. There is no outstanding order, writ, injunction, decree, judgment or award by any Governmental Body or arbitration panel against Piper or affecting Piper's Business, except as described in SCHEDULE 3.13 to this Agreement.

3.14 NO ADVERSE CHANGE. Since the Effective Time, Piper has not (a) except in the ordinary course of business sold, transferred, or otherwise disposed of, or agreed to sell, transfer, or otherwise dispose of any of the Assets; (b) except in the ordinary course of business (but not with any person affiliated with or related to Piper), entered or agreed to enter into any agreement or arrangement granting any preferential rights to purchase any of the Assets, including without limitation inventories, or requiring the consent of any party to the transfer or assignment of any of the Assets; (c) except in the ordinary course of business, made or permitted any amendment or termination of any material contract, agreement or license relating to the Assets; (d) taken any action with respect to the payment of any dividends or other distributions to its stockholders in cash or property (other than salaries paid in the ordinary course of business and any payments made pursuant to the Shareholder Loans); or (e) entered into any other transaction or taken any other action other than in the ordinary course of business.

3.15 CERTAIN TRANSACTIONAL FEES. Piper has not employed any broker, finder or other agent in connection with the transaction described in this Agreement.

3.16 EMPLOYEE MATTERS.

(a) DOCUMENTS. Piper has delivered to Quanex, or provided Quanex with access to, complete and correct copies of Piper's employment records; collective bargaining, union or other employee association agreements to which Piper is a party or by which Piper is bound; employment, managerial, advisory and consulting agreements to which Piper is a party or by which Piper is bound; employee confidentiality or other agreements protecting proprietary processes, formulas or information to which Piper is a party or by which Piper is bound; any employee handbook(s) currently provided to Piper's employees; any reports or plans prepared or adopted pursuant to the Equal Opportunity Act of 1972, as amended and relating to Piper's employees.

(b) COMPLIANCE AND CERTAIN AGREEMENTS. Except as disclosed in SCHEDULE 3.16 to this Agreement:

(i) Piper is in compliance in all material respects with all applicable laws and collective bargaining agreements relating to employment and employment practices, terms and conditions of employment and wages and hours and occupational safety and health, and is not engaged in any unfair labor practice within the meaning of section 8 of the National Labor Relations Act, and there is no action, suit or legal, administrative, arbitration, grievance or other proceeding pending or, to the Selling Parties' knowledge, threatened, or, to the Selling Parties' knowledge, any investigation pending, threatened or contemplated against Piper relating to any of such matters, and, to the Selling Parties' knowledge, no basis exists for any such action, suit or legal, administrative, arbitration, grievance or other proceeding or governmental investigation;

(ii) there is no labor strike, dispute, slowdown or stoppage actually pending or, to the Selling Parties' knowledge, threatened or contemplated against Piper;

(iii) none of the employees of Piper is a member of or represented by any labor union in connection with Piper's Business and, to the Selling Parties' knowledge, there are no attempts of whatever kind and nature being made to organize any employees of Piper;

(iv) without limiting the generality of paragraph (iii) above, no certification or decertification is pending or was filed within the past 12 months with respect

to the employees of Piper and, to the Selling Parties' knowledge, no certification or decertification petition is being or was circulated among the employees of Piper within the past 12 months;

(v) no agreement, arbitration or court decision, decree or order or governmental order that is binding on Piper in any way limits or restricts Piper from relocating or closing any of its operations;

(vi) Piper has not experienced any organized work stoppage in the last five years; and

(vii) there are no charges, administrative proceedings or formal complaints of discrimination (including without limitation discrimination based upon sex, age, marital status, race, national origin, sexual preference, handicap or veteran status) pending or, to the Selling Parties' knowledge, threatened or contemplated or, to the Selling Parties' knowledge, any investigation pending, threatened or contemplated before the Equal Employment Opportunity Commission or any federal, state or local agency or court, and, to the Selling Parties' knowledge, no basis for any such claim exists.

3.17 EMPLOYEE BENEFIT MATTERS.

(a) IDENTIFICATION OF PLANS. SCHEDULE 3.17 to this Agreement includes a complete and accurate list of (1) all employee welfare benefit and employee pension benefit plans as defined in sections 3(1) and 3(2) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), including, but not limited to, plans that provide retirement income or result in a deferral of income by employees for periods extending to termination of employment or beyond, and plans that provide medical, surgical, or hospital care benefits or benefits in the event of sickness, accident, disability, death or unemployment, and (2) all other employee benefit agreements or arrangements, including without limitation deferred compensation plans, incentive plans, bonus plans or arrangements, stock option plans, stock purchase plans, stock award plans, golden parachute agreements, severance pay plans, dependent care plans, cafeteria plans, employee assistance programs, scholarship programs, employment contracts, vacation policies, and other similar plans, agreements and arrangements that are currently in effect or were maintained within three years of the date of this Agreement, or have been approved before this date but are not yet effective, for the benefit of directors, officers, employees or former employees (or their beneficiaries) of Piper. As to each plan, agreement or arrangement listed in SCHEDULE 3.17 to this Agreement, Piper has delivered to Quanex, as applicable, a complete and accurate copy of (1) each plan, agreement or arrangement, (2) the trust, group annuity contract or other document which provides the funding for the plan, agreement or arrangement, (3) the three most recent annual Form 5500, 990 and 1041 reports, (4) the most recent

actuarial report or valuation statement, (5) the most current summary plan description, booklet, or other descriptive written materials, and each summary of material modifications prepared after the last summary plan description, (6) the most recent Internal Revenue Service ("IRS") determination letter and all rulings or determinations requested from the IRS after the date of that determination letter, and (7) all other correspondence from the IRS or the Department of Labor received that relate to one or more of the plans, agreements or arrangements with respect to any matter, audit or inquiry that is still pending.

(b) COMPLIANCE. Except as otherwise disclosed in SCHEDULE 3.17 to this Agreement, with respect to each employee welfare benefit plan and employee pension benefit plan as defined in sections 3(1) and 3(2) of ERISA that has been or is sponsored by, participated in by or contributed to by Piper: (1) the plan is in compliance with ERISA in all material respects, including but not limited to all reporting and disclosure requirements of Part 1 of Subtitle B of Title I of ERISA; (2) the appropriate Form 5500 has been timely filed, for each year of its existence; (3) there has been no transaction described in sections 406 or 407 of ERISA or section 4975 of the Code relating to the plan unless exempt under section 408 of ERISA or section 4975 of the Code, as applicable; and (4) the bonding requirements of section 412 of ERISA have been satisfied. There is no litigation, action, proceeding, investigation or claim asserted or, to the Selling Parties' knowledge, threatened or contemplated, with respect to any arrangement or agreement listed on SCHEDULE 3.17 to this Agreement (other than the payment of benefits in the normal course) nor any issue resolved adversely to Piper that may subject Piper to the payment of a penalty, interest, tax or other amount and each arrangement or agreement listed on SCHEDULE 3.17 to this Agreement can be unilaterally terminated or amended by Piper on no more than 90 days notice. No notice has been received by Piper of an increase or proposed increase in the cost of any agreement or arrangement listed in SCHEDULE 3.17 to this Agreement.

(c) SEVERANCE PAY, VACATION PAY AND MEDICAL COVERAGE. Subject to Quanex Subsidiary's compliance with its agreements contained in Section 5.9 of this Agreement, no plan, arrangement or agreement with any one or more employees will cause Piper to have liability for severance pay or vacation pay as a result of the consummation of the transactions described in this Agreement. Piper does not provide employee post-retirement medical coverage or contribute to or maintain any plan or arrangement that provides for medical coverage following termination of employment except as is required by section 4980B(f) of the Code, nor has it made any representations, agreements, covenants or commitments to provide that coverage. All group health plans maintained by Piper have been operated in compliance with section 4980B(f) of the Code in all material respects.

(d) CERTAIN PENSION PLANS. All pension plans listed in SCHEDULE 3.17 to this Agreement that are intended to qualify under section 401(a) of the Code either (i) have been determined by the IRS to be qualified under section 401(a) of the Code or (ii) have applicable remedial amendment periods that will not have ended before the Closing, except, in either case, as described in SCHEDULE 3.17. Except as set forth in SCHEDULE 3.17 to this Agreement, no facts have occurred that if known by the IRS could cause disqualification of those plans.

(e) MULTI-EMPLOYER PLANS AND VOLUNTARY BENEFICIARY ASSOCIATIONS. Neither Piper nor any entity (whether or not incorporated) that was at any time during the six years before the date of this Agreement treated as a single employer together with Piper under section 414 of the Code has ever maintained, had any obligation to contribute to or incurred any liability with respect to a pension plan that is or was subject to the provisions of Title IV of ERISA. During the last six years Piper has not maintained, had an obligation to contribute to or incurred any liability with respect to a voluntary employees beneficiary association that is or was intended to satisfy the requirements of section 501(c)(9) of the Code.

3.18 REGULATORY AUTHORITY AND COMPLIANCE. SCHEDULE 3.18 to this Agreement contains a list of all governmental franchise, licenses, authorizations, permits, consents and approvals currently held by Piper. Except as set forth in SCHEDULE 3.18 to this Agreement, each governmental franchise, license, authorization, permit, consent and approval listed on SCHEDULE 3.18 is valid and current. Except as set forth in SCHEDULE 3.18 to this Agreement, during the Selling Parties' Watch and, to the Selling Parties' knowledge, at all other times, there has been no violation of any of the requirements pertaining to such franchises, licenses, authorizations, permits, consents and approvals. Except as set forth in SCHEDULE 3.18 to this Agreement, during the Selling Parties' Watch and, to the Selling Parties' knowledge, at all other times, all governmental franchises, licenses, authorizations, permits, consents and approvals required to carry on Piper's Business have been acquired and have been in full force and effect except when the failure to so acquire them and keep them in full force and effect would not have a material adverse effect on Piper's Business. Except with respect to the Specified Compliance Problems and the Specified Contamination Problems or as set forth in SCHEDULE 3.18 to this Agreement, Piper's Business has been and is conducted in compliance with all applicable Legal Requirements of all Governmental Bodies, except when the failure to so comply would not have a material adverse effect on Piper's Business. Based on due investigation by the Selling Parties, ceasing to use tetrachloroethene in Piper's Business before December 31, 1996, will have no adverse effect on quality control, production of products in Piper's Business or the operations or financial condition of Piper's Business as currently conducted, and the Selling Parties know of no reason why such cessation cannot be implemented satisfactorily before December 31, 1996.

3.19 INSURANCE. SCHEDULE 3.19 to this Agreement lists all current insurance policies maintained by Piper and covering Piper, any of Piper's employees or other agents or any assets of Piper. All retroactive premium adjustments under any workers' compensation policy of Piper has been recorded in its financial statements in accordance with U.S. federal income tax accounting principles.

3.20 TAX REPRESENTATIONS. Piper has timely filed (taking into account all extensions of time for filing) with all appropriate governmental agencies all tax or information returns and tax reports that are required to be filed by Piper. All taxes of Piper and all interests, penalties, assessments, deficiencies, charges, fees or other government impositions or charges claimed to be due by any taxing authority with respect to taxes have been fully paid or adequately reserved for, and Piper has collected and paid all sales taxes with respect to the sale of any of its assets required to be so

collected and paid before the Closing Time. Piper has made adequate accruals on its financial statements for the payment of all taxes, and those accruals have been made on a basis consistent with past practices. Piper has no liability for any taxes or other governmental charges in excess of the amounts so paid or accruals so made and required to be accrued. Piper is not a party to any pending audit, action or proceeding with respect to taxes or any other governmental charges.

3.21 PATENTS, TRADEMARKS AND OTHER INTANGIBLES. SCHEDULE 3.21 contains a list and brief description of all patents, applications for patents, trademarks and service marks for which Piper has a registration or which are used in Piper's Business. Except as disclosed in SCHEDULE 3.21, Piper owns (or possesses adequate or enforceable licenses or other rights to use) all trade secrets, inventions, processes and other technical know-how and proprietary rights used in the conduct of Piper's Business to the extent that the absence of such ownership would have a material adverse effect on Piper's business as currently conducted. No Selling Party has knowledge of or has received any notice of conflict with the asserted rights of others with respect to any trademarks, trade names, copyrights or patents or any material trade secrets, inventions, processes or other technical know-how or proprietary rights used in the conduct of its business.

3.22 OTHER INFORMATION. The information provided by the Selling Parties in this Agreement and in the schedules to this Agreement or described in this Agreement or the Schedules to this Agreement, to the Selling Parties' knowledge, does not contain any untrue statement of a material fact or omit to state a material fact required to be stated necessary to make the statements and facts contained in this Agreement and the schedules to this Agreement, in light of the circumstances under which they are made, not false or misleading. All documents that the Selling Parties have made available to Quanex were complete and accurate in all material respects as of the time they were made available.

3.23 NO UNDISCLOSED LIABILITY. Except to the extent specifically reflected in Piper's financial statements described in Section 3.7 of this Agreement or described in this Agreement or the Schedules to this Agreement, to the Selling Parties' knowledge, Piper has no liabilities or obligations of any nature, whether absolute, accrued, contingent or otherwise, and whether due or to become due (including without limitation any liability for taxes and interests, penalties and other charges payable with respect to any such liability or obligation) relating to Piper's Business and which are of the type to be assumed by Quanex or to Quanex Subsidiary pursuant to this Agreement.

4. REPRESENTATIONS AND WARRANTIES OF QUANEX. Quanex and Quanex Subsidiary jointly and severally represent and warrant to the Selling Parties as follows:

4.1 ORGANIZATION AND GOOD STANDING. Each of Quanex and Quanex Subsidiary is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and has the corporate power and authority to own,

operate and lease its properties and carry on its business in all material respects as now owned, operated, leased or conducted.

4.2 AUTHORITY. Each of Quanex and Quanex Subsidiary has all requisite corporate power and authority to enter into, deliver and perform this Agreement and any other agreement or document necessary to perform this Agreement and to consummate the transactions described in this Agreement. This Agreement has been duly executed and delivered by Quanex and Quanex Subsidiary pursuant to all necessary corporate action.

4.3 NO CONFLICT. Neither the execution and delivery by the Purchasing Parties of this Agreement, the consummation of the transactions described in this Agreement by the Purchasing Parties nor compliance by the Purchasing Parties with any of the provisions of this Agreement will conflict with, result in a breach of or constitute a default under (a) certificate of incorporation or bylaws of Quanex or Quanex Subsidiary, (b) any contracts, commitments or agreements to which Quanex or Quanex Subsidiary is a party or by which the assets of Quanex or Quanex Subsidiary are bound, or (c) any law, statute, ordinance, regulation or court or administrative order by which Quanex or Quanex Subsidiary is subject or bound.

4.4 NO CONSENTS OR GOVERNMENTAL APPROVALS. Except for filings required to be made pursuant to the HSR Act or the Securities Exchange Act of 1934, neither Quanex or Quanex Subsidiary is required to submit any notice, report or other filing with any governmental or regulatory authority or instrumentality in connection with the execution, delivery or performance of this Agreement by the Purchasing Parties and the consummation of the transactions described in this Agreement.

4.5 BROKERAGE COMMISSION. Quanex has entered into a finder's fee agreement with Harry Roman & Company relating to the transactions described in this Agreement, and Quanex is responsible for the payment of any fees and related costs under that agreement. Otherwise, neither Quanex nor Quanex Subsidiary has employed any broker, agent or finder in connection with any transaction described in this Agreement.

4.6 FINANCIAL CONDITION OF QUANEX. Quanex has provided Piper with a copy of Quanex's Annual Report on Form 10-K for the fiscal year ended October 31, 1995, its Proxy Statement relating to the annual meeting of its stockholders held February 22, 1996, and its Quarterly Reports on Form 10-Q for the fiscal quarters ended January 31, 1996, and April 30, 1996, each in the form filed with the Securities and Exchange Commission (the "Reports"). Since October 31, 1995, no other report or other document has been filed with the Securities and Exchange Commission pursuant to Section 13(a), Section (c), Section 14 or Section 15(d) of the Securities Exchange Act of 1934, as amended. Each of the consolidated balance sheets included in the Reports presents fairly the financial condition, assets, liabilities and stockholders' equity of Quanex and its consolidated subsidiaries as of its date, subject, in the case of interim statements, to normal year-end adjustments. Each of the consolidated statements of income, consolidated statements of stockholders' equity and statements of cash flow included in the Reports presents fairly the results of operations of Quanex and its

consolidated subsidiaries for the periods indicated, subject, in the case of interim statements, to normal year-end adjustments. Each of the financial statements referred to in this Section 4.6 has been prepared in accordance with generally accepted accounting principles consistently applied throughout the periods indicated, subject, in the case of interim statements, to normal year-end adjustments, and is in accordance with the books and records of Quanex. Since October 31, 1995, there has been no material adverse change in the financial condition, results of operations, business, properties, assets or liabilities of Quanex and its consolidated subsidiaries, taken as a whole.

5. CERTAIN COVENANTS OF THE SELLING PARTIES AND QUANEX. The Selling Parties jointly and severally and the Purchasing Parties jointly and severally covenant with each other that:

5.1 CONDUCT OF BUSINESS. Except to the extent waived or consented to in writing by Quanex, after the Effective Time:

(a) ORDINARY COURSE. Piper shall conduct Piper's Business only in the ordinary course;

(b) COMPENSATION AND PRICING. No increase shall be made in the compensation of any director, officer or any other employee or group of employees of Piper; no new agreement or arrangement, written or oral, shall be made with any employee or group of employees of Piper with respect to employment for a term that extends after the date of the Closing; and no decrease shall be made in present pricing practices for products sold by or on behalf of Piper other than in the ordinary course of business;

(c) MAINTENANCE. Piper shall use such efforts as are consistent with prior practices to keep Piper's Business intact, maintain, preserve and protect the property used to conduct Piper's Business, keep in faithful service the present key employees of its business, and preserve the goodwill of suppliers and customers and others having business relations with Piper;

(d) NO NEW AGREEMENT. Piper shall not enter into (i) any new written lease agreements or other agreements relating to real property or any extensions of any existing lease agreements or other agreements relating to real property except as set forth in SCHEDULE 5.1(d) to this Agreement, (ii) any agreements or other arrangements with any affiliates of Piper, (iii) any arrangements or other agreements relating to the borrowing of money, the guaranty of obligations of another party or the pledging or any other encumbrance of assets, or (iv) any arrangement or agreement, or any group of related arrangements or agreements, that would require the expenditure of more than $5,000,000 by Piper; and

(e) CAPITAL EXPENDITURES. Piper shall not incur any capital expenditures that individually or in the aggregate exceed $5,000,000.

5.2 TRANSACTIONS AFTER THE EFFECTIVE TIME. Any and all transactions after the Effective Time, concerning the Assets and the Assumed Liabilities shall be for the account of the Purchasing Parties. Piper shall remit to Quanex Subsidiary all amounts received by any Selling Party after the Closing Time that were intended to be transferred to Quanex Subsidiary under this Agreement. Quanex Subsidiary shall remit all amounts to Piper received by it after the Closing Time that were for matters relating to Piper's Business before the Effective Time or were not intended to be transferred to Quanex Subsidiary pursuant to this Agreement. Any such amounts shall be sent within five business days if by wire, or three business days if by mail, from the date the person making the payment has knowledge of its receipt.

5.3 SUPPLYING OF INFORMATION. Before and after the Closing, Piper shall furnish to the Purchasing Parties and their representatives such information with respect to Piper's Business and the Assets as they may reasonably request in cooperation with any review, investigation or examination of the books and records, accounts, contracts, properties, assets, operations and facilities of Piper or relating to the Assets. Any information obtained by the Purchasing Parties from Piper before the Closing shall be kept confidential in accordance with the terms of that certain Confidentiality Agreement dated November 15, 1995, between Piper and Quanex and the terms of this Agreement, and shall be returned to Piper if for any reason the sale of the Assets to Quanex Subsidiary does not close.

5.4 FILINGS, AUTHORIZATIONS AND OTHER ACTIONS. Each of the Selling Parties and the Purchasing Parties, as promptly as practicable, (a) will make, or cause to be made, any filings and submissions required under laws, rules and regulations applicable to it, or to its subsidiaries and affiliates, as may be required for it to consummate the purchase and sale of the Assets in accordance with the terms of this Agreement; (b) will use its best efforts to obtain, or cause to be obtained, all authorizations, approvals, consents and waivers from all persons and governmental authorities necessary to be obtained by it, or its affiliates, to consummate the purchase and sale of the Assets in accordance with the terms of this Agreement; and (c) will use its best efforts to take or cause to be taken, all other actions necessary, proper or advisable for it to fulfill its obligations under this Agreement and satisfy the conditions to closing contained in this Agreement.

5.5 RETENTION OF RECORDS. In light of each party's continuing obligations with respect to events before the Closing Time, Quanex shall retain for a period of five years after the Closing Time the books and records relating to Piper's Business and the Assets and, during regular business hours, on no less than 48 hours prior written notice from Piper, which notice shall include the specific purposes for such review, shall (a) give Piper and its authorized representatives reasonable access to all of such books and records that do not constitute lawfully recognized privileged information (except information that is privileged solely because of any accountant-client relationship) and the offices and facilities relating to Piper's Business, (b) permit Piper to make such inspections (and copies of any documents at Piper's expense) thereof as Piper may reasonably request and (c) furnish Piper with such financial and operating data and other information for periods before the date of Closing or otherwise relating to Piper's responsibilities, with respect to Piper's Business and its

operations and properties as Piper may from time to time reasonably request, including data and information needed for financial and tax reporting and statutory filings. All costs incurred relating to such inspection shall be paid by Piper. Under no circumstances may any such inspection interfere in any material respect with the conduct of Quanex's business.

5.6 CHANGE OF NAME OF PIPER. Before the Closing Time, Piper shall (a) take all actions necessary, including without limitation the filing with the Secretary of State of the State of Tennessee an amendment to its charter to effect the change of Piper's name from "Piper Impact, Inc." to a name that does not use the words "Piper" or "Piper Impact". As soon as practicable after the Closing Time, but in any event within three business days after the Closing Time, Piper shall take all actions necessary, including without limitation making appropriate filings to effect such name change in each state where Piper is qualified to conduct business or to withdraw such qualification.

5.7 INSPECTION OF PROPERTIES. Before the Closing, the Purchasing Parties and their employees, agents, contractors and subcontractors may enter upon the properties during Piper's business hours and make surveys and appraisals, take measurements and make tests, borings and other tests of surface and subsurface conditions, soil tests and structural and engineering studies of the improvements thereon, provided that prior to entry on any Real Property, Quanex has given at least 48 hours notice of any intent to come onto the Real Property. In addition, before the Closing, Quanex shall be permitted to obtain or continue environmental audits of the Real Properties and the Facilities in form and substance satisfactory to the Purchasing Parties, and the Purchasing Parties shall furnish Piper with copies of the data and final reports with respect to any such environmental audits.

5.8 EXPENSES. Quanex shall pay (a) all fees and related costs under its finder's fee agreement with Harry Roman & Company relating to the transactions described in this Agreement, in accordance with the terms of that agreement and (b) the fees, premium and costs of obtaining title insurance and surveys on the Real Property. Otherwise, each party to this Agreement shall pay its or his own costs and expenses (including without limitation all legal and accounting fees) relating to this Agreement, the negotiations leading up to this Agreement and, except as otherwise provided in this Agreement, the transactions described in this Agreement.

5.9 PIPER'S EMPLOYEES. As of the Closing Time, Quanex Subsidiary shall hire all persons who are employees of Piper at the Closing Time on substantially the same terms and conditions that each such employee was employed by Piper immediately before the Closing Time and shall maintain such employment through the date of the Closing. Quanex Subsidiary shall provide such employees with the benefits of any accrued but unpaid vacation with respect to such employees accruing before the Closing Time. To the extent that Quanex Subsidiary may so request, Piper shall cooperate with the Purchasing Parties in hiring such Piper employees. Piper shall take no action that would impede Quanex Subsidiary's hiring activities in connection with Piper's Business (whether with respect to existing employees of Piper or other persons). After the date of the Closing, no Selling Party shall, directly or indirectly, hire, retain,

employ or otherwise provide compensation for or to any employee of Piper hired by the Purchasing Parties (other than Sammons, Robbins, Steven P. Robbins and Paul Anthony Robbins). Nothing contained in this Section 5.9 shall create or be deemed to create any rights of any employees of Piper or of Quanex Subsidiary, and Quanex Subsidiary shall have no obligation to continue the employment of any employees of Piper hired by Quanex Subsidiary as of the Closing Time or to maintain the terms and conditions thereof after the date of the Closing.

5.10 PUBLICITY. Until the business day after the date of Closing and except for any public disclosure that Quanex and Piper in good faith believe is required by law, neither party shall issue any press release or make any public statement regarding the transactions contemplated hereby, without the prior written approval of the other party, which approval will not be unreasonably withheld. Quanex and Piper shall issue mutually acceptable press releases as soon as practicable after the execution of this Agreement and after the Closing.

5.11 CONFIDENTIAL INFORMATION. The Selling Parties, on the one hand, and the Purchasing Parties, on the other hand, shall treat in confidence all documents, materials and other information (whether tangible, oral or electronic) that is obtained from any unaffiliated party for the unaffiliated party's employees, agent or affiliates (the "Confidential Information"). If this Agreement is terminated, each party to this Agreement shall return all Confidential Information to the party that has furnished it and, at the request of the furnishing party, will destroy all copies of that Confidential Information and any notes, studies or other written or electronic information related to that Confidential Information. This Section 5.11 shall not apply to any Confidential Information (a) that a party to this Agreement possessed before its receipt from an unaffiliated party to this Agreement, (b) that is available to the public and did not become available to the public through any violation of a legal obligation (including, but not limited to, the obligations of this Section 5.11) or (c) that is lawfully acquired from sources other than the parties to this Agreement or their affiliates.

5.12 EXCLUSIVITY. Unless and until this Agreement has been terminated in accordance with the provisions of Article 8 of this Agreement, no Selling Party shall, or authorize or permit any officer, director or employee of, or any investment banker, attorney, accountant or other representative retained by, Piper or any affiliate of Piper to, solicit or initiate any inquiries or the making of any proposal that may reasonably be expected to lead to another party's acquisition of a substantial portion of the assets of Piper, the acquisition or the controlling interest in Piper, a merger or other consolidation with Piper or any other transaction that would impede the Closing. Each Selling Party shall immediately advise Quanex of any such inquiries or proposals.

5.13 LIMITATION ON PIPER'S OBLIGATION WITH RESPECT TO RETURNED PRODUCT. Any obligations of Piper (excluding any obligation for product liability claims) for returned products that are not assumed by Quanex Subsidiary pursuant to this Agreement shall be limited to Piper's replacement of or reimbursement for the cost of the product. Quanex Subsidiary will, upon Piper's reasonable request, provide Piper with product at Quanex Subsidiary's cost so that Piper can replace any returned products that are defective or are not in compliance with specifications. For purposes

of this Agreement, Quanex Subsidiary's "cost" shall mean 80 percent of the current selling price of the product at the time that Quanex Subsidiary provides Piper with the replacement product.

5.14 ASSUMED ENVIRONMENTAL LIABILITIES. After the Closing, the Purchasing Parties shall act with reasonable diligence to pursue the completion of the investigation and remediation or correction of the environmental liabilities assumed by Quanex Subsidiary pursuant to and consistent with Section 1.4(n) of this Agreement. It is acknowledged and agreed that such investigation and remediation or correction may entail negotiations with, and concurrence by, regulatory authorities, as well as obtaining access to third-party property, and that the schedule for such process is not entirely within the control of the Purchasing Parties. It is further acknowledged and agreed that remediation of the tetrachloroethene contamination may extend over a period of 30 years or more. It is further acknowledged and agreed that Quanex Subsidiary shall take all reasonable measures to cease use of tetrachloroethene at the Original Facility Plant by no later than December 31, 1996.

5.15 COST RECOVERY. After the Closing and subject to the limitations set forth herein, the Purchasing Parties shall cooperate as reasonably requested by Piper for purposes of Piper's cost recovery efforts against third parties. Such cooperation may include, among other things, participating in cost recovery litigation initiated by Piper, taking measures identified by Piper to assist Piper's efforts to demonstrate that response actions are reasonably consistent with the National Contingency Plan of CERCLA, informing and reviewing with Piper (and any advisory committee of potentially responsible parties designated by Piper) the plans of Quanex Subsidiary to conduct response actions concerning the Specified Contamination Problems, and to make reasonable adjustments in such plans at the request of Piper for the purpose of enhancing its cost recovery efforts. The Selling Parties shall promptly reimburse the Purchasing Parties for any and all of the Purchasing Parties' costs and liabilities arising out of or related to such cooperation with Piper, including without limitation all attorneys' fees and expenses incurred by the Purchasing Parties. Quanex hereby assigns to Piper, effective as of the Closing Time, any rights (whether arising under CERCLA, common law or otherwise) of Piper or the Purchasing Parties to recover from potentially responsible third parties the initial $20,000,000 in eligible response costs (rights of recovery for any response costs above $20,000,000 being subject to negotiation between, and agreement of, the parties). The Purchasing Parties shall cooperate with the Selling Parties to execute such documents as may be necessary to effect such assignment. The Purchasing Parties make no representation that the rights of recovery they have, if any, against third parties for environmental response costs are valuable or assignable. Notwithstanding any other provision of this Agreement to the contrary, the Purchasing Parties shall have no responsibility for damages arising out of or related to any failure by the Selling Parties to demonstrate consistency with the National Contingency Plan or to prevail in any cost recovery litigation.

6. CONDITIONS PRECEDENT TO THE OBLIGATIONS OF THE PURCHASING PARTIES TO CLOSE. The obligation of the Purchasing Parties to close shall, at the option of Quanex, be subject to the following conditions:

6.1 SELLING PARTIES' FULFILLMENT OF COVENANTS. Each of the Selling Parties shall fulfill its or his covenants, obligations and agreements as set forth in this Agreement insofar as they are required to be fulfilled before the Closing.

6.2 SELLING PARTIES' REPRESENTATIONS. The representations of the Selling Parties contained in this Agreement shall be true and correct in all material respects on the date when made and on the date of the Closing to the same extent as if made at the Closing.

6.3 AUTHORIZATIONS; CONSENTS; LEGAL PROHIBITION.

(a) The Selling Parties shall have obtained all governmental or other authorizations, approvals, consents and waivers and shall have made all filings, the lack of any of which before the Closing, under any applicable law, rule or regulation (i) would render legally impermissible the sale of the Assets by the Selling Parties pursuant to the terms of this Agreement or (ii) would have a material adverse effect on the Assets or Piper's Business.

(b) The Purchasing Parties shall have obtained all governmental or other authorizations, approvals, consents and waivers and shall have made all filings, the lack of any of which before the Closing, under any applicable law, rule or regulation (i) would render legally impermissible the purchase of the Assets by Quanex Subsidiary pursuant to the terms of this Agreement or (ii) would have a material adverse effect on the Assets or Piper's Business.

(c) On the date of the Closing, there shall not exist any pending injunction or other order of a court of competent jurisdiction that would make unlawful the consummation of the transactions described in this Agreement.

6.4 SELLING PARTIES' CONSENTS. All consents, waivers, approvals and authorizations (including without limitation a unanimous written consent of Piper's shareholders approving the transactions described in this Agreement) required to be obtained by the Selling Parties for the consummation of the transactions described in this Agreement shall have been obtained by the Selling Parties and copies thereof shall have been provided to the Purchasing Parties.

6.5 PURCHASING PARTIES' CONSENTS. All consents, waivers, approvals and authorizations required to be obtained by the Purchasing Parties for the consummation of the transactions described in this Agreement shall have been obtained by the Purchasing Parties.

6.6 TITLE COMMITMENTS AND SURVEYS. The Purchasing Parties shall have obtained title insurance commitments and title policies for each parcel of Real Property from an insurance company satisfactory to the Purchasing Parties ("Title Commitments") and surveys of each parcel of Real Property (showing boundary lines, location of improvements, encroachments, easements, rights-of-way and other exceptions as set forth in the Title Commitments) from a surveyor satisfactory to the Purchasing Parties (the "Surveys"), and the Title Commitments and Surveys shall be

reasonably satisfactory to the Purchasing Parties, regardless of any disclosure regarding the Real Properties or the ownership thereof made in a schedule to this Agreement; provided, however, that the Purchasing Parties shall be deemed to have accepted the matters described in SCHEDULE 2.2(a) to this Agreement.

6.7 AGRICULTURAL LEASE. The tenant under the Adjacent Parcel Lease shall have executed and delivered to Quanex Sub the Agricultural Lease in substantially the form attached to this Agreement as EXHIBIT M.

6.8 MISSISSIPPI LEASE. All amounts payable by Piper to the Lessor under the Mississippi Lease, including without limitation all rentals due before the Closing Time, shall have been paid.

6.9 DOCUMENTS DESCRIBED IN ARTICLE 2. The Purchasing Parties shall have received the documents of transfer described in Article 2 of this Agreement; any documentation related to unassignable contracts, the certificates, the legal opinion of Burch, Porter & Johnson PLLC, the schedules described in subsection 2.2(h) of this Agreement and all other documents described in Article 2 of this Agreement that are to be delivered to the Purchasing Parties; and all such documents relating to the Real Properties that are required to be filed or recorded shall have been filed or recorded. The content of the schedules delivered pursuant to subsection 2.2(h) of this Agreement shall be reasonably satisfactory to the Purchasing Parties.

7. CONDITIONS PRECEDENT TO THE SELLING PARTIES' OBLIGATIONS TO CLOSE. The obligation of the Selling Parties to close shall, at the option of the Selling Parties, be subject to the following conditions:

7.1 PURCHASING PARTIES' FULFILLMENT OF COVENANTS. Each of the Purchasing Parties shall fulfill its covenants, obligations and agreements as set forth in this Agreement insofar as they are required to be fulfilled before the Closing.

7.2 PURCHASING PARTIES' REPRESENTATIONS. The representations of the Purchasing Parties contained in this Agreement shall be true and correct in all material respects on the date when made and on the date of the Closing to the same extent as if made on the date of the Closing.

7.3 AUTHORIZATIONS; CONSENTS; LEGAL PROHIBITION.

(a) The Selling Parties shall have obtained all governmental or other authorizations, approvals, consents and waivers and shall have made all filings, the lack of any of which before the Closing, under any applicable law, rule or regulation (i) would render legally impermissible the sale of the Assets by the Selling Parties pursuant to the terms of this Agreement or (ii) would have a material adverse effect on the Assets or Piper's Business.

(b) The Purchasing Parties shall have obtained all governmental or other authorizations, approvals, consents and waivers and shall have made all filings, the lack of any of which before the Closing, under any applicable law, rule or regulation

(i) would render legally impermissible the purchase of the Assets by Quanex Subsidiary pursuant to the terms of this Agreement or (ii) would have a material adverse effect on the Assets or Piper's Business.

(c) On the date of the Closing, there shall not exist any pending injunction or other order of a court of competent jurisdiction that would make unlawful the consummation of the transactions contemplated by this Agreement.

7.4 PURCHASING PARTIES' CONSENTS. All consents, waivers, approvals and authorizations required to be obtained by the Purchasing Parties for the consummation of the transactions described in this Agreement shall have been obtained by the Purchasing Parties and copies thereof shall have been provided to the Selling Parties.

7.5 SELLING PARTIES' CONSENTS. All consents, waivers, approvals and authorizations required to be obtained by the Selling Parties for the consummation of the transactions described in this Agreement shall have been obtained by the Selling Parties (including without limitation approval by Piper's board of directors, approval by Piper's shareholders and the approval by current holders of those 12 promissory notes executed and delivered by Piper on or about March 31, 1996, and identified on SCHEDULE 3.11 to this Agreement).

7.6 DOCUMENTS DESCRIBED IN ARTICLE 2. The Selling Parties shall have received payment of the Cash Purchase Price, the Assumption Agreement, the Contingency Promissory Note, the Purchase Price Promissory Note, the opinion of Fulbright & Jaworski L.L.P., the certificates and all other documents described in Article 2 of this Agreement that are to be delivered to the Selling Parties.

8. TERMINATION.

8.1 MANNER OF TERMINATION. Subject to the provisions of Section 8.2, this Agreement may, by written notice given at or prior to the Closing in the manner provided, be terminated and abandoned:

(a) BY QUANEX FOR DEFAULT. By Quanex if a material default or breach shall be made by any Selling Party with respect to the due and timely performance of any of its or his covenants and agreements contained in this Agreement, or with respect to the continuing accuracy of any of its or his representations and warranties contained in this Agreement and such default, breach or continuing accuracy cannot be cured in a timely fashion and has not been waived;

(b) BY PIPER FOR DEFAULT. By Piper if a material default or breach shall be made by any Purchasing Party with respect to the due and timely performance of any of the covenants and agreements of the Purchasing Parties contained in this Agreement, or with respect to the continuing accuracy of any representations and warranties of the Purchasing Parties contained in this Agreement, and such default, breach or continuing accuracy cannot be cured in a timely fashion and has not been waived;

(c) BY MUTUAL CONSENT. By mutual consent of Piper and Quanex;

or

(d) BY EITHER PARTY AFTER DEADLINE. By either Quanex or Piper if the Closing is not completed before the close of business on September 30, 1996.

8.2 EFFECT OF TERMINATION. If this Agreement is terminated pursuant to Section 8.1, all further obligations of the parties hereunder shall terminate, except that the obligations set forth in Sections 5.8 and 5.11 shall survive; provided, however, that if this Agreement is so terminated by one party pursuant to subsection 8.1(a) or subsection 8.1(b) above any aggrieved party's right to pursue all legal remedies for breach of contract or otherwise, including without limitation damages relating thereto, shall also survive such termination unimpaired.

9. INDEMNIFICATION AND REMEDIES.

9.1 INDEMNIFICATION BY THE SELLING PARTIES OF THE PURCHASING PARTIES. Each Selling Party shall jointly and severally defend, indemnify and hold harmless each of the Purchasing Parties and any of their officers, directors, employees, agents or affiliates against any claim, loss, cost, damage or expense ("Loss") that any such person may suffer or incur, including court costs and attorneys' fees, arising out of or in connection with:

(a) BREACHES. Any breach of the representations, warranties, covenants and agreements contained in this Agreement or in any document signed by a Selling Party referred to in Article 2 of this Agreement;

(b) CERTAIN CLAIMS BEFORE EFFECTIVE TIME. Any claim with regard to the conduct of Piper's Business or the ownership of Piper's assets based on events occurring before the Effective Time, except to the extent expressly assumed by Quanex and Quanex Subsidiary and except with respect to any claims regarding the conduct of Piper's Business or the ownership of Piper's assets relating to Environmental Laws or Hazardous Materials, which is provided for in subsection 9.1(j) below;

(c) BULK SALES LAWS. Any failure of the parties to comply with any applicable bulk sales or similar law in connection with the transactions contemplated by this Agreement;

(d) NON-ASSUMED LIABILITIES. Any debts, liabilities, obligations or expenses of the Selling Parties not expressly assumed by the Purchasing Parties pursuant to this Agreement;

(e) WARN. Any violation of the Worker Adjustment and Retraining Notification Act, 29 U.S.C. Sections 2201 et seq. ("WARN") based upon the termination of any of Piper's employees that may occur before the Closing Time;

(f) FORM 5500 FILINGS. The failure to timely file an appropriate Form 5500 pursuant to ERISA for any year ended before the Closing Time;

(g) COMPLIANCE WITH LEASES. Any non-compliance with the provisions of the Mississippi Lease, the Parking Lot Lease or the Adjacent Parcel Lease before the Closing Time by any party thereto other than Piper;

(h) ARMS EXPORT CONTROL ACT. Any non-compliance by Piper with the Arms Export Control Act, 22 U.S.C. Sections 2778 et seq., as amended, and regulations promulgated thereunder;

(i) CERTAIN UNDISCLOSED LIABILITIES. The nondisclosure in Piper's financial statements described in Section 3.7 of this Agreement, or in this Agreement or its Schedules, of any liabilities or obligations of any nature, whether absolute, accrued, contingent or otherwise, and whether due or to become due (including without limitation any liabilities for taxes and interests, penalties and other charges payable with respect to any liability or obligation) relating to Piper's Business and which are of the type to be assumed by Quanex Subsidiary pursuant to this Agreement; and

(j) CERTAIN ENVIRONMENTAL CLAIMS. Any environmental condition created, or action taken, with respect to the conduct of Piper's business, or the ownership of any of Piper's assets, before the Closing Time, except with respect to the obligations that Quanex Subsidiary has agreed to assume pursuant to Section 1.4(n) of this Agreement concerning the Specified Contamination Problems and the Specified Compliance Problems.

Without in any respect limiting the generality of subsection 9.1(j) of this Agreement, the obligations of the Selling Parties pursuant to subsection 9.1(j) of this Agreement shall include all Losses arising out of or in connection with any of the following: (i) any claims with respect to any act or omission by Piper or any of its shareholders or by any predecessor of Piper for whom Piper is claimed to be responsible as a successor (the "Predecessors") before the Closing Time with respect to any Hazardous Material, including without limitation the release, disposal, use,

management or handling of any Hazardous Material; (ii) any alleged violation by Piper or its shareholders or by any Predecessors of any requirement arising out of any Environmental Law, including without limitation any governmental claims seeking to impose fines or penalties; (iii) the absence of any permit required by any Environmental Law for the conduct of Piper's Business, or the non-compliance with any permit held by Piper, at any time up to the Closing Time; (iv) the presence or alleged presence of any Hazardous Material at any of Piper's facilities at or prior to the Closing Time, including without limitation tetrachloroethene (including impurities and degradation products of tetrachloroethene, as well as dichlorobenzene) and the heavy metals; (v) underground storage tanks at any of Piper's facilities, without regard for when any such tanks were used or by whom; (vi) the disposal or arrangement for disposal by Piper or any of its shareholders or any Predecessors of any Hazardous Material at any location before the Closing Time; (vii) claims by any person, including without limitation Masterbilt, Inc. and Ertel Manufacturing, Inc. and their respective employees, alleging property damage or personal injury related to any Hazardous Material initially released by Piper or any of its shareholders or any Predecessors before the Closing Time, without regard to whether exposure or damage is alleged to have occurred or continued after the Closing Time; (viii) any cooperation requested by Piper for its efforts to recover from third parties costs related to the Specified Contamination Problems or the Specified Compliance Problems, including without limitation any Losses arising out of any counterclaims asserted against Purchasing Parties by third parties, the costs of counsel selected with the concurrence of the Purchasing Parties to defend against any such counterclaims and the costs of any measures taken by Quanex or Quanex Subsidiary related to Piper's efforts to demonstrate consistency with the National Contingency Plan; (ix) any breach by a Selling Party of any representation or warranty set forth in this Agreement concerning environmental matters; and (x) the expiration of NPDES wastewater permit number MS0000931 applicable to the Original Facility Plant.

The obligations of the Selling Parties under subsection 9.1(j) of this Agreement shall not be limited in any respect by (w) the knowledge or lack of knowledge of any Selling Party or Purchasing Party with respect to any environmental condition created, or action taken, before the Closing Time or (x) the identity of the person or party responsible for causing any environmental condition created, or action taken, before the Closing Time. It is acknowledged and agreed that the Selling Parties shall be responsible for any and all fines, penalties and third party claims for personal injury and property damage related to or arising out of the Specified Contamination Problems and the Specified Compliance Problems, and that such responsibility of the Selling Parties shall not be limited by (y) the continued existence of such conditions after the Closing Time (during which period the Purchasing Parties may be conducting investigation and remediation or corrective action) or (z) the reasonable exercise by the Purchasing Parties of discretion in deciding whether and how to report conditions to any regulatory authorities. Notwithstanding any provision of this Agreement to the contrary, the Selling Parties shall have no responsibility hereunder for the portion of any governmental fines or penalties incurred by the Purchasing Parties to the extent that such portion of fines or penalties (i) is attributable to the continuation of more than one year after the Closing Time of any noncompliance with Environmental Laws related to the wastewater treatment system at the Original Facility Plant, (ii) is

attributable to the continuation after December 31, 1996, of noncompliance constituting any other Specified Compliance Problems or (iii) is attributable to the continuation after December 31, 1996, of use of tetrachloroethene at the Original Facility Plant; it being understood that nothing in the preceding part of this sentence shall relieve the Selling Parties of responsibility for any portion of fines or penalties attributable to noncompliance before such cut-off dates. The Purchasing Parties shall have the right to control any and all response actions to be taken on the Real Property or at the Facilities after the Closing Time; provided, however, that Sammons and Robbins shall have primary responsibility for the supervision and control of terminating the use of tetrachloroethene in Piper's Business before December 31, 1996.

9.2 INDEMNIFICATION BY THE PURCHASING PARTIES OF THE SELLING PARTIES. Each Purchasing Party shall jointly and severally defend, indemnify and hold harmless each of the Selling Parties and Piper's officers, directors, employees, agents or affiliates against any Loss that any such person may suffer or incur, including court costs and attorneys' fees, arising out of or in connection with:

(a) BREACHES. Any breach of the representations, warranties, covenants and agreements contained in this Agreement or in any document signed by a Purchasing Party referred to in Article 2 of this Agreement;

(b) CERTAIN CLAIMS AFTER EFFECTIVE TIME. Any claim with regard to the conduct of Piper's Business or the ownership of Piper's assets based on events occurring after the Effective Time, except with respect to any claim regarding the conduct of Piper's Business or the ownership of the Assets relating to Environmental Laws or Hazardous Materials, which is provided for in subsection 9.2(e) below;

(c) ASSUMED LIABILITIES. The Assumed Liabilities;

(d) WARN. Any violation of WARN based on the termination of employment of persons who are employees of Piper as of the Closing Time; and

(e) CERTAIN ENVIRONMENTAL CLAIMS. Any claim with regard to the conduct of Piper's Business or the ownership of the Assets relating to Environmental Laws or Hazardous Materials based on conditions created or events occurring, after the Closing Time; it is acknowledged and agreed that Quanex and Quanex Subsidiary shall have no responsibility pursuant to this subsection 9.2(e) with respect to the continuation after the Closing Time of any conditions created, or events occurring, prior to the Closing Time, unless and to the extent that Quanex or Quanex Subsidiary are grossly negligent or engage in willful misconduct and thereby exacerbate such conditions or events, and in such

event the responsibility of Quanex or Quanex Subsidiary shall be limited to the extent of such exacerbation.

9.3 THIRD PARTY CLAIMS. If any claim covered by this Article 9 is made by any third party, the party receiving such claim (the "Indemnified Party") shall promptly notify the party to indemnify the Indemnified Party (the "Indemnifying Party") and the Indemnifying Party shall have an opportunity to defend or settle any such claim, with counsel reasonably acceptable to the Indemnified Party. If the Indemnifying Party assumes the defense of an Indemnified Party's claim and, under applicable standards of professional conduct, a conflict of interest exists on any significant issue between the positions of the Indemnified Party and the Indemnifying Party, such that counsel chosen by the Indemnifying Party is ethically prohibited from representing both the Indemnified Party and the Indemnifying Party, then the Indemnified Party may retain counsel reasonably satisfactory to the Indemnifying Party to represent the Indemnified Party with respect to the issue as to which there is a conflict, and the Indemnifying Party shall pay all fees and expenses of that counsel. If the Indemnifying Party fails to promptly assume the defense of a claim covered by this Article 9 after notice or to thereafter diligently defend against the claim or if any such claim is determined valid by a court having proper jurisdiction, the Indemnified Party shall have the right to pay or settle such claim and demand immediate payment from the Indemnifying Party. All amounts paid under this Section 9.3 are payable on demand or, in the case of a third party claim, upon settlement or final judgment. The Indemnified Party shall also be entitled to recover any costs or expenses, including reasonable attorneys' fees, incurred in enforcing the rights to indemnity hereby granted.

9.4 SURVIVAL OF REPRESENTATIONS, WARRANTIES AND AGREEMENTS. The representations, warranties and agreements set forth in this Agreement shall survive the Closing Time for a period of three years, except as follows: (a) the agreement by the Selling Parties to indemnify the Purchasing Parties for the matters described in subsection 9.1(j) of this Agreement, which shall survive the Closing Time for eight years; (b) the agreement by the Purchasing Parties to indemnify the Selling Parties for those Assumed Liabilities described in subsection 1.4(n) of this Agreement and the agreements by the Purchasing Parties to indemnify the Selling Parties and by the Selling Parties to indemnify the Purchasing Parties for breaches of the agreements contained in Sections 5.14 and 5.15 of this Agreement, which shall survive the Closing Time for an indefinite time; (c) the agreements contained in Section 5.5 of this Agreement, which shall survive the Closing Time for five years; and (d) the agreements contained in Sections 5.2 and 5.4 of this Agreement, which shall survive the Closing Time for an indefinite time.

9.5 LIMITATION ON INDEMNIFICATIONS. The total indemnification to be paid by the Selling Parties under Section 9.1 of this Agreement shall not exceed $90,000,000. The total indemnification to be paid by the Purchasing Parties under Section 9.2 of this Agreement shall not exceed $90,000,000. The Selling Parties shall not be required to indemnify the Purchasing Parties pursuant to Section 9.1 of this Agreement unless and only to the extent that the aggregate amount of all claims against the Selling Parties for indemnification exceed $100,000. The Purchasing

Parties shall not be required to indemnify the Selling Parties pursuant to Section 9.2 of this Agreement unless and only to the extent that the aggregate amount of all claims against the Purchasing Parties for indemnification exceed $100,000.

10. GENERAL PROVISIONS.

10.1 AMENDMENTS. This Agreement may be amended only by a written agreement signed by Quanex and each Selling Party.

10.2 NOTICES. All notices, requests, demands and other communications made in connection with this Agreement shall be in writing and shall be deemed to have been duly given on the date delivered, if delivered personally or sent by facsimile to the persons identified below, or three days after mailing in the United States mail if mailed by certified or registered mail, postage prepaid, return receipt requested, addressed as follows:

(a) if to Piper, Sammons or Robbins, to such person at the following address:

B. F. Sammons
2512 Thomas Place
Fort Worth, Texas 76107

and to

Marshall W. Robbins
Piper Impact, Inc.
P. O. Box 726
New Albany, Mississippi 38652
Fax No. (601) 538-6466

with a copy to:

Burch, Porter & Johnson
50 North Front Street, Suite 800
Memphis, Tennessee 38103
Attention: Mr. John A. Stemmler
Fax No. (901) 527-5026

(b) if to Quanex:

Quanex Corporation
1900 West Loop South, Suite 1500
Houston, Texas 77027
Attention: Mr. Wayne M. Rose
Fax No. (713) 877-5333

with a copy to:

Fulbright & Jaworski L.L.P.
1301 McKinney, Suite 5100
Houston, Texas 77010-3095
Attention: Ms. Harva R. Dockery
Fax No. (713) 651-5246

The addresses and numbers may be changed by means of a notice given in the manner provided in this Section 10.2.

10.3 WAIVER. Waiver of any term or condition of this Agreement by any party shall only be effective if in writing and shall not be construed as a waiver of any subsequent breach or failure of the same term or condition, or a waiver of any other term or condition of this Agreement.

10.4 HEADINGS. The headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

10.5 SEVERABILITY. If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced by any rule of law or public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner adverse to any party. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in an acceptable manner to the end that transactions contemplated hereby are fulfilled to the extent possible.

10.6 ENTIRE AGREEMENT; SCHEDULES. This Agreement, the Confidentiality Agreement described in Section 5.3 of this Agreement, the Exhibits attached to this Agreement and the Schedules identified in and delivered pursuant to this Agreement constitute the entire agreement and supersede all other prior agreements and undertakings, both written and oral, among the parties, or any of them, with respect to the subject matter hereof. The Schedules identified in this Agreement have been delivered to the Purchasing Parties and the Selling Parties separate from this Agreement; such Schedules, however, shall constitute a part of this Agreement and are incorporated by reference into this Agreement.

10.7 GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED AS TO ALL MATTERS BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF TEXAS, EXCLUDING ANY OTHER LAWS THAT MIGHT APPLY PURSUANT TO ITS CONFLICT OF LAWS RULES. THIS AGREEMENT IS PERFORMABLE IN HOUSTON, HARRIS COUNTY, TEXAS. EXCLUSIVE VENUE FOR ANY DISPUTE ARISING WITH RESPECT TO THIS AGREEMENT SHALL BE SAN ANTONIO, TEXAS. THE SELLING PARTIES ACCEPT THE EXCLUSIVE JURISDICTION OF ANY COURT OF COMPETENT JURISDICTION IN

SAN ANTONIO, TEXAS, AND IRREVOCABLY WAIVE, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY OBJECTION THAT THEY MAY HAVE OR HEREAFTER HAVE TO THE LAYING OF THE VENUE OF ANY SUIT, ACTION OR PROCEEDING RELATING TO THE TERMS OF THIS AGREEMENT BROUGHT IN A COURT OF COMPETENT JURISDICTION IN SAN ANTONIO, TEXAS, AND WAIVE ANY CLAIM THAT ANY SUCH SUIT, ACTION OR PROCEEDING HAS BEEN BROUGHT IN AN INCONVENIENT FORUM.

10.8 COUNTERPARTS. This Agreement and all agreements executed and delivered pursuant to this Agreement may be executed in one or more counterparts, and by the different parties hereto in separate counterparts, each of which when executed shall be deemed to be an original but all of which shall constitute one and the same agreement.

10.9 NO THIRD-PARTY BENEFICIARIES. This Agreement does not create, and shall not be construed as creating, any rights enforceable by any person who is not a party to this Agreement.

10.10 WAIVER OF JURY TRIAL. TO THE EXTENT PERMITTED BY APPLICABLE LAW, EACH PARTY TO THIS AGREEMENT IRREVOCABLY WAIVES THE RIGHT TO TRIAL BY JURY WITH RESPECT TO ANY AND ALL ACTIONS OR PROCEEDINGS IN WHICH ANY SELLING PARTY OR PURCHASING PARTY IS A PARTY, WHETHER OR NOT SUCH ACTIONS OR PROCEEDINGS ARISE OUT OF THIS AGREEMENT OR ANY OTHER AGREEMENT EXECUTED IN CONJUNCTION WITH THIS AGREEMENT OR ANY OF THE ASSUMED LIABILITIES. THE WAIVERS CONTAINED IN THIS SECTION 10.10 HAVE BEEN VOLUNTARILY GIVEN, WITH FULL KNOWLEDGE OF THE CONSEQUENCES THEREOF.

IN WITNESS WHEREOF, Piper, Sammons, Robbins and Quanex have caused this Agreement to be executed on the day and year first above written acknowledging that this Agreement shall be effective at the Effective Time.

QUANEX CORPORATION

By_____
Wayne M. Rose
Vice President and Chief Financial Officer

PIPER IMPACT, INC.
(formerly named "Quanex Aluminum, Inc."), a Delaware corporation

By_____
Wayne M. Rose
Vice President and Chief Financial Officer

PIPER IMPACT, INC.,
a Tennessee corporation

By_____
B. F. Sammons
President

_____
B. F. SAMMONS

_____
MARSHALL W. ROBBINS

(Schedules that are incorporated by reference into the Asset Purchase Agreement have been omitted; a copy of the schedules will be provided to the Commission's Staff upon request.)

Exhibit A
to Asset Purchase Agreement

TECHNOLOGY TRANSFER AGREEMENT

, 1996
- ------------------

Mr. B. F. Sammons
Piper Impact, Inc.
6280 Silver Creek
Park City, Utah 84068-1990

Dear Mr. Sammons:

On this date, Piper Impact, Inc. (formerly Quanex Aluminum, Inc.), a Delaware corporation (the "Company"), has acquired or is acquiring the business and substantially all of the assets (collectively, the "Business") of Piper Impact, Inc., a Tennessee corporation ("Piper"), pursuant to an Asset Purchase Agreement dated July __, 1996 with Piper, Quanex Corporation, a Delaware corporation ("Quanex"), and you and Marshall W. Robbins. You and we recognize that the value of Piper has been created largely by your knowledge and contacts. The future growth and success of the Business, which is an element of the matters considered when determining the purchase price for the Business, depends on the transfer of Piper's technology to Quanex, including your unique knowledge, innovation and personal contacts.

In view of the foregoing, you agree to assist in and provide information to accomplish the transfer of technology to the Company or Quanex. It is expected that the transfer of technology should be completed in (12) twelve months from the date of this Agreement. During this time you will fully transfer your technical and other knowledge regarding the Business and assist in a transition with the contacts that you have developed. This will not require you to serve in a long-term administrative role. However, you agree to be available on a mutually agreeable basis to provide information for up to (5) five years as needed.

The term of your assistance (the "Term"), which will not exceed five years and would terminate earlier upon your death or permanent disability, will be determined by a committee (the "Committee") comprised of three members: you, Quanex's Chief Executive Officer (CEO) and Quanex's Chief Operating Officer (COO). During the Term, you will work closely with Quanex's CEO and COO to hire, train, develop and introduce other employees who can continue to provide your level of capabilities after the end of the Term.

The Committee will meet at least every six months to review the progress of the transfer of your knowledge regarding the Business, to take into account your personal level of interest in continuing your Term and to determine the nature of your continued assistance for the ensuing six-month period. All decisions of the Committee will be determined by a majority vote of the members of the Committee. It is expected that

your role will evolve from that of a full time CEO of the Business for the first few months of the Term to a lesser level of involvement over time dealing more directly with the transfer of technology and support of new product development and growth strategy.

In addition to the consideration set forth in the Asset Purchase Agreement, as additional compensation for your assistance during the Term, the Committee may from time to time grant you a title, salary and bonus, taking into account the amount of time spent on technology transfer and transition and the amount of additional time spent helping to ensure the continued success of the Business through supplying managerial assistance, new contacts or new innovations. Such compensation will take into account your experience level and comparable pay for comparable positions.

If this accurately sets forth our agreement, please so indicate by signing below.

Very truly yours,

PIPER IMPACT, INC.
(formerly Quanex Aluminum, Inc.)

By

[name, title]

AGREED AND ACCEPTED, this _____ day of _____, 1996.

- ---
B.F. Sammons

Exhibit B
to Asset Purchase Agreement

PROMISSORY NOTE

Houston, Texas

August ___, 1996

Quanex Corporation, a Delaware corporation ("Quanex"), and its wholly owned subsidiary, Piper Impact, Inc. (formerly named "Quanex Aluminum, Inc."), a Delaware corporation ("Quanex Subsidiary"), jointly and severally promise to pay to Piper Impact, Inc., a Tennessee corporation ("Payee"), at its principal offices at _____, in lawful money of the United States of America, a principal amount equal to the sum of One Hundred Twenty Million, One Hundred Twenty-Five Thousand and no/100s Dollars ($120,125,000) and the Adjustment Amount described below, together with interest on the principal balance of such sum from time to time remaining unpaid from the date of this Note until maturity at the rate of six and 68.75/100s percent (6.6875%) per annum.

This Note is that certain note given as part of the consideration paid or payable to Payee in connection with Quanex Subsidiary's acquisition of substantially all of the assets, and its assumption of certain liabilities, of Payee pursuant to that certain Asset Purchase Agreement dated July 31, 1996, and effective March 29, 1996, among Quanex, Quanex Subsidiary, Payee, B. F. Sammons and Marshall W. Robbins (as it may be amended from time to time, the "Asset Purchase Agreement"), being referred to therein as the "Purchase Price Promissory Note".

Terms used in this Note that are defined in the Asset Purchase Agreement shall have the same meanings in this Note as they have in the Asset Purchase Agreement. In addition, for purposes of this Note the term "Makers" shall mean Quanex and Quanex Subsidiary.

The principal on this Note shall be payable in three installments, the first installment of principal being in the amount of $117,125,000 and being due and payable on September ___, 1996, the second installment of principal being the Adjustment Amount (as determined pursuant to the provisions of the Asset Purchase Agreement) and being due and payable on December 15, 1996, and the third and last installment of principal being in the amount of $3,000,000 and being due and payable on January 15, 1997. In addition to such installments of principal, interest on the unpaid principal amount of this Note shall be payable in installments as it accrues on the same dates as installments of unpaid principal are due and payable. Upon failure by Makers to pay any installment of principal or interest on this Note as provided by the terms of this Note, a default shall be deemed to have occurred under this Note, and the entire unpaid principal balance owed on this Note, together with all interest then accrued, shall, at the option of Payee, at once become due and payable. Upon such a default, makers agree to pay interest at a rate equal to the lesser of (i) _____ percent (__%) per annum or (ii) the Maximum Rate (as defined below), on all past due principal and interest on this Note from the maturity thereof until paid. No installment of principal or interest on this Note may be paid before its due date without the written consent of Payee.

Notwithstanding anything to the contrary contained in this Note, no provision of this Note shall require the payment or permit the collection of interest in excess of the maximum rate of interest permitted by applicable law (the "Maximum Rate"). If any excessive interest in that respect shall be adjudicated to be provided in this Note or otherwise in connection with the transactions contemplated by this Note, the provisions of this paragraph shall govern and prevail, and neither Makers nor any successors of Makers shall be obligated to pay the excess amount of the interest, or any other excess sum paid for the use, forbearance or detention of sums pursuant to this Note. If for any reason interest in excess of the Maximum Rate shall be deemed by any court of competent jurisdiction to be charged, paid, received, contracted for, taken, reserved or otherwise required or permitted, the excess shall be applied as an additional payment and reduction of the principal amount of this Note; and, if the amount of this Note has been paid in full, any remaining excess shall forthwith be paid to Makers.

The rights and remedies provided for in this Note and any other documents executed in connection with this Note are cumulative and not exclusive of any rights and remedies provided by law.

This Note is not transferrable, assignable or negotiable by Payee or Makers; provided, however, that this Note may be transferred or assigned, in whole or in part, to Sammons, Robbins, or any other person who is a shareholder of record of Payee on the date of this Note (or their heirs or beneficiaries by operation of law), or any one or more of them, and upon any such transfer or assignment, the transferees or assignees shall also have and may exercise all of the rights of Payee under this Note.

Makers waive demand, presentment for payment, notice of non-payment, protest, notice of protest, notice of demand and all other notice, filing of suit and diligence in collecting this Note; agree to the release by Payee of any party primarily or secondarily liable with respect to this Note; agree that it will not be necessary to enforce payment of this Note for Payee to first institute suit or exhaust its remedies against Makers; and consent to any extensions or postponements of time of payment of this Note or any other indulgences with respect to this Note, without notice to either of them.

No failure to accelerate the indebtedness evidenced by this Note by reason of default under this Note, acceptance of a past-due installment or other indulgences granted from time to time shall be construed to be a novation of this Note or a waiver of any right of acceleration or of the right of Payee to insist on strict compliance with the terms of this Note or construed to prevent the exercise of such right of acceleration or any other right granted under the terms of this Note or by applicable laws. No extension of the time for payment of the indebtedness evidenced by this Note or any installment due under this Note made by agreement with any person now or hereafter liable for payment of the indebtedness evidenced by this Note shall operate to release, discharge, modify, change or affect the original liability of Makers under this Note or that of any other person now or hereafter liable for payment of the indebtedness evidenced by this Note, either in whole or in part, unless Payee agrees otherwise in writing. This Note may not be changed orally, but only by an agreement in writing signed by the party against whom enforcement of any waiver, change, modification or discharge is sought.

No failure on the part of Payee to exercise and no delay in exercising, and no course of dealing with respect to, any right, power or privilege under this Note shall operate as a waiver of this Note, nor shall any single or partial exercise of any right, power or privilege under this Note preclude any other or further exercise thereof or the exercise of any other right, power or privilege.

Any provision of this Note held by a court of competent jurisdiction to be invalid or unenforceable shall not impair or invalidate the remainder of this Note and the effect of the holding shall be confined to the provision held to be invalid or illegal.

If, after the occurrence of a default under this Note, Payee expends any effort in an attempt to enforce payment of any amount due and payable under this Note, if this Note is placed in the hands of an attorney for collection or if this Note is collected through any legal proceedings, Makers shall pay all reasonable collection costs, expenses and fees incurred by Payee, including without limitation reasonable attorneys' fees.

Any notice, consent or other communication to be given to Makers in connection with this Note shall be deemed properly given if delivered in person or mailed by registered or certified mail, return receipt requested, postage prepaid, to Makers at 1900 West Loop South, Suite 1500, Houston, Texas 77027, Attention: Mr. Wayne M. Rose. Any notice or other communication to be given to Piper in connection with this Note must be in writing and delivered in person or mailed by registered or certified mail, return receipt requested, postage prepaid, to Piper at 6280 Silver Creek, Park City, Utah, 84068, Attention: Mr. B. F. Sammons. A party may change its address by setting forth the change in a notice given in compliance with this paragraph. All payments made pursuant to this Note shall be deemed to be made in accordance with the terms of this Note if paid at the address set forth in the first paragraph of this Note, unless the holder of this Note has changed the place for payment in a notice to Makers given in compliance with this paragraph.

THIS NOTE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS (EXCLUDING ANY OTHER LAWS THAT MIGHT APPLY PURSUANT TO ITS CONFLICT OF LAWS RULES) AND ANY APPLICABLE LAWS OF THE UNITED STATES OF AMERICA. THIS NOTE IS PERFORMABLE IN HARRIS COUNTY, TEXAS. EXCLUSIVE VENUE FOR ANY DISPUTE ARISING WITH RESPECT TO THIS NOTE SHALL BE SAN ANTONIO, TEXAS. PAYEE AND MAKERS ACCEPT THE EXCLUSIVE JURISDICTION OF ANY COURT OF COMPETENT JURISDICTION IN SAN ANTONIO, TEXAS, AND IRREVOCABLY WAIVE, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY OBJECTION THAT THEY MAY HAVE OR HEREAFTER HAVE TO THE LAYING OF THE VENUE OF ANY SUIT, ACTION OR PROCEEDING RELATING TO THE TERMS OF THIS NOTE BROUGHT IN A COURT OF COMPETENT JURISDICTION IN SAN ANTONIO, TEXAS, AND WAIVE ANY CLAIM THAT ANY SUCH SUIT, ACTION OR PROCEEDING HAS BEEN BROUGHT IN AN INCONVENIENT FORUM. TO THE EXTENT PERMITTED BY APPLICABLE LAW, EACH OF MAKERS AND PAYEE IRREVOCABLY WAIVES THE RIGHT TO TRIAL BY JURY WITH RESPECT TO ANY AND ALL ACTIONS OR PROCEEDINGS IN WHICH ANY SUCH PARTY IS A PARTY, WHETHER OR NOT SUCH ACTIONS OR PROCEEDINGS ARISE OUT OF THIS NOTE OR ANY OTHER AGREEMENT EXECUTED IN CONJUNCTION WITH THE ASSET PURCHASE

AGREEMENT. THE WAIVERS CONTAINED IN THIS PARAGRAPH HAVE BEEN VOLUNTARILY GIVEN, WITH FULL KNOWLEDGE OF THE CONSEQUENCES THEREOF.

PIPER IMPACT, INC. (formerly "Quanex Aluminum, Inc."), a Delaware corporation

By

Wayne M. Rose
Vice President and
Chief Financial Officer

QUANEX CORPORATION

By

Wayne M. Rose
Vice President and
Chief Financial Officer

ACCEPTED AND AGREED:

PIPER IMPACT, INC.,
a Tennessee corporation

By

B. F. Sammons
President

B. F. SAMMONS

MARSHALL W. ROBBINS

Exhibit C
to Asset Purchase Agreement

PROMISSORY NOTE

$10,000,000 August ___, 1996

Quanex Corporation, a Delaware corporation ("Quanex"), and its wholly owned subsidiary, Piper Impact, Inc. (formerly named "Quanex Aluminum, Inc."), a Delaware corporation ("Quanex Subsidiary"), promise, jointly and severally, to pay Piper Impact, Inc., a Tennessee corporation ("Payee"), in lawful money of the United States of America, and as provided below, the amount of Ten Million Dollars ($10,000,000), as such amount may be adjusted pursuant to the terms of this Note, on or before August ___, 2004 [8th anniversary of closing date] (the "Payment Date").

This Note is that certain note given as part of the consideration paid or payable to Payee in connection with Quanex Subsidiary's acquisition of substantially all of the assets, and its assumption of certain liabilities, of Payee pursuant to that certain Asset Purchase Agreement dated July 31, 1996, and effective March 29, 1996, among Quanex, Quanex Subsidiary, Payee, B. F. Sammons and Marshall W. Robbins (as it may be amended from time to time, the "Asset Purchase Agreement"), being referred to therein as the "Contingency Promissory Note", and is given in consideration of Quanex Subsidiary's assumption of certain specified obligations, subject to certain specified deductions and offsets.

Terms used in this Note that are defined in the Asset Purchase Agreement shall have the same meanings in this Note as they have in the Asset Purchase Agreement. In addition, the following terms used in this Note shall have the meanings set forth below:

The "Expenditures" shall mean the sum of (1) all costs and fees (including without limitation attorneys' fees) incurred by Makers to remediate the tetrachloroethene contamination (including impurities and degradation products of tetrachloroethene, as well as toluene, chlorobenzene and dichlorobenzene) in soil (but not including groundwater) at or migrating from the Original Facility Plant (including as required any construction of slurry walls, any measures to contain contaminated soil, any soil excavation and treatment/disposal, any septic tank cleanout, any relocation of manufacturing equipment necessary for remediation, any demolition, removal/disassembling or installation/reassembly of a facility, and any indirect costs or costs of business interruption related to the investigation or remediation) and (2) all costs and fees (including without limitation attorneys' fees) incurred by Makers to investigate and remediate the heavy metals contamination at the Original Facility Plant described in Schedule 1.4(n)(i) to the Asset Purchase Agreement.

The "Final Cost Adjustment Amount" shall mean the sum of (1) any amount by which $650,000 exceeds the amount of all costs and fees (including without limitation attorneys' fees) incurred by Makers to conduct the investigation of the tetrachloroethene contamination (and related contamination as set forth in the preceding paragraph) at or migrating from the Original Facility Plant and (2) any

amount by which $2,960,000 exceeds the amount of all costs and fees (including without limitation attorneys' fees) incurred by Makers to investigate and correct, through the following measures, possible non-compliance with Environmental Laws at the Original Facility Plant: (u) to upgrade or replace the wastewater holding pond and treatment system (including installing aboveground tanks or taking alternative actions to correct such non-compliance), (v) to upgrade the sanitary wastewater treatment system, (w) to complete any steps necessary to obtain a stormwater discharge permit, (x) to provide for closure of the non-hazardous waste burial area identified in Schedule 1.4(n) to the Asset Purchase Agreement (but only to the extent such area contains materials that are non-hazardous), (y) up to a maximum cost of $100,000, to complete any steps required by regulatory authorities to obtain a Title V air operating permit, including supplementing or amending the Title V permit application currently pending before MDEQ, and (z) to conduct certain administrative compliance program updates consisting of preparing an oil spill prevention control and countermeasures plan, conducting an asbestos survey, preparing an asbestos operations and maintenance plan, and correcting as necessary any toxic release inventory reports.

"Makers" shall mean Quanex and Quanex Subsidiary.

The amount of this Note shall be reduced by an amount equal to one-half of the amount by which the Expenditures exceed the sum of $10,000,000 and the Final Cost Adjustment Amount. In addition, if any amount of this Note is outstanding at the time that a Selling Party is to make any payment to or on behalf of either Maker pursuant to any provision of the Asset Purchase Agreement, Makers shall have the right, but not the obligation, to cause that payment to be made by offsetting the amount of that payment (together with interest thereon at a rate of eight and one-half percent (8 1/2%) per annum from the date such payment became due to the date of such offset) against the amount of this Note, to the extent of the outstanding amount of this Note. Any adjustments made to the amount of this Note described in this paragraph are intended to be consistent with applicable provisions of the Asset Purchase Agreement.

If there is a reduction in the amount of this Note as provided for pursuant to the terms of the foregoing paragraph, then (1) the original amount of this Note due on or before the Payment Date shall be reduced accordingly, (2) Makers shall be jointly and severally obligated to pay only the amount of this Note as so adjusted, and (3) any references in this Note to the "amount of this Note" shall be deemed to refer to such original amount of this Note as so reduced. Any such reduction in the amount of this Note shall be described in a written notice to be given by Makers to Payee, which notice shall include a detailed description of the reason for and the method of calculation of the reduction. Makers shall cooperate with Payee and shall make their representatives available to discuss with Payee the subject matter of any such notice.

Makers and Selling Parties shall, during the period of time commencing with the date of this Note and ending three (3) years after the date of this Note, discuss from time to time the remediation and compliance estimates used by the parties to determine the amount of adjustments to the original amount of this Note, and, pursuant to such discussions, may adjust the amounts used to determine such adjustment amounts. If

they reach an agreement, they shall amend this Note pursuant to a written agreement signed by the Selling Parties and Makers to reflect such agreement.

Makers shall not be required to pay any interest pursuant to this Note. To the extent the amount of this Note may be deemed to include interest, the amount of interest paid or payable pursuant to this Note shall be deemed to be based on that interest rate designated by the Internal Revenue Code of 1986, as amended, and the rules and regulations promulgated thereunder, to be the imputed rate of interest existing from time to time; provided, however, that no such imputation of interest shall be construed to affect any other matters set forth in this Note.

Makers shall have the right and privilege of prepaying all or any part of this Note at any time after January 15, 1997, without notice or penalty. If Makers pay all or any part of the amount of this Note before the Payment Date, the total amount due as of such date of prepayment shall be the sum of the amount, if any, not to be so prepaid as of the date of the prepayment and the then-present value, as of the date of such prepayment, of that portion of the original amount of this Note that is being prepaid, discounted at a rate of eight and one-half percent (8 1/2%) per annum for the period of time between the date of such prepayment to the Payment Date. Discounts shall be based on a year consisting of 365 or 366 days, as applicable.

Notwithstanding anything to the contrary contained in this Note, no provision of this Note shall require the payment or permit the collection of interest in excess of the maximum rate of interest permitted by applicable law (the "Maximum Rate"). If any excessive interest in that respect shall be adjudicated to be provided in this Note or otherwise in connection with the transactions contemplated by this Note, the provisions of this paragraph shall govern and prevail, and neither Makers nor any successors of Makers shall be obligated to pay the excess amount of the interest, or any other excess sum paid for the use, forbearance or detention of sums pursuant to this Note. If for any reason interest in excess of the Maximum Rate shall be deemed by any court of competent jurisdiction to be charged, paid, received, contracted for, taken, reserved or otherwise required or permitted, the excess shall be applied as an additional payment and reduction of the principal amount of this Note; and, if the amount of this Note has been paid in full, any remaining excess shall forthwith be paid to Makers.

Upon failure by Makers to pay the outstanding amount of this Note on the Payment Date as provided by the terms of this Note, a default shall be deemed to have occurred under this Note; provided, however, that to the extent, if any, that Payee is not in agreement as to the amount of any reduction in the amount of this Note in accordance with its terms, then no default shall be deemed to have occurred as to the amount of such reduction.

The rights and remedies provided for in this Note and any other documents executed in connection with this Note are cumulative and not exclusive of any rights and remedies provided by law.

This Note is not transferrable, assignable or negotiable by Payee or Makers; provided, however, that this Note may be transferred or assigned, in whole or in part,

to Sammons, Robbins, any other person who is a record shareholder of Payee as of the date of this Note (or their heirs or beneficiaries by operation of law), or any one or more of such parties and upon any such transfer or assignment, the transferees or assignees shall also have and may exercise all of the rights of Payee under this Note.

Makers waive demand, presentment for payment, notice of non-payment, protest, notice of protest, notice of demand and all other notice, filing of suit and diligence in collecting this Note; agree that it will not be necessary to enforce payment of this Note for Payee to first institute or exhaust its remedies against Makers; and consent to any extensions or postponements of time of payment of this Note or any other indulgences with respect to this Note, without notice to either of them.

No failure to accelerate the indebtedness evidenced by this Note by reason of default under this Note, acceptance of a past-due installment or other indulgences granted from time to time shall be construed to be a novation of this Note or a waiver of any right of acceleration or of the right of Payee to insist on strict compliance with the terms of this Note or construed to prevent the exercise of such right of acceleration or any other right granted under the terms of this Note or by applicable laws. No extension of the time for payment of the indebtedness evidenced by this Note or any installment due under this Note made by agreement with any person now or hereafter liable for payment of the indebtedness evidenced by this Note shall operate to release, discharge, modify, change or affect the original liability of Makers under this Note or that of any other person now or hereafter liable for payment of the indebtedness evidenced by this Note, either in whole or in part, unless Payee agrees otherwise in writing. This Note may not be changed orally, but only by an agreement in writing signed by the party against whom enforcement of any waiver, change, modification or discharge is sought.

No failure on the part of Payee to exercise and no delay in exercising, and no course of dealing with respect to, any right, power or privilege under this Note shall operate as a waiver of this Note, nor shall any single or partial exercise of any right, power or privilege under this Note preclude any other or further exercise thereof or the exercise of any other right, power or privilege.

Any provision of this Note held by a court of competent jurisdiction to be invalid or unenforceable shall not impair or invalidate the remainder of this Note and the effect of the holding shall be confined to the provision held to be invalid or illegal.

If, after the occurrence of a default under this Note, Payee expends any effort in an attempt to enforce payment of any amount due and payable under this Note as to which the default has occurred, if this Note is placed in the hands of an attorney for collection or if this Note is collected through any legal proceedings, Makers shall pay all reasonable collection costs, expenses and fees incurred by Payee, including without limitation reasonable attorneys' fees.

Any notice, consent or other communication to be given to Makers in connection with this Note shall be deemed properly given if delivered in person or mailed by registered or certified mail, return receipt requested, postage prepaid, to Makers at

1900 West Loop South, Suite 1500, Houston, Texas 77027, Attention: Mr. Wayne M. Rose. Any notice or other communication to be given to Piper in connection with this Note must be in writing and delivered in person or mailed by registered or certified mail, return receipt requested, postage prepaid, to Piper at 6280 Silver Creek, Park City, Utah, 84068, Attention: Mr. B. F. Sammons. A party may change its address by setting forth the change in a notice given in compliance with this paragraph. All payments made pursuant to this Note shall be deemed to be made in accordance with the terms of this Note if paid at the address set forth in the first paragraph of this Note, unless the holder of this Note has changed the place for payment in a notice to Makers given in compliance with this paragraph.

THIS NOTE SHALL BE GOVERNED AS TO ALL MATTERS BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF TEXAS, EXCLUDING ANY OTHER LAWS THAT MIGHT APPLY PURSUANT TO ITS CONFLICT OF LAWS RULES. THIS NOTE IS PERFORMABLE IN HOUSTON, HARRIS COUNTY, TEXAS. EXCLUSIVE VENUE FOR ANY DISPUTE ARISING WITH RESPECT TO THIS NOTE SHALL BE SAN ANTONIO, TEXAS. PAYEE AND MAKERS ACCEPT THE EXCLUSIVE JURISDICTION OF ANY COURT OF COMPETENT JURISDICTION IN SAN ANTONIO, TEXAS, AND IRREVOCABLY WAIVE, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY OBJECTION THAT THEY MAY HAVE OR HEREAFTER HAVE TO THE LAYING OF THE VENUE OF ANY SUIT, ACTION OR PROCEEDING RELATING TO THE TERMS OF THIS NOTE BROUGHT IN A COURT OF COMPETENT JURISDICTION IN SAN ANTONIO, TEXAS, AND WAIVE ANY CLAIM THAT ANY SUCH SUIT, ACTION OR PROCEEDING HAS BEEN BROUGHT IN AN INCONVENIENT FORUM. TO THE EXTENT PERMITTED BY APPLICABLE LAW, PAYEE AND MAKERS IRREVOCABLY WAIVE THE RIGHT TO TRIAL BY JURY WITH RESPECT TO ANY AND ALL ACTIONS OR PROCEEDINGS IN WHICH ANY OF THEM IS A PARTY, WHETHER OR NOT SUCH ACTIONS OR PROCEEDINGS ARISE OUT OF THIS NOTE OR ANY OTHER AGREEMENT EXECUTED IN CONJUNCTION WITH THIS NOTE. THE WAIVERS CONTAINED IN THE FOREGOING SENTENCE HAVE BEEN VOLUNTARILY GIVEN, WITH FULL KNOWLEDGE OF THE CONSEQUENCES THEREOF.

PIPER IMPACT, INC. (formerly "Quanex Aluminum, Inc."), a Delaware corporation

By

Wayne M. Rose
Vice President and Chief Financial Officer

QUANEX CORPORATION

By

Wayne M. Rose
Vice President and Chief Financial Officer

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ACCEPTED AND AGREED:

PIPER IMPACT, INC.,
a Tennessee corporation

By

B. F. Sammons
President

B. F. SAMMONS

MARSHALL W. ROBBINS

Exhibit D
to Asset Purchase Agreement

WARRANTY DEED

STATE OF MISSISSIPPI)
)
COUNTY OF UNION)

FOR AND IN CONSIDERATION of the sum of Ten Dollars ($10.00) cash in hand paid, the receipt and sufficiency of which are acknowledged, PIPER IMPACT, INC., a Tennessee corporation ("Grantor"), does hereby sell, convey and warrant to PIPER IMPACT, INC., a Delaware corporation (formerly known as Quanex Aluminum, Inc.) ("Grantee"), the lands located in Union County, Mississippi, more particularly described on Exhibit A attached hereto and made a part hereof for all purposes, together with all improvements situated thereon and appurtenances thereto (collectively, the "Property").

Grantor's warranty is subject only to those matters shown on Exhibit B attached hereto and made a part hereof for all purposes.

Grantor intends to convey, and does hereby convey and quitclaim to Grantee, all of Grantor's right, title and interest to any other land or interests in land owned by Grantor adjacent, contiguous or appurtenant to the Property, including, but not limited to, any strips, gores, alleys and land beneath public roads, and whether now owned or hereafter acquired. It is the intention of Grantor and Grantee that all interests conveyed herein merge unto Grantee.

[Grantor and Grantee have prorated the 1996 ad valorem taxes between themselves. Grantee shall have the obligation to pay the 1996 ad valorem taxes when due.]

IN WITNESS WHEREOF, Grantor, acting by and through its duly authorized officer, has executed this instrument on the date below its signature, but effective on the ____ day of _____, 1996.

PIPER IMPACT, INC.,
a Tennessee corporation

By: ----------
Name: ----------
Title: ----------
Date: , 1996

STATE OF [TEXAS])
)
COUNTY OF [HARRIS])

Personally appeared before me, the undersigned authority in and for the said County and State, on this ___ day of _____, 1996, within my jurisdiction, the within named _____, who acknowledged that he is the _____ of PIPER IMPACT, INC., a Tennessee corporation, and that for and on behalf of said corporation, and as its act and deed, he executed the above and foregoing instrument, after first having been duly authorized by said corporation so to do.

Notary Public in and for the State of Texas

My Commission Expires:

- ---

GRANTOR:
- -------

Piper Impact, Inc.
P.O. Box 680126
Park City, Utah 84068
Telephone:

GRANTEE:

Piper Impact, Inc. (formerly Quanex Aluminum, Inc.)
1900 West Loop South, Suite 1500
Houston, Texas 77027
Telephone: (713) 961-4600

INDEXING INSTRUCTIONS:

The land subject to this instrument is located in:

Section 21:	SW-1/4, NE-1/4 and SE-1/4
Section 22:	NW-1/4
Section 28:	NW-1/4
Section 32:	SW-1/4, NW-1/4, NE-1/4 and SE-1/4,

all in Township 6 South, Range 3 East, Union County, Mississippi

THIS INSTRUMENT WAS PREPARED BY, AND
AFTER RECORDING SHOULD BE RETURNED TO:

BRUNINI, GRANTHAM, GROWER & HEWES, PLLC
ATTENTION: HOLLY STICKLEY
POST OFFICE DRAWER 119
JACKSON, MISSISSIPPI 39205
(601) 948-3101

EXHIBIT A

[ATTACH LEGAL DESCRIPTION OF PROPERTY]

EXHIBIT B

1. Ad valorem taxes for 1996, which taxes are not due or payable until 1997.

2. [Exceptions listed in title commitments that are acceptable to Quanex.]

Exhibit E
to Asset Purchase Agreement

WHEN RECORDED, MAIL TO:
Fulbright & Jaworski L.L.P.
1301 McKinney, Suite 5100
Houston, Texas 77010-3095
Attention: Mr. Terry L. Radney

WARRANTY DEED

STATE OF UTAH)
)
COUNTY OF SUMMIT)

PIPER IMPACT, INC., a Tennessee corporation ("Grantor"), hereby CONVEYS and WARRANTS to PIPER IMPACT, INC., a Delaware corporation (formerly known as Quanex Aluminum, Inc.) ("Grantee"), for the sum of TEN DOLLARS AND NO/100 ($10.00), the real property in Summit County, State of Utah, more particularly described as follows:

All of Lot 5, Plat "C" Amended, Silver Creek Commerce Center, according to the official plat thereof on file and of record in the Summit County Recorder's office,

together with all improvements and fixtures permanently affixed to and forming a part of such real property.

Grantor's warranty is subject only to those matters set forth on Exhibit A attached hereto and made a part hereof by this reference for all purposes.

WITNESS this hand of Grantor this ___ day of _____, 1996.

PIPER IMPACT, INC,

a Tennessee corporation

By: ----------
Name: ----------
Title: ----------

STATE OF [TEXAS])
)
COUNTY OF [HARRIS])

On the ___ day of _____, 1996, personally appeared before me _____, who being by me duly sworn did say that he is the _____ of PIPER IMPACT, INC., a Tennessee corporation, and that the within and foregoing instrument was signed in behalf of said corporation by authority of its by-laws or a resolution of its board of directors and said _____ duly acknowledged to me that said corporation executed the same.

Notary Public in and for the State of Texas

Residing at

My Commission Expires:

- ---

EXHIBIT A

1. General taxes for 1996.

2. [Exceptions listed in the title commitment that are acceptable to Quanex.]

Exhibit F
to Asset Purchase Agreement

CONVEYANCE, BILL OF SALE AND ASSIGNMENT

This Conveyance, Bill of Sale and Assignment (this "Bill of Sale") executed on _____, 1996, and effective at 11:59 p.m. mountain time on March 29, 1996 (the "Effective Time"), is between PIPER IMPACT, INC., a Tennessee corporation ("Assignor"), and PIPER IMPACT, INC., a Delaware corporation (formerly known as Quanex Aluminum, Inc.) ("Assignee").

This Bill of Sale is given in connection with Assignee's acquisition of substantially all of the assets, and its assumption of certain liabilities, of Assignor pursuant to that certain Asset Purchase Agreement dated July ___, 1996, and effective March 29, 1996, among Quanex, Assignee, Assignor, B. F. Sammons and Marshall W. Robbins (as it may be amended from time to time, the "Asset Purchase Agreement").

Terms used in this Bill of Sale that are defined in the Asset Purchase Agreement shall have the same meanings in this Bill of Sale as they have in the Asset Purchase Agreement. In addition, for purposes of this Bill of Sale the term the "Assigned Properties" shall mean all of the Assets described in subsections 1.1(c) through (h) and (j) through (p) of the Asset Purchase Agreement.

NOW, THEREFORE, in consideration of the receipt of Ten and No/100 Dollars ($10.00) and other good and valuable consideration paid by Assignee to Assignor (including those matters described in the Asset Purchase Agreement), the receipt and sufficiency of which are hereby acknowledged and confessed by Assignor, Assignor does hereby ASSIGN, TRANSFER, CONVEY, SET OVER, and DELIVER to Assignee, its successors and assigns, the Assigned Properties.

TO HAVE AND TO HOLD the Assigned Properties unto Assignee, its successors and assigns, forever, and Assignor does hereby bind itself and its successors to WARRANT AND FOREVER DEFEND, all and singular, title to the Assigned Properties unto Assignee, its successors and assigns, against every person whomsoever lawfully claiming or to claim the same, or any part thereof. Nothing in this Bill of Sale shall impair or expand the rights of indemnity or enforcement of Assignor or Assignee against each other pursuant to any provision of the Asset Purchase Agreement. This Bill of Sale is entered into pursuant to the Asset Purchase Agreement and is subject to the terms of the Asset Purchase Agreement, including, without limitation, sections 10.7, 10.8 and 10.10 of the Asset Purchase Agreement.

EXECUTED on the date of the acknowledgement set forth above and to be effective for all purposes as of the Effective Time.

ASSIGNOR:

PIPER IMPACT, INC.,
a Tennessee corporation

By: _____
Name: _____
Title: _____

ASSIGNEE:

PIPER IMPACT, INC. (formerly Quanex Aluminum, Inc.), a Delaware corporation

By: _____
Name: _____
Title: _____

Exhibit G
to Asset Purchase Agreement

ASSIGNMENT AND ASSUMPTION AGREEMENT

THIS ASSIGNMENT AND ASSUMPTION AGREEMENT (this "Agreement") executed on _____, 1996, and effective at 11:59 p.m. mountain time on March 29, 1996 (the "Effective Time"), is among Quanex Corporation, a Delaware corporation ("Quanex"), Piper Impact, Inc. (formerly Quanex Aluminum, Inc.), a Delaware corporation ("Assignee"), and Piper Impact, Inc., a Tennessee corporation ("Assignor").

This Agreement is given in connection with Assignee's acquisition of substantially all of the assets, and its assumption of certain liabilities, of Assignor pursuant to that certain Asset Purchase Agreement dated July ___, 1996, and effective March 29, 1996, among Quanex, Assignee, Assignor, B. F. Sammons and Marshall W. Robbins (as it may be amended from time to time, the "Asset Purchase Agreement").

NOW THEREFORE, in consideration of the mutual agreements and covenants contained in this Agreement and for other good, fair and valuable consideration, the receipt and sufficiency of which are acknowledged, the parties agree as follows:

1. Terms used in this Agreement that are defined in the Asset Purchase Agreement shall have the same meanings in this Agreement as they have in the Asset Purchase Agreement. However, for purposes of this Agreement the term the "Assumed Liabilities" shall mean all of the liabilities described in subsections 1.4(a) through (k) and subsection 1.4(n) of the Asset Purchase Agreement.

2. As of the Effective Time, Assignor assigns to Assignee and Quanex and Assignee, jointly and severally, assume and shall pay when due, discharge and perform, the Assumed Liabilities.

3. Assignor shall use its best efforts to obtain any consents or other documentation from third parties as soon as possible after the date of this Agreement for the purpose of effecting the foregoing assignment. If Assignee has not received any documentation requested by third parties to evidence Assignor's objections under this Agreement, fully executed and delivered by Assignor within 60 days of any request therefor by Assignee, then Assignor appoints Assignee as its attorney-in-fact, for Assignor and in its name and place, for the purpose of executing and delivering such documentation.

4. Nothing in this Agreement shall impair or expand the rights of indemnity or enforcement of Assignor or Assignee against each other pursuant to any provision of the Asset Purchase Agreement. This Agreement is entered into pursuant to the Asset Purchase Agreement and is subject to the terms of the Asset Purchase Agreement, including, without limitation, sections 10.7, 10.8 and 10.10 of the Asset Purchase Agreement.

5. This Agreement shall be binding on and shall inure to the benefit of the successors and assigns of Assignor and Assignee.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

QUANEX CORPORATION

By:

Name:

Title:

PIPER IMPACT, INC.(formerly Quanex Aluminum, Inc.), a Delaware corporation

By:

Name:

Title:

PIPER IMPACT, INC,

a Tennessee corporation

By:

Name:

Title:

Exhibit H
to Asset Purchase Agreement

NON-COMPETITION AGREEMENT

This Non-Competition Agreement dated July __, 1996, ("Agreement"), is entered into among Quanex Corporation, a Delaware corporation ("Quanex"), Piper Impact, Inc. (formerly Quanex Aluminum, Inc.), a Delaware corporation ("Quanex Sub"), Piper Impact, Inc., a Tennessee corporation ("Seller"), and B.F. Sammons and Marshall W. Robbins (collectively, the "Selling Shareholders").

WHEREAS, the Selling Shareholders served as officers [and directors] of Seller, own substantially all of the shares of stock of Seller and have had access to confidential and proprietary information regarding Seller;

WHEREAS, concurrently with the execution and delivery of this Agreement, Quanex Sub is purchasing or has purchased substantially all of the assets (the "Assets") of Seller pursuant to an Asset Purchase Agreement among the parties hereto dated July __, 1996;

WHEREAS, Quanex and Quanex Sub (together, the "Purchasing Party") wish to secure from the Seller and the Selling Shareholders (together, the "Selling Party") their agreement not to compete with the Purchasing Party in accordance with the terms set forth in this Agreement to enable the Purchasing Party to successfully operate the business related to the Assets;

WHEREAS, the business related to the Assets extends throughout, or has current expansion potential in, [North America, South America, Europe and Asia]; and

WHEREAS, as an inducement to the Purchasing Party to acquire the Assets and for other good and valuable consideration (including the consideration being paid under the Asset Purchase Agreement), each Selling Party is willing to refrain from competing with the Purchasing Party as provided in this Agreement.

NOW, THEREFORE, in consideration of the premises and of the mutual covenants contained in this Agreement, the parties hereto agree as follows:

1. Acknowledgements of Signatories. Each Selling Party acknowledges that:

a. The Purchasing Party would not have purchased the Assets pursuant to the provisions of the Asset Purchase Agreement if each Selling Party had not executed and delivered this Agreement;

b. The Selling Shareholders have had access to information that is confidential to Seller and its business and that constitutes a valuable, special and unique asset of Seller. Accordingly, the Purchasing Party is entitled to the protections afforded by this Agreement and to the remedies for enforcing this Agreement provided by law and in equity (including, without limitation, those remedies that may be within the discretion of the court in which any action to enforce this Agreement is brought).

2. Non-Competition Covenants.

a. During the period beginning on the date of this Agreement and continuing until the fifth anniversary of the date of this Agreement (the "Covenant Period"), no Selling Party will directly or indirectly, solicit or participate in the engineering consulting, engineering design, hardware or software development, production or manufacture of or with respect to the following within the Designated Geographic Area (as defined below) other than for or on behalf of the Purchasing Party or an Affiliate (as defined below) of the Purchasing Party:

(1) any products manufactured utilizing the impact extrusion process or technology,

(2) any products or type of products that have been manufactured by Seller at any time from January 1, 1994 and through the date hereof, regardless of the process or technology utilized, or

(3) any additional products manufactured by Quanex Sub after the date hereof and during the Term (as defined in that certain technology transfer agreement dated the date hereof between of B.F. Sammons and Quanex Sub); provided that, with respect to products manufactured by Quanex Sub after the date hereof and during the Term, the covenant contained in this subsection 2(a)(3) shall not apply to Mr. Robbins if he has no knowledge that such products are manufactured by Quanex Sub.

b. All product and data rights developed in connection with efforts for or on behalf of the Purchasing Party or an Affiliate of the Purchasing Party during the Covenant Period shall remain proprietary to the Purchasing Party.

c. Without limiting the generality of the foregoing provisions of this Section 2, a Selling Party will be deemed to be engaged in a particular business if he or it, whether alone or in association with one or more other persons, is an owner, proprietor, partner, stockholder, member, officer, employee, independent contractor, director or joint venturer of, or a consultant or lender to, or an investor in any manner in, any person directly or indirectly engaged in that business. Notwithstanding the foregoing provisions of this Section 2, a Selling Party may own, solely as an investment, securities if the Selling Party (1) is not an Affiliate of the issuer of the securities, and (2) does not, directly or indirectly, beneficially own more than 5% of the class of which the securities are a part.

d. For purposes of this Agreement, "Designated Geographic Area" means those regions that lie anywhere within [the borders of the continents of North America, South America, Asia and Europe].

e. For purposes of this Agreement, the term (1) "Affiliate," means, with respect to any person, any other person that, directly or indirectly controls or is controlled by or is under common control with such person; (2) "person" means any individual, corporation, limited liability company, partnership, joint venture, association, joint stock company, trust or unincorporated organization; and (3) "control" means (A) holding, directly or indirectly, more than 50 percent of the outstanding voting securities of a non- individual person, (B) having the right, directly or indirectly, to more than 50 percent of the profits of a non-individual person, (C) having the right, directly or indirectly, to more than 50 percent of the assets of a non-individual person if it is dissolved or (D) having the contractual power to designate more than 50 percent of the directors (or individuals exercising similar functions) of a non-individual person.

f. During the Covenant Period, no Selling Party may, whether for his own account or for the account of any other person (other than the Purchasing Party or any Affiliate of the Purchasing Party), directly or indirectly, either within or outside the Designated Geographic Area, (1) solicit the employment or services of, or cause or attempt to cause to leave the employment or service of the Purchasing Party or any Affiliate of the Purchasing Party, or otherwise interfere with the relationship of the Purchasing Party or any of its Affiliates with, any person who is or was employed by, or otherwise engaged to perform services for, the Purchasing Party or any Affiliate of the Purchasing Party (whether in the capacity of employee, consultant, independent contractor or otherwise), or (2) solicit business from, or perform or attempt to perform any service for (whether or not involving any solicitation on the part of a Selling Party and whether or not a Selling Party is compensated therefor), or otherwise interfere with the relationship of the Purchasing Party or any Affiliate of the Purchasing Party with, (x) any person for whom the Purchasing Party is then providing any service, (y) any person for whom the Purchasing Party provided any service at any time during the Covenant Period or (z) any Affiliate of any person referred to subclause (x) or subclause (y) of this clause (2).

3. Remedies. Each Selling Party acknowledges that if he or it violates or threatens to violate any of the provisions of this Agreement, the Purchasing Party may have no adequate remedy at law. In that event, the Purchasing Party shall have the right, in addition to any other rights that may be available to it, to obtain in any court of competent jurisdiction injunctive relief to restrain any violation or threatened violation by a Selling Party of any provision of this Agreement, without necessity of posting bond, or to compel specific performance by the Selling Party of one or more of the Selling Party's obligations under this

Agreement. The seeking or obtaining by the Purchasing Party of injunctive relief shall not foreclose or in any way limit the right of the Purchasing Party or any Affiliate of the Purchasing Party to obtain a money judgment against a Selling Party for any damage to the Purchasing Party or Affiliate of the Purchasing Party that may result from the Selling Party's breach of any provision of this Agreement. Further, during any period in which a Selling Party is in breach of any covenant in this Agreement, the Covenant Period with respect to that Selling Party shall be extended for an amount of time equal to the duration of the breach.

4. Reformation of Covenants. Each Selling Party acknowledges that the duration, geographical area, scope of activities and all other aspects of the covenants contained in Section 2 of this Agreement are reasonable. If any court determines that any covenants in this Agreement, or any part thereof, is unenforceable, then (a) the remainder of the covenants contained in this Agreement shall not be affected by such determination, and (b) a covenant that is determined to be unenforceable because of its duration, geographical scope, scope of activities or otherwise shall be reformed by the court to the extent necessary to cause the covenant to be enforceable against each Selling Party. Such reformation may limit the covenants of this Agreement as to time, geographical area and scope of activities so as to impose a restraint that is not greater than necessary to protect the goodwill and other business interests of the Purchasing Party. If a court should determine that any restriction in this Agreement is unenforceable, the parties agree that this Agreement shall nevertheless be enforceable for the maximum term, geographical area and scope of activities enforceable under applicable law.

5. Miscellaneous.

a. This Agreement may be amended only by a written agreement signed by each Purchasing Party and Selling Party.

b. Any notices, requests, demands and other communications made in connection with this Agreement shall be in writing and shall be deemed to have been duly given on the date delivered, if delivered personally or sent by facsimile to the persons identified below, or three days after mailing in the United States mail if mailed by certified or registered mail, postage prepaid, return receipt requested, addressed as follows:

(1) if to any of the Selling Parties
to such person at the following address:

Piper Impact, Inc.
P.O. Box 680126
Park City, Utah 84068
Attention: Mr. B.F. Sammons
Fax No.

---

and:

Mr. Marshall W. Robbins

Fax No. ( ) -
       --- --- -----

with a copy to:

Burch, Porter & Johnson
50 North Front Street, Suite 800
Memphis, Tennessee 38103
Attention: Mr. John A. Stemmler
Fax No. (901) 524-5026

(2) if to either of the Purchasing Parties:

Quanex Corporation
1900 West Loop South, Suite 1500
Houston, Texas 77027
Attention: Mr. Wayne M. Rose
Fax No. (713) 877-5333

with a copy to:

Fulbright & Jaworski L.L.P.
1301 McKinney, Suite 5100
Houston, Texas 77010-3095
Attention: Ms. Harva R. Dockery
Fax No. (713) 651-5246

The addresses and numbers may be changed by means of a notice given in the manner provided in this Section 5(b).

c. No delay or omission by the Purchasing Party in exercising any of its rights under this Agreement shall waive that or any other right. Waiver of any term or condition of this Agreement by any party shall only be effective if in writing and shall not be construed as a waiver of any subsequent breach or failure of the same term or condition, or a waiver of any other term or condition of this Agreement.

d. The headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

e. Subject to Section 4 of this Agreement, if any term or other provision of this Agreement is invalid, illegal or incapable of being

enforced by any rule of law or public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner adverse to any party. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in an acceptable manner to the end that transactions contemplated hereby are fulfilled to the extent possible.

f. The rights and obligations under this Agreement of any Selling Party may not be assigned. The Purchasing Party may, at its option, assign one or more of its rights or obligations under this Agreement.

g. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS (EXCLUDING ANY OTHER LAWS THAT MIGHT APPLY PURSUANT TO ITS CONFLICT OF LAWS RULES). THIS AGREEMENT IS PERFORMABLE IN HARRIS COUNTY, TEXAS. EXCLUSIVE VENUE FOR ANY DISPUTE ARISING WITH RESPECT TO THIS AGREEMENT SHALL BE SAN ANTONIO, TEXAS. SELLING PARTIES ACCEPT THE EXCLUSIVE JURISDICTION OF ANY COURT OF COMPETENT JURISDICTION IN SAN ANTONIO, TEXAS, AND IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY OBJECTION THAT IT MAY HAVE OR HEREAFTER HAVE TO THE LAYING OF THE VENUE OF ANY SUIT, ACTION OR PROCEEDING RELATING TO THE TERMS OF THIS AGREEMENT BROUGHT IN A COURT OF COMPETENT JURISDICTION IN SAN ANTONIO, TEXAS, AND WAIVES ANY CLAIM THAT ANY SUCH SUIT, ACTION OR PROCEEDING HAS BEEN BROUGHT IN AN INCONVENIENT FORM. TO THE EXTENT PERMITTED BY APPLICABLE LAW, EACH OF PURCHASING PARTIES AND SELLING PARTIES IRREVOCABLY WAIVE THE RIGHT TO TRIAL BY JURY WITH RESPECT TO ANY AND ALL ACTIONS OR PROCEEDINGS IN WHICH ANY SUCH PARTY IS A PARTY, WHETHER OR NOT SUCH ACTIONS OR PROCEEDINGS ARISE OUT OF THIS AGREEMENT OR ANY OTHER AGREEMENT EXECUTED IN CONJUNCTION WITH THE ASSET PURCHASE AGREEMENT. THE WAIVERS CONTAINED IN THIS PARAGRAPH HAVE BEEN VOLUNTARILY GIVEN, WITH FULL KNOWLEDGE OF THE CONSEQUENCES THEREOF.

h. This Agreement may be executed in one or more counterparts, and by the different parties hereto in separate counterparts, each of which when executed shall be deemed to be an original but all of which shall constitute one and the same agreement.

IN WITNESS WHEREOF, the parties have executed this Agreement with the intent that it be effective on the date first above written.

PIPER IMPACT, INC.,
a Tennessee corporation

By:

Name:

Title:

B.F. Sammons

Marshall W. Robbins

QUANEX CORPORATION

By:

Name:

Title:

PIPER IMPACT, INC. (formerly Quanex Aluminum, Inc.), a Delaware corporation

By:

Name:

Title:

Exhibit I
to Asset Purchase Agreement

AGREEMENT FOR ASSUMPTION OF
THE PIPER IMPACT 401(k) PLAN
BY PIPER IMPACT, INC.

THIS AGREEMENT by and between Piper Impact, Inc. (formerly Quanex Aluminum, Inc.), a Delaware corporation (the "Sponsor"), and Piper Impact, Inc., a Tennessee corporation (the "Employer").

W I T N E S S E T H :

WHEREAS, effective January 1, 1995, the Employer established the Piper Impact 401(k) Plan (the "Plan") for the benefit of its employees and its employees' beneficiaries; and

WHEREAS, the Sponsor is desirous of assuming the liabilities of the Plan and the responsibilities as sponsor and as plan administrator of the Plan ;

NOW, THEREFORE, the parties hereto agree as follows:

(1) Effective as of 11:59 p.m. mountain time on March 29, 1996 (the "Effective Time"), the Sponsor hereby adopts the Plan and assumes all of the responsibilities and liabilities of the Employer under the Plan, and hereby agrees to be bound by all of the terms, provisions, limitations and conditions of the Plan to the same extent as if it had been an original party thereto and had executed an identical plan; provided that the Sponsor is not assuming any responsibilities under the Plan for any liabilities arising from acts and omissions that occur from the Effective Time through August __, 1996 which liabilities shall remain the obligation of the Employer.

(2) The participation of the Employer as the sponsor, plan administrator and as an adopting employer of the Plan shall terminate as of the Effective Time after the Sponsor's adoption and assumption of sponsorship and administration of the Plan have become effective so as to continue the Plan uninterrupted without a gap or lapse in time or effect of the Plan.

(3) Effective as of the Effective Time, Sections 1.02 and 1.03(a)(3) of the Plan are amended to provide as set forth in the attached Exhibit.

IN WITNESS WHEREOF, the Sponsor and the Employer have caused this Agreement to be executed this _____ day of _____, 1996.

PIPER IMPACT, INC. (formerly Quanex Aluminum, Inc.), a Delaware corporation

By

PIPER IMPACT, INC., a Tennessee corporation

By

Exhibit J
to Asset Purchase Agreement

AGREEMENT FOR ASSUMPTION OF THE PIPER IMPACT, INC.
HEALTH BENEFITS PROGRAM, THE PIPER IMPACT, INC.
GROUP BENEFITS PROGRAM FOR UTAH EMPLOYEES AND
THE PIPER IMPACT, INC. SECTION 125 PLAN
BY PIPER IMPACT, INC.

THIS AGREEMENT by and between Piper Impact, Inc. (formerly Quanex Aluminum, Inc.), a Delaware corporation (the "Sponsor"), and Piper Impact, Inc., a Tennessee corporation (the "Employer").

W I T N E S S E T H :

WHEREAS, the Employer previously established the Piper Impact, Inc. Health Benefits Program, the Piper Impact, Inc. Group Benefits Program for Utah Employees and the Piper Impact, Inc. Section 125 Plan (the "Plans") for the benefit of its employees and its employees' beneficiaries;

WHEREAS, the Piper Impact, Inc. Health Benefits Program includes those certain constituent benefit programs and agreements known as the Piper Impact, Inc. Dental Care Plan effective January 1, 1995, administered by Advanced Insurance Services, Inc., the CONCERN: Employee Assistance Program effective January 1, 1995, administered by Health Tech Affiliates, Inc., the Short Term Disability Benefits Plan effective June 1, 1993, administered by Golden Security Life Insurance Company, the Medical Group Benefit Plan dated June 1, 1988, administered by Advanced Insurance Services, Inc., the PCS Health Systems, Inc. Managed Pharmaceutical Benefit Agreement effective January 1, 1995, the Preferred Provider Agreement with Baptist Health Services Group effective August 1, 1996;

WHEREAS, the Piper Impact, Inc. Group Benefits Program For Utah Employees includes those certain constituent benefit programs and agreements known as the Piper Impact, Inc. Dental Plan effective January 1, 1995, the Employee Assistance Program Services Plan dated February 11, 1995, administered by Vocational Resources, Inc., the Master Group Contract For Medical and Hospital Services With IHC Health Plans, Inc., SelectMed Plus effective January 1, 1996, the Beneficial Life Insurance Company Master Policy No. 53916 providing for short-term disability and life insurance benefits and the Beneficial Life Insurance Company Supplemental Group Term Life Insurance Policy No. 53917; and

WHEREAS, the Sponsor is desirous of assuming the liabilities of the Plans and the responsibilities as sponsor and plan administrator of the Plans;

NOW, THEREFORE, the parties hereto agree as follows:

(1) Effective as of 11:59 p.m. mountain time on March 29, 1996 (the "Effective Time"), the Sponsor hereby adopts the Plans and assumes all of the responsibilities and liabilities of the Employer under the Plans, and hereby agrees to

be bound by all of the terms, provisions, limitations and conditions of the Plans to the same extent as if it had been an original party thereto and had executed identical Plans; provided that the Sponsor is not assuming any responsibilities under the Plans for any liabilities arising from acts and omissions that occur from the Effective Time through August __, 1996 which liabilities shall remain the obligation of the Employer.

(2) The participation of the Employer as the sponsor, plan administrator and as an adopting employer of the Plans will terminate immediately as of the Effective Time after the Sponsor's adoption and assumption of sponsorship of the Plans have become effective so as to continue the Plans uninterrupted without a gap or lapse in time or effect of the Plans.

(3) Effective as of the Effective Time the Plans are amended by deleting all references to Piper Impact, Inc., a Tennessee corporation, and inserting references to Piper Impact, Inc., a Delaware corporation, in their stead.

(4) Effective as of the Effective Time the Piper Impact, Inc. Health Benefits Program is amended by adding the following new provision to the eligibility provisions thereof:

> Notwithstanding any other provision of the Plan, employees of Piper Impact, Inc. other than those employees regularly scheduled to work for Piper Impact, Inc. in Mississippi shall not be eligible to participate in the Plan.

(5) Effective as of the Effective Time, the Piper Impact, Inc. Group Benefits Program for Utah Employees is amended by adding the following new provision to the eligibility provisions thereof:

> Notwithstanding any other provision of the Plan, employees of Piper Impact, Inc. other than those employees regularly scheduled to work for Piper Impact, Inc. in Utah shall not be eligible to participate in the Plan.

IN WITNESS WHEREOF, the Sponsor and the Employer have caused this Agreement to be executed this ---------- day of ----------, 1996.

PIPER IMPACT, INC. (formerly Quanex Aluminum, Inc.), a Delaware corporation

By

PIPER IMPACT, INC., a Tennessee corporation

By

Exhibit K
to Asset Purchase Agreement

OPINION OF BURCH, PORTER & JOHNSON PLLC

1. The Company is a corporation duly organized, validly existing and in good standing under the laws of the State of Tennessee and has the corporate power and authority to own, operate and lease its properties and carry on its business in all material respects as now owned, operated, leased or conducted. The Company is duly qualified to conduct its business and is in good standing in each jurisdiction in which the failure to be so qualified would have a material adverse effect on the Company's Business.

2. The Company has all requisite corporate power and authority to enter into, deliver and perform the Agreement and each agreement that is an exhibit to the Agreement and to which Piper is a party and to consummate the transactions described in the Agreement. The Agreement has been duly executed and delivered by the Company pursuant to all necessary corporate action.

3. The authorized capital stock of the Company consists of 100,000 shares of common stock, $1.00 par value (the "Piper Stock"), 1,000 shares of which are issued and outstanding. Each issued and outstanding share of Piper Stock is duly authorized, validly issued, fully paid and nonassessable and has not been issued, and to our knowledge, is not owned or held, in violation of any preemptive right of shareholders. All issued and outstanding shares of the Piper Stock are owned of record and, to our knowledge, beneficially by the persons named on Exhibit A attached hereto, free and clear of all claims, liens, security interests, pledges, charges, encumbrances, stockholders' agreements and voting trusts except as set forth on Schedule 3.3 to the Agreement, and to our knowledge, there are no other beneficial owners of that stock.

4. To our knowledge, the Company does not own or control any securities or other ownership interest in any corporation, association, joint venture, limited liability company, partnership or other business entity.

5. Neither the execution and delivery by the Selling Parties of the Agreement, the consummation of the transactions described in the Agreement by the Selling Parties nor compliance by the Selling Parties with any other provisions of the Agreement will conflict with, result in a breach of or constitute a default under (a) the Company's Charter or By-Laws, (b) except as set forth in Schedule 3.5 to the Agreement, any contracts, commitments or agreements listed in Schedule 1.1(j) to the Agreement or (c) except as set forth in Paragraph 6 below, any law, statue, ordinance, regulation or, to our knowledge, court or administrative order by which a Selling Party is subject or bound.

6. With respect to the permits and licenses set forth on Schedule 3.18, except for any filings required to be made pursuant to the HSR Act, and except as set forth on Schedule 3.6 to the Agreement, no Selling Party is required to submit any notice, report or other filing with any governmental or regulatory authority or instrumentality in connection with the execution, delivery or performance of the Agreement by the Selling Parties and the consummation of the transactions described in the Agreement.

7. The Agreement and, to our knowledge, each contract, agreement, instrument, lease, license and arrangement described in Schedule 3.11 to the Agreement is the legal, valid and binding obligation of the Selling Party who is a party thereto; and, except as may be limited by principles of equity or bankruptcy, insolvency, reorganization, moratorium or other similar laws or judicial decision relating to or affecting the enforcement of creditors' rights, is enforceable against such Selling Party in accordance with its terms.

8. To our knowledge and except as described in Schedule 3.13 to the Agreement, (1) there is no suit, action, proceeding, investigation or claim pending or threatened against and affecting the Company or the Company's Business in any court or before any arbitration panel of any kind or before or by any Governmental Body and (2) there is no outstanding order, writ, injunction, decree, judgment or award by any court, arbitration panel or Governmental Body against the Company or affecting the Company's Business.

Exhibit L
to Asset Purchase Agreement

OPINION OF FULBRIGHT & JAWORSKI L.L.P.

(a) Each of Quanex and Quanex Subsidiary is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware.

(b) Each of Quanex and Quanex Subsidiary has all requisite corporate power and authority to enter into, deliver and perform the Agreement and each agreement that is an exhibit to the Agreement and to which Quanex is a party and to consummate the transactions described in the Agreement. The Agreement has been duly executed and delivered by Quanex and Quanex Subsidiary pursuant to all necessary corporate action.

(c) Neither the execution and delivery by the Purchasing Parties of the Agreement, the consummation of the transactions described in the Agreement by the Purchasing Parties nor compliance by the Purchasing Parties with any of the provisions of the Agreement will conflict with, result in a breach of or constitute a default under (a) the certificate of incorporation or bylaws of Quanex or Quanex Subsidiary, (b) any contracts, commitments or agreements listed as an exhibit to Quanex's Annual Report on Form 10-K for the year ended October 31, 1995, to which Quanex or Quanex Subsidiary is a party or by which the assets of Quanex or Quanex Subsidiary are bound, or (c) any law, statute, ordinance, regulation or court or administrative order by which Quanex or Quanex Subsidiary is subject or bound.

(d) Except for filings required to be made pursuant to the HSR Act or the Securities Exchange Act of 1934, neither Quanex nor Quanex Subsidiary is required to submit any notice, report or other filing with any governmental or regulatory authority or instrumentality in connection with the execution, delivery or performance of the Agreement by the Purchasing Parties and the consummation of the transactions described in the Agreement.

(e) The Agreement is the legal, valid and binding obligation of Quanex and Quanex Subsidiary, as applicable; and except as may be limited by principles of equity or bankruptcy, insolvency, reorganization, moratorium or other similar laws or judicial decisions relating to or affecting the enforcement of creditors' rights, is enforceable against the Purchasing Parties in accordance with its terms.

Exhibit M
to Asset Purchase Agreement

AGRICULTURAL LEASE

This Agricultural Lease (this "Lease") is made and entered into as of the _____ day of _____, 1996, by and between PIPER IMPACT, INC., a Delaware corporation, formerly known as Quanex Aluminum, Inc. ("Landlord"), and LAMAR FRAZIER ("Tenant");

W I T N E S S E T H:

Section 1. Premises. Landlord hereby leases and rents to Tenant, and Tenant hereby leases and rents from Landlord, the surface only of that certain tract or parcel of land situated in Union County, Mississippi, and being more particularly described on Exhibit A attached hereto and made a part hereof for all purposes (collectively the "Leased Property").

Section 2. Initial Term. The initial term of this Lease (the "Initial Term") shall commence on January 1, 1996 (the "Initial Commencement Date"), and terminate at 11:59 p.m., on December 31, 1996 (the "Initial Termination Date").

Section 3. Renewal Terms. Unless at least thirty (30) days prior to the Initial Termination Date Landlord or Tenant gives written notice to the other (a "Termination Notice") stating that such party has elected to terminate this Lease as of the Initial Termination Date, this Lease shall automatically be extended at the same rental rate and on the same terms and conditions for successive twelve (12) month periods (collectively the "Renewal Terms"), commencing on the Initial Termination Date or the last day of the then current Renewal Term, as applicable, and terminating at 11:59 p.m., on the last day of the then current Renewal Term. Either Landlord or Tenant may terminate this Lease at the expiration of the then current Renewal Term by providing written notice to such effect to the other party at least thirty (30) days prior to the end of the then current Renewal Term; provided, however, in the event that Landlord terminates this Lease after Tenant has applied lime treatment to the Leased Property, then Landlord shall reimburse Tenant for the cost of such lime treatment up to a maximum of Twenty and 00/100 Dollars ($20.00) per acre. Any Termination Notice shall be given in the manner prescribed in Section 14 hereof. In the event either Landlord or Tenant gives to the other a Termination Notice, this Lease and all rights of Tenant hereunder shall terminate as of the Initial Termination Date, or as of the last day of the then current Renewal Term, as applicable.

Nothing in this Section 3 shall alter or diminish the rights and options reserved and/or available to Landlord under Sections 9 or 15 hereof.

The Initial Term and any applicable Renewal Terms are hereinafter collectively referred to as the "Term".

Section 4. Rent. As rent for the Leased Property during the Term of this Lease ("Rent"), Tenant shall pay to Landlord the sum of Thirty and 00/100 Dollars ($30.00) per acre per year, which sum shall be due and payable on or before _____ of each year, without offset or counterclaim.

Section 5. Use. The Leased Property shall be used and occupied by Tenant for farming purposes only, and for no other uses or purposes without Landlord's prior written consent, which consent may be given or withheld in Landlord's sole and absolute discretion. Tenant agrees to conduct all farming operations on the Leased Property in full and complete accordance with good farming and land conservation practices and in accordance with applicable law.

Without limiting the foregoing, Tenant agrees that no part of the Leased Property shall be used for club purposes, that no public hunting shall be permitted on the Leased Property, and that no motorcycles or recreational vehicles shall be allowed on the Leased Property.

Section 6. Acceptance of Premises; Repairs, Maintenance and Improvements. Tenant hereby accepts the Leased Property "AS IS", "WHERE IS" and in its present condition, and having previously inspected the Leased Property, Tenant stipulates and states that it is fully familiar with the condition of same. Tenant acknowledges that Landlord has made no warranty or representation, express or implied, about the Leased Property, its condition, suitability, fitness for a particular purpose or fitness for any purpose. Landlord shall not be required to make any repairs or improvements on or to the Leased Property or any fences or other improvements located thereon at any time during the Term of this Lease. Tenant shall keep and maintain the Leased Property and all improvements thereon (including, without limitation, all fences, gates and cattle-guards situated on or enclosing the Leased Property) in good order and repair and in a safe condition and shall not commit or allow any waste, or allow any nuisance to exist on the Leased Property. Any maintenance, repairs or replacements that are required to keep all such improvements or equipment (including, without limitation, all fences, gates and cattle-guards situated on or enclosing the Leased Property) in good working condition shall be promptly performed by Tenant at its expense. Tenant shall comply with all applicable laws and rules and regulations of governmental bodies and agencies having jurisdiction over the Leased Property and/or Tenant's operations thereon.

Without limiting the foregoing, Tenant, as part of the consideration for this Lease, agrees to keep and maintain in good repair at all times substantial fences on the boundary lines enclosing the Leased Property and to prevent trespass, encroachments or depredation of any kind on the Leased Property by persons or animals. Tenant agrees not to cut or remove any growing timber from the Leased Property, or to permit unauthorized persons so to do.

Tenant shall have the right to install or place equipment, machinery, structures and other property on the Leased Property. All equipment, machinery, structures and other property of any kind or description installed, affixed, or placed

on the Leased Property by Tenant shall remain the property of Tenant, and Tenant shall have the right, at any time during the Term of this Lease, to remove any or all of such property, provided that Tenant, at Tenant's expense, shall promptly repair any damage to the Leased Property occasioned by such removal. Any property of Tenant not removed from the Leased Property within thirty (30) days after the expiration or earlier termination of this Lease shall be deemed to have been abandoned and shall belong to Landlord without the payment of any consideration therefor.

Tenant shall have no right or power to create or permit any lien of any kind or character to attach to the Leased Property, Landlord's interest therein or Tenant's interest therein by reason of repair, construction or other work, and Tenant agrees to indemnify, defend and hold harmless Landlord and the Leased Property from and against any and all claims, liens and demands, including, without limitation, mechanic's and materialman's liens, arising from the use, occupancy, conduct, management of or from any work or thing whatsoever done in or about the Leased Property by Tenant or any party acting by, through, under or on behalf of Tenant. Tenant shall pay all ad valorem taxes assessed against Tenant's property on the Leased Property.

This Lease is made by Landlord and the Leased Property is accepted by Tenant subject to all valid and subsisting restrictions, covenants, conditions, easements, rights-of-way, mineral leases, royalty reservations, mineral reservations and other encumbrances affecting the Leased Property.

Section 7. Assignment; Subletting. Tenant shall not sublet the Leased Property or any part thereof, or assign the Lease or any interest therein, without the prior written consent of Landlord, which consent may be given or withheld in Landlord's sole and absolute discretion. Landlord's consent in the case of any sublease or assignment shall not abrogate the requirement for Landlord's consent in the case of any subsequent or additional sublease or assignment.

Section 8. Taxes. Landlord shall pay or cause to be paid before delinquency all general and special taxes, assessments for local improvements and other governmental charges lawfully assessed or imposed on the Leased Property; provided, however, that Landlord may in good faith defer compliance to contest the validity or amount of any such tax, assessment or governmental charge, so long as Landlord's title to and Tenant's occupancy of the Leased Property is not disturbed or threatened thereby. Tenant agrees not to construct any improvement on the Leased Property or take any other action which would cause the Leased Property or any part thereof not to be classified as agricultural lands or open lands for ad valorem tax purposes.

Section 9. Landlord's Remedies. In the event Tenant defaults hereunder, which default continues for a period of thirty (30) days after notice from Landlord to Tenant specifying such default, then Landlord, at Landlord's option, may, immediately or any time thereafter while such default remains in effect, and without

further demand or notice, exercise any remedy available to Landlord under applicable law.

Section 10. Access. Landlord and Landlord's authorized representatives shall have the right to enter upon the Leased Property at reasonable times for the purpose of inspecting the same, and Tenant agrees to furnish Landlord a duplicate key to any lock installed by Tenant on any gate on or about the Leased Property.

Section 11. Indemnity; Insurance. Landlord shall not be liable for any damage, loss or injury to the person or property or effects of the Tenant or any other person, suffered in, on or about the Leased Property from any cause, and particularly from any activity done thereon or from any negligence of Tenant or Tenant's sublessees, agents, employees, or contractors. In this regard, Tenant agrees to indemnify, defend and hold harmless Landlord from and against any and all claims arising from any such damage, loss or injury or from any loss, cost, expense or liability therefrom or in connection therewith, including attorney's fees. Tenant agrees to furnish Landlord with evidence of public liability insurance in the amount of $_____ for each occurrence and property damage insurance in the amount of $_____ with insurers acceptable to Landlord. Such insurance shall cover the Leased Property and the operations of Tenant and its agents, employees, equipment and automobiles thereon and on the roads, highways, and lands adjacent to the Leased Property. Such insurance policy shall name Landlord as an additional insured and shall not be cancelable without thirty (30) days prior written notice to Landlord. Tenant assumes all risks of loss or damage from whatever cause to any of Tenant's property or livestock on the Leased Property or to Landlord's property thereon; Tenant, for itself and its insurer, waives any claim or cause of action (whether in the nature of subrogation or otherwise) against Landlord or its successors and assigns in connection with any loss or damage. Tenant's indemnity obligations shall survive the expiration or earlier termination of this Lease as to acts or omissions occurring prior to such expiration or termination.

Section 12. Condemnation. In the event all the Leased Property is taken for public purposes, this Lease shall cease and terminate without further liability on either party hereto. If only part or parts of the Leased Property are taken for public purposes, then this Lease shall continue in force and effect as to the portion of the Leased Property not so taken; provided, however, that if such partial taking materially interferes with Tenant's continuing operations on the Leased Property, Tenant may terminate this Lease, without further liability on either party hereto, by providing Landlord with written notice delivered to Landlord within thirty (30) days after such taking.

Section 13. Quiet Enjoyment; Surrender of Premises. Subject to the other terms and provisions of this Lease and so long as Tenant complies with Tenant's obligations hereunder, Tenant shall lawfully, peaceably and quietly have, hold and occupy the Leased Property during the Term of the Lease, without hinderance or objection from anyone claiming by, through or under Landlord; subject, however, to the matters set forth in Section 6 and Section 15 hereof.

At the expiration or earlier termination of this Lease, Tenant shall quit and surrender the Leased Property to Landlord in as good condition as at the date hereof, reasonable wear and tear and natural deterioration excepted. Any holding over after the expiration or earlier termination of this Lease shall not renew or extend this Lease, but shall constitute Tenant a tenant at sufferance at a rental rate equal to two hundred percent (200%) the rental rate in effect immediately prior to such expiration or earlier termination.

Section 14. Notices. Whenever, by the terms of this Lease, notice shall or may be given to Landlord or Tenant, such notice shall be in writing and shall be delivered in hand or sent by registered or certified United States mail, postage prepaid, as follows:

(a) If for Landlord, addressed to Landlord at 1900 West Loop South, Houston, Texas 77027 or at such other address as may from time to time hereafter be designated by Landlord by like notice;

(b) If for Tenant, addressed to Tenant at _____, or at such other address as may from time to time hereafter be designated by Tenant by like notice.

Absent a postal strike or other stoppage of the mails, any notice undertaken to be given by mail in accordance with this Section 14 shall be deemed to have been received by the addressee on the third regular business day following the day during which such notice is deposited with the United States Postal Service. Any notice given by personal delivery shall be deemed given as at the time of such delivery.

Section 15. Landlord's Retained Rights. As aforesaid, the rights of Tenant hereunder are subordinate and subject to the rights of any and all mineral lessees now or hereafter holding leases on all or any part of the Leased Property. Further, Landlord reserves the right to make mineral leases and mineral conveyances affecting the minerals under all or any part of the Leased Property and hereby reserves all minerals in, on or under the Leased Property with the right to operate and explore for same and the rights of Landlord, its lessees and assigns, to operate and explore on all or any part of the Leased Property for minerals shall be superior to the rights of Tenant hereunder; provided, however, any mineral lease hereafter executed by Landlord shall expressly bind the lessee therein to pay Tenant for the actual damages to crops or other property of Tenant resulting directly from mineral exploration, development or operations. The term "minerals" used herein shall refer to oil, gas, sulphur and/or any other minerals (similar or dissimilar).

Landlord further reserves the right to negotiate for and to sell and convey the Leased Property or any part thereof or any interest therein at any time during any term of this Lease and in the event of any such sale and conveyance to take possession or permit such purchaser to take possession of the Leased Property or portion thereof sold. Landlord shall give Tenant not less than thirty days notice of its intention to repossess the Leased Property or

portion thereof by reason of any such sale or conveyance, and Tenant agrees to surrender the Leased Property or portion thereof to be repossessed on or before the expiration of thirty days following such notice. Upon such surrender, Tenant shall be paid the then value of its interest in any crops authorized to be planted and growing or unharvested on the repossessed land and shall be refunded the proportionate part of the unearned rental paid in advance thereon and this Lease shall terminate as to the interest and/or acreage so sold.

Section 16. Provisions Binding. The laws of the State of Mississippi shall govern the rights and liabilities to the parties hereto, and if any provisions of this Lease are determined invalid by judicial decision, the invalidity of such provisions shall not affect the validity of any other provisions thereof. This Lease constitutes the entire agreement between the parties concerning leasing of the Leased Property and shall not be amended, except by written instrument signed by both parties. This Lease shall be binding upon and shall inure to the benefit of Landlord and Tenant and their respective heirs, successors, assigns, and legal representatives, but this provision does not constitute a waiver of the requirement for consent by Landlord to any assignment or subletting by Tenant.

Section 17. Counterparts. This Lease may be executed in one or more counterparts by one or more party Landlord and Tenant, and shall be binding upon any Landlord who may, together with Tenant, execute the same so long as all parties constituting Landlord and Tenant shall have executed some (but not necessarily the same) counterpart. Each such counterpart shall be deemed an original, and all such counterparts shall constitute one and only one agreement.

EXECUTED in multiple originals effective on the day and date first above written.

PIPER IMPACT, INC.,
a Delaware corporation (formerly known as
Quanex Aluminum, Inc.)

By:

Name:

Title:

"Landlord"

LAMAR FRAZIER

"Tenant"

Exhibit A

[ATTACH PROPERTY DESCRIPTION]

EXHIBIT 4.1

EXECUTION COPY

- ---
- ---

QUANEX CORPORATION

$250,000,000

REVOLVING CREDIT

AND

TERM LOAN AGREEMENT

DATED AS OF JULY 23, 1996

COMERICA BANK, AS AGENT

AND

HARRIS TRUST AND SAVINGS BANK

AND

WELLS FARGO BANK (TEXAS), NATIONAL ASSOCIATION

AS CO-AGENTS

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SCHEDULES:

EXHIBITS:

QUANEX CORPORATION
$250,000,000
REVOLVING CREDIT
AND
TERM LOAN AGREEMENT

THIS $250,000,000 REVOLVING CREDIT AND TERM LOAN AGREEMENT ("Agreement") is made as of the 23rd day of July, 1996, among the Banks signatory hereto (individually "Bank" and collectively "Banks"), Comerica Bank, as agent for the Banks (in such capacity, "Agent") and Quanex Corporation, a Delaware corporation ("Company").

RECITALS:

A. The Company has requested that the Banks extend credit to it consisting of a revolving credit facility in the aggregate principal amount of Two Hundred Fifty Million Dollars ($250,000,000), and including therein a swing line facility, letters of credit facility and a committed term loan facility.

B. The Banks are prepared to extend such credit as aforesaid, but only upon the terms and conditions set forth in this Agreement.

NOW THEREFORE, COMPANY, AGENT AND THE BANKS AGREE AS FOLLOWS:

1. DEFINITIONS

For the purposes of this Agreement the following terms (when capitalized) will have the following meanings:

"Account Party(ies)" shall mean the account party or parties named in a Letter of Credit, which will be Company, individually, or jointly and severally with a Restricted Subsidiary, as named in the application to the Agent for the issuance of such Letter of Credit.

"Adjusted Leverage Calculation" is defined in Section 4.1(x)(d).

"Advance(s)" shall mean Revolving Credit Advance(s), Swing Line Advance(s), and/or Advance(s) of a Term Loan, as the context may require.

"Affected Lender" is defined in Section 5.8.

"Affiliate" shall mean, with respect to any Person, any other Person or group acting in concert in respect of the Person that, directly or indirectly, through one or more intermediaries, controls, or is controlled by, or is under the common control with such Person. For purposes of this definition, "control" (including,

with correlative meanings, the terms "controlled by" and "under common control with"), as used with respect to any Person or group of Persons, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of management and policies of such Person, whether through the ownership of voting securities or by contract or otherwise.

"Agent" shall mean Comerica Bank or any successor appointed in accordance with Section 12.4 hereof.

"Agent's Fees" shall mean those fees and expenses required to be paid by Company to Agent under Section 12.8 hereof.

"Alternate Base Rate" shall mean for any day a rate per annum equal to the Federal Funds Effective Rate in effect on such day plus one percent (1%).

"Annual Debt Service" shall mean, as of the last day of each Fiscal Quarter, the sum of interest charges (including without limitation, capitalized interest expense) incurred on indebtedness (including the interest component, as determined in accordance with generally accepted accounting principles, of all Rentals on Capitalized Leases) plus all amounts required for mandatory repayment of principal of and premium on indebtedness (whether by operation of sinking fund or otherwise), for the Company and its Restricted Subsidiaries, on a Consolidated basis, during the period of twelve months ended on and immediately preceding the date of such calculation.

"Applicable Interest Rate" shall mean the Eurodollar-based Rate, the Quoted Rate or the Prime-based Rate, as selected by Company from time to time or otherwise determined pursuant to the terms and conditions of this Agreement; provided, however, that the Applicable Interest Rate for any Bank shall never exceed the Highest Lawful Rate for such Bank.

"Applicable Letter of Credit Fee Percentage" shall mean, as of any date of determination thereof, the applicable percentage used to calculate the Letter of Credit Fees due and payable hereunder, determined by reference to the appropriate columns in the applicable Pricing Matrix (Grid I or II) attached to this Agreement as Schedule 1.2.

"Applicable Commitment Fee Percentage" shall mean as of any date of determination thereof, the applicable percentage used to calculate the Revolving Credit Commitment Fee due and payable hereunder, determined by reference to the appropriate columns in the applicable Pricing Matrix (Grid I or II) attached to this Agreement as Schedule 1.2.

"Banks" shall mean Comerica Bank and such other financial institutions from time to time parties hereto as lenders and shall

include the Swing Line Bank and any assignee which becomes a Bank pursuant to Section 13.7.

"Base Tangible Net Worth" shall mean (i) One Hundred Million Dollars ($100,000,000) plus (on a cumulative basis), for each Fiscal Year ending on or after October 31, 1997, Five Million Dollars ($5,000,000), plus (ii) fifty percent (50%) of the Net Income (if positive) of the Company and its Restricted Subsidiaries, on a Consolidated basis, earned in each Fiscal Quarter commencing subsequent to July 31, 1990, plus (iii) 100% of the amount of cash proceeds or the value of any other assets received by Company of any New Equity, net of reasonable and customary fees and expenses (including, without limitation, filing fees, brokerage commissions, accounting fees and attorneys fees) incurred in connection with the issuance thereof.

"Business Day" shall mean any day on which commercial banks are open for domestic and international business (including dealings in dollar deposits in the interbank market) in Detroit, London, New York and Houston.

"Capitalization" shall mean, as of the time of any determination thereof, Funded Debt plus Tangible Net Worth of the Company and its Restricted Subsidiaries, on a Consolidated basis.

"Capitalized Lease" shall mean any lease of property (real, personal or mixed) the obligation for Rentals with respect to which is required to be capitalized on a balance sheet of the lessee in accordance with generally accepted accounting principles or for which the amount of the asset and liability thereunder as so capitalized should be disclosed in a note to such balance sheet.

"Co-Agent(s)" shall mean Harris Trust and Savings Bank and/or Wells Fargo Bank (Texas), National Association, in their individual capacities as co-agent hereunder, or both of them, as the context may require.

"Collateral Documents" shall mean the guaranty agreements executed and delivered (or to be executed and delivered) to the Agent by Company's Restricted Subsidiaries in accordance with the terms and conditions hereof (substantially in the form attached as Exhibit J), including, but not limited to the guaranty agreements from LaSalle, Michigan Seamless and Nichols (and upon consummation of the Piper Acquisition, from Piper), of all of the Indebtedness hereunder and of Letter of Credit Obligations of Account Parties, and Company's guaranty of the Letter of Credit Obligations of the Account Parties (substantially in the form attached hereto as Exhibit K).

"Company" shall mean Quanex Corporation, a Delaware corporation.

"Consolidated" or "Consolidating" shall, when used with reference to any financial information (or when used as a part of any defined term or statement pertaining to any financial condition) mean the accounts of Company and its Subsidiaries (or, if the context indicates, Company and its Restricted Subsidiaries) determined on a consolidated or consolidating basis, as the case may be, all determined as to principles of consolidation and, except as otherwise specifically required by the definition of such term or by such statements, as to such accounts, in accordance with generally accepted accounting principles applied on a consistent basis and consistent with the financial statements, if any, as at and for the Fiscal Year ended October 31, 1995.

"Contractual Obligation" shall mean, as to any Person, any provision of any security issued by such Person or of any material agreement, instrument or written undertaking to which such Person is a party or by which it or any of its property is bound.

"Conversion" shall mean the conversion of the Subordinated Debentures into common shares of the Company in accordance with the terms of the Indenture.

"Current Assets" shall mean as of the time any determination thereof is to be made, the amount, without duplication, that would be classified on a balance sheet for the Company and its Restricted Subsidiaries, on a Consolidated basis, as the current assets at such time determined in accordance with generally accepted accounting principles consistently applied.

"Debt Rating" shall mean a debt rating of Company's long term, non-credit enhanced senior unsecured debt (regardless of whether any such debt is outstanding) as in effect from time to time and published or otherwise communicated by the applicable rating agency to Agent and the Banks.

"Debt Service Coverage Ratio" shall mean, for the period of any determination thereof, a ratio, the numerator of which is Net Earnings Available for Debt Service for such period and the denominator of which is Annual Debt Service for such period.

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended, or any successor act or code.

"Effective Date" shall mean the date on which all the conditions precedent set forth in Sections 7.1 through 7.13 have been satisfied; provided however that such date shall not occur after August 31, 1996.

"Eurodollar Interest Period" shall mean an interest period of one (1), two (2), three (3) or six (6) months as selected by Company or otherwise determined in accordance with the provisions hereof.

"Eurodollar Lending Office" shall mean, (a) with respect to the Agent, Agent's office located at Grand Cayman, British West Indies or such other branch of Agent, domestic or foreign, as it may hereafter designate as a Eurodollar Lending Office by notice to Company and the Banks and (b) as to each of the Banks, its office, branch or affiliate located at its address set forth on the signature pages hereof (or identified thereon as a Eurodollar Lending Office), or at such other office, branch or affiliate of such Bank as it may hereafter designate as its Eurodollar Lending Office by notice to Company and Agent.

"Eurodollar Rate" shall mean:

(a) the per annum interest rate at which deposits in eurodollars are offered to Agent's Eurodollar Lending Office by other prime banks in the eurodollar market in an amount comparable to the relevant Eurodollar-based Advance and for a period equal to the relevant Eurodollar-Interest Period at approximately 11:00 A.M. Detroit time two (2) Business Days prior to the first day of such Eurodollar Interest Period; divided by,

(b) an amount equal to one minus the stated maximum rate (expressed as a decimal) of all reserve requirements (including, without limitation, any marginal, emergency, supplemental, special or other reserves) that is specified on the first day of such Eurocurrency-Interest Period by the Board of Governors of the Federal Reserve System (or any successor agency thereto) for determining the maximum reserve requirement with respect to eurodollar funding (currently referred to as "eurocurrency liabilities" in Regulation D of such Board) maintained by a member bank of such System, all as conclusively determined (absent manifest error) by the Agent,

such sum to be rounded upward, if necessary, to the nearest whole multiple of 1/16th of 1%.

"Eurodollar-based Advance" shall mean a Revolving Credit Advance or an advance, readvance, refunding or conversion of all or a portion of a Term Loan which bears interest at a rate based on the Eurodollar-based Rate.

"Eurodollar-based Rate" shall mean a per annum interest rate equal to the Eurodollar Rate, plus the Margin.

"Event of Default" shall mean the Events of Default specified in Section 11.1 hereof.

"Existing Letter of Credit" shall mean a letter of credit issued under the Prior Credit Agreement which is outstanding on the Effective Date.

"Facility Reduction Proceeds" is defined in Section 2.8.

"Federal Funds Effective Rate" shall mean, for any day, a fluctuating interest rate per annum equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published for such day (or, if such day is not a Business Day, for the next preceding Business Day) by the Federal Reserve Bank of New York, or, if such rate is not so published for any day which is a Business Day, the average of the quotations for such day on such transactions received by Agent from three Federal funds brokers of recognized standing selected by it.

"Federal Reserve Bank" shall mean any one of twelve central banks, or any one of their branches, which are part of the Federal Reserve System and which constitute the so-called Federal Reserve Banks.

"Fiscal Quarter" shall mean a fiscal quarterly period of a Fiscal Year.

"Fiscal Year" shall mean the Company's fiscal year consisting of any period of twelve consecutive calendar months ending on October 31.

"Funded Debt" shall mean, with respect to Company and its Restricted Subsidiaries on a Consolidated basis, without duplication, as of the date of any determination thereof, (a) any obligations, contingent or otherwise, for borrowed money, (b) any obligation owed for all or any part of the purchase price of property or other assets or for the cost of property or other assets constructed or of improvements thereto, other than accounts payable included in current liabilities and incurred in respect of property purchased in the ordinary course of business, (c) any obligation, contingent or otherwise, secured by any lien in respect of property even though the person owning the property has not assumed or become liable for the payment of such obligation, (d) any Capitalized Lease obligation, (e) any note payable or draft accepted representing an extension of credit, whether or not representing an obligation for borrowed money, (f) any liability associated with letters of credit, whether contingent or otherwise, (g) any obligation which is in economic effect a guaranty, regardless of its characterization, with respect to indebtedness (of the kind otherwise described in this definition) of another person, and (h) liabilities for obligations of Company and/or its Restricted Subsidiaries which may arise by operation of law (excluding taxes, but including by way of example and without limitation, liabilities for ERISA funding, environmental hazards,

hazardous and solid waste handling practices and/or clean-up liabilities imposed under CERCLA, RCRA or similar state statutes).

Notwithstanding anything to the contrary in the foregoing paragraph, the following shall not be included in the calculation of Funded Debt; (w) indebtedness of Company described in subsection 10.2(e) hereof; (x) any obligations pursuant to the $50,000 Community Economic Betterment Account Forgivable Loan by the Department of Economic Development for the City of Davenport to Company, unless and until such time the amount of such loan is required to be paid to the City of Davenport; (y) any obligations pursuant to the $1,100,000 advance by Iowa-Illinois Gas & Electric Company to Company during such time as the discounted portion of Company's electric utility payments are being applied to reduce such obligations; and (z) any obligations (in a net amount not exceeding $6,000,000) pursuant to Section XIV of the Economic Development Expansion Agreement between the City of Davenport, Rejuvenate Davenport, Inc., and Company during such time as such obligations are contingent obligations.

Furthermore, notwithstanding anything to the contrary in the foregoing paragraphs, the aggregate principal amount of the Subordinated Debentures as of the date of their issue by the Company shall not be included in the calculation of Funded Debt.

"Governmental Authority" shall mean any federal, state, provincial, local, foreign or other governmental authority or body (or any agency, instrumentality or political subdivision thereof).

"Hazardous Material" shall mean and include any hazardous, toxic or dangerous waste, substance or material defined as such in (or for purposes of) the Hazardous Material Laws.

"Hazardous Material Law(s)" shall mean all laws, codes, ordinances, rules, regulations, orders, decrees and directives issued by Governmental Authority pertaining to any hazardous, toxic or dangerous waste, substance or material on or about any facilities owned, leased or operated by Company or any of its Affiliates, or any portion thereof including, without limitation, those relating to soil, surface, subsurface ground water conditions and the condition of the ambient air, or pertaining to the protection of the environment; any so-called "superfund" or "superlien" law; and any other federal, state, provincial, foreign or local statute, law, ordinance, code, rule, regulation, order or decree regulating, relating to, or imposing liability or standards of conduct concerning, any hazardous, toxic or dangerous waste, substance or material, as now or at any time hereafter in effect.

"Hedging Obligations" shall mean obligations in respect of interest rate protection agreements or foreign currency exchange agreements (including foreign currency hedges and swaps), commodity options or commodity swaps entered into between Company and/or a

Restricted Subsidiary and a Bank, or any Affiliate of a Bank, to manage existing or anticipated interest rate or foreign exchange rate risk and not for speculative purposes.

"Hereof", "Hereto", "Hereunder" and similar terms shall refer to this Agreement and not to any particular paragraph or provision of this Agreement.

"Highest Lawful Rate" shall mean, with respect to each Bank, the maximum nonusurious interest rate, if any, that at any time or from time to time may be contracted for, taken, reserved, charged or received on its Notes or other Indebtedness under laws applicable to such Bank which are in effect as of the date hereof or, to the extent allowed by law, under such laws applicable to such Bank which may hereafter be in effect and which allow a higher maximum nonusurious interest rate than applicable laws allow as of the date hereof.

"Indebtedness" shall mean all indebtedness and liabilities, whether direct or indirect, absolute or contingent, owing by Company or any Account Party to the Banks or to the Agent, in any manner and at any time, under this Agreement or the Loan Documents, whether evidenced by the Notes or otherwise, due or hereafter to become due, now owing or that may hereafter be incurred by the Company or any Account Party to, or acquired by, the Banks or by Agent, and any judgments that may hereafter be rendered on such indebtedness or any part thereof, with interest according to the rates and terms specified, or as provided by law, and any and all consolidations, amendments, renewals or extensions of any of the foregoing.

"Indenture" shall mean that certain Indenture (pursuant to which the Subordinated Debentures were issued) dated as of June 30, 1995 between the Company and Chemical Bank, as trustee, as such Indenture may be amended, subject to the terms hereof, from time to time.

"Interest Period" shall mean (a) for any Eurodollar-based Advance, an interest period of one, two, three or six months as selected by the Company pursuant to Section 4.2 hereof or (b) for any Quoted Rate Advance, an interest period of up to thirty days, as offered by the Swing Line Bank and accepted by the Company pursuant to Section 3A.3 hereof.

"Investment Grade Rating" shall mean a Debt Rating from S&P of BBB- (or higher) or from Moody's of Baa3 (or higher).

"Issuing Office" shall mean Agent's office located at One Detroit Center, 500 Woodward Avenue, Detroit, Michigan 48226 or such other office as Agent shall designate as its Issuing Office.

"LaSalle" shall mean LaSalle Steel Company, a Delaware corporation and a wholly-owned Subsidiary of Company.

"Letter of Credit Agreement" shall mean, in respect of each Letter of Credit, the application of an Account Party(ies) requesting Agent to issue such Letter of Credit (including the terms and conditions on the reverse side thereof or otherwise provided therein), substantially in the form attached hereto as Exhibit E.

"Letter of Credit Fees" shall mean the fees payable to Agent for the accounts of the Banks in connection with Letters of Credit pursuant to Section 3.5 hereof.

"Letter of Credit Maximum Amount" shall mean as of any date of determination the lesser of: (a) Twenty Five Million Dollars ($25,000,000); or (b) the then applicable Revolving Credit Aggregate Commitment minus the sum of (i) aggregate principal amount of Revolving Credit Advances plus Swing Line Advances outstanding as of such date plus (ii) Letter of Credit Obligations as of such date.

"Letter of Credit Obligations" shall mean at any date of determination, the sum of (a) the aggregate undrawn amount of all Letters of Credit then outstanding and (b) the aggregate amount of Reimbursement Obligations which have not been reimbursed by the Company as of such date.

"Letter of Credit Payment" shall mean any amount paid or required to be paid by the Agent in its capacity as issuer of a Letter of Credit as a result of a draw against any Letter of Credit.

"Letter(s) of Credit" shall mean any standby and/or documentary letters of credit issued by Agent, titled as such, at the request of or for the account of an Account Party(ies) pursuant to Article 3 hereof, including without limitation any Existing Letters of Credit.

"Leverage" shall mean, as of the last day of each Fiscal Quarter, Funded Debt divided by Capitalization, expressed as a percentage.

"Lien" shall mean any interest in Property securing an obligation owed to, or a claim by, a Person other than the owner of the Property, whether such interest is based on the common law, statute or contract (except that, for purposes of Section 10.1, the contractual or other right of any bank to set off deposits, other account balances, or any investments permitted under Section 10.4(b) through Section 10.4(e) against debts owed to it shall not constitute a Lien unless or until a bank shall assert such right of setoff), and including but not limited to the security interest or

lien arising from a mortgage, encumbrance, pledge, conditional sale or trust receipt or a lease, consignment or bailment for security purposes. The term "Lien" shall include reservations, exceptions, encroachments, easements, right-of-way, covenants, conditions, restrictions, leases and other title exceptions and encumbrances (including, with respect to stock, stockholder agreements, voting trust agreements, buy-back agreements and all similar arrangements) affecting Property. For the purposes of this Agreement, the Company or a Restricted Subsidiary shall be deemed to be the owner of any Property which it has acquired or holds subject to a conditional sale agreement, Capitalized Lease or other arrangement pursuant to which title to the Property has been retained by or vested in some other Person for security purposes and such retention or vesting shall constitute a Lien.

"Loan Documents" shall mean collectively, this Agreement, any Notes, the Collateral Documents, any Letter of Credit Agreements and any other documents, instruments or agreements executed pursuant to or in connection with any such document.

"Majority Banks" shall mean at any time the Banks holding 66 2/3% of the aggregate principal amount of the Indebtedness then outstanding under the Notes plus the Letter of Credit Obligations, or, if no Indebtedness or Letters of Credit are then outstanding, of the Percentages.

"Manufacturing Property" shall mean the assets of the Company or any Restricted Subsidiary which are material to the business of the Company and its Restricted Subsidiaries, taken as a whole, including, without limitation, any such asset which constitutes part of the manufacturing or fabricating business of the Company or any Restricted Subsidiary.

"Margin" shall mean, as of any date of determination thereof, the applicable margin determined by reference to the appropriate columns of the applicable Pricing Matrix (Grid I or II) attached hereto as Schedule 1.2.

"Material Adverse Effect" shall mean a material adverse effect on (a) the business, operations, property, condition (financial or otherwise) or prospects of the Company and its Subsidiaries taken as a whole, (b) the ability of the Company to perform its obligations under this Agreement or the Notes or any other Loan Document to which it is a party, or (c) the validity or enforceability of this Agreement, any of the Notes or any of the Collateral Documents or the rights or remedies of the Agent or the Banks hereunder or thereunder.

"Material Unrestricted Subsidiaries" shall mean any Unrestricted Subsidiary or any number of Unrestricted Subsidiaries which have, individually or in aggregate, indebtedness, obligations

and other liabilities exceeding Fifty Million Dollars ($50,000,000).

"Michigan Seamless" shall mean Michigan Seamless Tube Company, a Delaware corporation.

"Moody's" shall mean Moody's Investors Service, Inc., or any successor thereto acceptable to the Majority Banks in their sole discretion.

"Net Earnings Available for Debt Service" shall mean, for the four Fiscal Quarters preceding any calculation thereof, the total operating and non-operating revenues of the Company and its Subsidiaries on a Consolidated basis, including interest and dividends upon securities held, less the sum of all operating expenses, expenditures for ordinary repairs and maintenance, taxes (other than income and excess profits, taxes or other taxes which are imposed on income after the deduction of interest charges), and all non-operating expenses and losses of Company and its Restricted Subsidiaries on a Consolidated basis (provided that such expenses shall not include charges for amortization, depreciation and depletion, interest charges, and all amortization of debt discount and expense or premium), plus the SFAS Adjustment, if any, with respect to the applicable period of calculation. No profits or losses from the sale or abandonment of capital assets or change in the value of securities or other investments shall be included in making such computations.

"Net Income" shall mean, for the period of determination thereof, the net income for such period taken as one accounting period, for Company and its Restricted Subsidiaries, on a Consolidated basis, determined in accordance with generally accepted accounting principles consistently applied, plus the SFAS Adjustment, if any, for such period.

"New Equity" shall mean additional common or preferred stock of the Company issued on or after the date hereof (excluding any stock issued pursuant to a conversion of the Subordinated Debentures).

"New Senior Debt" shall mean any senior unsecured debt issued by the Company after the date hereof.

"Nichols" shall mean Nichols-Homeshield, Inc., a Delaware corporation.

"Notes" shall mean the Revolving Credit Notes, the Swing Line Note and/or the Term Notes, as the context indicates.

"Pension Plans" shall mean all pension plans or employee benefit plans of Company or its Subsidiaries which are subject to ERISA.

"Percentage" shall mean, with respect to any Bank, its percentage share, as set forth on Schedule 1.1 hereto, of the Revolving Credit Aggregate Commitment, Letters of Credit and/or Term Loans, as the context indicates, as such Schedule may be revised from time to time by Agent in accordance with provisions of Section 13.7.

"Permitted Acquisitions" shall mean (x) subject to satisfaction by the Company of the Special Conditions on or before the Required Consummation Date, the Piper Acquisition and (y) any acquisition by the Company or any of its Subsidiaries of assets, businesses or business interests or shares of stock or other ownership interests of or in any Person primarily engaged in those businesses in which Company and its Subsidiaries are engaged on the date hereof or other businesses directly related thereto, conducted in accordance with the following requirements:

(a) not less than thirty (30) nor more than ninety (90) days prior to the date each such proposed acquisition is scheduled to be consummated, the Company provides written notice thereof to Agent (with drafts of all material documents pertaining to such proposed acquisition to be furnished to Agent not less than thirty (30) days prior to such date), accompanied by the Pro Forma Projected Financial Information delivered, if required, pursuant to Section 9.3 hereof, whereupon Agent shall promptly notify each of the Banks of its receipt thereof and, upon the written request of a Bank, shall distribute copies of all notices and other materials received from Company under this subparagraph (a) to each such requesting Bank;

(b) on the date of any such acquisition, all necessary or appropriate governmental, quasi- governmental, agency, regulatory or similar approvals of applicable jurisdictions (or the respective agencies, instrumentalities or political subdivisions, as applicable, of such jurisdictions) and all necessary or appropriate non-governmental and other third-party approvals which, in each case, are material to such acquisition have been obtained and are in effect, and the Company and its Subsidiaries are in full compliance therewith, and all necessary or appropriate declarations, registrations or other filings with any court, governmental or regulatory authority, securities exchange or any other person have been made;

(c) the total consideration paid or incurred, or to be paid or incurred, with respect to each such acquisition, shall not exceed 15% of Tangible Net Worth determined as of the date of such acquisition;

(d) concurrently with such acquisition, the Company, its Subsidiaries and any of the corporate entities involved in

such acquisition shall execute or cause to be executed, and provide or cause to be provided to Agent, for the Banks, any Loan Documents required hereunder and such other documents and instruments (including without limitation opinions of counsel, amendments, acknowledgments, consents and evidence of approvals or filings) as reasonably requested by Agent, if any, and otherwise comply with the terms and conditions of this Agreement; and

(e) both immediately before and after such acquisition, no Event of Default, or event, which with the giving of notice or the lapse of time or both would become an Event of Default (whether or not related to such acquisition), has occurred and is continuing.

"Permitted Redemptions" shall mean redemptions required under Section 11.5 of the Indenture or by virtue of a "Change of Control" as defined in the Indenture, and redemptions of an aggregate amount not to exceed Ten Million Dollars ($10,000,000) principal of the Subordinated Debentures, plus accrued interest upon the principal amount so redeemed (determined in accordance with the documents governing the Subordinated Debentures), effected from and after the date hereof in connection with or necessary to effect the Conversion.

"Person" shall mean an individual, corporation, limited liability company, partnership, limited liability partnership, trust, incorporated or unincorporated organization, joint venture, joint stock company, or a government or any agency or political subdivision thereof or other entity of any kind.

"Piper" shall mean Piper Impact, Inc., formerly known as Quanex Aluminum, Inc., a Delaware corporation.

"Piper Acquisition Letter of Intent" shall mean that certain letter of intent entered into between the Target Company, B.F. Sammons and Marshall W. Robbins, as sellers, and the Company and Piper, as purchasers, dated as of May 29, 1996.

"Piper Acquisition" shall mean the acquisition by the Company, subject to the terms hereof, of substantially all of the assets, properties, rights and business of the Target Company for the price and on substantially the terms and conditions set forth in the Piper Acquisition Letter of Intent.

"Piper Acquisition Date" shall mean the date on which the Piper Acquisition has been consummated in accordance with the terms and conditions hereof.

"Preferred Stock" shall mean the Cumulative Convertible Exchangeable Preferred Stock of the Company issued in 1992.

"Prime Rate" shall mean the per annum interest rate established by Agent as its prime rate for its borrowers as such rate may vary from time to time, which rate is not necessarily the lowest rate on loans made by Agent at any such time.

"Prime-based Advance" shall mean a Revolving Credit Advance or any advance, readvance, refunding or conversion of all or any portion of a Term Loan which bears interest at a rate based on the Prime-based Rate.

"Prime-based Rate" shall mean that rate of interest which is the greater of (i) the Prime Rate or (ii) the Alternate Base Rate.

"Prior Credit Agreement" shall mean that certain Revolving Credit and Letter of Credit Agreement dated as of December 4, 1990, as amended prior to the date hereof.

"Priority Debt" shall mean, without duplication, (i) all indebtedness of Restricted Subsidiaries, (ii) any indebtedness of the Company secured by Liens permitted by Sections 10.1(f), (g), (j) or (k) hereof and (iii) all indebtedness arising from Receivables Financing(s).

"Pro Forma Projected Financial Information" shall mean, as to any proposed acquisition a statement (supported by reasonable detail) setting forth the total consideration to be paid or incurred in connection with the proposed acquisition and, pro forma combined projected financial information for the Company and its Consolidated Subsidiaries and the acquisition target (if applicable), consisting of projected balance sheets as of the proposed effective date of the acquisition or the closing date and as of the end of at least the next succeeding three (3) Fiscal Years of Company following the acquisition and projected statements of income for each of those years, including sufficient detail to permit calculation of the amounts and the ratio described in Sections 9.14, 9.15 and 10.2 (as to Funded Debt and Priority Debt) hereof, as projected as of the effective date of the acquisition and for those Fiscal Years and accompanied by (i) a statement setting forth a calculation of the ratios and amounts so described, (ii) a statement in reasonable detail specifying all material assumptions underlying the projections and (iii) such other information as the Majority Banks shall reasonably request.

"Property" shall mean any interest in any kind of property or asset, whether real, personal or mixed, and whether tangible or intangible.

"Purchasing Lender" is defined in Section 5.8.

"Quoted Rate" shall mean the rate of interest per annum offered by the Swing Line Bank in its sole discretion with respect to a Swing Line Advance.

"Quoted Rate Advance" shall mean any Swing Line Advance which bears interest at the Quoted Rate.

"Receivables Financing(s)" shall mean any accounts receivable securitization program or other type of financing transaction involving accounts entered into by the Company or any of its Restricted Subsidiaries, on terms and conditions usual and customary for such transactions and otherwise in compliance with this Agreement; provided that substantially all the indebtedness incurred in connection therewith is obtained from the sale or encumbrance of accounts, and not otherwise; and provided further that the amount advanced by buyers or lenders in respect of any Receivables Financing(s) shall not be less than eighty percent (80%) of the aggregate book value, of the accounts sold or pledged, calculated for each account as of the time of the sale or pledge thereof.

"Redemption Debt Instruments" is defined in Section 10.7.

"Refunded Swing Line Advance" is defined in Section 3A.5 hereof.

"Reimbursement Obligation" shall mean the obligation of an Account Party(ies) under each Letter of Credit Agreement to reimburse the Agent for each payment made by the Agent under the Letter of Credit issued pursuant to such Letter of Credit Agreement, together with all other sums, fees, charges and amounts which may be owing to the Agent under such Letter of Credit Agreement, and shall include the obligation of Company to make such reimbursement pursuant to its guaranty of such obligations of the Account Parties other than Company.

"Rentals" shall mean and include all fixed rents (including as such all payments which the lessee is obligated to make to the lessor on termination of the lease or surrender of the property) payable by the Company or a Restricted Subsidiary, as lessee or sublessee under a lease of real or personal property, but shall be exclusive of any amounts required to be paid by the Company or a Restricted Subsidiary (whether or not designated as rents or additional rents) on account of maintenance, repairs, insurance, taxes and similar charges. Fixed rents under any so-called "percentage leases" shall be computed solely on the basis of the minimum rents, if any, required to be paid by the lessee regardless of sales volume or gross revenues.

"Request for Revolving Credit Advance" shall mean a Request for Revolving Credit Advance issued by Company under Section 2.3 of this Agreement in the form annexed hereto as Exhibit A-1, as amended or otherwise modified.

"Request for Swing Line Advance" shall mean a Request for Swing Line Advance issued by Company under Section 3A.3 of this

Agreement in the form attached hereto as Exhibit A-2, as amended or otherwise modified.

"Required Consummation Date" shall mean September 30, 1996, or such later date as may be approved in writing by each of the Banks.

"Restricted Investment" shall mean the amount of any cash or other assets invested, advanced or loaned by the Company or any Restricted Subsidiary in or to an Unrestricted Subsidiary plus the amount of any obligation or liability of any Unrestricted Subsidiary with respect to which the Company or any Restricted Subsidiary is, directly or indirectly, liable whether such liability arises by virtue of agreement or instrument entered with or for the benefit of an Unrestricted Subsidiary (including by way of example and without limitation, any obligation which is in economic effect a guaranty, regardless of its characterization, or any liability with respect to letters of credit, whether contingent or otherwise), or by operation of law (including by way of example and without limitation, liability for ERISA funding, environmental hazards, hazardous and solid waste handling practices and/or cleanup liability imposed under CERCLA, RCRA or similar state statutes), or otherwise.

"Restricted Subsidiary" shall mean (a) LaSalle, Michigan Seamless, Nichols, Piper and Quanex Bar, Inc., a Delaware corporation and (b) any Subsidiary designated as such by resolution of the board of directors of the Company and (i) that is organized under the laws of the United States or any State thereof, (ii) that conducts substantially all of its business and has substantially all of its assets within the United States, (iii) of which eighty percent (80%) or more (by number of votes) of the voting stock is owned by the Company and/or one or more Restricted Subsidiaries and (iv) that concurrently with its designation as a Restricted Subsidiary shall execute and deliver to the holders of the Notes a supplemental guaranty of the obligations of the Company under the Notes pursuant to a guaranty substantially identical to the form of guaranty attached hereto as Exhibit J, if the execution and delivery thereof is required by Section 9.16 of this Agreement. For purposes of this Agreement, the term "Restricted Subsidiary" shall not include (x) any Subsidiary that was an "Unrestricted Subsidiary" pursuant to the terms of this Agreement and (y) any Subsidiaries of an Unrestricted Subsidiary.

"Revolving Credit Advance" shall mean a borrowing requested by Company and made by the Banks under Section 2.1 of this Agreement, including without limitation any readvance, refunding or conversion of such borrowing pursuant to Section 4.3 hereof and any advance in respect of a Letter of Credit under Section 3.7 hereof.

"Revolving Credit Aggregate Commitment" shall mean One Hundred Fifty Million Dollars ($150,000,000); provided, however, that, subject to reduction or termination of the Revolving Credit

Committed Increase under Section 2.6, 2.8, 3B.3, 4.3 or 11.2 hereof, said amount shall increase to Two Hundred Fifty Million Dollars ($250,000,000) concurrently with the Piper Acquisition Date, so long as no Default or Event of Default has occurred and is continuing on such date.

"Revolving Credit Commitment Fee" shall mean the commitment fee payable to Agent for distribution to the Banks pursuant to Section 2.5 hereof.

"Revolving Credit Committed Increase" shall mean, subject to reduction or termination pursuant to Section 2.6, 2.7 or 11.2 hereof, (i) from the date hereof to but not including the Piper Acquisition Date One Hundred Million Dollars ($100,000,000) and (ii) from and after the Piper Acquisition Date, zero (0).

"Revolving Credit Maturity Date" shall mean the earlier to occur of (i) July 23, 2001 or such later date as is agreed to by the Company and the Banks pursuant to the provisions of Section 2.9, and (ii) the date on which the Revolving Credit Aggregate Commitment shall be terminated pursuant to Section 2.6 or 11.2 hereof.

"Revolving Credit Notes" shall mean the Notes described in Section 2.1, hereof, made or to be made by Company to each of the Banks in the form annexed to this Agreement as Exhibit B, as such Notes may be amended, renewed, replaced or extended from time to time.

"S&P" shall mean Standard & Poor's Ratings Group, or any successor thereto, acceptable to the Majority Banks in their sole discretion.

"SFAS Adjustment" shall mean the amount of any adjustments required pursuant to SFAS No. 106 "Employer's Accounting for Postretirement Benefits Other Than Pension", including, without limitation any adjustments for prior years booked in the first quarter of Company's 1992 Fiscal Year.

"Special Conditions" shall mean those special terms and conditions required to be satisfied prior to or concurrently with the consummation of the Piper Acquisition, as follows:

(a) there shall have been no material adverse change in the condition, financial or otherwise, or prospects of the Target Company, generally, or in the condition, financial or otherwise, or prospects of the properties, business, results or operations of the Target Company to be acquired by the Company pursuant to the Piper Acquisition Letter of Intent from that existing as of the date of this Agreement (as determined in reference to the financial statements of the Target Company covering its

fiscal years 1993, 1994 and 1995, as previously delivered by the Company to the Banks); nor shall any omission, inconsistency, inaccuracy, or any change in presentation or accounting standards which renders such financial statements materially misleading have been determined by Agent or the Majority Banks to exist;

(b) all governmental, quasi-governmental, agency, regulatory or similar licenses, authorizations, exemptions, qualifications, consents and approvals necessary or appropriate under any laws applicable to Company or any of its Subsidiaries, or the Target Company for or in connection with the Piper Acquisition and all necessary or appropriate non-governmental and other third-party approvals which, in each case, are material to such acquisition shall have been obtained, and all necessary or appropriate declarations, registrations or other filings with any court, governmental or regulatory authority, securities exchange or any other person have been made, and evidence thereof satisfactory in form and substance to Agent and the Majority Banks shall have been delivered, or caused to have been delivered, by Company to Agent;

(c) There are no actions, suits or proceedings pending or, to the knowledge of Company threatened against or affecting the Target Company in any court or before or by any governmental department, agency or instrumentality, an adverse decision in which would materially adversely affect the financial condition of the Target Company or the ability of the Target Company to enter into or perform its obligations in connection with the Piper Acquisition, nor are any actions, suits, or proceedings pending, or to the knowledge of Company threatened against Company or any of its Subsidiaries which would materially adversely affect the ability of the Company or any of its Subsidiaries to enter into or perform their respective obligations in connection with the Piper Acquisition;

(d) the Company shall have designated Piper to be a Restricted Subsidiary for all purposes of this Agreement, and shall have complied with all requirements applicable to Restricted Subsidiaries hereunder, including without limitation the execution and delivery by Piper of a supplemental guaranty in accordance with Section 9.16 hereof;

(e) the Company shall have delivered or caused to be delivered to Agent and each of the Banks a certified copy (duly executed) of that certain asset purchase agreement to be entered into between the Target Company, B.F.

Sammons and Marshall W. Robbins, as sellers, and the Company and Piper, as purchasers, together with copies of the other material acquisition documents to be executed and delivered pursuant thereto, which agreement, and other acquisition documents shall be on substantially the same terms as set forth in the Piper Acquisition Letter of Intent; and

(f) the Company shall have delivered or caused to be delivered to Agent (as evidenced by Agent's written confirmation thereof) updated schedule(s) of the Permitted Liens, and the matters shown on such updated schedule(s) do not differ materially adversely from the matters disclosed by Company on Schedule 10.1, hereto (as evidenced by Agent's written confirmation thereof), or have been approved by the Majority Banks, in their sole discretion (upon which event Schedule 10.1 hereto shall be deemed amended to include such additional matters).

"Subordinated Debentures" shall mean the 6.88% Convertible Subordinated Debentures of the Company due June 30, 2007.

"Subsidiaries" shall mean any other corporation, association, joint stock company, partnership, joint venture, limited liability company or partnership, business trust or other entity of which more than fifty percent (50%) of the outstanding voting stock or membership or other interests, as the case may be, is owned either directly or indirectly by Company or one or more of its Subsidiaries or by Company and one or more of its Subsidiaries.

"Swing Line Advance(s)" shall mean a borrowing made by Swing Line Bank to Company pursuant to Section 3A.1 hereof, including without limitation, any readvance, refunding or conversion of such borrowing pursuant to Section 3A.5 hereof.

"Swing Line Bank" shall mean Comerica Bank, in its capacity as lender under Section 3A of this Agreement, and its successors and assigns.

"Swing Line Note" shall mean the swing line note described in Section 3A.1 hereof, made by Company to Swing Line Bank in the form annexed hereto as Exhibit C, as such Note may be amended, renewed, replaced or extended from time to time.

"Tangible Net Worth" shall mean the total common shareholder's equity of Company and its Restricted Subsidiaries on a Consolidated basis, together with the amounts, if any, of preferred stock which is classified as part of shareholder's equity, as reflected on the most recent regularly prepared quarterly balance sheet of Company and its Subsidiaries, which balance sheet shall be prepared in accordance with generally accepted accounting principles consistently applied plus, in the event any Preferred Stock shall

be converted into or exchanged for Subordinated Debentures which are outstanding at the time of determination of Tangible Net Worth, the amount of net cash proceeds originally received by the Company from the sale of the Preferred Stock so converted, plus, the SFAS Adjustment less (a) the amount of all assets classified as intangible assets (including, without limitation, goodwill, trade-marks, trade names, patents, copyrights, franchises and unamortized debt discount and expenses) exclusive of deferred charges, (b) the aggregate amount expended during the applicable quarter for all dividends, distributions, purchases, redemptions, other acquisitions or retirements of stock, and (c) the aggregate amount of Restricted Investments in excess of Forty Million Dollars ($40,000,000).

"Target Company" shall mean Piper Impact, Inc., a Tennessee corporation.

"Term Loan Aggregate Commitment" shall mean One Hundred Million Dollars ($100,000,000) as reduced from time to time (i) pursuant to Section 3B.3 hereof by the amount of each Term Loan funded from time to time hereunder as of the date of the funding of each such Term Loan or (ii) pursuant to Section 2.6 or 4.3(c) hereof.

"Term Loan Funding Period" shall mean a period commencing on the Piper Acquisition Date and ending on the first anniversary of the date of this Agreement.

"Term Loan Maturity Date" shall mean a maturity date for a Term Loan selected by the Company pursuant to Section 3B hereof; provided, however, that such date shall not be more than seven years from the date of funding of each such Term Loan and in any event, shall not be later than July 23, 2004.

"Term Loan Permitted Amortization Schedule" shall mean the amortization schedule selected by Company for a specified Term Loan based on equal quarterly installments of principal sufficient to pay and discharge in full the initial amount of the applicable Term Loan over the stated term of such loan, commencing on the last Business Day of the first calendar quarter ending after the funding date of such loan and continuing on the last Business Day of each calendar quarter thereafter to and including the applicable Term Loan Maturity Date; provided however, in establishing the applicable amortization schedule, that Company may elect to make payments of interest only during the first four years of the term of any such loan (or any portion of such initial four year period), in which event principal amortization will be required in equal quarterly installments sufficient to pay and discharge in full the initial amount of the applicable Term Loan over the remaining term of such loan, commencing on the last Business Day of the first calendar quarter ending after the expiration of the interest-only period selected by Company and continuing on the last Business Day

of each calendar quarter thereafter to and including the applicable Term Loan Maturity Date; and provided further that, for each Term Loan with a Term Loan Maturity Date of four years or less from the initial date of funding thereof, no principal amortization will be required during the stated term of such loan and the entire outstanding principal balance shall be due and payable on the applicable Term Loan Maturity Date.

"Term Loan Initial Request" shall mean a request for the initial funding of a Term Loan submitted by the Company to the Agent under Section 3B.3 of this Agreement in the form annexed hereto as Exhibit G.

"Term Loan Rate Request" shall mean a request for the refunding or conversion of any Advance of a Term Loan submitted by Company under Section 3B.4 of this Agreement in the form annexed hereto as Exhibit H.

"Term Loan Reduction Proceeds" is defined in Section 4.3(c).

"Term Loan Request" shall mean a Term Loan Initial Request or a Term Loan Rate Request, or both such requests, as the context may indicate.

"Term Loans" shall mean the term loans to be advanced by the Banks to the Company pursuant to Section 3B.1 hereof, in an aggregate amount not to exceed the Term Loan Aggregate Commitment, and "Term Loan" shall mean any specified Term Loan funded pursuant thereto.

"Term Notes" shall mean the term notes described in Section 3B.1 hereof, made by Company to each of the Banks in the form annexed to this Agreement as Exhibit F, as the case may be, as such notes may be amended, renewed, replaced, extended or supplemented from time to time.

"type" shall mean, relative to any Advance (including an Advance of Term Loan), the portion thereof, if any, being maintained as a Prime-based Advance or an a Eurodollar-based Advance.

"Unrestricted Subsidiary" shall mean any Subsidiary that is not a Restricted Subsidiary, including without any limitation any Subsidiary that was at one time a Restricted Subsidiary but that has been designated an Unrestricted Subsidiary pursuant to the terms of this Agreement.

2. THE INDEBTEDNESS: REVOLVING CREDIT

2.1 Revolving Commitment. Subject to the terms and conditions of this Agreement (including without limitation Section 2.3 hereof), each Bank severally agrees to make Revolving Credit

Advances to Company at any time and from time to time from the Effective Date until the Revolving Credit Maturity Date, and Company may borrow, sums not to exceed each such Bank's Percentage of the Revolving Credit Aggregate Commitment, as set forth on Schedule 1.1, attached hereto. All of the Revolving Credit Advances under this Section 2.1 shall be evidenced by Revolving Credit Notes under which advances, repayments and readvances may be made, subject to the terms and conditions of this Agreement.

2.2 Type of Advance and Maturity. The Revolving Credit Notes, and all principal and interest outstanding thereunder, shall mature and become due and payable in full on the Revolving Credit Maturity Date, and each Revolving Credit Advance from time to time outstanding hereunder shall be either a Prime-based Advance or a Eurodollar-based Advance as the Company may elect subject to the provisions hereof. The amount and date of each Revolving Credit Advance, its Applicable Interest Rate, its Interest Period, if any, and the amount and date of any repayment shall be noted on Agent's records, which records will be presumed correct; provided, however, that any failure by the Agent to record any such information shall not relieve the Company of its obligation to repay the outstanding principal amount of such Advance, all interest accrued thereon and any amount payable with respect thereto in accordance with the terms of this Agreement and the other Loan Documents.

2.3 Requests for and Refundings and Conversion of Revolving Credit Advances. Company may request a Revolving Credit Advance, refund any such Advance in the same type of Advance or convert any such Advance to any other type of such Advance only after delivery to Agent of a Request for Revolving Credit Advance executed by an authorized officer of Company and subject to the following:

(a) each such Request for Revolving Credit Advance shall set forth the information required on the Request for Revolving Credit Advance form annexed hereto as Exhibit A-1 including without limitation:

(i) the proposed date of such Advance, which must be a Business Day;

(ii) whether such Advance is a refunding or conversion of an outstanding Advance; and

(iii) whether such Advance is to be a Prime-based Advance or a Eurodollar-based Advance, and, except in the case of a Prime-based Advance, the first Interest Period applicable thereto;

(b) each such Request for Revolving Credit Advance shall be delivered to Agent by 11:00 a.m. (Detroit time) three (3) Business Days prior to the proposed date of Advance, except in the case of a Prime-based Advance, for which

the Request for Revolving Credit Advance must be delivered by 11:00 a.m. (Detroit time) on such proposed date of Advance;

(c) the principal amount of such Advance, plus the amount of any outstanding Indebtedness having the same Applicable Interest Rate and Interest Period, if any, shall be (i) in the case of a Prime-based Advance, at least Three Million Dollars ($3,000,000), and (ii) in the case of a Eurodollar-based Advance, at least Five Million Dollars ($5,000,000) or any larger amount in an integral multiple of One Hundred Thousand ($100,000);

(d) a Request for Revolving Credit Advance, once delivered to Agent, shall not be revocable by Company;

(e) the principal amount of such Revolving Credit Advance, plus the outstanding principal amount of all other Revolving Credit Advances plus the outstanding principal amount of all Swing Line Advances hereunder plus the Letter of Credit Obligations, in each case as of the date of the requested Advance, shall not exceed the then applicable Revolving Credit Aggregate Commitment; provided however, that, in the case of any Revolving Credit Advance being applied to refund an outstanding Swing Line Advance, the aggregate principal amount of Swing Line Advances to be refunded shall not be included for purposes of calculating the limitation under this Section 2.3(e);

(f) upon completion of the Revolving Credit Advance there shall be no more than five (5) Interest Periods and five (5) Applicable Interest Rates (including the Prime-based Rate) with respect to all outstanding Revolving Credit Advances.

(g) each Request for Revolving Credit Advance shall constitute a certification by the Company as of the date thereof that:

(i) both before and after the Revolving Credit Advance, the obligations of the Company and its Subsidiaries set forth in this Agreement and any of the Loan Documents are the valid and binding obligations of the Company and each of its Subsidiaries, as the case may be, enforceable in accordance with their respective terms, except as the validity or enforceability may be limited by bankruptcy, insolvency, moratorium, reorganization or other similar laws affecting creditors' rights generally or other equitable principles

(regardless of whether enforcement is considered in proceedings in law or equity);

(ii) all conditions to the making of the Revolving Credit Advance have been satisfied, and shall remain satisfied to the date of such Advance (both before and after giving effect to such Advance);

(iii) there is no Event of Default, in existence, and no event which, with the giving of notice or the lapse of time, or both, would constitute such an Event of Default, and none will exist upon the making of the Revolving Credit Advance (both before and after giving effect to such Advance);

(iv) the representations and warranties contained in this Agreement and the Loan Documents are true and correct in all material respects and shall be true and correct in all material respects as of the making of the Revolving Credit Advance (both before and after giving effect to such Advance); and

(v) the execution of the Request for Revolving Credit Advance will not violate the terms and conditions of any material contract, agreement or other borrowing of Company.

The Agent may advance funds under the Revolving Credit Notes upon telephone request made by any one of those officers or agents of Company authorized by resolution of Company's Board of Directors to make such requests. Any such telephone request shall satisfy the time requirements set forth in Section 2.3(b) above. Company hereby authorizes Agent and each Bank to disburse Revolving Credit Advances pursuant to the instructions of any officer or agent so identified. On the same day as such request for a Revolving Credit Advance is made, the officer or agent requesting the advance shall mail to Agent a Request for Revolving Credit Advance in form similar to that attached hereto as Exhibit A-1, executed by an authorized officer or agent of Company and, until such Request for Revolving Credit Advance is received by Agent, the telephone request itself shall constitute the Company's certification of the matters set forth in Section 2.3(f) above. Notwithstanding the foregoing, the Company acknowledges that Company shall bear all risk of loss resulting from disbursements made upon any telephone request until such time as Agent receives the written confirmation of such request except to the extent any actions have been taken prior thereto in reliance thereon.

If, as to any outstanding Eurodollar-based Advance, Agent has not received payment on the last day of the Interest Period applicable thereto, or does not receive a timely Request for Revolving Credit Advance meeting the requirements of this Section 2.3 with respect to the refunding or conversion of such Advance, or, subject to Section 4.1 hereof, if on such day an Event of Default, or event which, with the giving of notice or the lapse of time, would become an Event of Default shall exist, the principal amount thereof which is not then prepaid shall be converted automatically to a Prime-based Advance and the Agent shall thereafter promptly notify Company of said action.

2.4 Disbursement of Revolving Credit Advances. (a) Upon receiving any Request for Revolving Credit Advance (or telephone request) from Company under Section 2.3 hereof, Agent shall promptly notify each Bank by wire, telex or by telephone, including facsimile transmission (confirmed by wire or telex) of the amount of such Revolving Credit Advance to be made and the date such Revolving Credit Advance is to be made by said Bank pursuant to its Percentage of the Revolving Credit Aggregate Commitment. Unless the conditions for Revolving Credit Advance are not met by Company or such Bank's portion of the Revolving Credit Aggregate Commitment shall have been suspended or terminated in accordance with this Agreement, each Bank shall, not later than 2:00 p.m. (Detroit time) on the date of such Revolving Credit Advance, make available the amount of its Percentage of the Revolving Credit Advance in immediately available funds to Agent, at the office of Agent located at One Detroit Center, Detroit, Michigan 48226;

(b) Subject to submission of an executed Request for Revolving Credit Advance by Company without exceptions noted in the compliance certification therein, Agent shall make available to Company not later than 4:00 p.m. (Detroit time) on such date the aggregate of the amounts so received by it in like funds by credit to an account of Company maintained with Agent or to such other account or third party as Company may direct. Agent shall deliver the documents and papers received by it for the account of each Bank to such Bank or upon its order;

(c) Unless Agent shall have been notified by any Bank prior to the date of any proposed Revolving Credit Advance that such Bank does not intend to make available to Agent such Bank's Percentage of the Revolving Credit Advance, Agent may assume that such Bank has made such amount available to Agent on such date and may, in reliance upon such assumption, make available to Company a corresponding amount. If such amount (having been made available to Company by Agent) is not in fact made available to Agent by such Bank, Agent shall be entitled to recover such amount on demand from such Bank. If such Bank does not pay such amount forthwith upon Agent's demand therefor, the Agent shall promptly notify Company and Company shall pay such amount to Agent. Agent shall also be entitled to recover from such Bank or Company, as the case may be,

interest on such amount in respect of each day from the date such amount was made available by Agent to Company to the date such amount is recovered by Agent, at a rate per annum equal to:

(i) in the case of such Bank, with respect to Prime-based Advances, the Federal Funds Effective Rate, and with respect to Eurodollar-based Advances, Agent's aggregate marginal cost (including the cost of maintaining any required reserves or deposit insurance and of any fees, penalties, overdraft charges or other costs or expenses incurred by Agent as a result of such failure to deliver funds hereunder) of carrying such amount;

(ii) in the case of Company, the rate of interest then applicable to such Revolving Credit Advance; and

(iii) in the case of such Bank or Company with respect to Advances required to be made pursuant to Sections 3.7 and 3.8 hereof, the rate of interest set forth in subsection 3.7(a)(iii) hereof.

The obligation of any Bank to make any Revolving Credit Advance shall not be affected by the failure of any other Bank to make any Revolving Credit Advance and no Bank shall have any liability to Company, the Agent, or any other Bank for another Bank's failure to make any Revolving Credit Advance hereunder.

2.5 Revolving Credit Commitment Fee. From the Effective Date to the Revolving Credit Maturity Date, the Company shall pay to the Agent on behalf of Banks a Revolving Credit Commitment Fee quarterly in arrears commencing November 1, 1996, and on the first day of each Fiscal Quarter thereafter. The Revolving Credit Commitment Fee shall be the sum of:

(a) the Applicable Commitment Fee Percentage times the daily average amount by which the Revolving Credit Aggregate Commitment then applicable under Section 2.6 hereof exceeds the sum of (i) the aggregate principal amount of Revolving Credit Advances outstanding from time to time hereunder, (ii) the amount of Letter of Credit Obligations during such period, and (iii) the aggregate principal amount of Swing Line Advances outstanding from time to time hereunder, in each case determined on a daily basis; and

(b) the Applicable Commitment Fee Percentage times the then applicable amount of the Revolving Credit Committed Increase (if any), calculated on a daily basis.

The Revolving Credit Commitment Fee shall be computed on the basis of a year of three hundred sixty (360) days and assessed for the actual number of days elapsed. Whenever any payment of the Revolving Credit Commitment Fee shall be due on a day which is not a Business Day, the date for payment thereof shall be extended to the next Business Day. Upon receipt of such payment, Agent shall make prompt payment to each Bank of its share of the Revolving Credit Commitment Fee based upon its respective Percentage. It is expressly understood that the commitment fees described in this Section are not refundable under any circumstances.

2.6 Optional Reduction or Termination of Revolving Credit Aggregate Commitment. Provided that the Revolving Credit Committed Increase shall have first been permanently terminated or cancelled in accordance with this Agreement in its entirety, upon at least five (5) Business Days' prior written or telegraphic notice to the Agent, the Company may permanently reduce the Revolving Credit Aggregate Commitment in whole at any time, or in part from time to time, without premium or penalty, provided that: (i) each partial reduction of the Revolving Credit Aggregate Commitment shall be in an aggregate amount equal to Ten Million Dollars ($10,000,000) or any larger amount in an integral multiple One Million Dollars ($1,000,000); (ii) each reduction or termination shall be accompanied by the payment of the Revolving Credit Commitment Fee, if any, accrued on the amount of the Revolving Credit Aggregate Commitment so reduced through the date of such reduction or termination; (iii) the Revolving Credit Aggregate Commitment, as so reduced, shall not be less than the aggregate face amount of outstanding Letters of Credit; (iv) the Company shall prepay the amount, if any, by which the sums of the then outstanding aggregate unpaid principal amount of Swing Line Advances and Revolving Credit Advances plus the Letter of Credit Obligations exceeds the amount of the Revolving Credit Aggregate Commitment as so reduced, together with interest thereon to the date of prepayment; and (v) if the termination or reduction of the Revolving Credit Aggregate Commitment requires the prepayment of a Eurodollar-based Advance or a Quoted Rate Advance, the termination or reduction may be made only on the last Business Day of the then current Interest Period applicable to such Advance. Reductions of the Revolving Credit Aggregate Commitment and any accompanying payment of the Revolving Credit Commitment Fee and prepayments of the Revolving Credit Notes shall be distributed to each Bank in accordance with such Bank's Percentage thereof. Any reductions of the Revolving Credit Aggregate Commitment hereunder shall automatically reduce the Term Loan Aggregate Commitment then in effect.

2.7 Optional Cancellation of Revolving Credit Committed Increase. Prior to the Piper Acquisition Date, the Company may at

any time, upon at least twenty (20) Business Days' prior written notice to the Agent (accompanied by the payment of that portion of the Revolving Credit Commitment Fee, if any, accrued to the date of such cancellation applicable to the Revolving Credit Committed Increase assessed under Section 2.5, above) permanently cancel, in whole but not in part, the Revolving Credit Committed Increase then in effect (if any), in which case the Revolving Credit Committed Increase shall be zero (0) and the Banks shall have no further obligation for any increases in the Revolving Credit Aggregate Commitment based on the Revolving Credit Committed Increase.

2.8 Mandatory Reduction of Revolving Credit Aggregate Commitment. In the event from time to time from and after the date of this Agreement of the Company's entry into any Receivables Financing, the Company shall, to the extent of 100% of the aggregate maximum financing proceeds available therefrom (any and all such proceeds, the "Facility Reduction Proceeds"), concurrently with each entry into each Receivables Financing, permanently reduce the Revolving Credit Aggregate Commitment by complying with the terms and conditions of Section 2.6 hereof (including any reductions of Indebtedness outstanding under the Revolving Credit or the Swing Line required thereby), except that, for purposes of the reduction of the Revolving Credit Aggregate Commitment under this Section 2.8, the Company shall not be required to comply with subparagraph (i) of Section 2.6 or the five day notice requirement contained in the preamble thereto. To the extent that Indebtedness under the Revolving Credit Notes which is subject to repayment as a result of the reduction in the Revolving Credit Aggregate Commitment hereunder (and under Section 2.6 hereof) is being carried at the Eurodollar- based Rate and no Event of Default, or event which with the lapse of time or the giving of notice or both would constitute such an Event of Default, has occurred and is continuing hereunder, Company may deposit the aforesaid Facility Reduction Proceeds in a cash collateral account to be held by Agent, for and on behalf of the Banks, on such terms and conditions as reasonably acceptable to Agent and the Majority Banks. Subject to the terms and conditions of the cash collateral account, sums on deposit in said cash collateral account shall be applied (until exhausted) to reduce the principal balance of the Revolving Credit Notes in accordance with this subparagraph and in accordance with Section 2.6 hereof, on the last day of each Interest Period attributable to such Eurodollar-based Advances.

2.9 Extension of Revolving Credit Maturity Date. Provided that no Event of Default, or event which with the lapse of time or the giving of notice or both would become an Event of Default, has occurred and is continuing, Company may, by written notice to Agent and each Bank (which notice shall be irrevocable and which shall not be deemed effective unless actually received by Agent and each Bank) prior to June 30, but not before June 16, of each year, request that the Banks extend the then applicable Revolving Credit Maturity Date to a date that is one year later than the Revolving

Credit Maturity Date then in effect (each such request, a "Request"). Each Bank shall, not later than thirty (30) Business Days following the date of its receipt of a Request, give written notice to the Agent stating whether such Bank is willing to extend the Revolving Credit Maturity Date as requested. If Agent has received the aforesaid written approvals of such Request from each of the Banks, then, effective fifteen (15) Business Days after the date of Agent's receipt of all such written approvals from the Banks, as aforesaid, the Revolving Credit Maturity Date shall be so extended for an additional one year period, the term Revolving Credit Maturity Date shall mean such extended date and Agent shall promptly notify the Company and the Banks that such extension has occurred. If (i) any Bank gives the Agent written notice that it is unwilling to extend the Revolving Credit Maturity Date as requested or (ii) any Bank fails to provide written approval to Agent of such a Request within thirty (30) Business Days of the date of Agent's receipt of the Request, then (x) the Banks shall be deemed to have declined to extend the Revolving Credit Maturity Date, (y) the then-current Revolving Credit Maturity Date shall remain in effect (with no further right on the part of Company to request extensions thereof under this Section 2.9) and (z) the commitments of the Banks to make Advances of the Revolving Credit hereunder and of Swing Line Bank to make Swing Line Advances shall terminate on the Revolving Credit Maturity Date then in effect, and Agent shall promptly notify Company and the Banks thereof.

3. LETTERS OF CREDIT.

3.1 Letters of Credit. Subject to the terms and conditions of this Agreement, Agent may through its Issuing Office, in its sole discretion, at any time and from time to time from the Effective Date until the Revolving Credit Maturity Date, upon the request of an Account Party, issue Letters of Credit for the account of such Account Party, in an aggregate amount at any one time outstanding not to exceed the Letter of Credit Maximum Amount. Each Letter of Credit shall provide an initial expiration date not later than one (1) year from its date of issuance (subject to renewals in Agent's sole discretion) and that it is available by drafts drawn at sight and presentation of documents (which shall be payable within three (3) Business Days of sight, provided that the terms and conditions of the Letter of Credit are complied with); provided that each Letter of Credit shall expire (notwithstanding any renewals thereof) three (3) Business Days prior to the Revolving Credit Maturity Date. Provided further, that all applications will be submitted and all Letters of Credit issued hereunder shall be subject in all respects to applicable provisions of U.S. law and regulations, including without limitation, the Trading With the Enemy Act, Export Administration Act, International Emergency Economic Powers Act, and the Regulations of the Office of Foreign Assets Control of the U.S. Department of the Treasury. Upon the Effective Date, all letters of credit issued pursuant to the Prior Credit Agreement shall be deemed to be Letters of Credit issued

under this Agreement and shall be subject to the terms of this Agreement.

3.2 Conditions to Issuance. No Account Party shall be issued any Letter of Credit unless, as of the date the issuance of such Letter of Credit is requested:

(a) the face amount of the Letter of Credit requested plus all Letter of Credit Obligations, do not exceed the Letter of Credit Maximum Amount;

(b) the face amount of the Letter of Credit requested, plus the principal amount of all outstanding Revolving Credit Advances and outstanding Swing line Advances plus all Letter of Credit Obligations, do not exceed the then applicable Revolving Credit Aggregate Commitment;

(c) the obligations of Company and its Subsidiaries set forth in this Agreement and any of the Loan Documents are valid, binding and enforceable obligations of Company and each of its Subsidiaries, as the case may be, except as the validity or enforceability may be limited by bankruptcy, insolvency, moratorium, reorganization or other similar laws affecting creditors' rights generally or other equitable principles (regardless of whether enforcement is considered in proceedings in law or equity);

(d) no Event of Default exists and no event which, with the giving of notice or lapse of time, or both, would constitute an Event of Default exists;

(e) the representations and warranties contained in this Agreement and the Loan Documents are true in all material respects;

(f) the execution of the Letter of Credit Agreement with respect to the Letter of Credit requested will not violate the terms and conditions of any contract, agreement or other borrowing of Company or the Account Party;

(g) the Account Party requesting the Letter of Credit shall have delivered to Agent and the Issuing Office, not less than five (5) Business Days prior to the requested date for issuance, the Letter of Credit Agreement related thereto, together with such other documents and materials as may be required pursuant to the terms thereof, and the terms of the proposed Letter of Credit shall be satisfactory to Agent and its Issuing Office;

(h) no order, judgment or decree of any court, arbitrator or governmental authority shall purport by its terms to enjoin or restrain Agent from issuing the Letter of Credit, or any Bank from taking an assignment of its Percentage thereof pursuant to 3.4 hereof, and no law, rule, regulation, request or directive (whether or not having the force of law) shall prohibit or request that Agent refrain from issuing, or any Bank refrain from taking an assignment of its Percentage of, the Letter of Credit requested or letters of credit generally; and

(i) Agent shall have received the issuance fee required in connection with the issuance of such Letter of Credit pursuant to Section 3.6 hereof.

Each Letter of Credit Agreement submitted to Agent pursuant hereto shall constitute the requesting party's certification of the matters set forth in this Section 3.2 (a) through (i).

3.3 Notice. Agent shall give notice, substantially in the form attached as Exhibit I, to each Bank of the issuance of each Letter of Credit, promptly after issuance of each Letter of Credit, specifying the amount thereof and the amount of such Bank's Percentage thereof.

3.4 Assignments of Letters of Credit. Immediately upon Agent's issuance of any Letters of Credit in accordance with the terms hereof, each Bank shall be deemed to have, without further action on the part of Agent or such Bank, irrevocably and unconditionally purchased and received, without recourse or warranty, a participation in and assignment of Agent's engagement under such Letter of Credit in an amount equal to such Bank's Percentage of the face amount of such Letter of Credit, and Banks hereby absolutely and unconditionally assume, as primary obligors and not sureties, and unconditionally agree to pay and discharge when due in accordance with the terms hereof, their respective Percentages of the Letter of Credit Payments under such Letters of Credit. Agent shall give notice, substantially in the form attached as Exhibit I, to each Bank of the issuance of each Letter of Credit, not later than three (3) Business Day after issuance of each Letter of Credit, specifying the amount thereof and the amount of such Bank's Percentage thereof.

3.5 Letter of Credit Fees. Company agrees to pay, or to cause the applicable Account Party to pay, to Agent for distribution to the Banks in accordance with the Percentages, Letter of Credit Fees with respect to the undrawn face amount of such Letter of Credit issued pursuant hereto, at a per annum rate equal to the Applicable Letter of Credit Fee Percentage. Such fees shall be payable quarterly in advance on the first Business Day of each Fiscal Quarter and shall be calculated on the basis of a 360 day year and assessed for the actual number of days elapsed from the date of the

issuance of each Letter of Credit until the earlier of (i) the date of expiration set forth in such Letter of Credit, or (ii) the date of surrender of such Letter of Credit.

3.6 Issuance and Facing Fees. In connection with the Letters of Credit, and in addition to the Letter of Credit Fees the Company will pay or cause the applicable Account Party to pay, for the sole account of the Agent, facing fees, letter of credit issuance fees and standard administration, payment and cancellation charges assessed by Agent or its Issuing Office, at the times, in the amounts and on the terms set forth (or to be set forth from time to time) in a letter agreement between Agent and Company.

3.7 Draws Under Letters of Credit.

(a) Upon receipt of any draw against a Letter of Credit, Agent shall promptly notify Company and the Account Party (if other than Company) of the amount of such draw and the date for payment of such draw. The Company hereby agrees to deposit with Agent (whether or not Company is Account Party with respect to such Letter of Credit), on the first Business Day subsequent to such notice an amount equal to all Reimbursement Obligations with respect to such draw. So long as all of the conditions for Advances under the Notes are complied with, Company shall be entitled to fund such deposit with proceeds of an Advance requested in accordance with Section 2.3 hereof. In the event that sufficient funds are not deposited with Agent on or before the date for payment of a draft, Agent shall so notify Banks and, immediately upon Agent's payment under any Letter of Credit and for all purposes of this Agreement and the Loan Documents, the amount paid as a result of such draft (i) shall constitute an Advance whether or not the Company is then entitled to any Advances under this Agreement or is in default hereunder or otherwise (and the Company shall not be entitled to refuse any such Advance), (ii) shall be evidenced by the Revolving Credit Notes issued by the Company hereunder, (iii) shall bear interest at the Prime-based Rate, plus three percent (3%) until repaid, and (iv) shall be due and payable on demand.

(b) Any amounts so paid by Agent pursuant to a draft against any Letter of Credit (regardless of whether it is considered to be an Advance), with interest thereon as aforesaid, shall be considered to be Indebtedness of the Company for all purposes of this Agreement and the Loan Documents, and shall be covered thereby to the full extent thereof.

(c) In the event that Company fails to deposit with Agent funds sufficient to pay Reimbursement Obligations with respect to any draft, from the date of Agent's payment on such draft until Company and/or the Account Party shall have paid Reimbursement Obligations resulting from such draft, Company shall not be entitled to request or receive any Advance hereunder and the

Account Parties shall not be entitled to request or receive issuance of Letters of Credit hereunder.

3.8 Funding of Letter of Credit Payment as Advance.

By or before 11 a.m. (Detroit time) on the date for payment of any draft under any Letter of Credit, Agent shall promptly notify each Bank by wire, telex or by telephone (confirmed by wire, telecopy or telex) of the amount of such draft (providing each Bank with a copy of the draft and accompanying certificate), and, if applicable, the amount of resulting Revolving Credit Advances to be made pursuant to Section 3.7(a) hereof. Each Bank hereby irrevocably and unconditionally agrees to make available the amount of its Percentage of such Advance in immediately available funds to Agent, at the office of Agent located at One Detroit Center, Detroit, Michigan, 48226, no later than 2:00 p.m. (Detroit time) on the date of the Letter of Credit Payments to be made in connection with such draft. In the event such draft is not considered to be or is subsequently determined not to constitute an Advance hereunder, each Bank shall nevertheless be obligated to make available its Percentage of the draft, as aforesaid. By virtue of its issuance of the Letter of Credit, Agent is obligated to pay a draft under the Letter of Credit whether or not it has received each Bank's respective Percentage of the Advances resulting therefrom. However, if such amount is not in fact made available to Agent by such Bank, as aforesaid, Agent shall be entitled to recover such amount on demand from such Bank. If such Bank does not pay such amount forthwith upon Agent's demand therefor, the Agent shall promptly notify Company and Company shall immediately repay such amount to Agent. Agent shall also be entitled to recover from such Bank or Company, as the case may be, interest on such amount in respect of each day from the date such amount was paid by Agent pursuant to the draft related thereto, at a rate per annum equal to the rate of interest referred to in Section 3.7(a)(iii) hereof. The obligation of any Bank to make any Advance hereunder shall not be affected by the failure of any other Bank to make any Advance hereunder, or to fund its Percentage of any Letter of Credit Payment, as the case may be, and no Bank shall have any liability to Company, any Account Party, the Agent, or any other Bank for another Bank's failure to make any such Advance hereunder, or to fund such other Bank's Percentage of any Letter of Credit Payment, as the case may be.

3.9 Obligations Irrevocable. The obligations of Company, and Account Parties to make payments to Agent with respect to Reimbursement Obligations under Section 3.7 hereof, and the obligations of Banks to make payments to Agent with respect to Letter of Credit Payments pursuant to Section 3.8 hereof, shall be irrevocable and (except for Reimbursement Obligations arising and Letter of Credit Payments made solely as a result of Agent's gross negligence or willful misconduct) not subject to any qualification or exception whatsoever, including, without limitation:

(a) invalidity or unenforceability of this Agreement or any other Loan Documents or any portions hereof or thereof;

(b) the existence of any claim, set-off, defense or other right which Company, any other Account Party, or any Bank may have against a beneficiary named in a Letter of Credit, Agent, any Bank or any other Person;

(c) any draft, certificate or any other document presented in connection with a Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect;

(d) the occurrence of any Event of Default or event which, with the lapse of time or giving of notice, or both, would constitute an Event of Default;

(e) payment by the Agent in good faith under any Letter of Credit against presentation of a draft or accompanying certificate which on its face appears to comply with the terms of the Letter of Credit;

(f) any failure, omission, delay or lack on the part of Agent or any party to this Agreement or any of the Loan Documents to enforce, assert or exercise any right, power or remedy conferred upon Agent or any such party under any such documents; or

(g) the voluntary or involuntary liquidation, dissolution, sale or other disposition of all or substantially all the assets of the Company or any Account Party; the receivership, insolvency, bankruptcy, assignment for the benefit of creditors, reorganization, arrangement, composition with creditors or readjustment or other similar proceedings affecting the Company or any Account Party, or any of their respective assets, or any allegation or contest of the validity of this Agreement or any of the Loan Documents, in any such proceedings.

3.10 Risk Under Letters of Credit. (a) In assigning and the handling of Letters of Credit and any security therefor, or any documents or instruments given in connection therewith, Agent shall have the sole right to take or refrain from taking any and all actions under or upon the Letters of Credit; provided, however, that without the prior written concurrence of the Banks, Agent shall not (i) amend, modify, terminate or release any of Company's, or any Account Party's, obligations respecting Letters of Credit or under any of said documents or instruments or any security interest, mortgage or guaranty given with respect thereto; (ii) compromise any claim or waive any right or privilege against Company or any Account Party; or (iii) settle any litigation

respecting any Letter of Credit or any of said documents and instruments.

(b) Subject to other terms and conditions of this Agreement, Agent shall hold the Letters of Credit and the documents related thereto in its own name and shall make all collections thereunder and otherwise administer the Letters of Credit in accordance with Agent's regularly established practices and procedures and, except pursuant to Section 12.3 hereof, Agent will have no further obligation with respect thereto. In the administration of Letters of Credit, Agent shall not be liable for any action taken or omitted on the advice of counsel, accountants, appraisers and other experts selected by Agent and Agent may rely upon any notice, communication, certificate or other statement from Company, any Account Party, beneficiaries of Letters of Credit, or any other Person which Agent believes to be authentic. Agent will, upon request, furnish the Banks with copies of Letter of Credit Agreements, Letters of Credit and documents related thereto.

(c) In connection with the issuance and administration of Letters of Credit and the assignments hereunder, Agent makes no representation and shall have no responsibility with respect to (i) the obligations of Company or any of the Account Parties or, the validity, sufficiency or enforceability of any document or instrument given in connection therewith, or the taking of any action with respect to same, (ii) the financial condition of, any representations made by, or any act or omission of Company, any of the Account Parties or any other Person, or (iii) any failure or delay in exercising any rights or powers possessed by Agent in its capacity as issuer of Letters of Credit. Each of the Banks expressly acknowledge that they have made and will continue to make their own evaluations of Company's and the Account Parties' creditworthiness without reliance on any representation of Agent or Agent's officers, agents and employees.

(d) If at any time Agent shall recover any part of any unreimbursed amount for any draft under a Letter of Credit, or any interest thereon, Agent shall receive same for the pro rata benefit of the Banks in accordance with their respective Percentage interests therein and shall promptly deliver to each Bank its share thereof, less Bank's pro rata share of the costs of such recovery, including court costs and attorney's fees. If at any time any Bank shall receive from any source whatsoever any payment on any such unreimbursed amount or interest thereon in excess of such Bank's Percentage share of such payment, such Bank will promptly pay over such excess to Agent, for redistribution in accordance with this Agreement.

3.11 Indemnification. The Company hereby indemnifies and holds Agent and each of the Banks harmless from and against any and all claims, damages, losses, liabilities, costs or expenses whatsoever which any such party may incur (or which may be claimed against any

such party by any person) by reason of or in connection with the execution and delivery or transfer of, or payment or failure to pay under, any Letter of Credit; provided, however, that the Company shall not be required to indemnify Agent or the Banks pursuant to this Section 3.11 for any claims, damages, losses, liabilities, costs or expenses to the extent, but only to the extent caused by (a) the willful and wrongful failure or willful and wrongful misconduct or gross negligence of the Agent or (b) the Agent's willful failure to pay under the Letter of Credit after the presentation to the Agent by a Letter of Credit beneficiary of a sight draft and certificate(s) strictly complying with the terms and conditions of the Letter of Credit. Nothing in this Section 3.11 is intended nor shall be deemed to limit, reduce or otherwise affect in any manner whatsoever the reimbursement obligation of Company and the Account Parties contained in Section 3.8, hereof.

3.12 Liability of Agent or the Banks. The Company assumes all risks of the acts or omissions of beneficiaries of the Letters of Credit and agrees that neither the Agent nor any of the Banks (nor any of their respective officers or directors) shall be liable or responsible for: (a) the use which may be made of Letters of Credit or for any acts or omissions of any beneficiary in connection therewith; (b) the validity, sufficiency or genuineness of documents, or of any endorsement(s) thereof, even if such documents should in fact prove to be in any or all respects invalid, insufficient, fraudulent or forged; (c) payment by the Agent in good faith made against presentation of documents which on their face appear to comply with the terms of any Letter of Credit; or (d) any other circumstances whatsoever in making or failing to make payment under any Letter of Credit. In furtherance and not in limitation of the foregoing, the Agent may accept documents that appear on their face to be in order, without responsibility for further investigation, regardless of any notice or information to the contrary.

3.13 Right of Reimbursement. Each Bank agrees to reimburse the Agent on demand, pro rata in accordance their Percentages, for (i) the out-of-pocket costs and expenses of the Agent to be reimbursed by Company or any Account Party pursuant to any Letter of Credit Agreement or any Letter of Credit, to the extent not reimbursed by Company or Account Party and (ii) any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, fees, expenses or disbursements of any kind and nature whatsoever which may be imposed on, incurred by or asserted against Agent (in its capacity as issuer of Letter of Credit) in any way relating to or arising out of this Agreement, any Letter of Credit, any Letter of Credit Agreement, except to the extent that such liabilities, losses, costs or expenses were incurred by Agent solely as a result of Agent's gross negligence or willful misconduct.

3.14 Existing Letters of Credit. Each Existing Letter of Credit shall be deemed for all purposes of this Agreement to be a Letter of Credit (except that Letter of Credit Fees paid under the Prior Credit Agreement shall not be recalculated, redistributed or reallocated by Agent to the Banks), and each application submitted in connection with each Existing Letter of Credit shall be deemed for all purposes of this Agreement to be a Letter of Credit Application. On the date of execution of this Agreement, the Agent shall be deemed automatically to have sold and transferred, and each other Bank shall be deemed automatically, irrevocably, and unconditionally to have purchased and received from the Agent, without recourse or warranty, an undivided interest and risk participation, to the extent of such other Bank's Percentage, in each Existing Letter of Credit and the applicable Reimbursement Obligations with respect thereto and any security therefor or guaranty pertaining thereto.

3A. SWING LINE CREDIT.

3A.1 Swing Line Advances. The Swing Line Bank shall, on the terms and subject to the conditions hereinafter set forth (including Section 3A.3), make one or more advances (each such advance being a "Swing Line Advance") to Company from time to time on any Business Day during the period from the Effective Date to (but excluding) the Revolving Credit Maturity Date, in an aggregate amount not to exceed Ten Million Dollars ($10,000,000) at any time outstanding. All Swing Line Advances shall be evidenced by the Swing Line Note, under which advances, repayments and readvances may be made, subject to the terms and conditions of this Agreement. Each Swing Line Advance shall mature and the principal amount thereof shall be due and payable by Company on the last day of the Interest Period applicable thereto. In no event whatsoever shall any outstanding Swing Line Advance be deemed to reduce, modify or affect any Bank's commitment to make Revolving Credit Advances based upon its Percentage.

3A.2 Accrual of Interest. Each Swing Line Advance shall, from time to time after the date of such Advance, bear interest at its Applicable Interest Rate. The amount and date of each Swing Line Advance, its Applicable Interest Rate, its Interest Period, and the amount and date of any repayment shall be noted on Agent's records, which records will be conclusive evidence thereof, absent manifest error; provided, however, that any failure by the Agent to record any such information shall not relieve Company of its obligation to repay the outstanding principal amount of such Advance, all interest accrued therein and any amount payable with respect thereto in accordance with the terms of this Agreement and the Loan Documents.

3A.3 Requests for Swing Line Advances. Company may request a Swing Line Advance only after delivery to Swing Line Bank of a Request for Swing Line Advance executed by a person authorized by

the Company to make such requests on behalf of Company, subject to the following and to the remaining provisions hereof:

(a) each such Request for Swing Line Advance shall set forth the information required on the Request for Swing Line Advance including without limitation:

(i) the proposed date of Swing Line Advance, which must be a Business Day;

(ii) whether such Swing Line Advance is to be a Prime-based Advance or Quoted Rate Advance; and

(iii) the duration of the Interest Period applicable thereto;

(b) each such Request for Swing Line Advance shall be delivered to Swing Line Bank by 12:00 p.m. (Detroit time) on the proposed date of the Swing Line Advance;

(c) the principal amount of such requested Swing Line Advance, plus the principal amount of all other Swing Line Advances then outstanding, shall not exceed Ten Million Dollars ($10,000,000);

(d) the principal amount of such requested Swing Line Advance, plus the principal amount of all other Swing Line Advances and Revolving Credit Advances then outstanding hereunder (including any Revolving Credit Advances requested to be made on such date), plus any Letter of Credit Obligations as of the date of the requested Swing Line Advance, shall not exceed the then applicable Revolving Credit Aggregate Commitment;

(e) the principal amount of such Swing Line Advance shall be at least Two Hundred Fifty Thousand Dollars ($250,000) or any larger amount in integral multiples of Fifty Thousand Dollars ($50,000);

(f) each Request for Swing Line Advance, once delivered to Swing Line Bank, shall not be revocable by Company, and shall constitute and include a certification by the Company as of the date thereof that:

(i) both before and after the Swing Line Advance, the obligations of the Company and its Subsidiaries set forth in this Agreement and the Loan Documents, as applicable, are valid, binding and enforceable obligations of such parties;

(ii) to the best knowledge of Company all conditions to Advances have been satisfied;

(iii) there is no Default or Event of Default in existence, and none shall exist upon the making of the Swing Line Advance; and

(iv) the representations and warranties contained in this Agreement and the Loan Documents are true and correct in all material respects and shall be true and correct in all material respects as of and immediately after the making of the Swing Line Advance.

Swing Line Bank shall promptly deliver to Agent by telecopier a copy of any Request for Swing Line Advance received.

3A.4 Disbursement of Swing Line Advances. Subject to submission of an executed Request for Swing Line Advance by Company without exceptions noted in the compliance certification therein and to the other terms and conditions hereof, Swing Line Bank shall make available to Company the amount so requested, in same day funds, not later than 4:00 p.m. (Detroit time) on the date of such Swing Line Advance by credit to an account of Company maintained with Swing Line Bank or to such other account or third party as Company may reasonably direct. Swing Line Bank shall promptly notify Agent of any Swing Line Advance by telephone, telex or telecopier.

3A.5 Refunding of or Participation Interest in Swing Line Advances.

(a) The Agent, at any time in its sole and absolute discretion, may (or, upon the request of the Swing Line Bank, shall) on behalf of the Company (which hereby irrevocably directs the Agent to act on its behalf) request each Bank (including the Swing Line Bank in its capacity as a Bank) to make a Prime-based Revolving Credit Advance in an amount equal to such Revolving Credit Bank's Percentage of the principal amount of the Swing Line Advances (the "Refunded Swing Line Advances") outstanding on the date such notice is given; provided that (i) at any time as there shall be a Swing Line Advance outstanding for more than thirty days, the Agent shall, on behalf of the Company (which hereby irrevocably directs the Agent to act on its behalf), promptly request each Bank (including the Swing Line Bank) to make a Revolving Credit Advance in an amount equal to such Revolving Credit Bank's Percentage of the principal amount of such outstanding Swing Line Advance, (ii) Swing Line Advances may be prepaid by the Company in accordance with the provisions of Section 4.3 hereof and (iii) Quoted Rate Advances which are converted to Revolving Credit Advances at the request of the Agent at a time when no Default or Event of Default has occurred and is continuing

shall not be subject to Section 5.1. Unless any of the events described in Section 11.1(i) shall have occurred (in which event the procedures of paragraph (b) of this Section 3A.5 shall apply) and regardless of whether the conditions precedent set forth in this Agreement to the making of a Revolving Credit Advance are then satisfied, each Bank shall make the proceeds of its Revolving Credit Advance available to the Agent for the ratable benefit of the Swing Line Bank at the office of the Agent specified in Section 2.4(a) prior to 11:00 a.m. Detroit time, in funds immediately available on the Business Day next succeeding the date such notice is given. The proceeds of such Revolving Credit Advances shall be immediately applied to repay the Refunded Swing Line Advances.

(b) If, prior to the making of a Revolving Credit Advance pursuant to paragraph (a) of this Section 3A.5, one of the events described in Section 11.1(i) shall have occurred, each Bank will, on the date such Revolving Credit Advance was to have been made, purchase from the Swing Line Bank an undivided participating interest in the Refunded Swing Line Advance in an amount equal to its Percentage of such Refunded Swing Line Advance. Each Bank will immediately transfer to the Agent, in immediately available funds, the amount of its participation and upon receipt thereof the Agent will deliver to such Bank a Swing Line Bank Participation Certificate in the form of Exhibit D dated the date of receipt of such funds and in such amount.

(c) Each Bank's obligation to make Revolving Credit Advances and to purchase participation interests in accordance with clauses (a) and (b) above shall be absolute and unconditional and shall not be affected by any circumstance, including, without limitation, (i) any setoff, counterclaim, recoupment, defense or other right which such Bank may have against Swing Line Bank, the Company or any other Person for any reason whatsoever; (ii) the occurrence or continuance of any Default or Event of Default; (iii) any adverse change in the condition (financial or otherwise) of the Company or any other Person; (iv) any breach of this Agreement by the Company or any other Person; (v) any inability of the Company to satisfy the conditions precedent to borrowing set forth in this Agreement on the date upon which such participating interest is to be purchased; or (vi) any other circumstance, happening or event whatsoever, whether or not similar to any of the foregoing. If any Bank does not make available to the Agent the amount required pursuant to clause (a) or (b) above, as the case may be, the Agent shall be entitled to recover such amount on demand from such Bank, together with interest thereon for each day from the date of non-payment until such amount is paid in full at the Federal Funds Effective Rate for the first two Business Days and at the Prime-based Rate thereafter.

3B. TERM LOANS

3B.1 Commitment. Subject to the terms and conditions of this Agreement (including without limitation Section 3B.3 hereof), each Bank, severally and for itself alone, agrees to advance to the Company during the Term Loan Funding Period, in a single Advance for each such loan, sums not to exceed in the aggregate for each such Bank an amount equal to such Bank's respective Percentage of each Term Loan funded pursuant to Section 3B.3 hereof; provided, however, that Company is permitted to elect no more than two Term Loans under this Agreement; and provided further that the aggregate amount of Term Loans funded under this Agreement, determined as set forth in Section 3B.3 hereof, shall not exceed the Term Loan Aggregate Commitment. Upon the expiration of the Term Loan Funding Period, the Banks' respective commitments to make additional Term Loans hereunder shall expire and be of no further force and effect. Each of the Term Loans funded under this Section 3B.1 shall be evidenced by Term Notes to be executed and delivered by Company to each of the Banks, substantially in the form attached hereto as Exhibit F, with appropriate insertions acceptable to the Agent and the Banks in form and substance, and in the face amount of each Bank's Percentage of the applicable Term Loan to be funded by the Banks hereunder.

3B.2 Repayment of Principal. Until the applicable Term Loan Maturity Date (as selected by the Company hereunder), when the entire unpaid principal balance of the applicable Term Loan and all accrued interest and other sums outstanding thereon shall be paid in full (subject to the terms hereof), the principal Indebtedness evidenced by each Term Loan shall be repaid, in accordance with the Term Loan Permitted Amortization Schedule selected by the Company for such Term Loan under Section 3B.3 hereof. The applicable Term Loan Maturity Date and the Term Loan Permitted Amortization Schedule selected for such Term Loan under Section 3B.3 hereof shall be set forth in the Term Notes executed for such Term Loan. There shall be no readvance or reborrowing of any principal reductions of the Term Loans, whether pursuant to this Section 3B.2, resulting from the proceeds of New Senior Debt, consisting of optional prepayments or otherwise.

3B.3 Initial Requests for Funding Term Loans. Company may request the funding of a Term Loan only upon delivery to the Agent of a Term Loan Initial Request executed by an authorized officer of Company not less than ten (10) nor greater than thirty (30) Business Days prior to the proposed date of funding, subject to the following conditions:

(a) Each such Term Loan Initial Request shall set forth the information required on the form annexed hereto as Exhibit G, including without limitation:

(i) the proposed date that the applicable Term Loan is to be funded, which must be a Business Day;

(ii) the principal amount of the Term Loan requested to be funded, which amount shall not be less than Twenty Five Million Dollars ($25,000,000);

(iii) that the principal amount of the Term Loan requested does not exceed the then applicable Term Loan Aggregate Commitment; and

(iv) subject to the terms and conditions hereof, the proposed Term Loan Maturity Date and the Term Loan Permitted Amortization Schedule for such Term Loan;

(b) The amount of the principal amount of the Term Loan requested to be funded, determined as of the date of funding such loan, shall not exceed the lesser of (i) the then remaining Term Loan Aggregate Commitment, reduced by the original principal amount of the Term Loan funded prior thereto, if any (determined with respect to each Term Loan on the date of funding thereof) and (ii) the then applicable Revolving Credit Aggregate Commitment immediately preceding the funding thereof minus the sum of the aggregate principal amount of all outstanding Revolving Credit Advances and all Swing Line Advances (including, in each case, any such Advances requested to be made on such funding date), the aggregate undrawn amount of all Letters of Credit which shall be outstanding as of such funding date and the aggregate amount of all unpaid Letter of Credit Obligations as of such funding date;

(c) Each such Term Loan Initial Request shall be accompanied by the Company's concurrent request for a reduction in the Revolving Credit Aggregate Commitment in the amount of the Term Loan so requested, to be effective, subject to the terms hereof, concurrently with the funding of such Term Loan, and satisfying in every respect the terms and conditions of Section 2.6 hereof (with respect to such reduction) as of the funding of such Term Loan, including without limitation making those reductions of Indebtedness required to be made under said Section 2.6 hereof;

(d) Within three (3) Business Days of receipt from the Company of a Term Loan Initial Request, Agent shall furnish, or cause to be furnished, to the Company the proposed forms of Term Notes which have been completed to

evidence the applicable Term Loan, incorporating the information supplied by the Company in its Term Loan Initial Request with respect to such Term Loan, including without limitation, the amount of such Term Loan, the applicable Term Loan Maturity Date and Term Loan Permitted Amortization Schedule selected by the Company, provided that neither the Agent nor any of the Banks shall suffer any liability whatsoever in the event such Term Notes are not delivered for execution hereunder; and

(e) Not later than the close of business five (5) days prior to the proposed date of funding of the Term Loan covered by the applicable Term Loan Initial Request, Company shall deliver to the Agent (which shall distribute such documents to the Banks concurrently with the funding of such Term Loan) (i) the aforesaid Term Notes, executed and delivered in compliance with this Agreement (dated as of the proposed date of funding of such Term Loan) accompanied by such other Loan Documents (including without limitation Collateral Documents), corporate authority documentation, opinions of counsel and the like as required hereunder, upon which delivery the Term Loan Initial Request shall no longer be revocable by the Company and (ii) a Term Loan Rate Request for such Term Loan submitted in accordance with Section 3B.4 hereof, except that the time period for submission thereof shall be governed by this Section 3B.3(e).

3B.4 Term Loan Rate Requests; Initial Term Loan, Refundings and Conversions of Advances of Term Loans. Company may select the Applicable Interest Rate(s) and Interest Periods for the initial Advance of a Term Loan and may refund all or any portion of any Advance of a Term Loan as an Advance with a like Interest Period or convert any Advance of a Term Loan to an Advance with a different Interest Period, but only after delivery to Agent of a Term Loan Rate Request executed by an authorized officer of Company and subject to the terms hereof and to the following:

(a) each such Term Loan Rate Request shall set forth the information required on the Term Loan Rate Request form annexed hereto as Exhibit H with respect to such Term Loan, including without limitation:

(i) the proposed date of the initial funding (as set forth in the Term Loan Initial Request), refunding or conversion of the Advance, which must be a Business Day, as the case may be;

(ii) whether the Advance is a refunding or conversion of an outstanding Advance; and

(iii) whether such Advance (or any portion thereof) is to be a Prime-based Advance or a Eurodollar-based Advance, and, except in the case of a Prime-based Advance, the Interest Period(s) applicable thereto;

(b) each such Term Loan Rate Request shall be delivered to Agent by 11:00 a.m. (Detroit time) three (3) Business Days prior to the proposed date of Advance, except in the case of a Prime-based Advance, for which the Term Loan Rate Request must be delivered by 11 a.m. on the proposed date of Advance;

(c) the principal amount of such Advance of a Term Loan, plus the amount of any other advance of such Term Loan to be then combined therewith having the same Applicable Interest Rate and Interest Period, if any, shall be (i) in the case of a Prime-based Advance at least Three Million Dollars ($3,000,000), or the remaining principal balance outstanding under such Term Loan, whichever is less and (ii) in the case of a Eurodollar-based Advance at least Five Million Dollars ($5,000,000) or the remaining principal balance outstanding under such Term Loan, whichever is less, or in each case a larger integral multiple of One Hundred Thousand Dollars ($100,000);

(d) no Advance shall have an Interest Period ending after the Term Loan Maturity Date applicable to such Term Loan, and, notwithstanding any provision hereof to the contrary, Company shall be required to select Interest Periods (or the Prime-based Rate) for sufficient portions of a Term Loan such that the Company may make its required principal payments hereunder on a timely basis and otherwise in accordance with Section 3B.2 above;

(e) upon completion of the Advance there shall be no more than two (2) Interest Periods and two (2) Applicable Interest Rates (including the Prime-based Rate) with respect to each Term Loan; and

(f) a Term Loan Rate Request, once delivered to Agent, shall not be revocable by Company.

Each selection of an Interest Period, and the amount and date of any repayment shall be noted on Agent's records, which records will be rebuttably presumptive evidence thereof, absent demonstrable error.

3B.5 Term Loan Certifications. Each Term Loan Request shall constitute and include a certification by the Company as of the date thereof that:

(a) both before and after the Advance so requested, the obligations of the Company and its Subsidiaries set forth in this Agreement and the Loan Documents to which such Persons are parties are valid, binding and enforceable obligations of the Company, its Subsidiaries, as the case may be, except as the validity or enforceability may be limited by bankruptcy, insolvency, moratorium, reorganization or other similar laws affecting creditors' rights generally or other equitable principles (regardless of whether enforcement is considered in proceedings in law or equity);

(b) all conditions to Advances of the applicable Term Loan or Term Loans have been satisfied, and shall remain satisfied to the date of Advance (both before and after giving effect to such Advance);

(c) there is no Default or Event of Default in existence, and none will exist upon the making of the applicable Advance (both before and after giving effect to such Advance);

(d) the representations and warranties contained in this Agreement and the Loan Documents are true and correct in all material respects and shall be true and correct in all material respects as of the making of the applicable Advance (both before and after giving effect to such Advance); and

(e) the execution of the applicable Term Loan Request will not violate the material terms and conditions of any material contract, agreement or other borrowing of Company or any of its Subsidiaries.

Each Term Loan Request shall be accompanied by such documents, instruments and other materials required hereunder or otherwise necessary to evidence satisfaction of all conditions to the applicable Advance or Advances of a specified Term Loan or Term Loans.

3B.6 Failure to Refund or Convert. In the event the Company shall fail with respect to any Advance of a Term Loan (other than a Prime-based Advance) to timely exercise its option to refund or convert such Advance in accordance with Section 3B.5 hereof (and such Advance has not been paid in full on the last day of the Interest Period applicable thereto according to the terms hereof), the principal amount of such Advance which has not been prepaid shall be automatically converted to a Prime-based Advance.

3B.7 Disbursement of Advances.

(a) Upon receiving a Term Loan Request from Company in compliance with Sections 3B.3 and/or 3B.4 hereof, as applicable,

together with such other documents and instruments required thereunder, Agent shall promptly notify each Bank by wire, telex or by telephone (confirmed by wire, telecopy or telex) of the amount of such Advance to be made and the date such Advance is to be made by said Bank pursuant to its Percentage of the Advance. Unless such Bank's commitment to make Advances hereunder shall have been suspended or terminated in accordance with this Agreement, each Bank shall make available to Agent the amount of its Percentage of the Advance in immediately available funds at the office of Agent located at One Detroit Center, 500 Woodward Avenue, Detroit, Michigan 48226, not later than 2:00 p.m. (Detroit time) on the date of such Advance.

(b) Subject to receipt of the Term Loan Requests, as applicable, and such other documents and instruments referred to in subparagraph 3B.7(a) hereof (without exceptions noted in the compliance certifications therein), Agent shall make available to Company the aggregate of the amounts so received by it from the Banks in like funds not later than 4:00 p.m. (Detroit time) on the date of such Advance by deposit to an account of the Company maintained with Agent, or to such other account or third party as Company may reasonably direct.

(c) Agent shall deliver the documents and papers received by it for the account of each Bank to such Bank or upon its order. Unless Agent shall have been notified by any Bank prior to the date of any proposed Advance that such Bank does not intend to make available to Agent such Bank's Percentage of the Advance, Agent may assume that such Bank has made such amount available to Agent on such date, as aforesaid and may, in reliance upon such assumption, make available to Company a corresponding amount. If such amount is not in fact made available to Agent by such Bank, as aforesaid, Agent shall be entitled to recover such amount on demand from such Bank. If such Bank does not pay such amount forthwith upon Agent's demand therefor, the Agent shall promptly notify Company and Company shall pay such amount to Agent. Agent shall also be entitled to recover from such Bank or Company, as the case may be, interest on such amount in respect of each day from the date such amount was made available by Agent to Company to the date such amount is recovered by Agent, at a rate per annum equal to:

(i) in the case of such Bank, with respect to Prime-based Advances, the Federal Funds Effective Rate, and with respect to Eurodollar-based Advances, Agent's aggregate marginal cost (including the cost of maintaining any required reserves or deposit insurance and of any fees, penalties, overdraft charges or other costs or expenses incurred by Agent as a result of such failure to deliver funds hereunder) of carrying such amount; and

(ii) in the case of Company, the rate of interest then applicable to such Term Loan.

The obligation of any Bank to make any Advance hereunder shall not be affected by the failure of any other Bank to make any Advance hereunder, and no Bank shall have any liability to the Company or its Subsidiaries, the Agent, any other Bank, or any other party for another Bank's failure to make any loan or Advance hereunder.

4. INTEREST, INTEREST PERIODS, PREPAYMENTS.

4.1 Interest. Each Bank's Revolving Credit Notes, Swing Line Note (if any), Term Notes and the Revolving Credit Advances, Swing Line Advances or Term Loans evidenced thereby shall bear interest from the date thereof on the unpaid principal balance thereof from time to time outstanding, at a rate per annum equal to: (a) the Prime-based Rate, (b) the Eurodollar-based Rate or (c) the Quoted Rate; as the Company may elect or as otherwise applicable pursuant to the provisions of this Agreement; provided, however, that in no event shall any Bank's Notes, Advances or other Indebtedness bear interest at a rate greater than the Highest Lawful Rate applicable to such Bank. With respect to Prime-based Advances, interest shall be payable quarterly on the first Business Day of each Fiscal Quarter, commencing on the first Business Day of the Fiscal Quarter immediately following the Fiscal Quarter during which such Advance is made, and at maturity. With respect to Eurodollar-based Advances and Quoted Rate Advances, interest shall be payable on the last day of each Interest Period applicable thereto, provided however, that, in the case of a Eurodollar-based Advance, if such Interest Period is longer than three months, interest shall be payable three months following the first day of such Interest Period and on the last day of such Interest Period. Notwithstanding the foregoing in the event of an Event of Default, all principal payments due on Advances shall bear interest, payable on demand, from the date of an Event of Default at a rate per annum equal to: (i) in the case of a Prime-based Advance, three percent (3%) above the rate which would otherwise be applicable under subsection (a) of this Section 4.1; and (ii) in the case of a Eurodollar-based Advance or Quoted Rate Advance, three percent (3%) above the rate which would otherwise be applicable under subsection (b) or (c), of this Section 4.1 until the end of the then current Interest Period, at which time such Eurodollar Advances or Quoted Rate Advances, shall be automatically converted into Prime-based Advances and bear interest at the rate provided for in clause (i) of this sentence; provided, however, that in no event shall any Bank's Notes, Advances or other Indebtedness bear interest at a rate greater than the Highest Lawful Rate applicable to such Bank. Interest on all Advances shall be calculated on the basis of a 360 day year for the actual number of days elapsed. The interest rate with respect to any Prime-based Advance shall change on the effective date of any change in the Prime-based Rate. The interest rate with respect to all Eurodollar-

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based Advances shall change on the effective date of any adjustment of the Margin, determined as follows:

(x) So long as the Company does not have an Investment Grade Rating, adjustments in the Margin, the Applicable Commitment Fee Percentage and the Applicable Letter of Credit Fee Percentage, based upon Leverage, shall be implemented on a quarterly basis as follows:

(a) Such adjustments shall be given prospective effect only, effective (i) as to all Prime-based Advances outstanding hereunder, the Applicable Commitment Fee Percentage and the Applicable Letter of Credit Fee Percentage, upon the required date of delivery of the financial statements under Section 9.3(c) hereunder, in each case establishing applicability of the appropriate adjustment, and (ii) as to each Eurodollar-based Advance outstanding hereunder, effective upon the expiration of the applicable Interest Period(s), if any, in effect on the date of the delivery of such financial statements, in each case with no retroactivity or claw-back. In the event Company fails timely to deliver the financial statements required under Section 9.3(c), then from the date delivery of such financial statements was required until such financial statements are delivered, the applicable Margin and fee percentages shall be those set forth under Level V of the Pricing Matrix -- Grid I.

(b) With respect to Eurodollar-based Advances outstanding hereunder, an adjustment hereunder, after becoming effective, shall remain in effect only through the end of the applicable Interest Period(s) for such Eurodollar-based Advances if any; provided, however, that upon any change in the Margin level then in effect, as aforesaid, or the occurrence of any other event which under the terms hereof causes such adjustment no longer to be applicable, then any such subsequent adjustment or no adjustment, as the case may be, shall be effective (and said pricing shall thereby be adjusted up or down, as applicable) with the commencement of each Interest Period following such change or event, all in accordance with the preceding subparagraph.

(c) Such Margin adjustments under this Section 4.1(x) shall be made irrespective of, and in addition to, any other interest rate adjustments hereunder.

(d) From the date hereof until the required date of delivery under Section 9.3(c)of the financial statements for the Company's Fiscal Quarter ending July 31, 1996, the margins and fee percentages shall be those set forth under Level IV of the Pricing Matrix -- Grid I; provided,

however, that in the event the Piper Acquisition occurs after July 31, 1996, then until the required date of delivery under Section 9.3(c) of the financial statements for the Company's Fiscal Year ending October 31, 1996, the applicable Margin and fee percentages shall be those set forth under Level IV of the Pricing Matrix - - Grid I; provided, further, that the Company may deliver, together with the financial statements required pursuant to Section 9.3(c) for the Fiscal Quarter ending July 31, 1996, an adjusted Leverage calculation as of the end of said Fiscal Quarter, reflecting the Piper Acquisition and the various changes in the financial components resulting therefrom, supported by reasonable detail and otherwise in form and substance satisfactory to the Majority Banks ("Adjusted Leverage Calculation"). If submitted by the Company hereunder (and acceptable to the Banks, as aforesaid), the Adjusted Leverage Calculation shall be used to determine the applicable Margin and fee percentages for the period from the required delivery date of the financial statements for the Fiscal Quarter ending July 31, 1996 until the required delivery date of the financial statements for the Fiscal Year ending October 31, 1996; provided that, if established on the basis of the Adjusted Leverage Calculation, the applicable Margin and fee percentages for such period shall in no case be less than those provided under Level III of the Pricing Matrix - Grid I.

(y) In the event the Company obtains and continues to maintain at least one Investment Grade Rating, the Margin shall be determined by reference to the appropriate columns in the Pricing Matrix - Grid II attached to this Agreement as Schedule 1.2, and, in such case, the Margin or any change in the Margin, as the case may be, shall be determined upon the obtaining of and/or any change in the applicable Debt Rating.

Upon receipt by the Agent of each interest payment made by the Company under this Section 4.1, the Agent shall promptly remit to each Bank such Bank's Percentage thereof.

4.2 Interest Periods. Each Interest Period for a Eurodollar-based Advance shall commence on the date such Eurodollar-based Advance is made or is converted from an Advance of another type pursuant to Section 4.3 hereof or on the last day of the immediately preceding Interest Period for such Eurodollar-based Advance and shall end on the date one, two, three or six months thereafter, as the Company may elect as set forth below, subject to the following:

(i) no Interest Period with respect to a Revolving Credit Advance shall extend beyond the Revolving Credit Maturity Date and no Interest Period with

respect to an Advance of the Term Loan shall extend beyond the Term Loan Maturity Date; and

(ii) with respect to a Eurodollar-based Advance, any Interest Period which would otherwise end on a day which is not a Business Day shall be extended to the next succeeding Business Day unless the next succeeding Business Day falls in another calendar month, in which case, such Interest Period shall end on the immediately preceding Business Day and when an Interest Period begins on a day which has no numerically corresponding day in the calendar month during which such Interest Period is to end, it shall end on the last Business Day of such calendar month.

The Company shall elect the initial Interest Period applicable to a Eurodollar-based Advance by its Request for Revolving Credit given to the Agent pursuant to Section 2.3, its Term Loan Initial Request pursuant to Section 3B.3 or by its notice of conversion given to the Agent pursuant to Section 4.3, as the case may be.

4.3 Prepayments. (a) At its option and upon three (3) Business Days' prior written or telephonic notice to the Agent, the Company may prepay the Revolving Credit Advances in whole at any time or in part from time to time, without premium or penalty but with accrued interest on the principal being prepaid to the date of such prepayment, provided that: (i) in the case of a Prime-based Advance each partial prepayment shall be in an amount not less than One Million Dollars ($1,000,000) or an integral multiple thereof; (ii) in the case of a Eurodollar-based Advance, each partial prepayment shall be in an amount not less than Four Million Dollars ($4,000,000); and (iii) a Eurodollar-based Advance may only be prepaid on the last Business Day of the then current Interest Period with respect thereto.

(b) Company may prepay all or part of the outstanding balance of any Prime-based Advance(s) of a Term Loan at any time (subject to not less than one (1) Business Day's notice to Agent), provided that the amount of any partial prepayment by such party shall be at least One Million Dollars ($1,000,000) and the aggregate balance of Prime-based Advance(s) remaining outstanding on such Term Loan shall be at least Three Million Dollars ($3,000,000). Company may prepay all or part of any Eurodollar-based Advance (subject to not less than three (3) Business Days' notice to Agent) only on the last day of the Interest Period applicable thereto, provided that the amount of any such partial prepayment by such party shall be at least One Million Dollars ($1,000,000), and the unpaid portion of such Advance which is refunded or converted under Section 3B.4 hereof shall be at least Five Million Dollars ($5,000,000). Any prepayment made in accordance with this Section 4.3(b) shall be applied against principal installments due hereunder in the inverse

order of their maturities, and shall be without premium or penalty (subject to Section 12 hereof), but there shall be no readvance or reborrowing of any principal reductions of the applicable Term Loan (whether or not such principal reductions constitute prepayments).

Each prepayment under clauses (a) and/or (b) above shall be made to the Agent, and promptly upon receipt thereof, the Agent shall remit to each Bank its Percentage thereof. In its notice of prepayment, the Company shall specify the date of prepayment, the amount of the prepayment and the Revolving Credit Advance and/or Term Loan to be prepaid.

(c) In the event from time to time from and after the date of this Agreement of the Company's issuance of any New Senior Debt, the Company shall be obligated, to the extent of the initial One Hundred Million Dollars ($100,000,000) in proceeds thereof (any and all such proceeds, the "Term Loan Reduction Proceeds"), to prepay Indebtedness outstanding under the Term Notes, applying such Term Loan Reduction Proceeds first against the Term Loan with the longer final maturity date and to payments of principal under the applicable Term Notes in the inverse order of their maturities. Company shall also be obligated to pay accrued interest on the applicable Term Notes to the date of each such prepayment. To the extent that Indebtedness under the Term Notes which is subject to repayment hereunder is being carried at the Eurodollar-based Rate and no Event of Default, or event which with the lapse of time or the giving of notice or both would constitute such an Event of Default, has occurred and is continuing hereunder, Company may deposit the aforesaid Term Loan Reduction Proceeds in a cash collateral account to be held by Agent, for and on behalf of the Banks, on such terms and conditions as reasonably acceptable to Agent and the Majority Banks. Subject to the terms and conditions of the cash collateral account, sums on deposit in said cash collateral account shall be applied (until exhausted) to reduce the principal balance of the Term Notes in accordance with this subparagraph as applicable, on the last day of each Interest Period attributable to such Eurodollar-based Advances. Any amounts repaid or prepaid hereunder shall permanently reduce the Term Loan Aggregate Commitment; and no amount repaid or prepaid hereunder shall be available for reborrowing.

Furthermore, to the extent the Term Loan Reduction Proceeds exceed the Indebtedness then outstanding under the Term Notes, Company shall, concurrently with the issuance of New Senior Debt, permanently reduce the Revolving Credit Aggregate Commitment by complying with the terms and conditions of Section 2.6 hereof (including any reductions of Indebtedness outstanding under the Revolving Credit or the Swing Line required thereby), except that, for purposes of reduction of the Revolving Credit Aggregate Commitment under this Section 4.3(c) the Company shall not be required to comply with subparagraph (i) of Section 2.6 or the five day notice requirement contained in the preamble thereto, and

except that, subject to the foregoing, Company may elect to establish a cash collateral arrangement on substantially the terms set forth in the preceding subparagraph with respect to the prepayment of Revolving Credit and Swing Line Advances prior to the expiration of any Interest Periods applicable thereto.

5. SPECIAL PROVISIONS FOR LOANS.

5.1 Reimbursement of Prepayment Costs. If (a) Company makes any payment of principal with respect to any Eurodollar-based Advance on any day other than the last day of the Interest Period applicable thereto (whether voluntarily, by acceleration, or otherwise), or (b) Company converts or refunds (or attempts to convert or refund) any such Advance; or (c) Company fails to borrow, refund or convert into any Eurodollar-based Advance after notice has been given by Company to Agent in accordance with the terms hereof requesting such Advance, or (d) Company fails to make any payment of principal or interest in respect of a Eurodollar-based Advance when due, and any Bank incurs any loss, cost or expense as a result thereof, then Company shall reimburse Agent and Banks, as the case may be on demand for such resulting loss, cost or expense incurred by Agent and Banks, as the case may be, including, without limitation, any such loss, cost or expense incurred in obtaining, liquidating, employing or redeploying deposits from third parties, whether or not Agent and Banks, as the case may be shall have funded or committed to fund such Advance. Such amount payable by Company to Agent and Banks, as the case may be may include, without limitation, an amount equal to the excess, if any, of (a) the amount of interest which would have accrued on the amount so prepaid, or not so borrowed, refunded or converted, for the period from the date of such prepayment or of such failure to borrow, refund or convert, through the last day of the relevant Interest Period, at the applicable rate of interest for said Advance(s) provided under this Agreement, over (b) the amount of interest (as reasonably determined by Agent and Banks, as the case may be) which would have accrued to Agent and Banks, as the case may be, on such amount by placing such amount on deposit for a comparable period with leading banks in the interbank eurocurrency market. Calculation of any amounts payable to any Bank under this paragraph shall be made as though such Bank shall have actually funded or committed to fund the relevant Advance through the purchase of an underlying deposit in an amount equal to the amount of such Advance and having a maturity comparable to the relevant Interest Period; provided, however, that any Bank may fund any Eurodollar-based Advance in any manner it deems fit and the foregoing assumptions shall be utilized only for the purpose of the calculation of amounts payable under this paragraph. Upon the written request of Company, Agent and Banks shall deliver to Company a certificate setting forth the basis for determining such losses, costs and expenses, which certificate shall be conclusively presumed correct, absent manifest error.

5.2 Agent's Eurodollar Lending Office. For any Interest Period for which the Applicable Interest Rate is the Eurodollar-based Rate, if Agent shall designate a Eurodollar Lending Office which maintains books separate from those of the rest of Agent or if any Bank shall designate as its eurodollar lending office an office which maintains books separate from those of the rest of such Bank, Agent or such Bank shall have the option of maintaining and carrying the relevant Advance on the books of such office.

5.3 Circumstances Affecting Eurodollar-based Availability. If with respect to any Interest Period Agent determines that, by reason of circumstances affecting the foreign exchange and interbank markets generally, deposits in Eurodollars in the applicable amounts are not being offered to the Agent for such Interest Period, then Agent shall forthwith give notice thereof to the Company. Thereafter until Agent notifies Company that such circumstances no longer exist, the obligation of Banks to make Eurodollar-based Advances for such Interest Period, and the right of Company to convert an Advance to or refund an Advance as a Eurodollar-based Advance for such Interest Period shall be suspended, and the Company shall repay in full (or cause to be repaid in full) the then outstanding principal amount of each such Eurodollar-based Advance covered hereby together with accrued interest thereon, any amounts payable (but not yet paid) under Section 5.1 hereof, and all other amounts payable hereunder on the last day of the then current Interest Period applicable to such Advance. Upon the date for repayment as aforesaid and unless Company notifies Agent to the contrary within two (2) Business Days after receiving a notice from Agent pursuant to this Section, such outstanding principal amount shall be converted to a Prime-based Advance as of the last day of such Interest Period.

5.4 Laws Affecting Eurodollar-based Advance Availability. If, after the date hereof, the introduction of, or any change in, any applicable law, rule or regulation or in the interpretation or administration thereof by any governmental authority charged with the interpretation or administration thereof, or compliance by any of the Banks (or any of their respective Eurodollar Lending Offices) with any request or directive (whether or not having the force of law) of any such authority, shall make it unlawful or impossible for any of the Banks (or any of their respective Eurodollar Lending Offices) to honor its obligations hereunder to make or maintain any Advance with interest at the Eurodollar-based Rate, such Bank shall forthwith give notice thereof to Company and to Agent. Thereafter (a) the obligations of Banks to make Eurodollar-based Advances and the right of Company to convert an Advance or refund an Advance as a Eurodollar-based Advance shall be suspended and thereafter Company may select as the Applicable Interest Rates only the Prime-based Rate, and (b) if any of the Banks may not lawfully continue to maintain an Advance to the end of the then current Interest Period applicable thereto, Company shall immediately prepay such Advance, together with interest to

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the date of payment, and any amounts payable under Section 5.1 or 5.7 with respect to such prepayment and the applicable Advance shall immediately be converted to a Prime-based Advance and the Prime-based Rate shall be applicable thereto.

5.5 Increased Costs. In the event that any applicable law, treaty or governmental regulation, or any change therein or in the interpretation, implementation or application thereof, or compliance by any Bank with any request or directive (whether or not having the force of law) from any central bank or other financial, monetary or other authority:

(a) shall subject any of the Banks or Agent (or any of their respective eurodollar lending offices) to any tax, duty or other charge with respect to any Advance, or any Note or shall change the basis of taxation of payments to any of the Banks (or any of their respective eurodollar lending offices) of the principal of or interest on any Advance or any Note or any other amounts due under this Agreement in respect thereof (except for changes in the rate of tax on the overall net income or gross receipts of any of the Banks or Agent or any of their respective eurodollar lending offices imposed by the jurisdiction in which Agent's or such Bank's principal executive office or eurodollar lending office is located); or

(b) shall impose, modify or deem applicable any reserve (including, without limitation, any imposed by the Board of Governors of the Federal Reserve System but excluding with respect to any Eurodollar-based Advance any such requirement included in the calculation of the Eurodollar-based Rate), special deposit or similar requirement against assets of, deposits with or for the account of, or credit extended by any of the Banks or Agent (or any of their respective eurodollar lending offices) or shall impose on any of the Banks or Agent (or any of their respective eurodollar lending offices) or the foreign exchange and interbank markets any other condition affecting any Advance or any of the Notes;

and the result of any of the foregoing is to increase the costs to any of the Banks or Agent of making, renewing or maintaining any part of the Indebtedness hereunder or to reduce the amount of any sum received or receivable by Agent or any of the Banks under this Agreement, or under the Notes, or under any Letter of Credit Agreement, then such Bank (if applicable) shall promptly notify Agent, and Agent shall promptly notify Company and (if applicable) such Bank or Banks of such fact and demand compensation therefor and, Company agrees to pay, to the extent such payment would not violate or result in a violation of any applicable law, to Agent or such Bank such additional amount or amounts as will compensate such Agent or Bank or Banks for such increased cost, within thirty (30)

days of such notice. In the event that any such adoption or change is subsequently reversed, Agent or such Bank, as the case may be, shall promptly notify Company and, if applicable, Agent of such fact and Agent or such Bank or Banks (as applicable) will within thirty (30) days of such notice, (i) reduce or eliminate the additional compensation assessed hereunder, as aforesaid, by an amount (as reasonably determined by Agent or such Bank or Banks, as applicable) necessary to address such reversal and (ii) to the extent necessary, reimburse Company for the amount of any overpayment resulting from such reversal (and, if applicable, notify Agent of such payment).

5.6 Other Increased Costs. In the event that after the date hereof the adoption of or any change in any applicable law, treaty, rule or regulation (whether domestic or foreign) now or hereafter in effect and whether or not presently applicable to any Bank or Agent, or any interpretation or administration thereof by any governmental authority charged with the interpretation or administration thereof, or compliance by any Bank or Agent with any guideline, request or directive of any such authority (whether or not having the force of law), including any risk based capital guidelines, affects or would affect the amount of capital required or expected to be maintained by such Bank or Agent (or any corporation controlling such Bank or Agent) and such Bank or Agent, as the case may be, determines that the amount of such capital is increased by or based upon the existence of such Bank's or Agent's obligations or Advances hereunder and such increase has the effect of reducing the rate of return on such Bank's or Agent's (or such controlling corporation's) capital as a consequence of such obligations or Advances hereunder to a level below that which such Bank or Agent (or such controlling corporation) could have achieved but for such circumstances (taking into consideration its policies with respect to capital adequacy) by an amount deemed by such Bank or Agent to be material, then the Company shall pay to such Bank or Agent, as the case may be, from time to time, upon request by such Bank or Agent, additional amounts sufficient to compensate such Bank or Agent (or such controlling corporation) for any reduced rate of return which such Bank or Agent reasonably determines to be allocable to the existence of such Bank's or Agent's obligations or Advances hereunder. A statement as to the amount of such compensation, prepared in good faith and in reasonable detail by such Bank or Agent, as the case may be, shall be submitted by such Bank or by Agent to the Company, reasonably promptly after becoming aware of any event described in this Section 5.6 and shall be conclusive, absent manifest error in computation. In the event that any such adoption or change is subsequently reversed, Agent or such Bank, as the case may be, shall promptly notify Company and, if applicable, Agent of such fact and Agent or such Bank or Banks (as applicable) will within thirty (30) days of such notice, (i) reduce or eliminate the additional compensation assessed hereunder, as aforesaid, by an amount (as reasonably determined by Agent or such Bank or Banks, as applicable) necessary to address such reversal

and (ii) to the extent necessary, reimburse Company for the amount of any overpayment resulting from such reversal (and, if applicable, notify Agent of such payment).

5.7 Indemnity. The Company will indemnify Agent and each of the Banks against any loss or expense which may arise or be attributable to the Agent's and each Bank's obtaining, liquidating or employing deposits or other funds acquired to effect, fund or maintain the Advances (a) as a consequence of any failure by the Company to make any payment when due of any amount due hereunder in connection with a Eurodollar-based Advance or Quoted Rate Advance, (b) due to any failure of the Company to borrow, refund or convert on a date specified therefor in a Request for Advance or Request for Swing Line Advance or (c) due to any payment, prepayment or conversion of any Eurodollar-based Advance on a date other than the last day of the Interest Period for such Advance. Such loss or expense shall be calculated based upon the present value, as applicable, of payments due from the Company with respect to a deposit obtained by the Agent or any of the Banks in order to fund such Advance to the Company or otherwise in accordance with this Agreement. The Agent's and each Bank's, as applicable, calculations of any such loss or expense shall be furnished to the Company and shall be conclusive, absent manifest error.

5.8 Substitution of Banks. If (i) the obligation of any Bank to make Eurodollar-based Advances has been suspended pursuant to Section 5.3 or Section 5.4 or (ii) any Bank has demanded compensation under Section 5.5, 5.6 or 6.1(d) (in each case, an "Affected Lender"), Company shall have the right, with the assistance of the Agent, to seek a substitute lender or lenders (which may be one or more of the Banks (the "Purchasing Lender" or "Purchasing Lenders") to purchase the Revolving Credit Note and the Term Note and assume the commitments (including without limitation its participations in Swing Line Advances and Letters of Credit) under this Agreement of such Affected Lender. The Affected Lender shall be obligated to sell its Revolving Credit Note and Term Note and assign its commitments to such Purchasing Lender or Purchasing Lenders within fifteen days after receiving notice from Company requiring it to do so, at an aggregate price equal to the outstanding principal amount thereof, plus unpaid interest accrued thereon up to but excluding the date of the sale. In connection with any such sale, and as a condition thereof, Company shall pay to the Affected Lender all fees accrued for its account hereunder to but excluding the date of such sale, plus, if demanded by the Affected Lender within ten Business Days after such sale, (i) the amount of any compensation which would be due to the Affected Lender under Section 5.1 if Company has prepaid the outstanding Eurodollar-based Advances of the Affected Lender on the date of such sale and (ii) any additional compensation accrued for its account under Section 5.5 or 5.6 to but excluding said date. Upon such sale, the Purchasing Lender or Purchasing Lenders shall assume the Affected Lender's commitment, and the Affected Lender shall be

released from its obligations hereunder to a corresponding extent. If any Purchasing Lender is not already one of the Banks, the Affected Lender, as assignor, such Purchasing Lender, as assignee, Company and the Agent, with the required consent of the Swing Line Bank shall enter into an Assignment Agreement pursuant to Section 13.7 hereof, whereupon such Purchasing Lender shall be a Bank party to this Agreement, shall be deemed to be an assignee hereunder and shall have all the rights and obligations of a Bank with a Percentage equal to its ratable share of the then applicable Revolving Credit Aggregate Commitment, the then applicable Revolving Credit Committed Increase, the then applicable Term Loan Aggregate Commitment and any Indebtedness outstanding under the Term Loans of the Affected Lender. In connection with any assignment pursuant to this Section 5.8, Company or the Purchasing Lender shall pay to the Agent the administrative fee for processing such assignment referred to in Section 13.7. Upon the consummation of any sale pursuant to this Section 5.8, the Affected Lender, the Agent and Company shall make appropriate arrangements so that, if required, each Purchasing Lender receives a new Revolving Credit Note and Term Note(s).

6. PAYMENTS.

6.1 Payment Procedure.

(a) All payments by Company of principal of, or interest on, the Notes or of Revolving Credit Commitment Fees, Reimbursement Obligations or Letter Credit Fees shall be made without setoff or counterclaim on the date specified for payment under this Agreement not later than 11:00 a.m. (Detroit time) in immediately available funds by Company to Agent, for the ratable account of the Banks. Upon receipt of each such payment, the Agent shall make prompt payment to each Bank in like funds of all amounts received by it for the account of such Bank.

(b) Unless the Agent shall have been notified by Company prior to the date on which any payment to be made by Company is due that Company does not intend to remit such payment, the Agent may, in its discretion, assume that Company has remitted such payment when so due and the Agent may, in reliance upon such assumption, make available to each Bank on such payment date an amount equal to such Bank's share of such assumed payment. If Company has not in fact remitted such payment to the Agent, each Bank shall forthwith on demand repay to the Agent the amount of such assumed payment made available to such Bank, together with the interest thereon, in respect of each day from and including the date such amount was made available by the Agent to such Bank to the date such amount is repaid to the Agent at a rate per annum equal to (i) for Revolving Credit Advances, the federal funds rate (daily average), as the same may vary from time to time, and (ii) with respect to Eurodollar-based Advances, Agent's aggregate marginal cost (including the cost of maintaining any required reserves or deposit

insurance and of any fees, penalties, overdraft charges or other costs or expenses incurred by Agent) of carrying such amount.

(c) Whenever any payment to be made hereunder (other than payments in respect of any Eurodollar-based Advance) shall otherwise be due on a day which is not a Business Day, such payment shall be made on the next succeeding Business Day and such extension of time shall be included in computing interest, if any, in connection with such payment. Whenever any payment of principal of, or interest on, a Eurodollar-based Advance shall be due on a day which is not a Business Day the date of payment thereof shall be extended to the next succeeding Business Day unless as a result thereof it would fall in the next calendar month, in which case it shall be shortened to the next preceding Business Day and, in the case of a payment of principal, interest thereon shall be payable for such extended or shortened time, if any.

(d) All payments to be made by Company under this Agreement or any of the Notes (including without limitation payments under the Swing Line Note) shall be made without set-off or counterclaim, as aforesaid, and without deduction for or on account of any present or future withholding or other taxes of any nature imposed by any governmental authority or of any political subdivision thereof or any federation or organization of which such governmental authority may at the time of payment be a member, unless Company is compelled by law to make payment subject to such tax. In such event, Company shall:

(i) pay to the Agent for Agent's own account and/or, as the case may be, for the account of the Banks (and, in the case of any Swing Line Advances, pay to the Swing Line Bank which funded such Advances) such additional amounts as may be necessary to ensure that the Agent and/or such Bank or Banks receive a net amount equal to the full amount which would have been receivable had payment not been made subject to such tax; and

(ii) remit such tax to the relevant taxing authorities according to applicable law, and send to the Agent or the applicable Bank (including the Swing Line Bank) or Banks, as the case may be, such certificates or certified copy receipts as the Agent or such Bank or Banks shall reasonably require as proof of the payment by the Company or the Permitted Borrower of any such taxes payable by the Company or the Permitted Borrower.

As used herein, the terms "tax", "taxes" and "taxation" include all existing taxes, levies, imposts, duties, charges, fees, deductions and withholdings and any restrictions or conditions resulting in a charge together with interest thereon and fines and

penalties with respect thereto which may be imposed by reason of any violation or default with respect to the law regarding such tax, assessed as a result of or in connection with the transactions hereunder, or the payment and/or receipt of funds hereunder, or the payment or delivery of funds into or out of any jurisdiction other than the United States (whether assessed against Company, Agent or any of the Banks). In the event that such tax is subsequently reversed, Agent or such Bank, as the case may be, shall promptly notify Company and, if applicable, Agent of such fact and Agent or such Bank or Banks (as applicable) will within thirty (30) days of such notice, reimburse Company for the amount of any overpayment resulting from such reversal (and, if applicable, notify Agent of such payment).

6.2 Application of Proceeds. Notwithstanding anything to the contrary in this Agreement, after an Event of Default, the proceeds of any offsets, voluntary payments by Company or others and any other sums received or collected in respect of the Indebtedness, shall be applied to the Indebtedness in such order and manner as determined by the Majority Banks (subject, however, to the applicable Percentages of the Loans held by each of the Banks) on a pro rata basis, and then, if there is any excess, to Company. The application of such proceeds and other sums to the Indebtedness shall be based on each Bank's Percentage of the aggregate amount thereof.

6.3 Pro-rata Recovery. If any Bank shall obtain any payment or other recovery (whether voluntary, involuntary, by application of offset or otherwise) on account of principal of, or interest on, any of the Indebtedness in excess of its pro rata share of payments then or thereafter obtained by all Banks upon principal of and interest on all Indebtedness, such Bank shall purchase from the other Banks such participations in the Notes and/or Reimbursement Obligation held by them as shall be necessary to cause such purchasing Bank to share the excess payment or other recovery ratably in accordance with the Percentage with each of them; provided, however, that if all or any portion of the excess payment or other recovery is thereafter recovered from such purchasing holder, the purchase shall be rescinded and the purchase price restored to the extent of such recovery, but without interest. The Company agrees that any Bank so purchasing a participation may exercise all rights of offset, banker's lien, counterclaim or other sundry rights with respect thereto as if the obligation under the Notes and/or Reimbursement Obligations evidenced by the participation was owed directly to such Bank.

6.4 Deposits and Accounts. In addition to and not in limitation of any rights of any Bank or other holder of any Note or assignee of Letter of Credit Agreements and Reimbursement Obligations under applicable law, each Bank and each other such holder shall, in the event of a default under the Notes or any Letter of Credit Agreement or an Event of Default hereunder, and

without notice or demand of any kind, have the right to liquidate and collect all property or assets of Company (including deposits and other credits), whether presently owned or hereafter acquired, in possession or control of (or owing by) such Bank or other holder for any purpose, and to apply the proceeds of any such liquidations and collections, and offset any amounts owing to Company, against Company's obligations hereunder and under the Notes and Loan Documents, provided, however, that any such amount so applied by any Bank or other holder on any of the Notes owing to it shall be subject to the provisions of Section 6.3.

7. CONDITIONS.

The obligations of Banks to make Advances pursuant to this Agreement are subject to, and the Effective Date of this Agreement shall be the date of, Company's satisfaction of the following conditions:

7.1 Execution of Notes and This Agreement. Company shall have executed and delivered to Agent for the account of each Bank, the Notes and this Agreement (including all schedules, exhibits, certificates, opinions, financial statements and other documents to be delivered pursuant hereto) and the Notes, the Loan Documents and this Agreement shall be in full force and effect.

7.2 Corporate Authority. Agent shall have received, with a counterpart thereof for each Bank: (i) certified copies of resolutions of the Board of Directors of Company evidencing approval of the borrowing hereunder and execution and delivery of the Loan Documents to which it is party, and each of the Restricted Subsidiaries evidencing approval of its entering into the Collateral Documents; (ii) certified copies of Company's and each of the Restricted Subsidiaries' Certificate of Incorporation and Bylaws; (iii) a certificate of good standing from the state of Company's incorporation, and from the states of incorporation of the Restricted Subsidiaries and from every state in which either the Company or any of the Restricted Subsidiaries is qualified to do business; and (iv) incumbency certificates for Company and its Restricted Subsidiaries.

7.3 Opinion of Counsel. Company shall furnish Agent, together with signed copies for each Bank, an opinion of counsel to the Company and to the Restricted Subsidiaries, dated the Effective Date and covering such matters as required by and otherwise satisfactory in form and substance to the Agent and each of the Banks.

7.4 Termination of Prior Credit Agreement. The Company and the Agent (on behalf of the Banks) shall have terminated in writing the Prior Credit Agreement and the Company shall have paid to the Banks all commitment fees and other fees accrued under the Prior Credit Agreement to the termination date.

7.5 Collateral Documents. As security for all Indebtedness of Company to Bank hereunder, Company agrees to furnish, execute and deliver to Agent, or cause to be furnished, executed and delivered to Agent, prior to or concurrently with the initial borrowing hereunder, in form to be satisfactory to Agent and the Banks and supported by appropriate corporate resolutions in certified form authorizing same, the Collateral Documents.

7.6 Representations and Warranties -- All Parties. The representations and warranties made by Company and any other party to any of the Loan Documents under this Agreement or any of the Loan Documents shall have been true and correct when made and shall be true and correct in all material respects on and as of the date of any of the Loans hereunder, and the representations and warranties of any of the foregoing which are contained in any certificate, document or financial or other statement furnished at any time hereunder or thereunder or in connection herewith or therewith shall have been true and correct when made.

7.7 Compliance with Certain Documents and Agreements. Company and each of its Subsidiaries (and any of their respective Affiliates) shall have each performed and complied with all agreements and conditions contained in this Agreement, the Loan Documents and any agreement or other document executed hereunder or thereunder and required to be performed or complied with by each of them and none of such parties shall be in default in the performance or compliance with any of the terms or provisions hereof or thereof.

7.8 No Default. No Event of Default or event which with the lapse of time or giving of notice or both would constitute an Event of Default shall have occurred and be continuing.

7.9 No Material Adverse Change. There shall have been no material adverse change in the condition (financial or otherwise), properties, business, prospects of, results or operations of Company or its Subsidiaries (taken as a whole) from October 31, 1995.

7.10 Company's Certificate. The Agent shall have received, with a signed counterpart for each Bank, a certificate of a responsible senior officer of Company, dated the date of the making of initial Advances hereunder, stating that the conditions of paragraphs 7.1 and 7.5 through 7.9 and 7.13 hereof have been fully satisfied.

7.11 Payment of Agent's Fees. Company shall have paid to the Agent the Agent's Fees and all costs and expenses required hereunder.

7.12 Other Documents and Instruments. The Agent shall have received, with a photocopy for each Bank, such other instruments

and documents as the Majority Banks may reasonably request in connection with the making of the Loans hereunder, and all such instruments and documents shall be satisfactory in form and substance to the Majority Banks.

7.13 Change in Control. No Person or group of Persons acting in concert shall have acquired or be controlling, directly or indirectly, whether by ownership, proxy, voting trust or otherwise, fifty percent (50%) or more of the issued and outstanding common stock of Company.

7.14 Continuing Conditions. The obligations of the Banks to make Advances under this Agreement, shall be subject to the continuing conditions that all documents executed or submitted pursuant hereto shall be satisfactory in form and substance to Agent and its counsel and to each of the Banks and their respective counsel; Agent and its counsel and each of the Banks and their respective counsel shall have received all information, and such counterpart originals or such certified or other copies of such materials, as Agent or its counsel and each of the Banks and their respective counsel may reasonably request; and all legal matters incident to the transactions contemplated by this Agreement (including, without limitation, matters arising from time to time as a result of changes occurring with respect to any statutory, regulatory or decisional law applicable hereto) shall be satisfactory to counsel to Agent and counsel to each of the Banks.

8. REPRESENTATIONS AND WARRANTIES

Company represents and warrants and such representations and warranties shall be deemed to be continuing representations and warranties during the entire life of this Agreement:

8.1 Corporate Authority. Company is a corporation duly organized and existing in good standing under the laws of the State of Delaware; LaSalle is duly organized and existing in good standing under the laws of State of Delaware; Michigan Seamless is duly organized and in good standing under the laws of State of Delaware; Nichols is duly organized and existing in good standing under the laws of the State of Delaware; each other Subsidiary of the Company is duly organized and existing in good standing under the laws of the state of its incorporation; and Company and each of Company's Subsidiaries is duly qualified and authorized to do business as a foreign corporation in each jurisdiction where the character of its assets or the nature of its activities makes such qualification necessary and where failure to be so qualified would have a material adverse effect on their respective businesses.

8.2 Due Authorization - Company. Execution, delivery and performance of this Agreement, the Loan Documents to which it is party, and any other documents and instruments required under this Agreement to which it is party, and the issuance of the Notes by

Company are within its corporate powers, have been duly authorized by Company, are not in contravention of law or the terms of Company's Certificate of Incorporation or Bylaws, and do not require the consent or approval, material to the transactions contemplated by this Agreement, or the Loan Documents of any governmental body, agency or authority; and this Agreement, the Loan Documents and any other documents and instruments to which Company is party required under this Agreement, when issued and delivered under this Agreement, will all be valid and binding upon Company in accordance with their terms upon and after the Effective Date.

8.3 Due Authorization -- Restricted Subsidiaries and Subsidiaries. Execution, delivery and performance of the Collateral Documents and all other documents and instruments executed and delivered by any of the Restricted Subsidiaries of Company under or in connection with this Agreement or the Loan Documents (or to be so executed and delivered), are within their respective corporate powers, have all been duly authorized by such Restricted Subsidiaries or Subsidiaries, are not in contravention of law or the terms of their respective articles of incorporation or bylaws, and do not require the consent or approval of any governmental body, agency or authority.

8.4 Encumbrances. There are no security interests in, liens, mortgages, or other encumbrances on any of Company's or any Subsidiary's property except for those not prohibited by the provisions of this Agreement.

8.5 No Negative Pledges. As of the date hereof, neither Company nor any of its Restricted Subsidiaries are parties to, or subject to, any agreement, document or instrument which would restrict or prevent them from granting first priority liens upon, security interests in and pledges of assets (in accordance with generally accepted accounting principles consistently applied) to Agent on behalf of Banks, except (i) the agreements, documents or instruments existing on the date hereof pursuant to which Liens not prohibited by the terms of this Agreement have been created ("Existing Lien Agreements"), and (ii) Article 12 of the Company's Certificate of Incorporation as in effect on the date hereof.

8.6 Subsidiaries. As of the date hereof, there are no Subsidiaries of Company except for the Subsidiaries listed on Schedule 8.6 hereto.

8.7 Taxes. Company and its Subsidiaries each have filed on or before their respective due dates, all material federal, state and foreign tax returns which are required to be filed or have obtained extensions for filing such tax returns and are not delinquent in filing such returns in accordance with such extensions and have paid all taxes which have become due pursuant to those returns or pursuant to any assessments received by any such party, as the case

may be, to the extent such taxes have become due except to the extent such tax payments are being actively contested in good faith and to the extent Company and its Subsidiaries have created adequate reserves for such taxes in accordance with generally accepted accounting principles consistently applied.

8.8 Enforceability of Agreement and Loan Documents -- Company. This Agreement and each of the Loan Documents to which Company is a party and all other certificates, agreements and documents executed and delivered by Company under or in connection herewith have each been duly executed and delivered by its duly authorized officers and constitute the valid and binding obligations of Company, enforceable in accordance with their respective terms, except as the validity or enforceability may be limited by bankruptcy, insolvency, moratorium, reorganization or other similar laws affecting creditors' rights generally or other equitable principles (regardless of whether enforcement is considered in proceedings in law or equity).

8.9 Enforceability of Loan Documents -- Restricted Subsidiaries. The Loan Documents and all certificates, documents and agreements executed in connection therewith by any of the Restricted Subsidiaries, including without limitation the Collateral Documents, have each been duly executed and delivered by the respective duly authorized officers of such parties and constitute the valid and binding obligations of such parties, enforceable in accordance with their respective terms, except as the validity or enforceability may be limited by bankruptcy, insolvency, moratorium, reorganization or other similar laws affecting creditors' rights generally or other equitable principles (regardless of whether enforcement is considered in proceedings in law or equity).

8.10 Non-contravention -- Company. The execution, delivery and performance of this Agreement and the Loan Documents and any other documents and instruments required under or in connection with this Agreement by Company are not in contravention of the terms of any indenture, agreement or undertaking to which Company is a party or by which it is bound.

8.11 Non-contravention -- Subsidiaries. The execution, delivery and performance of those Loan Documents signed by any of the Restricted Subsidiaries, and any other documents and instruments required under or in connection with this Agreement by any of the Restricted Subsidiaries are not in contravention of the terms of any indenture, agreement or undertaking to which any of such parties is a party or by which it is bound.

8.12 No Material Litigation. There are no actions, suits or proceedings pending or, to the knowledge of Company threatened against or affecting Company or its Subsidiaries in any court or before or by any governmental department, agency or

instrumentality, an adverse decision in which would materially adversely affect the financial condition of the Company and its Subsidiaries taken as a whole or their respective abilities to perform their respective obligations under this Agreement or any of the Loan Documents to which they are party, except as listed on Schedule 8.12 hereto.

8.13 Consents, Approvals and Filings, Etc. No authorization, consent, approval, license, qualification or formal exemption from, nor any filing, declaration or registration with, any court, governmental agency or regulatory authority or any securities exchange or any other person is required in connection with the execution, delivery and performance: (i) by Company of this Agreement, any of the Loan Documents to which it is a party or any other documents or instruments to be executed and or delivered by Company in connection therewith or herewith; or (ii) by each Restricted Subsidiary of the Loan Documents to be executed by it under this Agreement.

8.14 ERISA. As of the Effective Date, neither Company, nor any of its Subsidiaries, maintains or contributes to any employee pension benefit plan subject to Title IV of ERISA except those set forth in Schedule 8.14 hereto. As of the dates indicated on Schedule 8.14 hereto, the unfunded or over funded "actuarial accrued liabilities" of the Pension Plans were as indicated thereon, and there are no accumulated funding deficiencies within the meaning of ERISA, or any existing liability with respect to the Pension Plans owed to the Pension Benefit Guaranty Corporation or any successor thereto.

8.15 Environmental and Safety Matters. (a) As of the Effective Date, the Company and each of its Subsidiaries is in material compliance with all federal, state and local laws, ordinances and regulations relating to safety and industrial hygiene and with all Hazardous Materials Laws, in effect as of the date hereof, except for matters disclosed on Schedule 8.15 hereto, and except for such matters as are not likely to have a Material Adverse Effect.

(b) As of the Effective Date, no demand, claim, notice, suit, suit in equity, action, administrative action, investigation or inquiry whether brought by any governmental authority, private person or entity or otherwise, arising under, relating to or in connection with any applicable Hazardous Materials Laws is pending or, to the best knowledge of Company, after due investigation, threatened against the Company or any of its Subsidiaries, except as disclosed on Schedule 8.15 hereto, and except for such matters as are not likely to have a Material Adverse Effect.

8.16 No Investment Company. Neither Company nor any of its Subsidiaries is an "investment company" within the meaning of the Investment Company Act of 1940, as amended. Neither Company nor any of its Subsidiaries is engaged principally, or as one of its

important activities, directly or indirectly, in the business of extending credit for the purpose of purchasing or carrying margin stock, and none of the proceeds of any of the Loans will be used, directly or indirectly, for any purpose which would violate the provisions of Regulation U or X of the Board of Governors of the Federal Reserve System. Terms for which meanings are provided in Regulation U of the Board of Governors of the Federal Reserve System or any regulations substituted therefor, as from time to time in effect, are used in this paragraph with such meanings.

8.17 Agreements Affecting Financial Condition. Neither Company nor any of its Subsidiaries is party to any agreement or instrument or subject to any charter or other corporate restriction which materially adversely affects the financial condition, operations or prospects of any such party, as the case may be, except as disclosed on the most recent Form 10-K or 10-Q for Company.

8.18 Accuracy of Information. The Consolidated financial statements of Company dated as of October 31, 1995, previously furnished Agent and the Banks by Company prior to the date of this Agreement, are complete and correct in all material respects and fairly present the financial condition of Company and its Consolidated Subsidiaries and the results of its operations as of the date thereof; since such date there has been no material adverse change in the financial condition of Company or its Consolidated Subsidiaries. To the knowledge of Company's financial officers and except as previously disclosed in writing by Company to Banks, neither Company, nor Subsidiaries have any material contingent obligations (including any liability for taxes) not disclosed by or reserved against said balance sheets, and at the present time there are no material unrealized or anticipated losses from any present commitment of Company, or its Subsidiaries.

8.19 Use of Proceeds. Advances made to the Company hereunder shall be used by Company (i) for the payment of the costs and expenses of the transactions contemplated by this Agreement; (ii) for the payment of any monies due in connection with the termination of the Prior Credit Agreement; and (iii) for its general business purposes, including without limitation working capital and to finance Permitted Acquisitions.

9. AFFIRMATIVE COVENANTS

Company covenants and agrees that it will, and, as applicable, it will cause each of its Restricted Subsidiaries to, so long as any of the Banks are committed to make any Advances under this Agreement and thereafter so long as any Indebtedness remains outstanding under this Agreement:

9.1 Conduct of Business and Preservation of Existence, Etc. Continue to engage in businesses of the same general types as now conducted by it and other businesses reasonably related thereto

(including without limitation, upon consummation of the Piper Acquisition, the Target Company's business); preserve and maintain its corporate existence (subject to the provisions of Section 10.5) and such of its rights, licenses, and privileges as are material to the business and operations conducted by it; qualify and remain qualified to do business in each jurisdiction in which lack of such qualification would have a material adverse effect on the respective business, operations or ownership of the properties of Company or any of its Restricted Subsidiaries; at all times maintain, preserve and protect all of its property and keep the same in good repair, working order and condition and from time to time make, or cause to be made, all necessary or appropriate repairs, replacements, betterments and improvements thereto to the extent that, in each case, the businesses carried on in connection therewith may be properly and advantageously conducted at all times (subject to the provisions of Section 10.5 and subject to any sale of assets which are not otherwise prohibited by the provisions of this Agreement); and maintain ownership of the issued and outstanding capital stock of each Restricted Subsidiary at least equal to the percentage ownership of such Restricted Subsidiary on the date it became a Restricted Subsidiary (subject to the provisions of Section 10.5 and subject to any sale of assets which are not otherwise prohibited by the provisions of this Agreement).

9.2 Keeping of Books. Keep proper books of record and account in which full and correct entries shall be made of all of its financial transactions and its assets and businesses so as to permit the presentation of financial statements prepared in accordance with generally accepted accounting principles consistently applied; and permit each Bank or its representatives, at reasonable times and intervals, to visit all of its offices, discuss its financial matters with its officers and independent certified public accountants (and by this provision Company authorizes such accountants to discuss the finances and affairs of Company and its Subsidiaries) and examine any of its or their books and other corporate records.

9.3 Reporting Requirements. Furnish Agent and each Bank:

(a) as soon as possible, and in any event within three (3) Business Days after becoming aware of the occurrence of any Event of Default or any event which, with the giving of notice or lapse of time, or both, would constitute an Event of Default, a written statement of the chief financial officer of the Company (or in his absence, a responsible senior officer) setting forth details of such Event of Default or event and the action which the Company has taken or has caused to be taken or proposes to take or cause to be taken with respect thereto;

(b) as soon as available, and in any event within one hundred twenty (120) days after and as of the end of each of

Company's Fiscal Years, a detailed Consolidated audit report of Company and its Consolidated Restricted Subsidiaries certified to by nationally recognized independent certified public accountants together with an unaudited Consolidating report of Company and its Consolidated Restricted Subsidiaries certified by an authorized officer of Company;

(c) as soon as available, and in any event within sixty (60) days after and as of the end of each quarter other than the last quarter of each Fiscal Year, and within one hundred twenty (120) days after and as of the last quarter of each Fiscal Year, Consolidated and Consolidating balance sheet for Company and its Consolidated Restricted Subsidiaries and statement of profit and loss and surplus reconciliation of Company and its Restricted Subsidiaries certified by an authorized officer of Company;

(d) as soon as possible, and in any event within three (3) Business Days after becoming aware (i) of any material adverse change in the financial condition of the Company, any of its Restricted Subsidiaries or any Material Unrestricted Subsidiary, a certificate of the chief financial officer of Company (or in his absence, a responsible senior officer) setting forth the details of such change, or (ii) of the taking by the Internal Revenue Service of a tax position (verbal or written) which would have a materially adverse effect upon Company, any of its Restricted Subsidiaries or any Material Unrestricted Subsidiary (or any tax position taken by the Company, any of its Restricted Subsidiaries or any Material Unrestricted Subsidiary), a certificate of the chief financial officer of Company (or in his absence, a responsible senior officer) setting forth the details of such position and the financial impact thereof, or (iii) the taking of any action or position (which would have a materially adverse effect upon Company, any of its Restricted Subsidiaries or any Material Unrestricted Subsidiary) by the Environmental Protection Agency, or any other federal or state agency monitoring or regulating environmental matters, with respect to environmental hazards, wastes, or conditions which such agency or agencies believe to exist upon the properties of, or as a consequence of the operations of Company or any of its Subsidiaries (or which such agency or agencies believe Company or any of its Subsidiaries may otherwise be liable for), a certificate of the chief financial officer of Company (or in his absence, a responsible senior officer) setting forth the details of such action or position and the financial impact thereof; and

(e) as soon as available, the Company's 10-Q and 10-K Reports filed with the U.S. Securities and Exchange Commission, and in any event, with respect to the 10-Q Report, within sixty (60) days of the end of each of the Company's Fiscal Quarters, and with respect to the 10-K Report, within one hundred five (105) days after and as of the end of each of Company's Fiscal Years, and, as soon as available, copies of all other documents filed by the Company with the Securities and Exchange Commission (other than any registration statement and prospectus included therein relating to an employee benefit plan and filed on Form S-8 or any successor form) and copies of any orders in any proceedings to which the Company or any Restricted Subsidiary is a party issued by any governmental agency;

(f) promptly as issued, all press releases, notices to shareholders and all other material written communications transmitted to the general public or to the trade or industry in which the Company is engaged;

(g) promptly as published or otherwise available to Company, notice of the obtaining of or any change in any Debt Rating obtained by the Company from S&P or Moody's;

(h) not less than thirty (30) nor more than ninety (90) days prior to the proposed consummation of any acquisition (other than the Piper Acquisition) the value of which could reasonably be expected to exceed 5% of the Company's Tangible Net Worth as of the date of such acquisition, the Pro Forma Projected Financial Information; and

(i) promptly, and in form to be satisfactory to Agent and the requesting Bank or Banks, such other information as Agent or any of the Banks (acting through Agent) may reasonably request from time to time.

9.4 Taxes. Pay and discharge all material taxes and other governmental charges, and all contractual obligations calling for the payment of money, before the same shall become delinquent, unless and to the extent only that such payment is being contested in good faith and is reserved for on its balance sheet in accordance with generally accepted accounting principles consistently applied.

9.5 Inspections. Permit Agent, through its authorized attorneys, accountants, representatives and auditors (including without limitation environmental auditors) to examine Company's and each of its Subsidiaries' books, accounts, records, ledgers and assets and properties of every kind and description wherever

located at all reasonable times during normal business hours, upon oral or written request of Agent.

9.6 Computation of Financial Tests. Furnish to the Agent concurrently with the delivery of each of the financial statements required by Section 9.3 (b) and (c) hereof, a statement prepared and certified by the chief financial officer of Company (or in his absence, a responsible senior officer of Company) setting forth all computations necessary to show compliance by Company with the covenants contained in Sections 9.14, 9.15 and 10.2 of this Agreement, as of the date of such financial statements.

9.7 Indemnification. Indemnify and save Agent and Banks harmless from all loss, damage, liability, or out- of-pocket costs or expenses, including attorney fees, incurred by Agent or Banks by reason of an Event of Default or following the occurrence and during the continuance of any Event of Default, in exercising any of their respective rights, remedies or prerogatives under or in connection with this Agreement or any of the Loan Documents, excluding, however, any loss, cost, damage, liability or expense arising solely as a result of the gross negligence or willful misconduct of the party seeking to be indemnified under this Section 9.7.

9.8 Governmental and Other Approvals. Apply for, obtain and/or maintain in effect, as applicable, all authorizations, consents, approvals, licenses, qualifications, exemptions, filings, declarations and registrations (whether with any court, governmental agency, regulatory authority, securities exchange or otherwise) which are necessary in connection with the execution, delivery and performance: (i) by Company, of this Agreement, the Loan Documents or any other documents or instruments to be executed and/or delivered by Company in connection therewith or herewith; and (ii) by each of its Restricted Subsidiaries, of the Loan Documents to which they are party.

9.9 Insurance. Maintain insurance coverage on its physical assets and against other business risks in such amounts and of such types as are customarily carried by companies similar in size and nature, and in the event of acquisition of additional property, real or personal, or of incurrence of additional risks of any nature, increase such insurance coverage in such manner and to such extent as prudent business judgment and present practice would dictate.

9.10 Compliance with ERISA. Comply in all material respects with all requirements imposed by ERISA as presently in effect or hereafter promulgated including, but not limited to, the minimum funding requirements of any Pension Plan.

9.11 ERISA Notices. Promptly notify Banks upon the occurrence thereof of any of the following events:

(a) the termination of any Pension Plan pursuant to Subtitle C of Title IV of ERISA or otherwise;

(b) the appointment of a trustee by a United States District Court to administer any Pension Plan;

(c) the commencement by the Pension Benefit Guaranty Corporation, or any successor thereto, of any proceeding to terminate any Pension Plan;

(d) the failure of any Pension Plan to satisfy the minimum funding requirements for any plan year as established in the Internal Revenue Code of 1986, as amended;

(e) the withdrawal of the Company or any Subsidiary from any Pension Plan; or

(f) a reportable event, within the meaning of Title IV of ERISA.

9.12 Compliance with Contractual Obligations and Laws. Comply in all material respects with all Contractual Obligations and with all applicable laws, rules, regulations and orders of any Governmental Authority, whether federal, state, local or foreign (including without limitation, to the extent set forth in Section 9.13, hereof, Hazardous Material Laws and including any consumer protection, truth in lending, disclosure and other similar laws and regulations governing the provision of financing to consumers), in effect from time to time, except to the extent that failure to comply therewith could not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect and could not reasonably be expected to materially adversely affect the ability of any of the Company, or the Restricted Subsidiaries to perform their respective obligations under any of the Loan Documents to which they are a party.

9.13 Hazardous Material Laws.

(a) Comply and cause its Subsidiaries to comply in all material respects with, and ensure compliance in all material respects by all tenants and subtenants, if any, with, all Hazardous Material Laws and obtain and comply with and maintain, and insure that all tenants and subtenants obtain and comply in all material respects with and maintain, any and all licenses, approvals, registrations or permits required by Hazardous Material Laws, except to the extent that failure to do so could not reasonably be expected to have a Material Adverse Effect; and

(b) Defend, indemnify and hold harmless the Agent and the Banks, and their respective employees, agents, officers and directors, from and against any claims, demands, penalties, fines, liabilities, settlements, damages, and out-of-pocket costs and

expenses of whatever kind or nature known or unknown, contingent or otherwise, arising out of, or in any way relating to the violation of or noncompliance with any Hazardous Material Laws applicable to the Company or any of its Subsidiaries, or any orders, requirements or demands of Governmental Authorities related thereto, including, without limitation, attorney's and consultant's fees, investigation and laboratory fees, court costs and litigation expenses, except to the extent that any of the foregoing arise out of the gross negligence or willful misconduct of the party seeking indemnification therefor.

9.14 Tangible Net Worth. Maintain a Tangible Net Worth at the end of each Fiscal Quarter of not less than the Base Tangible Net Worth.

9.15 Debt Service Coverage Ratio. Maintain a Debt Service Coverage Ratio at the end of each Fiscal Quarter of not less than 1.50 to 1.0.

9.16 Guaranties. Except as provided below, Company shall cause each Person which now is or hereafter becomes a Restricted Subsidiary to deliver to the Agent, in accordance with this Section 9.16, a fully executed guaranty agreement in the form attached as Exhibit J and such other instruments and documents related to such guaranty (including an opinion of counsel) as the Agent or any Bank shall reasonably request; provided, however, that such guaranties shall not be required from Restricted Subsidiaries designated by Company which do not have, in the aggregate, either:

(a) assets exceeding Ten Million Dollars ($10,000,000), or

(b) total outstanding loans, advances and/or capital contributions and other investments from Company and/or any of the other Restricted Subsidiaries exceeding Two Million Dollars ($2,000,000).

Company shall deliver to Agent a certificate setting forth the names of the Restricted Subsidiaries which, pursuant to this Section 9.16, are not executing and delivering guaranties and the Company's calculation of the matters set forth in subparagraphs (a) and (b) hereof, (x) on even date herewith, (y) within five (5) Business Days of the date that any Person becomes a Restricted Subsidiary after the date hereof, and (z) within five (5) Business Days after the Restricted Subsidiaries which have not theretofore executed guaranties pursuant hereto exceed the limitations set forth in subparagraphs (a) or (b) of this Section 9.16. Guaranties, if any, to be executed and delivered pursuant to this Section 9.16 after the date hereof shall be delivered to Agent on behalf of Banks within thirty (30) days after the date such certificate is required.

10. NEGATIVE COVENANTS

Company covenants and agrees that so long as any Indebtedness or the commitment to lend under this Agreement remains outstanding, it will not, and it will not allow its Restricted Subsidiaries, without the prior written consent of the Majority Banks, to:

10.1 Limitation on Liens. Create or incur, or suffer to be incurred or to exist, any mortgage, pledge, security interest, encumbrance, lien or charge of any kind on its or their property or assets, whether now owned or hereafter acquired, or upon any income or profits therefrom, or transfer any property for the purpose of subjecting the same to the payment of obligations in priority to the payment of its or their general creditors, or acquire or agree to acquire, or permit any Restricted Subsidiary to acquire, any property or assets upon conditional sales agreements or other title retention devices, except:

(a) Liens for property taxes and assessments or governmental charges or levies and liens securing claims or demands of mechanics and materialmen, provided that payment of the obligations secured thereby is not at the time required by Section 9.4 and liens for property taxes and assessments or governmental charges, levies or claims with respect to property that the Company or a Restricted Subsidiary has determined to abandon if the sole recourse for such tax, assessment, charge, levy or claim is to such property, provided that adequate reserves with respect thereto are maintained on the books of the Company in conformity with generally accepted accounting principles;

(b) Liens of or resulting from any judgment or award, the time for the appeal or petition for rehearing of which shall not have expired, in respect of which the Company or a Restricted Subsidiary shall at any time in good faith be prosecuting an appeal or proceeding for a review and in respect of which a stay of execution pending such appeal or proceeding for review shall have been secured or if, within sixty (60) days after the entry thereof, such judgment or award shall have been discharged or execution thereof stayed pending appeal or shall have been discharged within sixty (60) days after the expiration of any such stay;

(c) Liens incidental to the conduct of business or the ownership of properties and assets (including warehousemen's, carriers', repairmen's, statutory landlords' and other liens of like general nature) and deposits, pledges or liens to secure the performance of bids, tenders or trade contracts, or to secure statutory obligations, surety or appeal bonds, workers'

compensation, unemployment insurance or other liens of like general nature incurred in the ordinary course of business and not in connection with the borrowing of money, provided in each case, the obligation secured is not overdue for more than ninety (90) days or, if so overdue is being contested in good faith by appropriate actions or proceedings;

(d) minor survey exceptions or minor encumbrances, easements or reservations, or rights of others for rights-of-way, utilities and other similar purposes, or zoning or other restrictions as to the use of real properties, which do not materially interfere with the business of the Company and its Restricted Subsidiaries;

(e) Liens securing indebtedness of a Restricted Subsidiary to the Company or to another Restricted Subsidiary;

(f) Liens (i) (including, without limitation, Capitalized Leases) existing as of the date of this Agreement and reflected on Schedule 10.1 hereto, securing Funded Debt of the Company or any Restricted Subsidiary outstanding on such date or (ii) securing the refundings, refinancings, restructurings or replacements of indebtedness secured by Liens (including without limitation Capitalized Leases) permitted by Section 10.1(f)(i), provided that (x) the instrument pursuant to which the indebtedness secured by such Liens is issued does not contain provisions which are more restrictive in any material respect than the instrument pertaining to the indebtedness being refunded, refinanced, restructured or replaced and (y) such Lien is limited to the property covered by the Lien being replaced;

(g) Liens (including without limitation Capitalized Leases) incurred after the date hereof given to secure the payment of the purchase price incurred in connection with the acquisition of assets useful and intended to be used in carrying on the business of the Company or a Restricted Subsidiary, including Liens existing on such assets at the time of acquisition thereof or at the time of acquisition by the Company or a Restricted Subsidiary of any business entity then owning such assets, whether or not such existing Liens were given to secure the payment of the purchase price of the assets to which they attach so long as they were not incurred, extended or renewed in contemplation of such acquisition, provided that the Lien shall attach solely to the Property acquired or purchased;

(h) the interest of the lessee under any operating lease of Property leased by the Company or any Restricted

Subsidiary as lessor, provided that such operating lease does not interfere in any material respect with the business of the Company or any Restricted Subsidiary;

(i) Liens (i) consisting of customary initial deposits and margin accounts or (ii) incurred in the ordinary course of business and which are customary in the industry, in each case securing Hedging Obligations;

(j) Liens securing tax-exempt private activity bonds issued pursuant to Sections 103, 142 and 144 of the Internal Revenue Code of 1986 (or any successor provision) for the benefit of the Company and/or any Restricted Subsidiary;

(k) Liens incurred in connection with any sale/leaseback arrangement of Property (other than Manufacturing Property) entered into by the Company or any Restricted Subsidiary;

(l) Liens imposed by operation of law that do not materially affect the ability of the Company or the Restricted Subsidiaries to perform its or their respective obligations under this Agreement;

(m) Liens arising from the filing of financing statements pursuant to the provisions of the Uniform Commercial Code regarding leases or consignments, which Liens (i) are incurred in the ordinary course of business, (ii) are not incurred in connection with the incurrence of any Indebtedness and (iii) do not interfere in any material respect with the business of the Company or any Restricted Subsidiary;

(n) Liens on cash or other Property of the Company held in escrow for the benefit of the Company in connection with the sale of assets by the Company to any third party;

(o) Liens on corporate owned life insurance policies held in trust created to secure loans to Company from proceeds of borrowing under such insurance policies;

(p) any Lien securing indebtedness assumed pursuant to a Permitted Acquisition, provided that such Lien is limited to the property so acquired, and was not entered into, extended or renewed in contemplation of such acquisition; and

(q) Any Lien securing indebtedness arising out of a Receivables Financing; provided that the aggregate book value of the accounts and/or other assets transferred or pledged (and not liquidated) in connection with such Receivables Financing does not exceed one hundred twenty

five percent (125%) of the original principal amount of the indebtedness arising from such Receivables Financing;

provided, however, that any indebtedness secured by Liens permitted pursuant to clauses (f), (g), (j), (k), (p) and (q) above shall be incurred within the limitations of Section 10.2.

10.2 Indebtedness. Become or remain obligated for any indebtedness for borrowed money or for any indebtedness incurred in connection with the acquisition of any property, real or personal, tangible or intangible (or any interest rate protection or foreign currency hedges or swaps in connection with any such indebtedness), except:

(a) indebtedness to the Banks;

(b) unsecured indebtedness, including without limitation Hedging Obligations and the New Senior Debt, provided that at the time any such indebtedness is incurred no Event of Default or event which, with the giving of notice or the lapse of time or both would constitute an Event of Default, has occurred and is continuing (both before and after giving effect to such indebtedness);

(c) indebtedness set forth on Schedule 10.2 hereof;

(d) lease obligations and purchase money indebtedness incurred in connection with leases or purchases of fixed assets in an aggregate amount not to exceed the amount of all fixed asset leases shown on the Consolidated financial statements of Company and its Subsidiaries dated October 31, 1995 plus Ten Million Dollars ($10,000,000);

(e) indebtedness to insurance companies secured by pledges and security interests of Company's interests in life insurance policies issued by the insurance companies, in amounts not to exceed with respect to each such loan or extension of credit, ninety percent (90%) of the cash surrender value of the insurance policy pledged in connection with such loan or extension of credit; and

(f) Priority Debt.

Provided that, notwithstanding anything to the contrary in this Section 10.2, Company and its Restricted Subsidiaries shall not incur obligations or indebtedness which would be included in Funded Debt which, after giving effect to the incurring of such obligations or indebtedness, would cause the ratio of Funded Debt to Capitalization to exceed sixty percent (60%) or would result in an Event of Default or an event which, with the giving of notice or lapse of time, or both, would constitute an Event of Default

hereunder. In the event that the ratio of Funded Debt to Capitalization exceeds the percentage set forth above, notwithstanding the fact that such event may have resulted from a reduction in Capitalization rather than an increase in Funded Debt, until such excess is remedied, Company shall not be entitled to request or receive any Advance hereunder (other than an Advance pursuant to Sections 3.7 and 3.8 hereof) and Account Parties shall not be entitled to request or have issued any Letter of Credit hereunder. Further, the Company will not and will not permit any Restricted Subsidiary to create, assume, incur or guarantee or in any manner become liable in respect of any Priority Debt if at the time of incurrence thereof and after giving effect thereto and to the application of the proceeds thereof Priority Debt would exceed ten percent (10%) of Capitalization.

10.3 Transactions with Affiliates. Enter into any transaction with any of their stockholders or officers or their Affiliates (other than Restricted Subsidiaries), except in the ordinary course of business and on terms not less favorable than would be usual and customary in similar transactions between Persons dealing at arm's length; provided that transactions between or among Company, the Restricted Subsidiaries and/or any wholly-owned Subsidiaries of Company shall not be subject to this Section 10.3.

10.4 Investments. The Company will not, and will not permit any Restricted Subsidiary to, make any investments in or loans, advances or extensions of credit to, any Person, except:

(a) investments, loans and advances by the Company and its Restricted Subsidiaries in and to Restricted Subsidiaries, including any investment in a corporation which, after giving effect to such investment, will become a Restricted Subsidiary;

(b) investments from and after the date hereof in and loans or advances to Unrestricted Subsidiaries, in an aggregate amount at any time outstanding not to exceed $45,000,000, or any greater amount approved in writing by Majority Banks (treating any direct or indirect guaranty of the obligations of any Unrestricted Subsidiary as an investment in such Unrestricted Subsidiary);

(c) investments in commercial paper maturing in 270 days or less from the date of issuance which, at the time of acquisition by the Company or any Restricted Subsidiary, is rated at least A-1 by S&P or at least P-1 by Moody's;

(d) investments in direct obligations of the United States of America, or any agency thereof, maturing in twelve months or less from the date of acquisition thereof and which are backed by the full faith and credit of the United States of America;

(e) investments in certificates of deposit maturing within one year from the date of origin, issued by a bank or trust company organized under the laws of the United States or any state thereof, having capital, surplus and undivided profits aggregating at least $250,000,000 and whose commercial paper is rated at least A-1 by S&P or at least P-1 by Moody's (except that Comerica Bank shall not be required to be so rated or to have such amount of capital, surplus and undivided profits);

(f) investments in certificates of deposit maturing within one year from the date of origin, issued by a bank or trust company organized under the laws of any jurisdiction other than that of the United States or any state thereof and whose short-term deposit rating is the highest such rating then accorded by Moody's provided that the aggregate amount of such investments under this clause (e) shall not exceed $5,000,000;

(g) investments in money market funds or mutual funds that invest solely in investments described in clauses (c) through (f), above and in cash and cash equivalents;

(h) investments in common stock of publicly traded companies, in an aggregate amount not to exceed at any time $200,000;

(i) loans or advances in the usual and ordinary course of business to officers, directors and employees for expenses (including moving expenses related to a transfer) incidental to carrying on the business of the Company or any Restricted Subsidiary and under employee benefit plans in an aggregate amount not to exceed $5,000,000;

(j) receivables arising from the sale of goods and services in the ordinary course of business of the Company and its Restricted Subsidiaries;

(k) investments, whether by acquisition of shares of capital stock, Indebtedness or other obligations or Security of, any Person (other than an Affiliate) which is a customer of the Company or any Restricted Subsidiary, which investment was made in exchange for amounts owed by such customer to the Company or any Restricted Subsidiary; provided that all such investments shall not exceed $1,000,000 in the aggregate unless payment on the underlying obligation of such customer is more than ninety (90) days past due and collection of which defaulted obligations was determined, in the judgment of the Board of Directors of the Company, to be commercially doubtful;

(l) investments in obligations of municipalities organized under the laws of any state of the United States or any subdivision of any such state which, at the time of acquisition by the Company or any Restricted Subsidiary, are rated not lower than "A" or "MIG-1" by Moody's or "A" by S&P and which mature within twelve months or less from the date of acquisition thereof, provided that the aggregate amount of such investments under this clause shall not exceed an amount equal to 50% of Tangible Net Worth and the aggregate amount of such investments under this clause shall not, with respect to the amount of obligations of any one issuer, exceed 1% of Tangible Net Worth;

(m) Hedging Obligations, to the extent treated as investments rather than indebtedness; and

(n) other investments (in addition to those permitted by the foregoing provisions of this Section 10.4 made as Restricted Payments) within the limitations of Section 10.7.

In valuing any investments, loans and advances for the purpose of applying the limitations set forth in this Section 10.4 and Section 10.7 (except as otherwise expressly provided therein), such investments, loans and advances shall be taken at the original amount or cost thereof, without allowance for any subsequent write-offs or appreciation or depreciation therein, but less any amount repaid or recovered on account of capital or principal.

10.5 Merger and Consolidation. Enter into any merger or consolidation or sell or transfer or dispose of all, substantially all or any material part of its assets, except (a) sales of inventory in the ordinary course of business, (b) the merger or consolidation of another corporation in substantially the same line of business as the Company into the Company or a Subsidiary, if the Company or the Subsidiary, as the case may be, is the surviving corporation, and if immediately after the consummation of the transaction, and after giving effect thereto, no Event of Default has occurred or exists, (c) transfers of accounts pursuant to a Receivables Financing and (d) the sale, transfer or disposition of all, substantially all or any material part of the assets of (i) the Company or any Subsidiary to any Restricted Subsidiary which has executed and delivered to the Banks a supplemental guaranty substantially identical to the form of guaranty attached hereto as Exhibit J or (ii) any Subsidiary to the Company, if, in any such event, immediately after the consummation of the transaction and after giving effect thereto, no Event of Default has occurred or exists.

10.6 Negative Pledges of Assets. Except for the Existing Lien Agreements and any other agreements, documents or instruments

pursuant to which Liens not prohibited by the terms of this Agreement are created, enter into, or allow to exist, any agreement, document or instrument which would restrict or prevent Company and its Restricted Subsidiaries from granting Agent on behalf of Banks liens upon, security interests in and pledges of their respective assets which are senior in priority to all Liens.

10.7 Dividends. Declare or pay any dividend or make any distribution on its capital stock or to its stockholders, or purchase, redeem or otherwise acquire or retire for value their capital stock (or debt instruments issued upon redemption or conversion of capital stock, or which are convertible into capital stock, which are referred to in this Section 10.7 as "Redemption Debt Instruments"), or make any Restricted Investments except to the extent that such dividends, purchases, redemptions, other acquisitions or retirements and Restricted Investments (collectively, the "Restricted Payments"), do not exceed, in aggregate amount, the sum of (i) Twenty-One Million Dollars ($21,000,000), plus (ii) fifty percent (50%) of the Net Income of the Company and its Restricted Subsidiaries subsequent to October 31, 1989, plus (iii) the aggregate net cash proceeds received by the Company for the sales, subsequent to October 31, 1989, of shares of its capital stock or warrants, rights or options to purchase or acquire any shares of its capital stock, plus (iv) principal amount of securities (other than capital stock) of the Company issued after October 31, 1989 and converted after such date into shares of capital stock of the Company, plus (v) the aggregate amount of net proceeds received by the Company and its Restricted Subsidiaries in connection with any sale or disposition of Restricted Investments made during such period, provided that for the purposes of this Section 10.7 the amount of such net proceeds received from the sale or disposition of any Restricted Investment may not exceed the amount charged as a Restricted Investment when such Restricted Investment was made (except that, if a Restricted Investment in an Unrestricted Subsidiary is sold or otherwise disposed of, all of the net proceeds received in connection with such sale or disposition may be included for this purpose), plus (vi) any dividends on or other distributions in respect of shares of capital stock of any Unrestricted Subsidiary, paid in cash, to the Company or any Restricted Subsidiary, plus (vii) any property (other than cash) distributed to the Company or any Restricted Subsidiary in respect of shares of capital stock of any Unrestricted Subsidiary, for this purpose valued at the lesser of the fair market value or book value. Any exchange of Preferred Stock for Subordinated Debentures shall not be deemed to be a Restricted Payment for purposes of this Section 10.7. Notwithstanding the provisions of this Section 10.7, the Company may take any of the following actions, provided that at the time thereof, and after giving effect thereto, no Event of Default shall then exist: (i) pay any dividend or make any distribution on its capital stock or to its stockholders if on the date of declaration thereof such dividend or distribution would comply with the terms

of this Section 10.7 and such dividend or distribution is paid not more than sixty (60) days after the date of declaration thereof; (ii) purchase, redeem or otherwise acquire or retire for value Redemption Debt Instruments, with the proceeds from a refinancing of such indebtedness, provided that the Subordinated Debentures may be purchased, redeemed or otherwise acquired only in compliance with Section 10.9 hereof; and (iii) purchase, redeem or otherwise acquire or retire for value capital stock (or Redemption Debt Instruments) with, or out of the proceeds of, the sale of additional shares of capital stock of the Company other than shares of capital stock of the Company that are subject to a sinking fund for redemption schedule (unless the sinking fund or redemption provisions applicable to such shares of capital stock of the Company prohibit the redemption thereof prior to the date on which the capital stock of the Company to be acquired or retired was by its terms required to be redeemed), provided that such proceeds are applied to such purchase, redemption, acquisition or retirement within sixty (60) days after the date on which the additional shares of capital stock of the Company are issued.

Any dividend by a Restricted Subsidiary to its parent corporation shall not be deemed a Restricted Payment for purposes of this Section 10.7.

The Company will not declare any dividend which constitutes a Restricted Payment payable more than sixty (60) days after the date of declaration thereof.

10.8 Acquisitions. Other than any Permitted Acquisition and investments permitted under Section 10.4 hereof, purchase or otherwise acquire or become obligated for the purchase of all or substantially all or any material portion of the assets or business interests of any Person, firm or corporation (other than wholly-owned Subsidiaries of the Company), or any shares of stock (or other ownership interests) of any corporation, trusteeship or association, or any business or going concern, or in any other manner effectuate or attempt to effectuate an expansion of present business by acquisition.

10.9 Prepayment or Amendment of Subordinated Debentures. Prepay, purchase, redeem or defease the Subordinated Debentures, other than Permitted Redemptions; provided that Conversion shall not be restricted by this Section 10.9; or increase the principal amount of or interest rate applicable to, or shorten the term or scheduled amortization (or increase the amount or accelerate the timing of any sinking fund payments) or make any changes to the subordination, default or remedial provisions contained in the Subordinated Debentures, except in each case with the prior written approval of the Majority Banks.

11. DEFAULTS

11.1 Events of Default. Any of the following events is an "Event of Default":

(a) non-payment of the principal or interest, when due, under any of the Notes issued hereunder, or of any Reimbursement Obligation to be paid hereunder or under any Letter of Credit Agreement in accordance with the terms hereof and thereof;

(b) default in the payment of any money by Company or any Account Party under this Agreement in accordance with the terms hereof, other than as set forth in subsection (a), above within three (3) Business Days of the date the same is due and payable;

(c) default is made in the due observance or performance of any term, covenant or agreement contained in Sections 9.2, 9.3, 9.5 through 9.8, 9.11 through 9.16, Sections 10.1 through 10.9 of this Agreement;

(d) default is made in the due observance or performance of any other term, covenant or agreement contained in this Agreement or any other Loan Document and such default continues unremedied for a period of 30 days after written notice of such default to Company by Agent;

(e) any representation or warranty made by Company herein or in any instrument submitted pursuant hereto or by any other party to the Loan Documents proves untrue in any material adverse respect when made;

(f) default in the payment of any other obligation of Company or its Restricted Subsidiaries for borrowed money aggregating in excess of One Million Dollars ($1,000,000) or in the observance or performance of any term, covenant or condition in any agreement or instrument evidencing, securing or relating to such indebtedness, and such default shall continue for a period sufficient to permit acceleration of the indebtedness prior to its expressed maturity, whether or not such acceleration occurs;

(g) the rendering of any judgment for the payment of money in excess of the sum of Two Million Dollars ($2,000,000) in the aggregate against Company or any of its Restricted Subsidiaries, and such judgments shall remain unpaid, unvacated, unbonded or unstayed by appeal or otherwise for a period of thirty (30) consecutive days, except as covered by adequate insurance with a reputable carrier and an action is pending in which an active defense is being made with respect thereto;

(h) the occurrence of any "reportable event", as defined in ERISA, which is determined by the Pension Benefit Guaranty Corporation in a written notice to Company to constitute grounds for termination of any Pension Plan maintained by or on behalf of the Company or any Restricted Subsidiary for the benefit of any of its employees or for the appointment by the appropriate United States District Court of a trustee to administer such Pension Plan and such reportable event is not corrected and such determination is not revoked within thirty (30) days after notice thereof has been given to the plan administrator or the Company or such Restricted Subsidiary; or the institution of proceedings by the Pension Benefit Guaranty Corporation to terminate any such Pension Plan or to appoint a trustee to administer such Pension Plan; or the appointment of a trustee by the appropriate United States District Court to administer any such Pension Plan;

(i) if a creditors' committee shall have been appointed for the business of Company, any of its Restricted Subsidiaries or its Material Unrestricted Subsidiaries; or if Company, any of its Restricted Subsidiaries, or its Material Unrestricted Subsidiaries shall have made a general assignment for the benefit of creditors or shall have been adjudicated bankrupt, or shall have filed a voluntary petition in bankruptcy or for reorganization or to effect a plan or arrangement with creditors or shall fail to pay its debts generally as such debts become due in the ordinary course of business (except as contested in good faith and for which adequate reserves are made in such party's financial statements); or shall file an answer to a creditor's petition or other petition filed against it, admitting the material allegations thereof for an adjudication in bankruptcy or for reorganization; or shall have a creditor's petition or other petition filed against it and such petition is not dismissed within thirty (30) days of such filing; or shall have applied for or permitted the appointment of a receiver or trustee or custodian for any of its property or assets; or such receiver, trustee or custodian shall have been appointed for any of its property or assets (otherwise than upon application or consent of Company, its Restricted Subsidiaries or Material Unrestricted Subsidiaries) or if an order shall be entered approving any petition for reorganization of Company or any of its Subsidiaries; or

(j) any one Person or group of Persons acting in concert, acquires or gains control, directly or indirectly, whether by ownership, proxy, voting trust or otherwise,

of fifty percent (50%) or more of the issued and outstanding stock of Company.

11.2 Exercise of Remedies. If an Event of Default has occurred and is continuing hereunder: (a) the Agent shall, if directed to do so by the Majority Banks, declare any commitment of the Banks (including the Swing Line Bank) to lend hereunder immediately terminated; (b) the Agent shall, if directed to do so by the Majority Banks, declare the entire unpaid principal Indebtedness, including the Notes, immediately due and payable, without presentment, notice or demand, all of which are hereby expressly waived by Company; (c) upon the occurrence of any Event of Default specified in subsection 11.1(i), above, and notwithstanding the lack of any declaration by Agent under preceding clause (b), the entire unpaid principal Indebtedness, including the Notes, shall become automatically due and payable; (d) the Agent shall, upon being directed to do so by the Majority Banks, demand immediate delivery of cash collateral, and the Company and each Account Party agrees to deliver such cash collateral upon demand, in an amount equal to the maximum amount that may be available to be drawn at any time prior to the stated expiry of all outstanding Letters of Credit, and (e) the Agent shall, if directed to do so by the Majority Banks or the Banks, as applicable (subject to the terms hereof), exercise any remedy permitted by this Agreement, the other Loan Documents or law.

11.3 Rights Cumulative. No delay or failure of Agent and/or Banks in exercising any right, power or privilege hereunder shall affect such right, power or privilege, nor shall any single or partial exercise thereof preclude any other or further exercise thereof, or the exercise of any other power, right or privilege. The rights of Banks under this Agreement are cumulative and not exclusive of any right or remedies which Banks would otherwise have.

11.4 Waiver of Defaults. No Event of Default shall be waived by the Banks except in a writing signed by an officer of the Agent in accordance with Section 13.10 hereof. No single or partial exercise of any right, power or privilege hereunder, nor any delay in the exercise thereof, shall preclude other or further exercise of Agent's rights or of Banks' rights by Agent. No waiver of any event of default shall extend to any other or further event of default. No forbearance on the part of the Agent in enforcing Agent's or any of Banks' rights shall constitute a waiver of any of their respective rights. Company expressly agrees that this Section may not be waived or modified by Banks or Agent by course of performance, estoppel or otherwise.

12. AGENT

12.1 Appointment of Agent. Each Bank and the holder of each Note appoints and authorizes Agent to act on behalf of such Bank or holder under the Loan Documents and to exercise such powers hereunder and thereunder as are specifically delegated to or required of Agent by the terms hereof and thereof, together with such powers as may be reasonably incidental thereto. Each Bank agrees (which agreement shall survive any termination of this Agreement) to reimburse Agent for all reasonable out-of-pocket expenses (including house and outside attorneys' fees) incurred by Agent hereunder or in connection herewith or with an Event of Default or in enforcing the obligations of Company under this Agreement or the other Loan Documents or any other instrument executed pursuant hereto, and for which Agent is not reimbursed by Company, pro rata according to such Bank's Percentage, but excluding any such expenses resulting from Agent's gross negligence or willful misconduct. Agent shall not be required to take any action under the Loan Documents, or to prosecute or defend any suit in respect of the Loan Documents, unless indemnified to its satisfaction by the Banks against loss, costs, liability and expense (excluding liability resulting from its gross negligence or willful misconduct). If any indemnity furnished to Agent shall become impaired, it may call for additional indemnity and cease to do the acts indemnified against until such additional indemnity is given.

12.2 Deposit Account with Agent. Company hereby authorizes Agent to charge its general deposit account, if any, maintained with Agent for the amount of any principal, interest, or other amounts or costs due under this Agreement when the same becomes due and payable under the terms of this Agreement or the Notes.

12.3 Exculpatory Provisions. Agent agrees to exercise its rights and powers, and to perform its duties, as Agent hereunder and under the other Loan Documents in accordance with its usual customs and practices in bank-agency transactions, but only upon and subject to the express terms and conditions of this Section 12 (and no implied covenants or other obligations shall be read into this Agreement against the Agent); neither Agent nor any of its directors, officers, employees or agents shall be liable to any Bank for any action taken or omitted to be taken by it or them under this Agreement or any document executed pursuant hereto, or in connection herewith or therewith, except for its or their own willful misconduct or gross negligence, nor be responsible for any recitals or warranties herein or therein, or for the effectiveness, enforceability, validity or due execution of this Agreement or any document executed pursuant hereto, or any security thereunder, or to make any inquiry respecting the performance by Company or any of its Subsidiaries of its obligations hereunder or thereunder. Agent shall not have, or be deemed to have, a fiduciary relationship with any Bank by reason of this Agreement. Agent shall be entitled to

rely upon advice of counsel concerning legal matters and upon any notice, consent, certificate, statement or writing which it believes to be genuine and to have been presented by a proper person.

12.4 Successor Agents. Agent may resign as such at any time upon at least 30 days prior notice to Company and all Banks. If Agent at any time shall resign or if the office of Agent shall become vacant for any other reason, Majority Banks shall, by written instrument, appoint a successor Agent (consisting of either Co-Agent or any other Bank or financial institution satisfactory to such Majority Banks) which shall thereupon become Agent hereunder and shall be entitled to receive from the prior Agent such documents of transfer and assignment as such successor Agent may reasonably request. Such successor Agent shall succeed to all of the rights and obligations of the retiring Agent as if originally named. The retiring Agent shall duly assign, transfer and deliver to such successor Agent all moneys at the time held by the retiring Agent hereunder after deducting therefrom its expenses for which it is entitled to be reimbursed. Upon such succession of any such successor Agent, the retiring agent shall be discharged from its duties and obligations hereunder, except for its gross negligence or willful misconduct arising prior to its retirement hereunder, and the provisions of this Section 12 shall continue in effect for its benefit in respect of any actions taken or omitted to be taken by it while it was acting as Agent.

12.5 Loans by Agent. Agent shall have the same rights and powers with respect to the credit extended by it and the Notes held by it as any Bank and may exercise the same as if it were not Agent, and the term "Bank" and, when appropriate, "holder" shall include Agent in its individual capacity.

12.6 Credit Decisions. Each Bank acknowledges that it has, independently of Agent and each other Bank and based on the financial statements of Company, and its Subsidiaries and such other documents, information and investigations as it has deemed appropriate, made its own credit decision to extend credit hereunder from time to time. Each Bank also acknowledges that it will, independently of Agent and each other Bank and based on such other documents, information and investigations as it shall deem appropriate at any time, continue to make its own credit decisions as to exercising or not exercising from time to time any rights and privileges available to it under this Agreement or any document executed pursuant hereto.

12.7 Notices by Agent. Agent shall give prompt notice to each Bank of its receipt of each notice or request required or permitted to be given to Agent by Company pursuant to the terms of this Agreement and shall promptly distribute to the Banks any reports received from the Company or any of its Subsidiaries under the terms hereof, or other material information or documents received

by Agent, in its capacity as Agent, from the Company, or its Subsidiaries.

12.8 Agent's Fees. Commencing on November 1, 1996 and on the first day of each succeeding Fiscal Quarter until the Indebtedness has been repaid and no commitment to fund any loan hereunder is outstanding, the Company, shall pay to Agent a quarterly agency fee set forth (or to be set forth from time to time) in a letter agreement between Company and Agent. The Agent's Fees described in this Section 12.8 shall not be refundable under any circumstances.

12.9 Nature of Agency. The appointment of Agent as agent is for the convenience of Banks, and the Company in making Advances of the Revolving Credit, the Term Loans or any other Indebtedness of Company or issuing Letters of Credit hereunder, and collecting fees and principal and interest on the Indebtedness. No Bank is purchasing any Indebtedness from Agent and this Agreement is not intended to be a purchase or participation agreement, except to the extent, with respect to Swing Line Advances and Letters of Credit, expressly provided herein.

12.10 Actions; Confirmation of Agent's Authority to Act in Event of Default. Subject to the terms and conditions of this Agreement, Agent is hereby expressly authorized to act in all litigation by or against Agent and in all other respects as the representative of the Banks where Agent considers it to be necessary or desirable in order to carry out the purposes of this Agreement or the other Loan Documents. Without necessarily accepting service of process or designating Agent to do so in its stead, each Bank hereby agrees with each other Bank and with Agent, without intending to confer or conferring any rights on any other party, (a) that it shall be bound by any litigation brought by or against Agent by the Company, any Subsidiary, or any other party in connection with the Indebtedness or any other rights, duties or obligations arising hereunder or under this Agreement or the other Loan Documents and (b) that it now irrevocably waives the defense of procedural impediment or failure to name or join such Bank as an indispensable party. In conducting such litigation hereunder on behalf of the Banks, Agent shall at all times be indemnified by the Banks as provided in Sections 12.1 and 12.12 hereof. Agent shall undertake to give each Bank prompt notice of any litigation commenced against Agent and/or the Banks with respect to this Agreement or the other Loan Documents or any matter referred to herein or therein.

12.11 Authority of Agent to Enforce Notes and This Agreement. Each Bank, subject to the terms and conditions of this Agreement, authorizes the Agent with full power and authority as attorney-in-fact to institute and maintain actions, suits or proceedings for the collection and enforcement of the Notes and to file such proofs of debt or other documents as may be necessary to have the claims of the Banks allowed in any proceeding relative to

the Company, any of its Subsidiaries, or its creditors or affecting its properties, and to take such other actions which Agent considers to be necessary or desirable for the protection, collection and enforcement of the Notes, this Agreement or the other Loan Documents, but in each case only to the extent of any required approval or direction of the Majority Banks or the Banks, as applicable, obtained by or given to the Agent hereunder.

12.12 Indemnification. The Banks agree to indemnify the Agent in its capacity as such, to the extent not reimbursed by the Company, pro rata according to their respective Percentages, from and against any and all claims, liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever which may be imposed on, incurred by, or asserted against the Agent in any way relating to or arising out of this Agreement or any of the other Loan Documents or any action taken or omitted to be taken or suffered in good faith by the Agent hereunder, provided that no Bank shall be liable for any portion of any of the foregoing items resulting from the gross negligence or willful misconduct of the Agent or any of its officers, employees, directors or agents.

12.13 Knowledge of Default. It is expressly understood and agreed that the Agent shall be entitled to assume that no Default or Event of Default has occurred and is continuing, unless the officers of the Agent immediately responsible for matters concerning this Agreement shall have actual (rather than constructive) knowledge of such occurrence or shall have been notified in writing by a Bank that such Bank considers that a Default or an Event of Default has occurred and is continuing, and specifying the nature thereof. Upon obtaining actual knowledge of any Default or Event of Default as described above, the Agent shall promptly, but in any event within three (3) Business Days after obtaining knowledge thereof, notify each Bank of such Default or Event of Default and the action, if any, the Agent proposes be taken with respect thereto.

12.14 Agent's Authorization; Action by Banks. Except as otherwise expressly provided herein, whenever the Agent is authorized and empowered hereunder on behalf of the Banks to give any approval or consent, or to make any request, or to take any other action, on behalf of the Banks (including without limitation the exercise of any right or remedy hereunder or under the other Loan Documents), the Agent shall be required to give such approval or consent, or to make such request or to take such other action only when so requested in writing by the Majority Banks or the Banks, as applicable hereunder. Action that may be taken by Majority Banks or all of the Banks, as the case may be (as provided for hereunder), may be taken (i) pursuant to a vote at a meeting (which may be held by telephone conference call) as to which all of the Banks have been given reasonable advance notice (subject to the requirement that amendments, waivers or consents under Section

13.10 hereof be made in writing by the Majority Banks or all the Banks, as applicable), or (ii) pursuant to the written consent of the requisite Percentages of the Banks as required hereunder, provided that all of the Banks are given reasonable advance notice of the requests for such consent.

12.15 Enforcement Actions by the Agent. Except as otherwise expressly provided under this Agreement or in any of the other Loan Documents and subject to the terms hereof, Agent will take such action, assert such rights and pursue such remedies under this Agreement and the other Loan Documents as the Majority Banks or all of the Banks, as the case may be (as provided for hereunder), shall direct. Except as otherwise expressly provided in any of the Loan Documents, Agent will not (and will not be obligated to) take any action, assert any rights or pursue any remedies under this Agreement or any of the other Loan Documents in violation or contravention of any express direction or instruction of the Majority Banks or all of the Banks, as the case may be (as provided for hereunder). Agent may refuse (and will not be obligated) to take any action, assert any rights or pursue any remedies under this Agreement or any of the other Loan Documents in the absence of the express written direction and instruction of the Majority Banks or all of the Banks, as the case may be (as provided for hereunder). In the event Agent fails, within a commercially reasonable time, to take such action, assert such rights, or pursue such remedies as the Majority Banks or all of the Banks, as the case may be (as provided for hereunder), shall direct in conformity with this Agreement, the Majority Banks or all of the Banks, as the case may be (as provided for hereunder), shall have the right to take such action, to assert such rights, or pursue such remedies on behalf of all of the Banks unless the terms hereof otherwise require the consent of all the Banks to the taking of such actions (in which event all of the Banks must join in such action). Except as expressly provided above or elsewhere in this Agreement or the other Loan Documents, no Bank (other than the Agent, acting in its capacity as Agent) shall be entitled to take any enforcement action of any kind under any of the Loan Documents.

12.16 Co-Agents. Each of Harris Trust and Savings Bank and Wells Fargo Bank (Texas), National Association has been designated by the Company as "Co-Agent" under this Agreement. Other than their respective rights and remedies as a Bank hereunder, neither of the Co-Agents shall have any administrative, collateral or other rights or responsibilities, provided, however, that each Co-Agent shall be entitled to the benefits afforded to Agent under Sections 12.5 and 12.6 hereof.

13. MISCELLANEOUS

13.1 Accounting Principles. Except as otherwise specified herein, where the character or amount of any asset or liability or item of income or expense is required to be determined or any

consolidation or other accounting computation is required to be made for the purposes of this Agreement, it shall be done in accordance with generally accepted accounting principles consistently applied.

13.2 Law of Michigan. THIS AGREEMENT AND THE NOTES HAVE BEEN DELIVERED AT DETROIT, MICHIGAN, AND SHALL BE GOVERNED BY AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE OF MICHIGAN. Whenever possible each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement shall be prohibited by or invalid under applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Agreement.

13.3 Waiver by Company of Certain Laws; WAIVER OF JURY TRIAL. To the extent permitted by applicable law, Company hereby agrees to waive, and does hereby absolutely and irrevocably waive and relinquish the benefit and advantage of any valuation, stay, appraisement, extension or redemption laws now existing or which may hereafter exist, which, but for this provision, might be applicable to any sale made under the judgment, order or decree of any court, on any claim for interest on the Notes. EACH OF THE COMPANY, THE AGENT AND THE BANKS HEREBY IRREVOCABLY AGREES TO WAIVE THE RIGHT TO TRIAL BY JURY WITH RESPECT TO ANY AND ALL ACTIONS OR PROCEEDINGS IN WHICH AGENT OR THE BANKS (OR ANY OF THEM), ON THE ONE HAND, AND THE COMPANY, ON THE OTHER HAND, ARE PARTIES, WHETHER OR NOT SUCH ACTIONS OR PROCEEDINGS ARISE OUT OF THIS AGREEMENT OR THE OTHER LOAN DOCUMENTS, OR OTHERWISE. These waivers have been voluntarily given, with full knowledge of the consequences thereof.

13.4 Agent's Costs and Expenses. Company shall pay all reasonable costs and expenses, including, by way of description and not limitation, outside attorney fees and out of pocket expenses and lien search fees incurred by Agent in connection with the commitment, consummation, and closing of the loans contemplated hereby and in the exercise and enforcement of its rights and prerogatives hereunder and under the Loan Documents. All of said amounts required to be paid by Company as aforesaid may, at Agent's option, be charged by Agent as an advance against the proceeds of the loans. All costs, including attorney fees, incurred by Agent in revising, protecting, exercising or enforcing any of its rights hereunder and under the Loan Documents, or otherwise incurred by Agent in connection with an Event of Default or the enforcement of the Loans, including by way of description and not limitation, such charges in any court or bankruptcy proceedings or arising out of any claim or action by any person against Agent or any Bank which would not have been asserted were it not for Agent's or such Bank's relationship with Company hereunder or otherwise, shall also be paid by Company.

13.5 Notices. Except as otherwise provided herein, all notices, requests and other communications shall be in writing and mailed (sent by registered or certified mail, postage prepaid), faxed (provided that any matter transmitted by the Company by facsimile shall be promptly confirmed by a telephone call to the recipient at the number specified on Schedule 13.5 or such other telephone number as shall be designated by such party in a written notice to parties) or delivered, to the address or facsimile number specified for notices on Schedule 13.5; or, as directed by the Company or the Agent, to such other address or facsimile number as shall be designated by such party in a written notice to the other parties, and as directed to any other party, at such other address as shall be designated by such party in a written notice to the Company and the Agent.

13.6 Further Action. Company, from time to time, upon written request of Agent will make, execute, acknowledge and deliver or cause to be made, executed, acknowledged and delivered, all such further and additional instruments, and take all such further action as may be reasonably required to carry out the intent and purpose of this Agreement and the Loan Documents, and to provide for Advances under and payment of the Notes and Reimbursement Obligations, according to the intent and purpose herein and therein expressed.

13.7 Successors and Assigns; Assignments and Participations.

(a) This Agreement shall be binding upon and shall inure to the benefit of Company and the Banks and their respective successors and assigns.

(b) The foregoing shall not authorize any assignment by Company, of its rights or duties hereunder, and no such assignment shall be made (or effective) without the prior written approval of the Banks.

(c) The Company and Agent acknowledge that each of the Banks may at any time and from time to time, subject to the terms and conditions hereof, assign or grant participations in such Bank's rights and obligations hereunder and under the other Loan Documents to any financial institution, the identity of which institution is approved by Company and Agent, such approval not to be unreasonably withheld or delayed; provided, however, that

(i) the approval of Company shall not be required upon the occurrence and during the continuance of a Default or Event of Default; and

(ii) the approval of Company and Agent shall not be required for any such sale, transfer, assignment or participation to the Affiliate

of an assigning Bank, any other Bank or any Federal Reserve Bank; and

(iii) the aggregate assignments and participation interests sold by a Bank do not exceed fifty percent (50%) of its original interest therein unless (x) such Bank's interest is sold, transferred or assigned in its entirety or (y) subparagraph (i) or (ii) above shall apply, in which event, compliance with said 50% hold level shall not be required.

The Company authorizes each Bank to disclose to any prospective assignee or participant, once approved by Company and Agent (if such approval is required hereunder), any and all financial information in such Bank's possession concerning the Company which has been delivered to such Bank pursuant to this Agreement; provided that each such prospective participant shall execute a confidentiality agreement consistent with or otherwise agree to be bound by the terms of Section 13.11 hereof.

(d) Each assignment by a Bank of any portion of its rights and obligations hereunder and under the other Loan Documents shall be made pursuant to an Assignment Agreement substantially (as determined by Agent) in the form attached hereto as Exhibit L (with appropriate insertions acceptable to Agent) and shall be subject to the terms and conditions hereof, and to the following restrictions:

(i) each assignment shall cover all of the Notes issued by Company hereunder to the assigning Bank (and not any particular note or notes), and shall be for a fixed and not varying percentage thereof, with the same percentage applicable to each such Note;

(ii) each assignment shall be in a minimum amount of Ten Million Dollars ($10,000,000) (or, if less, the entire remaining amount of an assigning Bank's rights and obligations hereunder);

(iii) no assignment shall violate any "blue sky" or other securities law of any jurisdiction or shall require the Company, or any other Person to file a registration statement or similar application with the United States Securities and Exchange Commission (or similar state regulatory body) or to qualify under the "blue sky" or other securities laws of any jurisdiction; and

(iv) no assignment shall be effective unless Agent has received from the assignee (or from the assigning Bank) an assignment fee of $3,500 for each such assignment.

In connection with any assignment, Company, and Agent shall be entitled to continue to deal solely and directly with the assigning Bank in connection with the interest so assigned until (x) the Agent shall have received a notice of assignment duly executed by the assigning Bank and an Assignment Agreement (with respect thereto) duly executed by the assigning Bank and each assignee; and (y) the assigning Bank shall have delivered to the Agent the original of each Note held by the assigning Bank under this Agreement. From and after the date on which the Agent shall notify Company and the assigning Bank that the foregoing conditions shall have been satisfied and all consents (if any) required shall have been given, the assignee thereunder shall be deemed to be a party to this Agreement. To the extent that rights and obligations hereunder shall have been assigned to such assignee as provided in such notice of assignment (and Assignment Agreement), such assignee shall have the rights and obligations of a Bank under this Agreement and the other Loan Documents (including without limitation the right to receive fees payable hereunder in respect of the period following such assignment). In addition, the assigning Bank, to the extent that rights and obligations hereunder shall have been assigned by it as provided in such notice of assignment (and Assignment Agreement), but not otherwise, shall relinquish its rights and be released from its obligations under this Agreement and the other Loan Documents.

Within five (5) Business Days following Company's receipt of notice from the Agent that Agent has accepted and executed a notice of assignment and the duly executed Assignment Agreement, Company shall, to the extent applicable, execute and deliver to the Agent in exchange for any surrendered Note, new Note(s) payable to the order of the assignee in an amount equal to the amount assigned to it pursuant to such notice of assignment (and Assignment Agreement), and with respect to the portion of the Indebtedness retained by the assigning Bank, to the extent applicable, new Note(s) payable to the order of the assigning Bank in an amount equal to the amount retained by such Bank hereunder shall be executed and delivered by the Company. Agent, the Banks and the Company acknowledge and agree that any such new Note(s) shall be given in renewal and replacement of the surrendered Notes and shall not effect or constitute a novation or discharge of the Indebtedness evidenced by any surrendered Note, and each such new Note may contain a provision confirming such agreement. In addition, promptly following receipt of such Notes, Agent shall prepare and distribute to Company, and each of the Banks a revised Schedule 1.1 to this Agreement setting forth the applicable new Percentages of the Banks (including the assignee Bank), taking into account such assignment.

(e) Each Bank agrees that any participation agreement permitted hereunder shall comply with all applicable laws and shall be subject to the following restrictions (which shall be set forth in the applicable Participation Agreement):

(i) such Bank shall remain the holder of its Notes hereunder, notwithstanding any such participation;

(ii) except as expressly set forth in this Section 13.7(e) with respect to rights of setoff and the benefits of Section 15 hereof, a participant shall have no direct rights or remedies hereunder;

(iii) a participant shall not reassign or transfer, or grant any sub-participations in its participation interest hereunder or any part thereof; and

(iv) such Bank shall retain the sole right and responsibility to enforce the obligations of the Company relating to the Notes and the other Loan Documents, including, without limitation, the right to proceed against any Guaranties, or cause Agent to do so (subject to the terms and conditions hereof), and the right to approve any amendment, modification or waiver of any provision of this Agreement without the consent of the participant, except for those matters covered by Section 13.10(B)(a) through (e) and (h) hereof (provided that a participant may exercise approval rights over such matters only on an indirect basis, acting through such Bank, and Company, Agent and the other Banks may continue to deal directly with such Bank in connection with such Bank's rights and duties hereunder).

Company agrees that each participant shall be deemed to have the right of setoff under Section 6.4 hereof in respect of its participation interest in amounts owing under this Agreement and the other Loan Documents to the same extent as if the Indebtedness were owing directly to it as a Bank under this Agreement, shall be subject to the pro rata recovery provisions of Section 6.3 hereof and shall be entitled to the benefits of Section 5 hereof. The amount, terms and conditions of any participation shall be as set forth in the participation agreement between the issuing Bank and the Person purchasing such participation, and none of the Company, the Agent and the other Banks shall have any responsibility or obligation with respect thereto, or to any Person to whom any such

participation may be issued. No such participation shall relieve any issuing Bank of any of its obligations under this Agreement or any of the other Loan Documents, and all actions hereunder shall be conducted as if no such participation had been granted.

(f) Nothing in this Agreement, the Notes or the other Loan Documents, expressed or implied, is intended to or shall confer on any Person other than the respective parties hereto and thereto and their successors and assignees and participants permitted hereunder and thereunder any benefit or any legal or equitable right, remedy or other claim under this Agreement, the Notes or the other Loan Documents.

13.8 Indulgence. No delay or failure of Agent and Banks in exercising any right, power or privilege hereunder shall affect such right, power or privilege nor shall any single or partial exercise thereof preclude any further exercise thereof, nor the exercise of any other right, power or privilege. The rights of Agent and Banks hereunder are cumulative and are not exclusive of any rights or remedies which Agent and Banks would otherwise have.

13.9 Counterparts. This Agreement may be executed in several counterparts, and each executed copy shall constitute an original instrument, but such counterparts shall together constitute but one and the same instrument.

13.10 Entire Agreement; Amendment or Waiver. (A) This Agreement, the Notes, any Requests for Revolving Credit Advances, Requests for Swing Line Advances, the Letter of Credit Agreements and Letters of Credit, the other Loan Documents, and any agreements certificates, or other documents given to secure the Indebtedness, contain and will contain the entire agreement of the parties hereto, and none of the parties shall be bound by anything not expressed in writing.

(B) No amendment or waiver of any provision of this Agreement or any Loan Document, nor consent to any departure by Company therefrom, shall in any event be effective unless the same shall be in writing and signed by the Majority Banks, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; provided, however, that no amendment, waiver or consent shall, unless in writing and signed by all Banks, do any of the following: (a) subject Banks to any additional obligations, increase the aggregate amount of principal indebtedness which may be incurred under the Notes and in connection with Letters of Credit, or change the Percentages, (b) reduce the principal of, or interest on, the Notes or Reimbursement Obligations or any fees or other amounts payable hereunder, (c) postpone any date fixed for any payment of principal of, or interest on, the Notes or any fees or other amounts payable hereunder, (d) waive any Event of Default specified in Sections 11.1(a) or (b) hereof, (e) release any of the guaranties included

in the Loan Documents, (f) take any action which requires the signing of all Banks pursuant to the terms of this Agreement or any Loan Document, (g) change the aggregate unpaid principal amount of Indebtedness which shall be required for Banks or any of them to take any action under this Agreement or any Loan Document, or (h) change this Section 13.10, and provided further, however, that no amendment, waiver, or consent shall, unless in writing and signed by the Agent in addition to all Banks, affect the rights or duties of the Agent under this Agreement or any Loan Document.

13.11 Confidentiality. Each Bank agrees that all documentation and other information made available by Company to such Bank under the terms of this Agreement shall (except to the extent required by legal or governmental process or otherwise by law, or if such documentation and other information is publicly available or hereafter becomes publicly available other than by action of such Bank, or was therefore known or hereafter becomes known to such Bank independent of any disclosure thereto by Company) be held in the strictest confidence by such Bank and used solely in administration and enforcement of Loans from time to time outstanding from such Bank to Company and in the prosecution or defense of legal proceedings arising in connection herewith; provided that (i) such Bank may disclose such documentation and information to the Agent, any Affiliate of such Bank (so long as such Affiliate, prior to such disclosures, agrees for the benefit of Company to comply with the provisions of this Section 13.11) and/or to any other Bank which is a party to this Agreement; and (ii) such Bank may disclose such documentation and other information to any other bank or other Person to which such Bank sells or proposes to sell a participation in its Loans hereunder or assigns or proposes to assign an interest in its Loans hereunder if such other bank or Person, prior to such disclosure, agrees for the benefit of Company to comply with the provisions of this Section 13.11.

13.12 Withholding Taxes. If any Bank is not incorporated under the laws of the United States or a state thereof, such Bank shall promptly deliver to the Agent two executed copies of (i) Internal Revenue Service Form 1001 specifying the applicable tax treaty between the United States and the jurisdiction of such Bank's domicile which provides for the exemption from withholding on interest payments to such Bank, (ii) Internal Revenue Service Form 4224 evidencing that the income to be received by such Bank hereunder is effectively connected with the conduct of a trade or business in the United States or (iii) other evidence satisfactory to the Agent that such Bank is exempt from United States income tax withholding with respect to such income. Such Bank shall amend or supplement any such form or evidence as required to insure that it is accurate, complete and non-misleading at all times. Promptly upon notice from the Agent of any determination by the Internal Revenue Service that any payments previously made to such Bank hereunder were subject to United States income tax withholding when

made, such Bank shall pay to the Agent the excess of the aggregate amount required to be withheld from such payments over the aggregate amount actually withheld by the Agent. In addition, from time to time upon the reasonable request and at the sole expense of the Company, each Bank and the Agent shall (to the extent it is able to do so based upon applicable facts and circumstances), complete and provide the Company with such forms, certificates or other documents as may be reasonably necessary to allow the Company to make any payment under this Agreement or the other Loan Documents without any withholding for or on the account of any tax under Section 6.1(d) hereof (or with such withholding at a reduced rate), provided that the execution and delivery of such forms, certificates or other documents does not adversely affect or otherwise restrict the right and benefits (including without limitation economic benefits) available to such Bank or the Agent, as the case may be, under this Agreement or any of the other Loan Documents, or under or in connection with any transactions not related to the transactions contemplated hereby.

13.13 Interest. It is the intention of the parties hereto that each Bank and the Agent shall conform to usury laws applicable to them, if any. Accordingly, if the transactions with any Bank or Agent contemplated hereby would be usurious under such applicable laws, then, notwithstanding anything to the contrary in the Notes or Loan Documents payable to such Bank, this Agreement or any other agreement entered into in connection with or as security for or guaranteeing this Agreement or the Indebtedness, it is agreed as follows: (i) the aggregate of all consideration which constitutes interest under applicable law that is contracted for, taken, reserved, charged or received by such Bank under the Notes payable to such Bank, this Agreement, the Loan Documents or under any other agreement entered into in connection with or as security for or guaranteeing this Agreement or such Notes or Loan Documents shall under no circumstances exceed the maximum amount allowed by such applicable law, and any excess shall be credited automatically, if theretofore paid, on the principal amount of the Indebtedness owed to such Bank or, if no Indebtedness to such Bank is outstanding, shall be refunded to Company by such Bank, and (ii) in the event that the maturity of any such Note or other Indebtedness is accelerated or in the event of any required or permitted prepayment, then such consideration that constitutes interest under law applicable to such Bank may never include more than the maximum amount allowed by such applicable law and excess interest, if any, to such Bank shall be cancelled automatically as of the date of such acceleration or prepayment and, if theretofore paid, shall be credited by such Bank on the principal amount of the Indebtedness owed to such Bank by the Company or, if no Indebtedness to such Bank is then outstanding, shall be refunded by such Bank to the Company. Without limiting any provision of the Notes or Loan Documents, if for any reason Texas law is applicable to this Agreement or any Note, it is expressly agreed that Tex. Rev. Civ. Stat. Ann. art. 5069, Ch. 15 (which regulates certain revolving

credit loan accounts and revolving triparty accounts) shall not apply to this Agreement, such Note, such Loan Documents, the Loans or any transaction contemplated hereby, and unless changed in accordance with law, the rate ceiling applicable to any Indebtedness to which Texas law is applicable under Texas law shall be the indicated (weekly) rate ceiling from time to time in effect as provided in Tex. Rev. Civ. Stat. Ann. 5069-1.04, as amended.

13.14 Effectiveness of Agreement. This Agreement shall become effective upon the later of the execution hereof by Banks, Agent and Company and the Effective Date, and shall remain effective until the Indebtedness has been repaid and discharged in full and no commitment to fund any Loan hereunder remains outstanding.

13.15 Designation of Unrestricted and Restricted Subsidiaries. The Company may designate any Unrestricted Subsidiary (which was not previously designated a Restricted Subsidiary) to be a Restricted Subsidiary and any Restricted Subsidiary (except LaSalle, Michigan Seamless, and, once so designated hereunder, Piper and any Restricted Subsidiary which if designated an Unrestricted Subsidiary would be a Material Unrestricted Subsidiary) to be an Unrestricted Subsidiary by giving written notice to the Agent that the board of directors of the Company has made such designation; provided, however, that no Unrestricted Subsidiary may be designated a Restricted Subsidiary unless, at the time of such action and after giving effect thereto, the Company would be permitted to incur at least $1.00 of additional Priority Debt under the provisions of the last sentence of Section 10.2 and no Event of Default shall have occurred and be continuing, and no Restricted Subsidiary may be designated an Unrestricted Subsidiary unless, at the time of such action and after giving effect thereto, no Event of Default shall have occurred and be continuing.

13.16 Construction of Certain Provisions. If any provision of this Agreement or any of the Loan Documents refers to any action to be taken by any Person, or which such Person is prohibited from taking, such provision shall be applicable whether such action is taken directly or indirectly by such Person, whether or not expressly specified in such provision.

13.17 Independence of Covenants. Each covenant hereunder shall be given independent effect (subject to any exceptions stated in such covenant) so that if a particular action or condition is not permitted by any such covenant (taking into account any such stated exception), the fact that it would be permitted by an exception to, or would be otherwise within the limitations of, another covenant shall not avoid the occurrence of an Event of Default, or event which with the giving of notice or the lapse of time, or both, would become an Event of Default.

13.18 Reliance on and Survival of Various Provisions. All terms, covenants, agreements, representations and warranties of Company or any party to any of the Loan Documents made herein or in any of the Loan Documents or in any certificate, report, financial statement or other document furnished by or on behalf of Company or any Guarantor in connection with this Agreement or any of the Loan Documents shall be deemed to have been relied upon by the Banks, notwithstanding any investigation heretofore or hereafter made by any Bank or on such Bank's behalf, and those covenants and agreements of Company set forth in Section 5.7 hereof (together with any other indemnities of Company or any Guarantor contained elsewhere in this Agreement or in any of the other Loan Documents) and of Banks set forth in Section 12.12 hereof shall survive the repayment in full of the Indebtedness and the termination of the Revolving Credit Aggregate Commitment.

WITNESS the due execution hereof as of the day and year first above written.

COMERICA BANK, as Agent

By: ----------

Its: ----------

QUANEX CORPORATION

By: ----------

Its: ----------

BANKS:

COMERICA BANK

By: ----------

Its: ----------

HARRIS TRUST AND SAVINGS BANK

By: ----------

Its: ----------

WELLS FARGO BANK (TEXAS),
NATIONAL ASSOCIATION

By:

Its:

NATIONSBANK OF TEXAS, N.A.

By:

Its:

ABN AMRO BANK N.V., Houston Agency

By: ABN AMRO North America, Inc.,
as agent

By:

Its:

By:

Its:

SCHEDULE 1.1

PERCENTAGES

BANK	PERCENTAGE	TOTAL COMMITMENT
Comerica Bank	38%	$ 95,000,000
Harris Trust and Savings Bank	18%	$ 45,000,000
Wells Fargo Bank (Texas), National Association	18%	$ 45,000,000
NationsBank of Texas, N.A.	14%	$ 35,000,000
ABN Amro Bank N.V., Houston Agency	12%	$ 30,000,000
Total	100%	$250,000,000

SCHEDULE 1.2

PRICING MATRIX - GRID I

BASIS FOR PRICING	LEVEL I	LEVEL II	LEVEL III	LEVEL IV	LEVEL V
Leverage	< 30.00%	> 30.00% But - < 40.00%	> 40.00% But - < 50.00%	> 50.00% But - < 60.00%	> 60.00%
Commitment Fee	.20%	.25%	.35%	.45%	.50%
Eurodollar Margin	.50%	.625%	.75%	1.125%	1.50%
Letter of Credit Fees	.50%	.625%	.75%	1.125%	1.50%

PRICING MATRIX - GRID II

BASIS FOR PRICING	LEVEL I*		LEVEL II*		LEVEL III*		LEVEL IV*	
Debt Rating	S&P	Moody's	S&P	Moody's	S&P	Moody's	S&P	Moody's
	BBB+ or higher	or Baa1 or higher	BBB	or Baa2	BBB-	or Baa3	Lower than BBB-	or Lower than Baa3
Commitment Fee	.15%		.20%		.25%			
Eurodollar Margin*	.40%		.50%		.625%		Grid I shall apply	
Letter of Credit Fees	.40%		.50%		.625%			

* NOTE:

(1) If Company obtains only a single Debt Rating, that rating shall be used for purposes of determining the applicable Rating Level.

(2) If, however, Company obtains a Debt Rating from S&P and Moody's, the higher of the Debt Ratings (the "Governing Rating") shall be used for purposes of determining the applicable Rating Level; provided that if the lower of the Debt Ratings is more than one level lower than the Governing Rating, then a premium of .125% shall be added to the Eurodollar Margin otherwise applicable under Grid II.

(3) Capitalized terms used in this Schedule 1.2 shall be defined as in the Agreement.

SCHEDULE 8.6

LIST OF SUBSIDIARIES OF THE COMPANY
AS OF APRIL 30, 1996

NAME OF SUBSIDIARY	JURISDICTION OF INCORPORATION	PERCENTAGE OF VOTING STOCK OWNED BY COMPANY AND EACH OTHER SUBSIDIARY
1. RESTRICTED SUBSIDIARIES:		
LaSalle Steel Company	Delaware	100
Quanex Aluminum Inc.	Delaware	100
Nichols-Homeshield, Inc.	Delaware	100
Michigan Seamless Tube Company	Delaware	100
Quanex Bar, Inc.	Delaware	100
2. SUBSIDIARIES (OTHER THAN RESTRICTED SUBSIDIARIES)		
Quanex Manufacturing, Inc.	Delaware	100
Quanex Metals, Inc.	Delaware	100
Quanex Steel, Inc.	Delaware	100
Quanex Wire, Inc.	Delaware	100
Quanex Foreign Sales Corporation	U.S. Virgin Islands	100

SCHEDULE 8.12

MATERIAL LITIGATION

None

SCHEDULE 8.14

PENSION PLANS

	UNFUNDED (OVERFUNDED) ACTUARIAL ACCRUED LIABILITY (A)
Quanex Corporation	
. Pension Plan for Salaried Employees of Quanex Corporation	$1,486,107
. Gulf States Tube Division Hourly Rate Employees' Pension Plan	1,315,988
. MacSteel Michigan Division Hourly Rate Employees' Pension Plan	855,295
. MacSteel Arkansas Division Operations Personnel Pension Plan	92,812
. Hourly Employees' Pension Plan	212,005
Quanex Total	$3,962,207
LaSalle Steel Company	
. LaSalle Steel Company Pension Plan for Hourly Employees	2,072,786
Michigan Seamless Tube Company	
. Michigan Seamless Tube Division Hourly Rate Employees' Pension Plan	1,221,456
Combined Total	$7,256,449

(A) The Wyatt Company Actuarial Valuation as of November 1, 1995

SCHEDULE 8.16

ENVIRONMENTAL MATTERS

None

SCHEDULE 10.1

LIENS SECURING FUNDED DEBT

Liens securing Funded Debt and Capitalized Leases outstanding on April 30, 1996 were as follows:

(a) Notes, Bonds and other Securities:

None

(b) Capitalized Leases:

None

SCHEDULE 10.2

PERMITTED INDEBTEDNESS

Funded Debt of the Company and its Restricted Subsidiaries outstanding on July 19, 1996 was as follows:

(a) Notes, Bonds and other Securities.

(1) $50,000,000 borrowings were outstanding under the revolving credit portion of the Quanex Corporation $75 Million Revolving Credit and Letter of Credit Agreement dated as of December 4, 1990 among Comerica Bank, Wells Fargo Bank of Texas, N.A., Harris Trust and Savings Bank, NationsBank of Texas, N.A. and Comerica Bank as agent (the "Banks").

(2) $1,610,000 pursuant to the City of Davenport,Iowa 8-3/8% Pollution Control Revenue Refunding Bonds (Nichols-Homeshield, Inc. Project) Series 1989.

(3) $1,665,000 pursuant to the City of Huntington, Indiana, Economic Development Refunding Revenue Bonds, Series 1996 (Quanex Corporation Project).

(4) $84,920,000 pursuant to 6.88% Quanex Convertible Subordinated Debentures due June 30, 2007.

(b) Guaranteed Obligations:

(1) Guarantees of Quanex Corporation, Nichols-Homeshield, Inc., Michigan Seamless Tube Company and LaSalle Steel Company to the Banks regarding the obligation described in (a)(1) above.

(c) Capitalized Leases:

None

SCHEDULE 13.5

Addresses For Notices

		TELEPHONE OFFICE	FAX OFFICE
Quanex Corporation 1900 West Loop South Suite 1500 Houston, TX 77027	Wayne M. Rose Vice President & Chief Financial Officer	713-961-4600	713-877-5333
Comerica Bank 4100 Spring Valley Suite 900 Dallas, TX 75244	Kim A. Uhlemann Vice President	214-818-2545	214-818-2550
cc: Comerica Bank Syndications Group 500 Woodward Avenue Mail Code 3289 Detroit, MI 48275-3289	William B. Murdock Assistant Vice President	313-222-5594	313-222-9434
Harris Trust and Savings Bank 111 W. Monroe - 2W Chicago, IL 60690	James H. Colley Vice President	312-461-6876	312-461-2591
Wells Fargo Bank 1000 Louisiana Third Floor P.O. Box 3326 Houston, TX 77253-3326	Valerie B. Carlson Vice President	713-250-4307	713-250-7029
NationsBank of Texas, N.A. 700 Louisiana Eighth Floor P.O. Box 2518 Houston, TX 77252-2518	Forest Scott Singhoff Senior Vice President	713-247-6961	713-247-6719
ABN AMRO N.A., Inc. Three Riverway Suite 1700 Houston, TX 77056	Timothy M. Schneider Officer	713-964-3352	713-629-7533

EXHIBIT A-1

REQUEST FOR REVOLVING CREDIT ADVANCE

No. ---------- Dated: ----------

To: Comerica Bank - Agent

Re: Revolving Credit and Term Loan Agreement by and among Comerica Bank (individually and as Agent), the lenders from time to time parties thereto (collectively, "Banks"), and Quanex Corporation ("Company") dated as of July 23, 1996 (as amended from time to time, the "Agreement").

Pursuant to the Agreement, the Company requests an Advance from Banks as follows:

A. Date of Advance: ----------

B. Amount of Advance:

$ ----------

[ ] Comerica Bank Account No. ----------

[ ] Other: ----------

C. Type of Activity:

1.	Advance	[ ]
2.	Refunding	[ ]
	of a Revolving Credit Advance	[ ]
	of a Swing Line Advance	[ ]
3.	Conversion	[ ]

D. Interest Rate:

1.	Prime-based Rate	[ ]
2.	Eurodollar-based Rate	[ ]

E. Interest Period (for Eurodollar-based Advances only):

1.	One (1) Month	[ ]
2.	Two (2) Months	[ ]
3.	Three (3) Months	[ ]
4.	Six (6) Months	[ ]

The Company certifies to the matters specified in Section 2.3(g) of the Agreement.

Capitalized terms used herein, except as defined to the contrary, have the meanings given them in the Agreement.

QUANEX CORPORATION

By: ----------

Its: ----------

Agent Approval:

EXHIBIT A-2

REQUEST FOR SWING LINE ADVANCE

No. _____ Dated: _____

To: Comerica Bank, Swing Line Bank

Re: Revolving Credit and Term Loan Agreement by and among Comerica Bank (individually and as Agent), the lenders from time to time parties thereto (collectively, "Banks"), and Quanex Corporation ("Company") dated as of July 23, 1996 (as amended from time to time, the "Agreement").

Pursuant to the Agreement, the Company requests a Swing Line Advance from the Swing Line Bank as follows:

A. Date of Advance: _____

B. Amount of Advance:

$ _____

[ ] Comerica Bank Account No. _____

[ ] Other: _____

_____

C. Interest Rate:

1. Prime-based Rate [ ]
2. Quoted Rate [ ]

D. Interest Period:

1. _____ days(1)

_____

(1) Insert up to 30 days.

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The Company certifies to the matters specified in Section 3A.3(f) of the Agreement.

QUANEX CORPORATION

By:

Its:

Swing Line Bank Approval:

EXHIBIT B

REVOLVING CREDIT NOTE

$ _____ , 1996

On the Revolving Credit Maturity Date, FOR VALUE RECEIVED, Quanex Corporation, a Delaware corporation ("Company") promises to pay to the order of [insert Bank] ("Bank") at Detroit, Michigan, in care of Agent, in lawful money of the United States of America, the sum of [Insert Amount derived from Percentages] Dollars ($_____), or so much of said sum as may from time to time have been advanced and then be outstanding hereunder pursuant to the Quanex Corporation Revolving Credit and Term Loan Agreement dated as of July 23, 1996, made by and among the Company, certain banks, including the Bank, and Comerica Bank as Agent for such banks, as the same may be amended from time to time (the "Agreement"), together with interest thereon as hereinafter set forth.

Each of the Advances made hereunder shall bear interest at the Applicable Interest Rate from time to time applicable thereto under the Agreement or as otherwise determined thereunder, and interest shall be computed, assessed and payable as set forth in the Agreement.

This Note is a note under which advances (including refundings and conversions), repayments and readvances may be made from time to time, but only in accordance with the terms and conditions of the Agreement. This Note evidences borrowings under, is subject to, is secured in accordance with, and may be accelerated or matured under, the terms of the Agreement, to which reference is hereby made. Definitions and terms of the Agreement are hereby incorporated by reference herein.

This Note shall be interpreted and the rights of the parties hereunder shall be determined under the laws of, and enforceable in, the State of Michigan (without regard to its conflict of laws principles).

Company hereby waives presentment for payment, demand, protest and notice of dishonor and nonpayment of this Note and agrees that no obligation hereunder shall be discharged by reason of any extension, indulgence, release, or forbearance granted by any holder of this Note to any party now or hereafter liable hereon or any present or subsequent owner of any property, real or personal, which is now or hereafter security for this Note.

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Nothing herein shall limit any right granted Bank by any other instrument or by law.

QUANEX CORPORATION

By: ----------

Its: ----------

EXHIBIT C

SWING LINE NOTE

$10,000,000 , 1996

On the Revolving Credit Maturity Date, FOR VALUE RECEIVED, Quanex Corporation, a Delaware corporation ("Company") promises to pay to the order of Comerica Bank ("Bank") at 500 Woodward Avenue, Detroit, Michigan in lawful money of the United States of America, the sum of Ten Million Dollars ($10,000,000), or so much of said sum as may from time to time have been advanced and then be outstanding hereunder pursuant to Article 3A of the Quanex Corporation Revolving Credit and Term Loan Agreement dated as of July 23, 1996, executed by and among the Company, certain banks, including the Bank, and Comerica Bank as Agent for such banks, as the same may be amended from time to time (the "Agreement"), together with interest thereon as hereinafter set forth.

The unpaid principal indebtedness from time to time outstanding under this Note shall be due and payable on the last day of the Interest Period applicable thereto or as otherwise set forth in the Agreement, provided that no Swing Line Advance may mature or be payable on a day later than the Revolving Credit Maturity Date.

Each of the Swing Line Advances made hereunder shall bear interest at the Prime-based Rate or the Quoted Rate from time to time applicable thereto under the Agreement or as otherwise determined thereunder, and interest shall be computed, assessed and payable as set forth in the Agreement.

This Note is a note under which advances, repayments and readvances may be made from time to time, but only in accordance with the terms and conditions of the Agreement. This Note evidences borrowings under, is subject to, is secured in accordance with, and may be accelerated or matured under, the terms of the Agreement, to which reference is hereby made. Definitions and terms of the Agreement are hereby incorporated by reference herein.

This Note shall be interpreted and the rights of the parties hereunder shall be determined under the laws of, and enforceable in, the State of Michigan (without regard to its conflict of laws provisions).

Company hereby waives presentment for payment, demand, protest and notice of dishonor and nonpayment of this Note and agrees that no obligation hereunder shall be discharged by reason of any extension, indulgence, release, or forbearance granted by any holder of this Note to any party now or hereafter liable hereon or

any present or subsequent owner of any property, real or personal, which is now or hereafter security for this Note.

Nothing herein shall limit any right granted Bank by any other instrument or by law.

QUANEX CORPORATION

By: ----------

Its: ----------

EXHIBIT D

FORM OF
SWING LINE LOAN PARTICIPATION CERTIFICATE

,19
---------- --

[Name of Bank]

- ----------

- ----------

Ladies and Gentlemen:

Pursuant to subsection 3A.5 of the Revolving Credit and Term Loan Agreement dated as of July 23, 1996, among Quanex Corporation, the Banks named therein and Comerica Bank, as Agent, the undersigned hereby acknowledges receipt from you of $_____ as payment for a participating interest in the following Swing Line Loan:

Date of Swing Line Loan:

Principal Amount of Swing Line Loan:

The participation evidenced by this certificate shall be subject to the terms and conditions of the Revolving Credit and Term Loan Agreement including without limitation Section 3A.5(b) thereof.

Very truly yours,

COMERICA BANK, as Agent

By:

Its:

EXHIBIT E

FORM OF LETTER OF CREDIT AGREEMENT

[to be provided]

EXHIBIT F

FORM OF TERM NOTE

$
---------- ----------

On or before [date selected by Company] (the "Term Loan Maturity Date"), FOR VALUE RECEIVED, Quanex Corporation, a Delaware corporation ("Company") promises to pay to the order of [insert bank] ("Bank") at Detroit, Michigan, care of Agent, in lawful money of the United States of America, the sum of [insert amount derived from Percentages] Dollars ($_____) as may have been advanced and then be outstanding hereunder pursuant to the Quanex Corporation Revolving Credit and Term Loan Agreement dated as of July 23, 1996 (as amended, or otherwise modified from time to time, the "Agreement"), made by and among the Company, certain banks, including the Bank, and Comerica Bank, a Michigan banking corporation, as Agent for such banks, together with interest thereon as hereinafter set forth.

Until the Term Loan Maturity Date, when the entire unpaid principal balance of this Note and all accrued interest and other sums outstanding thereon shall be paid in full, the principal Indebtedness evidenced by this Note shall be repaid in accordance with the Term Loan Permitted Amortization Schedule on the following dates and in the following amounts:

[to be inserted based on Term Loan Permitted Amortization Schedule selected by Company]

There shall be no readvance or reborrowing of any principal reductions of this Note.

Each of the Advances made hereunder shall bear interest at the Eurodollar-based Rate or the Prime-based Rate as selected by Company or as otherwise determined under the Agreement and interest shall be computed, assessed and payable as set forth in the Agreement.

This Note is a note under which refundings and conversions may be made from time to time, but only in accordance with the terms and conditions of the Agreement. This Note evidences borrowings under, is subject to, is secured in accordance with, and may be accelerated or matured under, the terms of the Agreement, to which reference is hereby made, and was funded on the basis of the Company's Term Loan Initial Request dated _____ with

respect to the applicable Term Loan. Definitions and terms of the Agreement are hereby incorporated herein.

This Note shall be interpreted and the rights of the parties hereunder shall be determined under the laws of, and enforceable in, the State of Michigan.

Company hereby waives presentment for payment, demand, protest and notice of dishonor and nonpayment of this Note and agrees that no obligation hereunder shall be discharged by reason of any extension, indulgence, release, or forbearance granted by any holder of this Note to any party now or hereafter liable hereon or any present or subsequent owner of any property, real or personal, which is now or hereafter security for this Note.

Nothing herein shall limit any right granted Bank by any other instrument or by law.

QUANEX CORPORATION

By: ----------

Its: ----------

EXHIBIT G

TERM LOAN INITIAL REQUEST

No. ---------- Dated: ----------

To: Comerica Bank - Agent

Re: Quanex Corporation Revolving Credit and Term Loan Agreement by and among Comerica Bank (individually and as Agent), the lenders from time to time parties thereto (collectively, "Banks"), and Quanex Corporation ("Company") dated as of July 23, 1996 (as amended from time to time, the "Agreement").

Pursuant to the Agreement, the Company requests a Term Loan from Banks as follows:

A. Date of funding of Term Loan:

B. Amount of Term Loan:

$ ----------

[ ] Comerica Bank Account No. ----------

[ ] Other:

C. The Term Loan Maturity Date for the requested Term Loan shall be _____.(1)

D. The proposed Term Loan Permitted Amortization Schedule is attached hereto as Schedule 1.

The Company certifies to the matters specified in Section 3B.5.

QUANEX CORPORATION

By: ----------

Its: ----------

Agent Approval: ----------

- ----------

(1) Insert a date not more than seven years from the date of proposed funding of the Term Loan.

EXHIBIT H

FORM OF TERM LOAN RATE REQUEST

To: Comerica Bank ("Agent")

A. Request

The undersigned authorized officer of Quanex Corporation in accordance with Section 3B.4 of the Quanex Corporation Revolving Credit and Term Loan Agreement dated as of July 23, 1996 (as amended, or otherwise modified, the "Agreement"), among Quanex Corporation ("Company"), certain Banks and Comerica Bank, as Agent for the Banks, hereby requests the Agent under the Agreement to fund an initial Term Loan, or refund or convert, as applicable, a (an) _____(1) Advance of the Term Loan to the undersigned on _____, 19__,(2) in the amount of $_____ under the Term Notes ("Notes") dated _____, 1996 to be made, or made by Company to said Banks.

If this Request involves a Eurodollar-based Advance, the first Interest Period is _____.(3)

B. Certification

The undersigned hereby certifies to the matters specified in Section 3B.5 of the Agreement.

C. Defined Terms

Capitalized terms used herein, unless specifically defined to the contrary herein, have the meanings given them in the Agreement.

Dated this ____ day of _____, 1996.

QUANEX CORPORATION

By:

Its:

- ---

(1) Insert, as applicable, "Eurodollar-based" or "Prime-based."

(2) Insert date at least three (3) Business Days after the date of Request, if Request involves a Eurodollar-based Advance.

(3) Insert first Interest Period, if applicable.

EXHIBIT I

LETTER OF CREDIT NOTICE

TO: Members of the Bank Group

RE: Issuance of Letter of Credit pursuant to Article 3 of the Quanex Corporation ("Company") Revolving Credit and Term Loan Agreement (as amended or otherwise modified from time to time, "Agreement") dated July 23, 1996 among Company, Agent and the Banks.

On _____, 19__,(1) Agent, in accordance with Article 3 of the Agreement, issued its Letter of Credit number _____, in favor of _____(2) for the account of Company [and _____ _____ _____].(3) The face amount of such Letter of Credit is $_____. The amount of each Bank's participation in the Letter of Credit is as follows:(4)

Comerica Bank	$
----------	$
----------	$
----------	$
----------	$

This notification is delivered this ___ day of _____, 19___, pursuant to Section 3.3 of the Agreement. Except as otherwise defined, capitalized terms used herein have the meanings given them in the Agreement.

Signed:

COMERICA BANK

By:

Its:

- ---

(1) Date of Issuance

(2) Beneficiary

(3) Other Account Party (i.e. Affiliate of Company), if any

(4) Amounts based on Percentages

EXHIBIT J

FORM OF RESTRICTED SUBSIDIARY GUARANTY

[NAME OF GUARANTOR] GUARANTY

[Name of Guarantor], a _____ corporation ("Guarantor") desires to see the success of Quanex Corporation, a Delaware corporation ("Company") and Account Parties (as defined below) and furthermore, Guarantor shall receive direct and/or indirect benefits from loans and extensions of credit to Company and Account Parties in connection with the transactions contemplated under the Credit Agreement and the Loan Documents (as defined below).

To induce each of the Banks (as defined below), to enter into and perform its obligations under that certain $250,000,000 Revolving Credit and Term Loan Agreement dated as of July 23, 1996 among Company, Comerica Bank, as Agent, ("Agent") and the Banks, as the same may be amended from time to time (the "Credit Agreement"), the Guarantor has executed and delivered this guaranty ("Guaranty").

1. Definitions. Unless otherwise provided herein, all capitalized terms in this Guaranty shall have the meanings specified in the Credit Agreement. The term "Banks" as used herein shall include any successors or assigns of the Banks, in accordance with the Credit Agreement.

2. Guaranty. The Guarantor hereby guarantees to the Banks the due and punctual payment to the Banks when due, whether by acceleration or otherwise, of all amounts due and owing under:

(a) the Credit Agreement;

(b) any and all Revolving Credit Notes, any and all Term Loan Notes, and the Swing Line Note made or to be made to the order of the Banks (or any of them, including the Swing Line Bank); and

(c) any and all Reimbursement Obligations and other amounts owing under or in connection with any and all Letters of Credit issued for any Account Party from time to time pursuant to the Credit Agreement;

all of the foregoing payable with interest thereon and otherwise in accordance with the terms of such Notes and the Credit Agreement, as well as all extensions, renewals, and amendments of or to the Credit Agreement, the Notes or Letters of Credit or Letter of Credit Agreements or such other Indebtedness (as defined in the

Credit Agreement, or any replacements or substitutions therefor), and hereby agrees that if the Company, any Account Party, or any other Person who is or becomes primarily liable therefor, shall fail to pay any of such amounts when and as the same shall be due and payable, or shall fail to perform and discharge any covenant, representation or warranty in accordance with the terms of the Notes, the Credit Agreement, the Letters of Credit, the Letter of Credit Agreements, or any of the other Loan Documents, the Guarantor will forthwith pay to Agent on behalf of the Banks an amount equal to any such amount or cause the Company and any other Person then primarily liable therefor to perform and discharge any such covenant, representation or warranty, as the case may be, and will pay any and all damages that may be incurred or suffered in consequence thereof by Agent and all reasonable expenses, including reasonable attorneys fees, that may be incurred by Agent in enforcing such covenant, representation or warranty of the Company, and in enforcing the covenants and agreements of this Guaranty.

3. Unconditional Character of Guaranty. The obligations of Guarantor under this Guaranty shall be absolute and unconditional, and shall be a guaranty of payment and not of collection, irrespective of the validity, regularity or enforceability of the Notes, the Credit Agreement, the Letters of Credit, the Letter of Credit Agreements, or any of the other Loan Documents, or any provision thereof, the absence of any action to enforce the same, any waiver or consent with respect to any provision thereof, the recovery of any judgment against any person or action to enforce the same, any failure or delay in the enforcement of the obligations of the Company under the Notes, the Credit Agreement, or the obligations of Company or any other Account Party under the Letters of Credit, the Letter of Credit Agreements, or of the obligations of any Person under any of the other Loan Documents, or any setoff, counterclaim, recoupment, limitation, defense or termination. Guarantor hereby waives diligence, demand for payment, filing of claims with any court, any proceeding to enforce any provision of the Notes, the Credit Agreement, the Letters of Credit, the Letter of Credit Agreements, or any of the other Loan Documents, any right to require a proceeding first against the Company, any Account Party, or any other guarantor or surety, or to exhaust any security for the performance of the obligations of the Company or any Account Party, any protest, presentment, notice or demand whatsoever, and Guarantor hereby covenants that this Guaranty shall not be terminated, discharged or released except upon payment in full of all amounts due and to become due from the Company and all Account Parties, as and to the extent described above, and only to the extent of any such payment, performance and discharge or upon the release of Guarantor pursuant to the terms of Section 5.6 hereof. Guarantor further covenants that no security now or subsequently held by the Agent or the Banks for the payment of the Indebtedness evidenced by the Notes, or incurred under the Credit Agreement, the Letters of Credit, the Letter of Credit Agreements, or otherwise evidenced or incurred, whether in the

nature of a security interest, pledge, lien, assignment, setoff, suretyship, guaranty, indemnity, insurance or otherwise, and no act, omission or other conduct of Agent or the Banks in respect of such security, shall affect in any manner whatsoever the unconditional obligation of this Guaranty, and that the Agent and each of the Banks, in their respective sole discretion and without notice to Guarantor, may release, exchange, enforce, apply the proceeds of and otherwise deal with any such security without affecting in any manner the unconditional obligation of this Guaranty. Notwithstanding anything to the contrary contained in this Guaranty, Guarantor hereby irrevocably waives any and all rights it may now or hereafter have under any agreement or at law or in equity (including, without limitation, any law subrogating Guarantor to the rights of Banks) to assert any claim against or seek contribution, indemnification or any other form of reimbursement from the Company and the Account Parties or any other party liable for payment of any or all of the Indebtedness for any payment made by Guarantor under or in connection with this Guaranty or otherwise.

Without limiting the generality of the foregoing, such obligations, and the rights of the Agent on behalf of the Banks to enforce the same by proceedings, whether by action at law, suit in equity or otherwise, shall not be in any way affected by (i) any insolvency, bankruptcy, liquidation, reorganization, readjustment, composition, dissolution, winding up or other proceeding involving or affecting the Company, any Account Party, the Guarantor or others or (ii) any change in the ownership of any of the capital stock of the Company or any of the Company's Subsidiaries, or any of their respective Affiliates.

The Guarantor hereby waives to the fullest extent possible under applicable law:

(a) any defense based upon the doctrine of marshalling of assets or upon an election of remedies by Agent or the Banks, including, without limitation, an election to proceed by non-judicial rather than judicial foreclosure, which destroys or otherwise impairs the subrogation rights of the Guarantor or the right of the Guarantor to proceed against the Company or any Account Party for reimbursement, or both;

(b) any defense based upon any statute or rule of law which provides that the obligation of a surety must be neither larger in amount nor in other respects more burdensome than that of the principal;

(c) any duty on the part of Agent or any of the Banks to disclose to the Guarantor any facts Agent or the Banks may now or hereafter know about the Company or any Account Party, regardless of whether Agent or any Bank has reason to believe that any such facts materially increase the risk beyond that which the Guarantor

intends to assume or has reason to believe that such facts are unknown to the Guarantor or has a reasonable opportunity to communicate such facts to the Guarantor, since the Guarantor acknowledges that it is fully responsible for being and keeping informed of the financial condition of Company and Account Parties and of all circumstances bearing on the risk of non-payment of any Indebtedness hereby guaranteed;

(d) any defense arising because of Agent's or the Banks' election, in any proceeding instituted under the Federal Bankruptcy Code, of the application of Section 1111(b)(2) of the Federal Bankruptcy Code;

(e) any claim for reimbursement, contribution, exoneration, indemnity or subrogation, or any other similar claim, which the Guarantor may have or obtain against the Company, by reason of the existence of this Guaranty, or by reason of the payment by the Guarantor of any Indebtedness or the performance of this Guaranty or of any other Loan Documents, until the Indebtedness has been repaid and discharged in full and no commitment to extend any credit under the Credit Agreement or any of the Loan Documents (whether optional or obligatory), or any Letter of Credit, remains outstanding, and any amounts paid to the Guarantor on account of any such claim at any time when the obligations of the Guarantor under this Guaranty shall not have been fully and finally paid shall be held by the Guarantor in trust for Agent and the Banks, segregated from other funds of the Guarantor, and forthwith upon receipt by the Guarantor shall be turned over to Agent in the exact form received by the Guarantor (duly endorsed to Agent by the Guarantor, if required), to be applied to the Guarantor's obligations under this Guaranty, whether matured or unmatured, in such order and manner as Agent may determine; and

(f) any other event or action (excluding Guarantor's compliance with the provisions hereof) that would result in the discharge by operation of law or otherwise of the Guarantor from the performance or observance of any obligation, covenant or agreement contained in this Guaranty.

The Agent and each of the Banks may deal with the Company and Account Parties and any security held by them, for the obligations of the Company or any Account Party (as aforesaid) in the same manner and as freely as if this Guaranty did not exist and the Agent on behalf of the Banks shall be entitled without notice to Guarantor, among other things, to grant to the Company and Account Parties such extension or extensions of time to perform any act or acts as may seem advisable to the Agent on behalf of the Banks at any time and from time to time, and to permit the Company or any Account Party to incur additional indebtedness to Agent, the Banks, or either or any of them, without terminating, affecting or

impairing the validity or enforceability of this Guaranty or the obligations of Guarantor hereunder.

The Agent may proceed, either in its own name (on behalf of the Banks) or in the name of the Guarantor, or otherwise, to protect and enforce any or all of its rights under this Guaranty by suit in equity, action at law or by other appropriate proceedings, or to take any action authorized or permitted under applicable law, and shall be entitled to require and enforce the performance of all acts and things required to be performed hereunder by the Guarantor. Each and every remedy of the Agent on behalf of the Banks shall, to the extent permitted by law, be cumulative and shall be in addition to any other remedy given hereunder or now or hereafter existing at law or in equity.

No waiver or release shall be deemed to have been made by the Agent or the Banks of any of its rights hereunder unless the same shall be in writing and signed by or on behalf of the Banks, and any such waiver shall be a waiver or release only with respect to the specific matter involved and shall in no way impair the rights of the Agent or the Banks or the obligations of Guarantor under this Guaranty in any other respect at any other time.

At the option of the Agent, Guarantor may be joined in any action or proceeding commenced by the Agent against the Company, and/or any Account Party or Account Parties, or any other Person in connection with or based upon the Notes, the Credit Agreement, the Letters of Credit, the Letter of Credit Agreements, or any of the other Loan Documents or other Indebtedness, or any provision thereof, and recovery may be had against Guarantor in such action or proceeding or in any independent action or proceeding against Guarantor, without any requirement that the Agent or the Banks first assert, prosecute or exhaust any remedy or claim against the Company, any Account Party, or any other Person.

4. Representations and Warranties. Guarantor represents, warrants and agrees, and such representations and warranties shall be deemed to be continuing representations and warranties during the entire life of this Guaranty, that:

(a) Guarantor is a corporation duly organized, validly existing and in good standing under the laws of its state of incorporation and has all requisite corporate power and authority to own, operate and lease its properties and to carry on its business as now conducted. To the best of its knowledge, Guarantor is duly qualified or licensed to do business as a foreign corporation, and is in good standing in each jurisdiction where the nature of the business conducted by it or the properties owned or leased by it makes such qualification or licensing necessary and where failure to be so qualified would have a material adverse effect on its business.

(b) Execution, delivery and performance of this Guaranty, all of the other Loan Documents to which Guarantor is a party, and all other documents and instruments executed and delivered under or in connection with this Guaranty or the other Loan Documents by Guarantor (or to be so executed and delivered) are within its corporate powers, have been duly authorized, are not in contravention of law or the terms of Guarantor's articles of incorporation or bylaws, and do not require the consent or approval, material to the transactions contemplated by the Loan Documents, of any court, governmental body, agency or authority not previously obtained and delivered to Agent under the Credit Agreement.

(c) This Guaranty and each of the Loan Documents to which Guarantor is a party and all other certificates, agreements, documents and instruments executed and delivered by Guarantor under or in connection therewith have each been duly executed and delivered by its duly authorized officers and constitute the valid and binding obligations of Guarantor, enforceable in accordance with their respective terms, except as the validity or enforceability may be limited by bankruptcy, insolvency, moratorium, reorganization or other similar laws affecting creditors' rights generally or other equitable principles (regardless of whether enforcement is considered in proceedings in law or equity).

(d) The execution, delivery and performance of the Guaranty and each of the Loan Documents to which Guarantor is a party and any other documents and instruments required under or in connection with this Guaranty by Guarantor are not in contravention of the terms of any indenture, agreement or undertaking to which Guarantor is a party or by which it is bound, except to the extent such terms have been waived or are not material to the transactions contemplated by the Loan Documents.

(e) There is no suit, action, proceeding, including, without limitation, any bankruptcy proceeding, or governmental investigation pending against or affecting Guarantor or its Subsidiaries (other than any suit, action or proceeding in which Guarantor or its Subsidiaries is the plaintiff and in which no counterclaim or cross-claim against Guarantor or its Subsidiaries has been filed) nor has Guarantor or its Subsidiaries or any of their respective officers or directors been subject to any suit, action, proceeding or governmental investigation as a result of which any such officer or director is or may be entitled to indemnification by Guarantor or its Subsidiaries, except as otherwise disclosed in the appropriate exhibit to the Credit Agreement and except for miscellaneous suits, actions and proceedings (other than suits, actions or proceedings commenced by any government or governmental authority or seeking specific performance or other equitable or injunctive relief) involving less than $100,000 which suits would not in the aggregate, if resolved

adversely to Guarantor, have a material adverse effect on Guarantor. Except as so disclosed, there is not outstanding against Guarantor or its Subsidiaries any judgment, decree, injunction, rule, or order of any court, government, department, commission, agency, instrumentality or arbitrator nor is Guarantor or its Subsidiaries in violation of any applicable law, regulation, ordinance, order, injunction, decree or requirement of any governmental body or court where such violation would have a material adverse affect on Guarantor.

(f) There are no security interests in, liens, mortgages, or other encumbrances on any of the assets or properties of the Guarantor, that are prohibited by the provisions of the Credit Agreement.

(g) Guarantor's financial statements dated _____, 1996 delivered to the Agent prior to the date of this Guaranty, are complete and correct, prepared in accordance with generally accepted accounting principles, consistently applied, and fairly present the financial condition of Guarantor as of each date thereof. To the best knowledge of the Guarantor, Guarantor has no contingent obligation (including any liability for taxes) which was not disclosed by or reserved against in the financial statements; and at the present time there are no material unrealized or anticipated losses from any present commitment or obligation of Guarantor.

(h) All factual information heretofore or contemporaneously furnished in writing by or on behalf of Guarantor to Agent or any Bank for purposes of or in connection with this Agreement or any transaction contemplated hereby is, and all other such factual information hereafter furnished by or on behalf of Guarantor to Agent or any Bank will be, true and accurate in every material respect on the date as of which such information is dated or certified and, to the best of its knowledge, is not incomplete by omitting to state any material fact necessary to make such information not misleading.

5. Miscellaneous.

5.1 Governing Law. THIS GUARANTY SHALL BE DEEMED DELIVERED IN MICHIGAN AND SHALL BE INTERPRETED AND THE RIGHTS OF THE PARTIES HEREUNDER SHALL BE DETERMINED UNDER THE LAWS OF, AND BE ENFORCEABLE IN, THE STATE OF MICHIGAN, GUARANTOR HEREBY CONSENTING TO THE JURISDICTION OF SUCH STATE AND ALL FEDERAL COURTS SITTING IN SUCH STATE.

5.2 Severability. If any term or provision of this Guaranty or the application thereof to any circumstance shall, to any extent, be invalid or unenforceable, the remainder of this Guaranty, or the application of such term or provision to circumstances other than those as to which it is held invalid or

unenforceable, shall not be affected thereby, and each term and provision of this Guaranty shall be valid and enforceable to the fullest extent permitted by law.

5.3 Notice. All notices and other communications to be made or given pursuant to this Guaranty shall be sufficient if made or given in conformity with Section 13.5 of the Credit Agreement.

5.4 Right of Offset. Guarantor acknowledges the rights of the Agent and of each of the Banks to offset against the indebtedness of Guarantor to the Banks under this Guaranty, any amount owing by the Agent or the Banks, or either or any of them to the Guarantor, whether represented by any deposit of Guarantor with the Agent or any of the Banks or otherwise.

5.5 Amendments. The terms of this Guaranty may not be waived, altered, modified, amended, supplemented or terminated in any manner whatsoever except as provided herein and in accordance with the Credit Agreement.

5.6 Release. Upon (a) the termination of the commitment of the Banks to make Loans or Advances to Company and the satisfaction by Guarantor of its obligations hereunder, or (b) the time at which Guarantor is no longer subject to any obligation hereunder or the time at which the Guarantor is designated an Unrestricted Subsidiary pursuant to and in accordance with the terms of the Credit Agreement, whichever first occurs, the Guarantor shall be deemed released from this Guaranty and, the Agent shall deliver to Guarantor, upon written request therefor, a written release of this Guaranty; provided that, the effectiveness of this Guaranty shall continue or be reinstated, as the case may be, in the event that any payment received or credit given by the Agent or the Banks is returned, disgorged or rescinded as an avoidable preference, impermissible setoff, fraudulent conveyance or otherwise under any applicable state or federal law, including laws pertaining to bankruptcy or insolvency, and this Guaranty shall thereafter be enforceable against Guarantor as if such returned, disgorged or rescinded payment or credit had not been received or given by the Agent or the Banks, and whether or not the Agent or any Bank relied upon such payment or credit or changed its position as a consequence thereof.

5.7 Consent to Jurisdiction. The Guarantor and each of the Agent and the Banks (by accepting the benefits hereof) hereby irrevocably submit to the non-exclusive jurisdiction of any United States Federal or Michigan state court sitting in Detroit in any action or proceeding arising out of or relating to this Guaranty and the Guarantor and the Agent and the Banks hereby irrevocably agree that claims in respect of such action or proceeding may be heard and determined in any such United States Federal or Michigan state court. The Guarantor irrevocably consents to the service of any and all process in any such action or proceeding brought in any

court in or of the State of Michigan by the delivery of copies of such process to the Guarantor at its address specified on the signature page hereto or by certified mail directed to such address or such other address as may be designated by the Guarantor in a notice to the other parties that complies as to delivery with the terms of Section 5.3. Nothing in this Section shall affect the right of the Banks and the Agent to serve process in any other manner permitted by law or limit the right of the Banks or the Agent (or any of them) to bring any such action or proceeding against the Guarantor or any of its property in the courts of any other jurisdiction. The Guarantor hereby irrevocably waives any objection to the laying of venue of any such suit or proceeding in the above described courts.

5.8 WAIVER OF JURY TRIAL. THE BANKS (BY ACCEPTING THE BENEFITS HEREOF), THE AGENT (BY ACCEPTING THE BENEFITS HEREOF) AND THE GUARANTOR AFTER CONSULTING OR HAVING HAD THE OPPORTUNITY TO CONSULT WITH COUNSEL, KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVE ANY RIGHT ANY OF THEM MAY HAVE TO A TRIAL BY JURY IN ANY LITIGATION BASED UPON OR ARISING OUT OF THIS GUARANTY OR ANY OF THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT OR ANY COURSE OF CONDUCT, DEALING, STATEMENTS (WHETHER ORAL OR WRITTEN) OR ACTION OF ANY OF THEM. NEITHER THE BANKS, THE AGENT, NOR THE GUARANTOR SHALL SEEK TO CONSOLIDATE, BY COUNTERCLAIM OR OTHERWISE, ANY SUCH ACTION IN WHICH A JURY TRIAL HAS BEEN WAIVED WITH ANY OTHER ACTION IN WHICH A JURY TRIAL CANNOT BE OR HAS NOT BEEN WAIVED. THESE PROVISIONS SHALL NOT BE DEEMED TO HAVE BEEN MODIFIED IN ANY RESPECT OR RELINQUISHED BY THE BANKS AND THE AGENT OR THE GUARANTOR EXCEPT BY A WRITTEN INSTRUMENT EXECUTED BY ALL OF THEM.

5.9 Limitation under Applicable Insolvency Laws. Notwithstanding anything to the contrary contained herein, it is the intention of the Guarantor, Agent and the Banks that the amount of the Guarantor's obligations hereunder shall be in, but not in excess of, the maximum amount thereof not subject to avoidance or recovery by operation of applicable law governing bankruptcy, reorganization, arrangement, adjustment of debts, relief of debtors, dissolution, insolvency, fraudulent transfers or conveyances or other similar laws (collectively, "Applicable Insolvency Laws"). To that end, but only in the event and to the extent that the Guarantor's obligations hereunder or any payment made pursuant thereto would, but for the operation of the foregoing proviso, be subject to avoidance or recovery under Applicable Insolvency Laws, the amount of the Guarantor's obligations hereunder shall be limited to the largest amount which, after effect thereto, would not, under Applicable Insolvency Laws, render the Guarantor's respective obligations hereunder unenforceable or avoidable or subject to recovery under Applicable Insolvency Laws. To the extent any payment actually made hereunder exceeds the limitation contained in this Section 5.9, then the amount of such excess shall, from and after the time of payment by the Guarantor (or any of them), be reimbursed by the Banks upon demand by the

Guarantor. The foregoing proviso is intended solely to preserve the rights of the Agent and the Banks hereunder against the Guarantor to the maximum extent permitted by Applicable Insolvency Laws and neither Company nor the Guarantor nor any other Person shall have any right or claim under this Section 5.9 that would not otherwise be available under Applicable Insolvency Laws.

IN WITNESS WHEREOF, the undersigned Guarantor has executed this Guaranty as of _____, 1996.

[NAME OF GUARANTOR]

By:

Its:

ACCEPTED BY:

COMERICA BANK, as Agent,
on behalf of the Banks

By:

Its:

EXHIBIT K

FORM OF COMPANY GUARANTY

GUARANTY

Quanex Corporation, a Delaware corporation ("Guarantor") desires to see the success of the Account Parties (as defined below) and furthermore, Guarantor, as the parent corporation of the Account Parties, shall receive direct and/or indirect benefits from extensions of credit to Account Parties in connection with the transactions contemplated under the Credit Agreement and the Loan Documents (as defined below).

To induce each of the Banks (as defined below), to enter into and perform its obligations under that certain $250,000,000 Revolving Credit and Term Loan Agreement dated as of July 23, 1996 among Guarantor, Comerica Bank, as Agent, ("Agent") and the Banks, as the same may be amended from time to time (the "Credit Agreement"), the Guarantor has executed and delivered this guaranty ("Guaranty").

1. Definitions. Unless otherwise provided herein, all capitalized terms in this Guaranty shall have the meanings specified in the Credit Agreement. The term "Banks" as used herein shall include any successors or assigns of the Banks, in accordance with the Credit Agreement.

2. Guaranty. The Guarantor hereby guarantees to the Banks the due and punctual payment to the Banks when due, whether by acceleration or otherwise, of all Reimbursement Obligations of the Account Parties and other amounts owing by the Account Parties, or any of them under or in connection with Letters of Credit issued for from time to time pursuant to the Credit Agreement, payable with interest thereon and otherwise in accordance with the terms of the Credit Agreement and the Letter of Credit Agreements related to such Letters of Credit, as well as all extensions, renewals, and amendments of Letters of Credit or Letter of Credit Agreements or such other Indebtedness (as defined in the Credit Agreement, or any replacements or substitutions therefor), and hereby agrees that if any Account Party, or any other Person who is or becomes primarily liable therefor, shall fail to pay any of such amounts when and as the same shall be due and payable, or shall fail to perform and discharge any covenant, representation or warranty in accordance with the terms of the Credit Agreement, the Letters of Credit, the Letter of Credit Agreements, or any of the other Loan Documents, the Guarantor will forthwith pay to Agent on behalf of the Banks an amount equal to any such amount or cause the applicable Account Party or other Person then primarily liable therefor to perform and discharge any such covenant, representation or warranty, as the

case may be, and will pay any and all damages that may be incurred or suffered in consequence thereof by Agent and all reasonable expenses, including reasonable attorneys fees, that may be incurred by Agent in enforcing such covenant, representation or warranty, and in enforcing the covenants and agreements of this Guaranty.

3. Unconditional Character of Guaranty. The obligations of Guarantor under this Guaranty shall be absolute and unconditional, and shall be a guaranty of payment and not of collection, irrespective of the validity, regularity or enforceability of the Notes, the Credit Agreement, the Letters of Credit, the Letter of Credit Agreements, or any of the other Loan Documents, or any provision thereof, the absence of any action to enforce the same, any waiver or consent with respect to any provision thereof, the recovery of any judgment against any person or action to enforce the same, any failure or delay in the enforcement of the obligations of any other Account Party under the Letters of Credit, the Letter of Credit Agreements, or of the obligations of any Person under or any of the other Loan Documents, or any setoff, counterclaim, recoupment, limitation, defense or termination. Guarantor hereby waives diligence, demand for payment, filing of claims with any court, any proceeding to enforce any provision of the Letters of Credit, the Letter of Credit Agreements, or any of the other Loan Documents, any right to require a proceeding first against any Account Party, or any other guarantor or surety, or to exhaust any security for the performance of the obligations of any Account Party, any protest, presentment, notice or demand whatsoever, and Guarantor hereby covenants that this Guaranty shall not be terminated, discharged or released except upon payment in full of all amounts due and to become due from all Account Parties, as and to the extent described above, and only to the extent of any such payment, performance and discharge. Guarantor further covenants that no security now or subsequently held by the Agent or the Banks for the payment of the Indebtedness evidenced by the Notes or incurred under the Credit Agreement, the Letters of Credit, the Letter of Credit Agreements, or otherwise evidenced or incurred, whether in the nature of a security interest, pledge, lien, assignment, setoff, suretyship, guaranty, indemnity, insurance or otherwise, and no act, omission or other conduct of Agent or the Banks in respect of such security, shall affect in any manner whatsoever the unconditional obligation of this Guaranty, and that the Agent and each of the Banks, in their respective sole discretion and without notice to Guarantor, may release, exchange, enforce, apply the proceeds of and otherwise deal with any such security without affecting in any manner the unconditional obligation of this Guaranty. Notwithstanding anything to the contrary contained in this Guaranty, Guarantor hereby irrevocably waives any and all rights it may now or hereafter have under any agreement or at law or in equity (including, without limitation, any law subrogating Guarantor to the rights of Banks) to assert any claim against or seek contribution, indemnification or any other form of reimbursement from the Account Parties or any other party

liable for payment of any or all of the Indebtedness for any payment made by Guarantor under or in connection with this Guaranty or otherwise.

Without limiting the generality of the foregoing, such obligations, and the rights of the Agent on behalf of the Banks to enforce the same by proceedings, whether by action at law, suit in equity or otherwise, shall not be in any way affected by (i) any insolvency, bankruptcy, liquidation, reorganization, readjustment, composition, dissolution, winding up or other proceeding involving or affecting any Account Party, the Guarantor or others or (ii) any change in the ownership of any of the capital stock of the Guarantor or any of the Guarantor's Subsidiaries, or any of their respective Affiliates.

The Guarantor hereby waives to the fullest extent possible under applicable law:

(a) any defense based upon the doctrine of marshalling of assets or upon an election of remedies by Agent or the Banks, including, without limitation, an election to proceed by non-judicial rather than judicial foreclosure, which destroys or otherwise impairs the subrogation rights of the Guarantor or the right of the Guarantor to proceed against the Company or any Account Party for reimbursement, or both;

(b) any defense based upon any statute or rule of law which provides that the obligation of a surety must be neither larger in amount nor in other respects more burdensome than that of the principal;

(c) any duty on the part of Agent or any of the Banks to disclose to the Guarantor any facts Agent or the Banks may now or hereafter know about any Account Party, regardless of whether Agent or any Bank has reason to believe that any such facts materially increase the risk beyond that which the Guarantor intends to assume or has reason to believe that such facts are unknown to the Guarantor or has a reasonable opportunity to communicate such facts to the Guarantor, since the Guarantor acknowledges that it is fully responsible for being and keeping informed of the financial condition of the Account Parties and of all circumstances bearing on the risk of non-payment of any Indebtedness hereby guaranteed;

(d) any defense arising because of Agent's or the Banks' election, in any proceeding instituted under the Federal Bankruptcy Code, of the application of Section 1111(b)(2) of the Federal Bankruptcy Code;

(e) any claim for reimbursement, contribution, exoneration, indemnity or subrogation, or any other similar claim, which the Guarantor may have or obtain against any Account Party, by reason of the existence of this Guaranty, or by reason of the

payment by the Guarantor of any Indebtedness or the performance of this Guaranty or of any other Loan Documents, until the Indebtedness has been repaid and discharged in full and no commitment to extend any credit under the Credit Agreement or any of the Loan Documents (whether optional or obligatory), or any Letter of Credit, remains outstanding, and any amounts paid to the Guarantor on account of any such claim at any time when the obligations of the Guarantor under this Guaranty shall not have been fully and finally paid shall be held by the Guarantor in trust for Agent and the Banks, segregated from other funds of the Guarantor, and forthwith upon receipt by the Guarantor shall be turned over to Agent in the exact form received by the Guarantor (duly endorsed to Agent by the Guarantor, if required), to be applied to the Guarantor's obligations under this Guaranty, whether matured or unmatured, in such order and manner as Agent may determine; and

(f) any other event or action (excluding Guarantor's compliance with the provisions hereof) that would result in the discharge by operation of law or otherwise of the Guarantor from the performance or observance of any obligation, covenant or agreement contained in this Guaranty.

The Agent and each of the Banks may deal with the Account Parties and any security held by them, for the obligations of or any Account Party (as aforesaid) in the same manner and as freely as if this Guaranty did not exist and the Agent on behalf of the Banks shall be entitled without notice to Guarantor, among other things, to grant to the Account Parties such extension or extensions of time to perform any act or acts as may seem advisable to the Agent on behalf of the Banks at any time and from time to time, and to permit any Account Party to incur additional indebtedness to Agent, the Banks, or either or any of them, without terminating, affecting or impairing the validity or enforceability of this Guaranty or the obligations of Guarantor hereunder.

The Agent may proceed, either in its own name (on behalf of the Banks) or in the name of the Guarantor, or otherwise, to protect and enforce any or all of its rights under this Guaranty by suit in equity, action at law or by other appropriate proceedings, or to take any action authorized or permitted under applicable law, and shall be entitled to require and enforce the performance of all acts and things required to be performed hereunder by the Guarantor. Each and every remedy of the Agent on behalf of the Banks shall, to the extent permitted by law, be cumulative and shall be in addition to any other remedy given hereunder or now or hereafter existing at law or in equity.

No waiver or release shall be deemed to have been made by the Agent or the Banks of any of its rights hereunder unless the same shall be in writing and signed by or on behalf of the Banks, and any such waiver shall be a waiver or release only with respect to

the specific matter involved and shall in no way impair the rights of the Agent or the Banks or the obligations of Guarantor under this Guaranty in any other respect at any other time.

At the option of the Agent, Guarantor may be joined in any action or proceeding commenced by the Agent against any Account Party or Account Parties, any other Person in connection with or based upon the Credit Agreement, the Letters of Credit, the Letter of Credit Agreements, or any of the other Loan Documents or other Indebtedness, or any provision thereof, and recovery may be had against Guarantor in such action or proceeding or in any independent action or proceeding against Guarantor, without any requirement that the Agent or the Banks first assert, prosecute or exhaust any remedy or claim against any Account Party, or any other Person.

4. Miscellaneous.

4.1 Governing Law. THIS GUARANTY SHALL BE DEEMED DELIVERED IN MICHIGAN AND SHALL BE INTERPRETED AND THE RIGHTS OF THE PARTIES HEREUNDER SHALL BE DETERMINED UNDER THE LAWS OF, AND BE ENFORCEABLE IN, THE STATE OF MICHIGAN, GUARANTOR HEREBY CONSENTING TO THE JURISDICTION OF SUCH STATE AND ALL FEDERAL COURTS SITTING IN SUCH STATE.

4.2 Severability. If any term or provision of this Guaranty or the application thereof to any circumstance shall, to any extent, be invalid or unenforceable, the remainder of this Guaranty, or the application of such term or provision to circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby, and each term and provision of this Guaranty shall be valid and enforceable to the fullest extent permitted by law.

4.3 Notice. All notices and other communications to be made or given pursuant to this Guaranty shall be sufficient if made or in accordance with Section 13.5 of the Credit Agreement.

4.4 Right of Offset. Guarantor acknowledges the rights of the Agent and of each of the Banks to offset against the indebtedness of Guarantor to the Banks under this Guaranty, any amount owing by the Agent or the Banks, or either or any of them to the Guarantor, whether represented by any deposit of Guarantor with the Agent or any of the Banks or otherwise.

4.5 Amendments. The terms of this Guaranty may not be waived, altered, modified, amended, supplemented or terminated in any manner whatsoever except as provided herein and in accordance with the Credit Agreement.

4.6 Release. Upon the termination of the commitment of the Banks to make Loans or Advances to Company and the satisfaction

by Guarantor of its obligations hereunder, or when Guarantor is no longer subject to any obligation hereunder, the Agent shall deliver to Guarantor, upon written request therefor, a written release of this Guaranty; provided that, the effectiveness of this Guaranty shall continue or be reinstated, as the case may be, in the event that any payment received or credit given by the Agent or the Banks is returned, disgorged or rescinded as an avoidable preference, impermissible setoff, fraudulent conveyance or otherwise under any applicable state or federal law, including laws pertaining to bankruptcy or insolvency, and this Guaranty shall thereafter be enforceable against Guarantor as if such returned, disgorged or rescinded payment or credit had not been received or given by the Agent or the Banks, and whether or not the Agent or any Bank relied upon such payment or credit or changed its position as a consequence thereof.

IN WITNESS WHEREOF, the undersigned Guarantor has executed this Guaranty as of July 23, 1996.

QUANEX CORPORATION

By: ----------

Its: ----------

ACCEPTED BY:

COMERICA BANK, as Agent,
on behalf of the Banks

By: ----------

Its: ----------

EXHIBIT L

FORM OF
ASSIGNMENT AGREEMENT

Date: ----------

To: QUANEX CORPORATION

and

COMERICA BANK, AS AGENT ("Agent")

Re: QUANEX CORPORATION $250,000,000 Revolving Credit and Term Loan Agreement dated as of July 23, 1996 (as amended or otherwise modified from time to time, the "Agreement"), among Quanex Corporation, ("Company"), Agent and certain Banks

Gentlemen and Ladies:

Reference is made to Section 13.7(c), (d) and (e) of the Agreement. Unless otherwise defined herein or the context otherwise requires, all initially capitalized terms used herein without definition shall have the meanings specified in the Agreement.

This Agreement constitutes notice to each of you of the proposed assignment and delegation by [insert assignor Bank] (the "Assignor") to [insert proposed assignee] (the "Assignee") of a _____% undivided interest in Assignor's Revolving Credit Note and Term Loan Note under the Agreement (together, the "Note"), such that after giving effect to the assignment and assumption hereafter provided the Assignee's interest in the Note shall equal $_____(1) and its Percentage shall equal ___% under the Loan Documents.

Assignor does hereby sell, assign and transfer to Assignee effective on the "Effective Date" (as hereafter defined) _____% of Assignor's right, title and interest in, to and under the Assignor's Note, the Agreement and the other Loan Documents. It is acknowledged that Assignor, immediately after this Assignment, shall hold _____ percentage (____%) interest in Assignor's Note.

The Assignor hereby instructs the Agent to make all payments from and including the Effective Date hereof in respect of the interest assigned hereby, directly to the Assignee. The Assignor and the Assignee agree that all interest and fees accrued up to, but not including, the Effective Date of the assignment and

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(1) Such amount shall not be less than a minimum amount of $10,000,000.

delegation being made hereby are the property of the Assignor, and not the Assignee. The Assignee agrees that, upon receipt of any such interest or fees accrued up to the Effective Date, the Assignee will promptly remit the same to the Assignor.

The Assignee hereby confirms that it has received a copy of the Agreement and the exhibits and schedules referred to therein, and all other Loan Documents which it considers necessary, together with copies of the other documents which were required to be delivered under the Agreement as a condition to the making of the loans thereunder. The Assignee acknowledges and agrees that it: (a) has made and will continue to make such inquiries and has taken and will take such care on its own behalf as would have been the case had its Percentage been granted and its loans been made directly by such Assignee to the Company without the intervention of the Agent, the Assignor or any other bank; and (b) has made and will continue to make, independently and without reliance upon the Agent, the Assignor or any other bank, and based on such documents and information as it has deemed appropriate, its own credit analysis and decisions relating to the Agreement. The Assignee further acknowledges and agrees that neither the Agent, nor the Assignor has made any representations or warranties about the creditworthiness of the Company, or any other party to the Agreement or any other of the Loan Documents, or with respect to the legality, validity, sufficiency or enforceability of the Agreement, or any other of the Loan Documents. This assignment shall be made without recourse to or warranty by the Assignor, except as set forth herein.

Assignee represents and warrants that it is a Person to which assignments are permitted pursuant to Section 13.7(c) of the Agreement. Assignor and Assignee represent and warrant that this assignment shall not violate any "blue sky" or other securities law of any jurisdiction or require the Company or any other Person to file a registration statement with the United States Securities and Exchange Commission or apply to qualify any loans or any interest in any thereof, under the "blue sky" or other securities laws of any jurisdiction.

Except as otherwise provided in the Agreement, effective as of the Effective Date:

(a) the Assignee: (i) shall be deemed automatically to have become a party to the Agreement, to have assumed all of the Assignor's obligations thereunder to the extent of the Assignee's percentage referred to in the second paragraph of this Assignment Agreement, and to have all the rights and obligations of a party to the Agreement, as if it were an original signatory thereto to the extent specified in the second paragraph hereof; and (ii) agrees to be bound by the terms and conditions set forth in the

Agreement as if it were an original signatory thereto; and

(b) the Assignor's obligations under the Agreement shall be reduced by the percentage referred to in the second paragraph of this Assignment Agreement.

As used herein, the term "Effective Date" means the date on which all of the following have occurred or have been completed, as reasonably determined by the Agent:

(1) the delivery to the Agent of an original of this Assignment Agreement executed by the Assignor and the Assignee;

(2) the payment to the Agent, of all accrued fees, expenses and other items for which reimbursement is then owing under the Agreement;

(3) the payment to the Agent of the $3,500 processing fee referred to in Section 13.7(d) (iv) of the Agreement; and

(4) all other restrictions and items noted in Sections 13.7(c), (d) and (e) of the Agreement have been satisfied.

The Agent shall notify the Assignor and the Assignee of the Effective Date.

The Assignee hereby advises each of you of the following administrative details with respect to the assigned loans:

(A) Address for Notices:

Institution Name:

Address:

Attention:

Telephone:

Facsimile:

(B) Payment Instructions:

(C) Proposed effective date of assignment.

The Assignee has delivered to the Agent (or is delivering to the Agent concurrently herewith) the tax forms referred to in Section 13.12 of the Agreement, other forms reasonably requested by

the Agent, and the original of each Note held by the Assignor under the Agreement.

Please evidence your consent to and acceptance of the proposed assignment and delegation set forth herein by signing and returning counterparts hereof to the Assignor and the Assignee.

[ASSIGNOR]

By: ----------

Its: ----------

[ASSIGNEE]

By: ----------

Its: ----------

ACCEPTED AND CONSENTED TO
this --- day of --------, 199-

COMERICA BANK, Agent

By: ----------

Its: ----------

QUANEX CORPORATION

By: ----------

Its: ----------

EXHIBIT 99

Contact: Jeffrey Awalt (713) 877-5389
Jeff Galow (713) 877-5327

FOR IMMEDIATE RELEASE

QUANEX CORPORATION COMPLETES ACQUISITION OF PIPER IMPACT

Houston, Texas, August 12, 1996 - Quanex Corporation (NYSE: NX) today announced that it has completed its previously announced acquisition of Piper Impact, Inc. Quanex said the transaction is being financed using a portion of funds from its recently expanded $250 million bank revolver and term loan facility.

Piper Impact, based in New Albany, Miss., is a manufacturer of custom-designed, impact-extruded aluminum and steel parts for the transportation, electronics and defense markets. Piper Impact operates plants in New Albany, Miss., and Park City, Utah, and it currently is constructing a third plant to support continuing growth as a supplier of air bag inflator canisters to the automotive industry.

Quanex Corporation is a technological leader in the manufacture of steel and aluminum specialized metals products for the transportation, capital equipment, residential and commercial construction, and energy processing markets.

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