As filed with the Securities and Exchange Commission on June 10, 1994

Registration No. 33-

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM S-8
REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

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

DELAWARE	38-1872178
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1900 WEST LOOP SOUTH, SUITE 1500 HOUSTON, TEXAS (Address of Principal Executive Offices)	77027 (Zip Code)

NICHOLS-HOMESHIELD
401(K) SAVINGS PLAN
(Full title of the plan)

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

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

Copies to:
HARVA R. DOCKERY, ESQ.
FULBRIGHT & JAWORSKI L.L.P.
1301 MCKINNEY, SUITE 5100
HOUSTON, TEXAS 77010-3095

CALCULATION OF REGISTRATION FEE

Title of securities to be registered	Amount to be registered	Proposed maximum offering price per share	Proposed maximum aggregate offering price	Amount of registration fee
Common Stock, $.50 par value	100,000(1)	$20.125(2)	$2,012,500	$694
Rights to purchase Series A Junior Participating Preferred Stock	100,000(1)			

(1) Estimated number of shares that could be purchased with the participant contributions registered hereunder, based upon the price of the Common Stock set forth herein.

(2) Pursuant to Rule 457(h), the proposed maximum offering price is estimated, solely for the purpose of determining the registration fee, on the basis of the average high and low prices of the Common Stock on the New York Stock Exchange Composite Tape on June 7, 1994.

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In addition, pursuant to Rule 416(c) under the Securities Act of 1933, this Registration Statement also covers an indeterminate amount of interests to be offered or sold pursuant to the 401(k) savings plan described herein.

PART II

INFORMATION REQUIRED IN THE REGISTRATION STATEMENT

ITEM 3. Incorporation of Documents by Reference.

Quanex Corporation (the "Company" or "Registrant") and the Nichols-Homeshield 401(k) Savings Plan (the "Plan") incorporate by reference in this Registration Statement the following documents:

(a) The Registrant's annual report on Form 10-K for the year ended October 31, 1993, and the Plan's latest annual report.

(b) The Registrant's quarterly reports on Form 10-Q for the quarters ended January 31, 1994, and April 30, 1994.

(c) All other reports filed by the Registrant and the Plan pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), since October 31, 1993.

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

(e) The description of the rights to purchase Series A Junior Participating Preferred Stock (the "Rights") is set forth in the Amended and Restated Certificate of Designation, Preferences and Rights, filed as Exhibit 1 to Amendment No. 1 to the Registrant's Form 8-A dated April 28, 1989.

All documents subsequently filed by the Registrant or the Plan pursuant to Sections 13(a), 13(c), 14 and 15(d) of the Exchange Act, subsequent to the date of the filing hereof and prior to the filing of a post-effective amendment which indicates that all securities offered have been sold or which deregisters all securities then remaining unsold, shall be deemed to be incorporated by reference in this Registration Statement and to be a part hereof from the date of the filing of such documents.

ITEM 4. Description of Securities.

Not applicable.

ITEM 5. Interests of Named Experts and Counsel.

Not applicable.

ITEM 6. Indemnification of Directors and Officers.

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

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

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

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

ITEM 7. Exemption from Registration Claimed.

Not applicable.

ITEM 8. Exhibits.

4.1 Certificate of Incorporation of the Registrant, as amended, filed as Exhibit 3.1 to the Registrant's Annual Report on Form 10-K for the fiscal year ended October 31, 1987, and incorporated herein by reference.

4.2 Amended and Restated Bylaws of the Registrant, as amended through October 21, 1992, filed as Exhibit 3.2 to the Registrant's Annual Report on Form 10-K for the fiscal year ended October 31, 1992, and incorporated herein by reference.

4.3 Form of Registrant's Common Stock certificate, filed as Exhibit 4.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended April 30, 1987, and incorporated herein by reference.

4.4 Amended and Restated Rights Agreement between the Registrant and Manufacturers Hanover Trust Company, as Rights Agent, filed as Exhibit 1 to Amendment No. 1 to the Registrant's Form 8-A dated April 28, 1989, and incorporated herein by reference.

4.5 Amended and Restated Certificate of Designation, Preferences and Rights of the Registrant's Series A Junior Participating Preferred Stock, filed as Exhibit 1 to Amendment No. 1 to the Registrant's Form 8-A dated April 28, 1989, and incorporated herein by reference.

4.6 Certificate of Designations of the Registrant's 6.88% Cumulative Convertible Exchangeable Preferred Stock, liquidation preference $250 per share, filed as Exhibit 19.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended April 30, 1992, and incorporated herein by reference.

4.7 Form of Indenture relating to the Registrant's 6.88% Cumulative Subordinated Debentures due 2007 between the Registrant and Chemical Bank, as Trustee, filed as Exhibit 19.2 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended April 30, 1992, and incorporated herein by reference.

4.8 Form of Certificate of 6.88% Cumulative Convertible Exchangeable Preferred Stock, liquidation preference $250 per share, filed as Exhibit 19.3 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended April 30, 1992, and incorporated herein by reference.

4.9	Deposit Agreement, relating to Depositary Convertible Exchangeable Preferred Shares between the Registrant and Chemical Bank, filed as Exhibit 19.4 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended April 30, 1992, and incorporated herein by reference.
4.10	Form of Depositary Receipt for Depositary Convertible Exchangeable Preferred Shares, filed as Exhibit 19.6 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended April 30, 1992, and incorporated herein by reference.
4.11	Note Agreement dated July 25, 1990, among the Registrant and the Purchasers listed therein, regarding the sale of $125,000,000 of the Registrant's 10.77% Senior Notes due August 23, 2000, filed as Exhibit 4.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended July 31, 1990, and incorporated herein by reference.
4.12	Revolving Credit and Letter of Credit Agreement dated as of December 4, 1990, among the Registrant and the Banks listed therein relating to a $40,000,000 revolving credit, filed as Exhibit 4.7 to the Registrant's Annual Report on Form 10-K for the year ended October 31, 1991, and incorporated herein by reference.
4.13	Second Amendment to the Revolving Credit and Letter of Credit Agreement dated as of April 15, 1992, filed as Exhibit 4.13 to the Registrant's Registration Statement on Form S-3 (Registration No. 33-47282), and incorporated herein by reference.
4.14	Third and Fourth Amendments to the Revolving Credit and Letter of Credit Agreement dated as of February 12, 1993, and April 1, 1993, respectively, filed as Exhibit 19 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended April 30, 1993, and incorporated herein by reference.
4.15	Form of Trust Agreement between the Registrant and Fidelity Management Trust Company, amended as of January 1, 1993, July 15, 1993, February 1, 1994, April 1, 1994, and July 1, 1994.
4.16	Form of Nichols-Homeshield 401(k) Savings Plan, as amended.
5.1	Copy of Internal Revenue Service determination letter that the Plan is qualified under Section 401 of the Internal Revenue Code of 1986, as amended.
23.1	Consent of Deloitte & Touche.
25.1	Power of attorney (contained on page 7 hereof).

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

ITEM 9. Undertakings.

A. The undersigned Registrant hereby undertakes:

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

(i) To include any prospectus required by Section 10(a)(3) of the Securities Act;

(ii) To reflect in the prospectus any facts or events arising after the effective date of this Registration Statement (or the most recent post-effective amendment hereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in this Registration Statement; and

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

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

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

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

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

C. Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the Registrant pursuant to the

foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question of whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

POWER OF ATTORNEY

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

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-8 and has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Houston, State of Texas, on the 31st day of May, 1994.

QUANEX CORPORATION

By /s/ Robert C. Snyder
Robert C. Snyder
President and Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed below by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Robert C. Snyder Robert C. Snyder	President, Chief Executive Officer and Director (Principal Executive Officer)	May 31, 1994
/s/ Wayne M. Rose Wayne M. Rose	Vice President and Chief Financial Officer (Principal Financial Officer)	May 31, 1994
/s/ Viren M. Parikh Viren M. Parikh	Controller (Principal Accounting Officer)	May 31, 1994
/s/ Carl E. Pfeiffer Carl E. Pfeiffer	Chairman of the Board	May 31, 1994
/s/ Gerald B. Haeckel Gerald B. Haeckel	Director	May 31, 1994

/s/ Donald J. Morfee Donald J. Morfee	Director	May 31, 1994
/s/ John D. O'Connell John D. O'Connell	Director	May 31, 1994
/s/ Michael J. Sebastian Michael J. Sebastian	Director	May 31, 1994
/s/ Robert L. Walker Robert L. Walker	Director	May 31, 1994
/s/ Fred J. Broad Fred J. Broad	Director	May 31, 1994

The Plan. Pursuant to the requirements of the Securities Act of 1933, the Administrative Committee of the Plan has duly caused this Registration Statement to be signed on its behalf by the undersigned members of such committee, thereunto duly authorized, in the City of Houston, State of Texas, on May 31, 1994.

NICHOLS-HOMESHIELD
401(K) SAVINGS PLAN

By /s/ Robert C. Snyder

Robert C. Snyder

By /s/ Vernon E. Oechsle

Vernon E. Oechsle

By /s/ Wayne M. Rose

Wayne M. Rose

By /s/ Joseph K. Peery

Joseph K. Peery

EXHIBIT INDEX

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23.1	Consent of Deloitte & Touche.
25.1	Power of attorney (contained on page 7 hereof).

Exhibit 4.15

Trust Agreement
Between

Quanex Corporation

And

Fidelity Management Trust Company

NICHOLS-HOMESHIELD 401(K) SAVINGS PLAN

TRUST

Dated as of March 31, 1992

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TRUST AGREEMENT, dated as of the thirty-first day of March, 1992, between Quanex Corporation, a Delaware corporation, having an office at 1900 West Loop South, Houston, TX 77027 (the "Sponsor"), and FIDELITY MANAGEMENT TRUST COMPANY, a Massachusetts trust company, having an office at 82 Devonshire Street, Boston, Massachusetts 02109 (the "Trustee").

WITNESSETH:

WHEREAS, the Sponsor has previously sponsored the Nichols-Homeshield 401(k) Savings Plan (the "Plan") for the exclusive benefit of its employees who qualify and their beneficiaries; and

WHEREAS, the Board of Directors of Quanex Corporation has resolved to amend, restate and continue the Nichols-Homeshield 401(k) Savings Plan Trust in the form of the trust agreement between Fidelity Management Trust Company (the "Trust"); and

WHEREAS, the Administrative Committee of the Sponsor (the "Named Fiduciary") is the named fiduciary of the Plan (within the meaning of section 402(a) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA")); and

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

WHEREAS, the Sponsor wishes to have the Trustee perform certain ministerial recordkeeping functions under the Plan; and

WHEREAS, the Sponsor (the "Administrator") is the administrator of the Plan (within the meaning of section 3(16)(A) of ERISA); and

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

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

Section 1. Trust. The Sponsor hereby establishes the Nichols-Homeshield 401(k) Savings Plan Trust (the "Trust"), with the Trustee. The Trust shall consist of an initial contribution of money or other property acceptable to the Trustee in its sole discretion, made by the Sponsor or transferred from a previous trustee under the Plan, such additional sums of money and Sponsor Stock (hereinafter defined) as shall from time to time be delivered to the Trustee under the Plan, all investments made therewith and proceeds thereof, and all earnings and profits thereon, less the payments that are made by the Trustee as provided herein, without distinction between principal and income. The Trustee hereby accepts the Trust on the terms and conditions set forth in this Agreement. In accepting this Trust, the Trustee shall be accountable for the assets received by it, subject to the terms and conditions of this Agreement.

Section 2. Exclusive Benefit and Reversion of Sponsor Contributions.

Except as provided under applicable law, no part of the Trust may be used for, or diverted to, purposes other than the exclusive benefit of the participants in the Plan or their beneficiaries prior to the satisfaction of all liabilities with respect to the participants and their beneficiaries. However, Quanex Corporation retains the right provided in the Plan to have Trust assets revert to them upon a mistake of fact or disallowance of a deduction based upon any contribution to the Trust.

Section 3. Disbursements.

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

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

Section 4. Investment of Trust.

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

(b) Available Investment Options. The Named Fiduciary shall direct the Trustee as to what investment options Plan participants may invest in, subject to the following limitations. The Named Fiduciary may determine to offer as investment options only (i) securities issued by the investment companies advised by Fidelity Management & Research Company ("Mutual Funds"), (ii) equity securities issued by the Sponsor or an affiliate which are publicly-traded and which are "qualifying employer securities" within the meaning of section 407(d)(5) of ERISA ("Sponsor Stock"), (iii) notes evidencing loans to Plan participants in accordance with the terms of the Plan, and (iv) guaranteed annuity contracts heretofore entered into by the Sponsor or predecessor trustee and specifically identified on a Schedule attached hereto ("Existing GICs"), and (v) collective investment funds maintained by the Trustee for qualified plans; provided, however, that the Named Fiduciary hereby directs the Trustee to continue to hold such Existing GICs until the Named Fiduciary directs otherwise, it being expressly understood that such direction is given in accordance with Section 403(a) of ERISA; and provided, further, that the Trustee shall be considered a fiduciary with investment discretion only with respect to Plan assets that are invested in guaranteed investment contracts chosen by the Trustee or in collective investment funds maintained by the Trustee for qualified plans.

(c) Participant Direction. Each Plan participant shall direct the Trustee in which investment option(s) to invest the assets in the participant's individual accounts and the Trustee must comply with any such directions unless it is clear on the direction's face that the actions to be taken under the direction would be prohibited by the fiduciary duty rules of Section 404(a) of ERISA or would be contrary to the terms of the Plan or this Agreement. Such directions may be made by Plan participants by use of the telephone exchange system maintained for such purposes by the Trustee or its agent, in accordance with written Telephone Exchange Guidelines attached hereto as Schedule "G". If a Plan participant makes an oral investment via the telephone exchange system, the Trustee will return to that participant a written confirmation of that direction. Any

directions made by a Participant using the telephone exchange system shall be treated as a direction made in writing by the Named Fiduciary for purposes of Section 7 hereafter. In the event that the Trustee fails to receive a proper direction, the assets shall be invested in the securities of the Mutual Fund set forth for such purpose on Schedule "C", until the Trustee receives a proper direction.

(d) Mutual Funds. Trust investments in Mutual Funds shall be subject to the following limitations:

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

(ii) Voting. At the time of mailing of notice of each annual or special stockholders' meeting of any Mutual Fund, the Trustee shall send a copy of the notice and all proxy solicitation materials to each Plan participant who has shares of the Mutual Fund credited to the participant's accounts, together with a voting direction form for return to the Trustee or its designee. The participant shall have the right to direct the Trustee as to the manner in which the Trustee is to vote the shares credited to the participant's accounts (both vested and unvested). The Trustee shall vote the shares as directed by the participant. The Trustee shall not vote shares for which it has received no directions from the participant. With respect to all rights other than the right to vote, the Trustee shall follow the directions of the participant and if no such

directions are received, the directions of the Named Fiduciary. The Trustee shall have no duty to solicit directions from participants.

(e) Notes. The Administrator shall act as the Trustee's agent for the purpose of holding all trust investments in participant loan notes and related documentation and as such shall (i) hold physical custody of and keep safe the notes and other loan documents, (ii) collect and remit all principal and interest payments to the Trustee, (iii) keep the proceeds of such loans separate from the other assets of the Administrator and clearly identify such assets as Plan assets, (iv) advise the Trustee of the date, amount and payee of the checks to be drawn representing loans, and (v) cancel and surrender the notes and other loan documentation when a loan has been paid in full.

(f) Reliance of Trustee on Directions. (i) The Trustee shall not be liable for any loss, or by reason of any breach, which arises from any participant's exercise or non-exercise of rights under this Section 4 over the assets in the participant's accounts.

(ii) The Trustee shall not be liable for any loss, or by reason of any breach, which arises from the Named Fiduciary's exercise or non-exercise of rights under this Section 4, unless it was clear on their face that the actions to be taken under the Named Fiduciary's directions were prohibited by the fiduciary duty rules of section 404(a) of ERISA or were contrary to the terms of the Plan or this Agreement.

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

(i) Subject to paragraphs (b), (c), and (d) of this Section 4, to sell, exchange, convey, transfer, or otherwise dispose of any property held in the Trust, by private contract or at public auction. No person dealing with the Trustee shall be bound to see to the application of the purchase money or other property delivered to the

Trustee or to inquire into the validity, expediency, or propriety of any such sale or other disposition.

(ii) Subject to paragraphs (b) and (c) of this Section 4, to invest in guaranteed investment contracts and short term investments (including interest bearing accounts with the Trustee or money market mutual funds advised by affiliates of the Trustee) and in collective investment funds maintained by the Trustee for qualified plans, in which case the provisions of each collective investment fund in which the Trust is invested shall be deemed adopted by the Sponsor and the provisions thereof incorporated as a part of this Trust as long as the fund remains exempt from taxation under Sections 401(a) and 501(a) of the Internal Revenue Code of 1986, as amended.

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

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

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

(vi) To take any action, whether by legal proceeding, compromise, or otherwise, as the Trustee in its sole discretion believes to be in the best interest of the Trust if there is a default in the payment of any principal or income of the Trust at any time.

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

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

(ix) The Trustee is not required to take any legal action to collect, preserve or maintain any Trust property unless it has been indemnified either by the Trust itself, with the approval of the administrative committee of the Plan, or by the Sponsor. Any property acquired by the Trustee through the enforcement or compromise of any claim or claims that has as Trustee of this Trust will become a part of the Trust.

Section 5. Recordkeeping to Be Performed.

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

(b) Accounts. The Trustee shall keep accurate accounts of all investments, receipts, disbursements, and other transactions hereunder, and shall report the value of the assets held in the Trust as of the last day of each fiscal quarter of the Plan and, if not on the last day of a fiscal quarter, the date on which the Trustee resigns or is removed as provided in Section 8 of this Agreement or is terminated as provided in Section 10 (the "Reporting Date"). Within thirty (30) days following each Reporting Date or within sixty (60) days in the case of a Reporting Date caused by the resignation or removal of the Trustee, or the termination of this Agreement, the Trustee shall file with

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

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

(d) Effect of Plan Amendment. The Trustee's provision of the recordkeeping services set forth in this Section 5 shall be conditioned on the Sponsor delivering to the Trustee a copy of any amendment to the Plan as soon as administratively feasible following the amendment's adoption, with, if requested, an IRS determination letter or an opinion of counsel substantially in the form of Schedule "F" covering such amendment, and on the Administrator providing the Trustee on a timely basis with all the information the Administrator deems necessary for the Trustee to perform the recordkeeping services and such other information as the Trustee may reasonably request.

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

Section 6. Compensation and Expenses. Within thirty (30) days of receipt of the Trustee's bill, which shall be computed and billed in accordance with Schedule "B" attached hereto and made a part hereof, as amended from time to time, the Sponsor shall send to the Trustee a payment in such amount. All expenses of the Trustee relating directly to the acquisition and disposition of investments constituting part of the Trust, and all taxes of any kind whatsoever that may be levied or assessed under existing or future laws upon or in respect of the Trust or the income thereof, shall be a charge against and paid from the appropriate Plan participants' accounts.

Section 7. Directions and Indemnification.

(a) Identity of Administrator and Named Fiduciary. The Trustee shall be fully protected in relying on the fact that the Named Fiduciary and the Administrator under the Plan are the individuals or persons named as such above or such other individuals or persons as the Sponsor may notify the Trustee in writing.

(b) Directions from Administrator. Whenever the Administrator provides a direction to the Trustee, the Trustee shall not be liable for any loss, or by reason of any breach, arising from the direction if the direction is contained in a writing (or is oral and immediately confirmed in a writing) signed by any individual whose name and signature have been submitted (and not withdrawn) in writing to the Trustee by the Administrator in

the form attached hereto as Schedule "D", provided the Trustee reasonably believes the signature of the individual to be genuine, unless it is clear on the direction's face that the actions to be taken under the direction would be prohibited by the fiduciary duty rules of Section 404(a) of ERISA or would be contrary to the terms of the Plan or this Agreement.

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

(d) Co-Fiduciary Liability. In any other case, the Trustee shall not be liable for any loss, or by reason of any breach, arising from any act or omission of another fiduciary under the Plan except as provided in section 405(a) of ERISA.

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

(f) Survival. The provisions of this Section 7 shall survive the termination of this Agreement.

Section 8. Resignation or Removal of Trustee.

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

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

Section 9. Successor Trustee.

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

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

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

Section 10. Termination. This Agreement may be terminated at any time by the Sponsor upon sixty (60) days' notice in writing to the Trustee. On the date of the termination of this Agreement, the Trustee shall forthwith transfer and deliver to such individual or entity as the Sponsor shall designate, all cash and assets then constituting the Trust. If, by the termination date, the Sponsor has not notified the Trustee in writing as to whom the assets and cash are to be transferred and delivered, the Trustee may bring an appropriate action or proceeding for leave to deposit the assets and cash in a court of competent jurisdiction. The Trustee shall be reimbursed by the Sponsor for all costs and expenses of the action or proceeding including, without limitation, reasonable attorneys' fees and disbursements.

Section 11. Resignation, Removal, and Termination Notices. All notices of resignation, removal, or termination under this Agreement must be in writing and mailed to the party to which the notice is being given by certified or registered mail, return receipt requested, to the Sponsor c/o Wayne M. Rose, Vice President - Chief Financial Officer, Quanex Corporation, 1900 West Loop South, Suite 1500, Houston, TX 77027, and to the Trustee c/o John M. Kimpel, Fidelity Investments, 82 Devonshire Street, Boston, Massachusetts 02109, or to such other addresses as the parties have notified each other of in the foregoing manner.

Section 12. Duration. This Trust shall continue in effect without limit as to time, subject, however, to the provisions of this Agreement relating to amendment, modification, and termination thereof.

Section 13. Amendment or Modification. This Agreement may be amended or modified at any time and from time to time only by an instrument executed by both the Sponsor and the Trustee. Notwithstanding the foregoing, to reflect increased operating costs the Trustee may once each calendar year amend Schedule "B" without the Sponsor's consent upon seventy-five (75) days written notice to the Sponsor.

Section 14. General.

(a) Employment of Affiliates as Agents for Trustee. The Sponsor acknowledges and authorizes that the Trustee may employ its affiliates to act as its agent in the performance of its responsibilities under this Agreement. In particular, the Sponsor specifically acknowledges and authorizes that the Trustee may employ Fidelity Investments Institutional Operations Company or its successor to perform recordkeeping functions under this Agreement. The expenses and compensation of any such agent shall be paid by the Trustee out of its fees described in Schedule "B" attached hereto.

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

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

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

(e) Partial Invalidity. If any term or provision of this Agreement or the application thereof to any person or circumstances shall, to any extent, be invalid or unenforceable, the remainder of this Agreement, or the application of such term or

provision to persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby, and each term and provision of this Agreement shall be valid and enforceable to the fullest extent permitted by law.

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

(g) Single Trust. The Trust will be a single trust within the meaning of Section 414(l) of the Internal Revenue Code of 1986, as amended, with respect to Quanex Corporation and any other employer that adopts the Trust with the consent of Quanex Corporation and the Trustee. All Trust assets will be available to pay the benefits of all such employers' eligible employees and their beneficiaries.

(h) Withdrawal. The employers that adopt this Trust may withdraw from the Trust by giving 60 days written notice of their intent to withdraw to Quanex Corporation and the Trustee.

The administrative committee of the Plan will then determine, within sixty (60) days following the receipt of the notice, the portion of the Trust that is attributable to the members employed by the withdrawing employer and shall forward a copy of the determination to the Trustee. Upon receipt of the determination, the Trustee will segregate those assets attributable to the members employed by the withdrawing employer and will transfer those assets to the successor Trustee or Trustees when it receives a designation of such successor from the withdrawing employer.

The withdrawal from the Trust will not terminate the Plan or Trust with respect to the withdrawing employer. Instead, the employer shall, as soon as practical, either appoint a successor Trustee or Trustees and reaffirm this Trust as a new and separate trust intended to fund the Plan which is qualified under Section 401(a) of the Code or establish another defined contribution plan and trust intended to qualify under Section 401(a) of the Code.

The determination of the administrative committee of the Plan, in its sole discretion, of the portion of the Trust that is attributable to the members employed by the withdrawing employer will be final and binding upon all parties at interest; and, the Trustee's transfer of those assets to the designated successor Trustee shall relieve the Trustee of any further obligation, liability or duty to the withdrawing employer, the members employed by that employer and their beneficiaries, and the successor Trustee or Trustees.

(i) Definition of Named Fiduciary. The Sponsor is the Named Fiduciary of the Plan within the meaning of ERISA Section 402(a)(2). The Plan participants arc Named Fiduciaries within the meaning of ERISA Section 402(a)(2) solely with regard to their exercise of such pass through voting and tender offer rights.

Section 15. Governing Law.

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

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

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

QUANEX CORPORATION

Attest: /s/ JOSEPH K. PEERY
Assistant Secretary

By /s/ WAYNE M. ROSE
Vice President

FIDELITY MANAGEMENT TRUST COMPANY

Attest: /s/ DOUGLAS O. KORB
Assistant Clerk

By /s/ JOHN P. O'RILEY JR.
Senior Vice President

Schedule "A"

RECORDKEEPING SERVICES

Administration

* Establishment and maintenance of participant account and election percentages.

* Maintenance of six plan investment options:

  - Fidelity Money Market Trust: Retirement Money Market Portfolio
  - Fidelity U.S. Bond Index Portfolio
  - Fidelity Balanced Fund
  - Fidelity Growth & Income Portfolio
  - Fidelity Magellan Fund
  - Fidelity Contrafund

* Maintenance of four money classifications:

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

* Processing of mutual fund trades.

The Trustee will provide only the recordkeeping services set forth on this Schedule "A" and no others.

Processing

* Monthly processing of contribution data.
* Daily processing of transfers and changes of future allocations.
* Monthly processing of withdrawals.

Other

* Monthly trial balance
* Quarterly administrative reports
* Quarterly participant statements
* 1099-Rs
* Participant Loans
* Performance of section 401(k) limitation testing upon request. In order to obtain this service, the client shall be required to provide the information identified in the Fidelity Discrimination Testing Package Guidelines.

QUANEX CORPORATION	FIDELITY MANAGEMENT TRUST COMPANY
By /s/ WAYNE M. ROSE 3/3/92	By /s/ JOHN P. O'RILEY JR. 3/13/92
Date	Senior Vice President Date

Schedule "B"
FEE SCHEDULE

Recordkeeping Fees

Annual Participant Fee	$20.00 per participant*, subject to a $7,500 per year minimum, billed and payable quarterly.
Loan Fees	Establishment fee of $10.00 per loan account; annual fee of $15.00 per loan account.

Other Fees: extraordinary expenses resulting from large numbers of simultaneous manual transactions or from errors not caused by Fidelity.

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

Trustee Fees

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

QUANEX CORPORATION	FIDELITY MANAGEMENT TRUST COMPANY
By /s/ WAYNE M. ROSE 3/3/92 Date	By /s/ JOHN P. O'RILEY JR. 3/13/92 Senior Vice President Date

Schedule "C"

INVESTMENT OPTIONS

In accordance with Section 4(b), the Named Fiduciary hereby directs the Trustee that participants' individual accounts may be invested in the following investment options:

- Fidelity Money Market Trust: Retirement Money Market Portfolio
- Fidelity U.S. Bond Index Portfolio
- Fidelity Balanced Fund
- Fidelity Growth & Income Portfolio
- Fidelity Magellan Fund
- Fidelity Contrafund

The mutual fund advised by Fidelity Management & Research Company referred to in Section 4(c) shall be Fidelity Money Market Trust: Retirement Money Market Portfolio.

QUANEX CORPORATION

By /s/ WAYNE M. ROSE 3/3/92
Date

Quanex Corporation
1900 West Loop South
Suite 1500 Houston, TX 77027
(713) 961-4600

(LOGO)

February 17, 1992

Ms. Jacqueline W. McCarthy
Fidelity Investments Institutional Operations Company
82 Devonshire Street
Boston, MA 02109

RE: Nichols-Homeshield 401(k) Savings Plan Trust

Dear Ms. McCarthy:

This letter is sent to you in accordance with Section 7(b) of the Trust Agreement, dated as of March 31, 1992, between Quanex Corporation and Fidelity Management Trust Company. We hereby designate Carl E. Pfeiffer, Robert C. Snyder, Wayne M. Rose, and Joseph K. Peery, as the individuals who may provide directions upon which Fidelity Management Trust Company shall be fully protected in relying. Only one such individual need provide any direction. The signature of each designated individual is set forth below and certified to be such.

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

Very truly yours,

QUANEX CORPORATION

By: /s/ WAYNE M. ROSE

/s/ CARL E. PFEIFFER
Carl E. Pfeiffer

/s/ ROBERT C. SNYDER
Robert C. Snyder

/s/ WAYNE M. ROSE
Wayne M. Rose

/s/ JOSEPH K. PEERY
Joseph K. Peery

Quanex Corporation
1900 West Loop South
Suite 1500 Houston, TX 77027
(713) 961-4600

(LOGO)

February 17, 1992

Ms. Jacqueline W. McCarthy
Fidelity Investments Institutional Operations Company
82 Devonshire Street
Boston, MA 02109

RE: Nichols-Homeshield 401(k) Savings Plan Trust

Dear Ms. McCarthy:

This letter is sent to you in accordance with Section 7(c) of the Trust Agreement, dated as of March 31, 1992, between Quanex Corporation and Fidelity Management Trust Company. We hereby designate Carl E. Pfeiffer, Robert C. Snyder, Wayne M. Rose, and Joseph K. Peery, as the individuals who may provide directions upon which Fidelity Management Trust Company shall be fully protected in relying. Only one such individual need provide any direction. The signature of each designated individual is set forth below and certified to be such.

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

Very truly yours,

QUANEX CORPORATION

By: /s/ WAYNE M. ROSE

/s/ CARL E. PFEIFFER
Carl E. Pfeiffer

/s/ ROBERT C. SNYDER
Robert C. Snyder

/s/ WAYNE M. ROSE
Wayne M. Rose

/s/ JOSEPH K. PEERY
Joseph K. Peery

Schedule "G"

TELEPHONE EXCHANGE PROCEDURES

The following telephone exchange procedures are currently employed by Fidelity Investments Retirement Services Company (FIRSCO).

Telephone exchange hours are 8:30 a.m. (EST) to 8:00 p.m. (EST) on each business day. A "business day" is any day on which the New York Stock Exchange is open.

FIRSCO reserves the right to change these telephone exchange procedures at its discretion.

Mutual Funds

Exchanges Between Mutual Funds

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

QUANEX CORPORATION

By /s/ WAYNE M. ROSE 3/3/92
Date

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

THIS FIRST AMENDMENT, dated as of the first day of January, 1993, by and between Fidelity Management Trust Company (the "Trustee") and Quanex Corporation (the "Sponsor"),

WITNESSETH:

WHEREAS, the Trustee and the Sponsor heretofore entered into a trust agreement dated March 31, 1992, with regard to the Nichols-Homeshield 401(k) Savings Plan (the "Plan"); and

WHEREAS, the Trustee and the Sponsor now desire to amend said trust agreement as provided for in Section 13 thereof;

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

(1) Amending and restating the "investment options" portion of Schedule "A" and Schedule "C" to read as follows:

- Fidelity Money Market Trust:Retirement Government Money Market Portfolio
- Fidelity Balanced Fund
- Fidelity Growth & Income Portfolio
- Fidelity Magellan Fund
- Fidelity Contrafund
- Fidelity Short Intermediate Government Portfolio

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

QUANEX CORPORATION	FIDELITY MANAGEMENT TRUST COMPANY
By /s/ WAYNE M. ROSE 12/15/92 Date	By /s/ JOHN P. O'RILEY JR. 12/22/92 Senior Vice President Date

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

THIS SECOND AMENDMENT, dated as of the 15th day of July 1993 by and between Fidelity Management Trust Company (the "Trustee") and Quanex Corporation (the "Sponsor"):

WITNESSETH:

WHEREAS, the Trustee and the Sponsor heretofore entered into a trust agreement dated March 31, 1992, with regard to the Nichols-Homeshield 401(k) Savings Plan (the "Plan"); and

WHEREAS, the Trustee and the Sponsor now desire to amend said trust agreement as provided for in Section 13 thereof;

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

(1) Amending and restating the "investment options" portion of Schedule "A" and Schedule "C" to read as follows:

- Fidelity Money Market Trust:Retirement Government Money Market Portfolio
- Fidelity Balanced Fund
- Fidelity Growth & Income Portfolio
- Fidelity Magellan Fund
- Fidelity Contrafund
- Fidelity Short Intermediate Government Portfolio
- Fidelity Overseas Fund

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

QUANEX CORPORATION	FIDELITY MANAGEMENT TRUST COMPANY
By /s/ JOSEPH K. PEERY	By /s/ JOHN P. O'RILEY JR. 6/30/93
Date	Senior Vice President Date

REVISED

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

THIS THIRD AMENDMENT, dated as of February 1, 1994, by and between Fidelity Management Trust Company (the "Trustee") and Quanex Corporation (the "Sponsor"): and

WITNESSETH:

WHEREAS, the Trustee and the Sponsor heretofore entered into a trust agreement dated March 31, 1992, with regard to the Nichols-Homeshield 401(k) Savings Plan (the "Plan"): and

WHEREAS, the Trustee and the Sponsor now desire to amend said trust agreement as provided for in Section 13 thereof;

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

* Amending Section 4 by replacing Section 4(e), In its entirety, with the following:

Notes. The Administrator shall act as the Trustee's agent for the purpose of holding all trust investments in participant loan notes and related documentation and as such shall (i) hold physical custody of and keep safe the notes and other loan documents, (ii) collect and remit all principal and Interest payments to the Trustee, (iii) keep the proceeds of such loans separate from the other assets of the Administrator and clearly identify such assets as Plan assets and (iv) cancel and surrender the notes and other loan documentation when a loan has been paid in full. To originate a participant loan, the Plan participant shall notify the Trustee of the request by use of the Telephone Exchange System. The Trustee shall determine, based on the current value of the Plan participant's account, the amount available for the loan. The Plan participant shall then direct the Trustee regarding the amount to be borrowed and the term or period for repayment. Based on the most recent interest rate supplied by the Sponsor in accordance with the terms of the Plan, the Trustee shall advise the Plan participant of such interest rate, as well as the installment payment amounts. The Trustee shall forward the loan document to the Plan participant for execution and submission for approval to the Administrator. The Administrator shall have the responsibility for instructing the Trustee as to whether the Administrator has approved the loan via remote access. The Trustee shall send the loan proceeds to the Administrator or to the Plan participant in accordance with the directions from the Administrator. In all cases, such approval by the Administrator shall be made within 30 days of the Plan participant's initial request (the origination date).

* Amending Schedule "B" to reflect the Loan Fee as follows:

Loan Fees	Establishment fee of $35.00 per loan account; annual fee of $15.00 per loan account.

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

QUANEX CORPORATION	FIDELITY MANAGEMENT TRUST COMPANY
By /s/ JOSEPH K. PEERY	By /s/ JOHN P. O'RILEY JR. 2/9/94
Date	Senior Vice President Date

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

THIS FOURTH AMENDMENT, dated as of the 1st day of April, 1994, by and between Fidelity Management Trust Company (the "Trustee") and Quanex Corporation (the "Sponsor"); and

WITNESSETH:

WHEREAS, the Trustee and the Sponsor heretofore entered into a trust agreement dated March 31, 1992, with regard to the Nichols-Homeshield 401(k) Savings Plan (the "Plan"); and

WHEREAS, the Trustee and the Sponsor now desire to amend said trust agreement as provided for in Section 13 thereof;

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

(1) Amending and restating the "investment options" portion of Schedules "A" and "C", to read as follows:

- Fidelity Magellan Fund
- Fidelity Overseas Fund
- Fidelity Puritan Fund
- Fidelity Money Market Trust:Retirement Government Money Market Portfolio
- Fidelity Growth & Income Portfolio
- Fidelity Short Intermediate Government Portfolio
- Fidelity Contrafund
- Fidelty Balanced Fund

(2) Amending and restating Schedules "D" and "E", as attached.

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

QUANEX CORPORATION	FIDELITY MANAGEMENT TRUST COMPANY
By /s/ ROBERT C. SNYDER 3/30/94	By /s/ JOHN P. O'RILEY JR. 4/5/94
Date	Senior Vice President Date

SCHEDULE D

QUANEX CORPORATION
1900 WEST LOOP SOUTH, SUITE 1500
HOUSTON, TX 77027
(713) 961-4600

March 31, 1994

Re: Nichols-Homeshield 401(k) Savings Plan Trust

==========

Ms. Jacqueline W. McCarthy
Fidelity Investments Institutional Operations Company
82 Devonshire Street
Boston, Massachusetts 02109

Dear Ms. McCarthy:

This letter is sent to you in accordance with Section 7(b) of the Trust Agreement, dated as of April 1, 1991, between Quanex Corporation and Fidelity Management Trust Company. We hereby designate Robert C. Snyder, Vernon E. Oechsle, Wayne M. Rose, and Joseph K. Peery, as the individuals who may provide directions upon which Fidelity Management Trust Company shall be fully protected in relying. Only one such individual need provide any direction. The signature of each designated individual is set forth below and certified to be such.

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

Very truly yours,

QUANEX CORPORATION

By: /s/ JOSEPH K. PEERY
Assistant Secretary

/s/ ROBERT C. SNYDER
Robert C. Snyder

/s/ VERNON E. OECHSLE
Vernon E. Oechsle

/s/ WAYNE M. ROSE
Wayne M. Rose

/s/ JOSEPH K. PEERY
Joseph K. Peery

SCHEDULE E

QUANEX CORPORATION
1900 WEST LOOP SOUTH, SUITE 1500
HOUSTON, TX 77027
(713) 961-4600

March 31, 1994

Re: Nichols-Homeshield 401(k) Savings Plan Trust

==========

Ms. Jacqueline W. McCarthy
Fidelity Investments Institutional Operations Company
82 Devonshire Street
Boston, Massachusetts 02109

Dear Ms. McCarthy:

This letter is sent to you in accordance with Section 7(c) of the Trust Agreement, dated as of April 1, 1991, between Quanex Corporation and Fidelity Management Trust Company. We hereby designate Robert C. Snyder, Vernon E. Oechsle, Wayne M. Rose, and Joseph K. Peery, as the individuals who may provide directions upon which Fidelity Management Trust Company shall be fully protected in relying. Only one such individual need provide any direction. The signature of each designated individual is set forth below and certified to be such.

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

Very truly yours,

QUANEX CORPORATION

By: /s/ JOSEPH K. PEERY
Assistant Secretary

/s/ ROBERT C. SNYDER
Robert C. Snyder

/s/ VERNON E. OECHSLE
Vernon E. Oechsle

/s/ WAYNE M. ROSE
Wayne M. Rose

/s/ JOSEPH K. PEERY
Joseph K. Peery

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

THIS FIFTH AMENDMENT, dated as of the first day of July, 1994, by and between Fidelity Management Trust Company (the "Trustee") and Quanex Corporation (the "Sponsor");

WITNESSETH:

WHEREAS, the Trustee and the Sponsor heretofore entered into a trust agreement dated March 31, 1992, with regard to the Nichols-Homeshield 401(k) Savings Plan (the "Plan"); and

WHEREAS, the Trustee and the Sponsor now desire to amend said trust agreement as provided for in Section 13 thereof;

WHEREAS, the Sponsor now desires, and hereby directs the Trustee, in accordance with Section 7(c), to liquidate all participant balances held in the Fidelity Short Intermediate Government Portfolio on July 1, 1994 and to invest the proceeds in the Fidelity Money Market Trust:Retirement Government Money Market Portfolio. The parties hereto agree that the Trustee shall have no discretionary authority with respect to this sale and transfer directed by the Sponsor. Any variation from the procedure described herein may be instituted only at the express written directions of the Sponsor; and

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

(1) Amending Section 4 by adding two new subsections, Section 4(h) and 4(i), respectively, to read as follows:

(h) Sponsor Stock. Trust investments in Sponsor Stock shall be subject to the following limitations:

(i) Acquisition Limit. Pursuant to the Plan, the Trust may be invested in Sponsor Stock to the extent necessary to comply with investment directions under Section 4(c) of this Agreement. Up to 100 percent (100%) of the Trust assets may be so invested in Sponsor Stock.

(ii) Fiduciary Duty of Named Fiduciary. The Named Fiduciary shall continually monitor the suitability under the fiduciary duty rules of section 404(a)(1) of ERISA (as modified by section 404(a)(2) of ERISA) of acquiring and holding Sponsor Stock. The Trustee shall not be liable for any loss, or by reason of any breach, which arises from the directions of the Named Fiduciary with respect to the acquisition and holding of Sponsor Stock, unless it is clear on their face that the actions to be taken under those directions would be prohibited by the foregoing fiduciary duty rules or would be contrary to the terms of the Plan or this Agreement.

(iii) Execution of Purchases and Sales. (A) Purchases and sales of Sponsor Stock (other than for exchanges) shall be made on the open market on

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

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

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

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

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

(B) Use of an Affiliated Broker. The Sponsor hereby authorizes the Trustee to use Fidelity Brokerage Services, Inc. ("FBSI") to provide brokerage services in connection with any purchase or sale of Sponsor Stock in accordance with directions from Plan participants. FBSI shall execute such directions directly or through its affiliate, National Financial Services Company ("NFSC"). The provision of brokerage services shall be subject to the following:

(i) As consideration for such brokerage services, the Sponsor agrees that FBSI shall be entitled to remuneration under this authorization provision in the amount of five cents ($.05) commission on each share of Sponsor Stock up to 10,000 shares in a singular transaction, four cents ($.04) commission on each share of Sponsor Stock from 10,001 to 20,000 shares in a singular transaction, and three and one-half cents ($.035) commission on each share of Sponsor Stock in excess of 20,000 shares in a singular transaction. Any change in such remuneration may be made only by a signed agreement between Sponsor and Trustee.

(ii) Following the procedures set forth in Department of Labor Prohibited Transaction Class Exemption 86-128, the Trustee has provided the Sponsor with the following documents: (1) a description of FBSI's brokerage placement practices; (2) a copy of PTCE 86-128; and (3) a form by which the Sponsor may terminate this authorization to use a broker affiliated with the Trustee. The Trustee will, within the time periods specified in PTCE 86-128, provide the Sponsor with the confirmations and reports required under PTCE 86-128.

(iii) Any successor organization of FBSI, through reorganization, consolidation, merger or similar transactions, shall, upon consummation of such transaction, become the successor broker in accordance with the terms of this authorization provision.

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

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

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

(A) Voting.

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

(2) Each participant shall have the right to direct the Trustee as to the manner in which the Trustee is to vote that number of shares of Sponsor Stock credited to the participant's accounts (both vested and unvested). Directions from a participant to the Trustee concerning the voting of Sponsor Stock shall be communicated in writing, or by mailgram or similar means. These directions shall be held in confidence by the Trustee and shall not be divulged to the Sponsor, or any officer or employee thereof, or any other person. Upon its receipt of the directions, the Trustee shall vote the shares of Sponsor Stock as directed by the participant. The Trustee shall vote shares of Sponsor Stock credited to a participant's accounts for which it has received no

directions from the participant in the same proportion on each issue as it votes those shares for which it received voting instructions from participants.

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

(B) Tender Offers.

(1) Upon commencement of a tender offer for any securities held in the Trust that are Sponsor Stock, the Sponsor shall notify each Plan participant of the tender offer and utilize its best efforts to timely distribute or cause to be distributed to the participant the same information that is distributed to shareholders of the issuer of Sponsor Stock in connection with the tender offer, and, after consulting with the Trustee, shall provide and pay for a means by which the participant may direct the Trustee whether or not to tender the Sponsor Stock credited to the participant's accounts (both vested and unvested). The Sponsor shall provide the Trustee with a copy of any material provided to the participants and shall certify to the Trustee that the materials have been mailed or otherwise sent to participants.

(2) Each participant shall have the right to direct the Trustee to tender or not to tender some or all of the shares of Sponsor Stock credited to the participant's accounts (both vested and unvested). Directions from a participant to the Trustee concerning the tender of Sponsor Stock shall be communicated in writing, or by mailgram or such similar means as is agreed upon by the Trustee and the Sponsor under the preceding paragraph. These directions shall be held in confidence by the Trustee and shall not be divulged to the Sponsor, or any officer or employee thereof, or any other person except to the extent that the consequences of such directions are reflected in reports regularly communicated to any such persons in the ordinary course of the performance of the Trustee's services hereunder. The Trustee shall tender or not tender shares of Sponsor Stock as directed by the participant. To the extent that Plan participants fail to affirmatively direct the Trustee to tender shares of Sponsor Stock credited to their accounts, those Plan participants will be deemed to have instructed the Trustee not to tender those shares. Accordingly, the Trustee shall not tender shares of Sponsor Stock credited to a participant's accounts for which it has received no directions from the participant.

(3) The Trustee shall tender that number of shares of Sponsor Stock not credited to participants' accounts which is determined by multiplying the total number of shares of Sponsor Stock not credited to participants' accounts by a fraction of which the numerator is the number of shares of Sponsor Stock credited to participants' accounts for which the Trustee

has received directions from participants to tender (which directions have not been withdrawn as of the date of this determination) and of which the denominator is the total number of shares of Sponsor Stock credited to participants' accounts.

(4) A participant who has directed the Trustee to tender some or all of the shares of Sponsor Stock credited to the participant's accounts may, at any time prior to the tender offer withdrawal date, direct the Trustee to withdraw some or all of the tendered shares, and the Trustee shall withdraw the directed number of shares from the tender offer prior to the tender offer withdrawal deadline. Prior to the withdrawal deadline, if any shares of Sponsor Stock not credited to participants' accounts have been tendered, the Trustee shall redetermine the number of shares of Sponsor Stock that would be tendered under Section 4(e)(v)(B)(3) if the date of the foregoing withdrawal were the date of determination, and withdraw from the tender offer the number of shares of Sponsor Stock not credited to participants' accounts necessary to reduce the amount of tendered Sponsor Stock not credited to participants' accounts to the amount so redetermined. A participant shall not be limited as to the number of directions to tender or withdraw that the participant may give to the Trustee.

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

(vi) Shares Credited. For all purposes of this Section, the number of shares of Sponsor Stock deemed "credited" to a participant's accounts shall be determined as of the last preceding valuation date. The trade date is the date the transaction is valued, provided, however, that in the case of a reallocation from mutual funds to Sponsor Stock, the date on which the Sponsor Stock is traded is the valuation date immediately following the date the mutual funds being reallocated are valued.

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

(viii) Conversion. All provisions in this Section 4(h) shall also apply to any securities received as a result of a conversion of Sponsor Stock.

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

(2) Amending and restating the "investment options" portion of Schedule "A", to read as follows:

-Fidelity Magellan Fund
-Fidelity Overseas Fund
-Fidelity Puritan Fund
-Fidelity Money Market Trust:Retirement Government Money Market Portfolio
-Fidelity Growth & Income Portfolio
-Fidelity Contrafund
-Fidelity Balanced Fund
-Managed Income Portfolio
-Sponsor Stock

(3) Amending and restating Schedules "B", "C", and "G" as attached.

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

QUANEX CORPORATION	FIDELITY MANAGEMENT TRUST COMPANY
By _____	By _____
Date	Senior Vice President Date

Schedule "B"
FEE SCHEDULE

- Annual Participant Fee	$20.00 per participant*, subject to a $7,500 per year minimum, billed and payable quarterly.
- Loan Fee	Establishment fee of $35.00 per loan account; annual fee of $15.00 per loan account.
- Remote Access (optional)	$ 1,000 per year, plus a monthly charge for TYMNET usage.

- Other Fees: extraordinary expenses resulting from large numbers of simultaneous manual transactions or from errors not caused by Fidelity.

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

Trustee Fees

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

- To the extent that assets are invested in Sponsor Stock, 0.25% of such assets in the Trust payable pro rata quarterly on the basis of such assets as of the calendar quarter's last valuation date.

- The minimum total Trustee fee is $10,000.

QUANEX CORPORATION	FIDELITY MANAGEMENT TRUST COMPANY
By _____	By _____
Date	Senior Vice President Date

Schedule "C"

INVESTMENT OPTIONS

In accordance with Section 4(b), the Named Fiduciary hereby directs the Trustee that participants' individual accounts may be invested in the following investment options:

- -Fidelity Magellan Fund
- -Fidelity Overseas Fund
- -Fidelity Puritan Fund
- -Fidelity Money Market Trust:Retirement Government Money Market Portfolio
- -Fidelity Growth & Income Portfolio
- -Fidelity Contrafund
- -Fidelity Balanced Fund
- -Managed Income Portfolio
- -Sponsor Stock

The mutual fund advised by Fidelity Management & Research Company referred to in Section 4(c) and 4(h)(v)(B)(5) shall be Fidelity Money Market Trust: Retirement Government Money Market Portfolio.

QUANEX CORPORATION

By _____
Date

Schedule "G"
TELEPHONE EXCHANGE PROCEDURES

The following telephone exchange procedures are currently employed by Fidelity Institutional Retirement Services Company (FIRSCO).

Telephone exchange hours are 8:30 a.m. (ET) to 8:00 p.m. (ET) on each business day. A "business day" is any day on which the New York Stock Exchange is open.

FIRSCO reserves the right to change these telephone exchange procedures at its discretion.

Mutual Funds

Exchanges Between Mutual Funds

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

Company Stock

Exchanges from Mutual Funds to Company Stock

Company Stock exchanges are processed on a monthly cycle. Participants who wish to exchange out of a mutual fund into Company Stock may call between the 1st and the 15th of the month. No calls will be accepted after 4:00 p.m. (ET) on the 15th (or previous business day if the 15th is not a business day).

Mutual fund shares are sold on the 15th of the month (or the previous business day if the 15th is not a business day) and the Company Stock is purchased within two (2) business days after the date on which the mutual fund shares are sold.

Exchanges from Company Stock to Mutual Funds

Participants who wish to exchange out of Company Stock into mutual funds may call between the 1st and the 15th of the month. No calls will be accepted after 4:00 p.m. (ET) on the 15th (or previous business day if the 15th is not a business day).

The Company Stock is sold on the 16th (or the next business day if the 16th is not a business day) and the subsequent purchase into mutual funds will take place five (5) business days later. This allows for settlement of the stock trade at the custodian and the corresponding transfer to Fidelity. Orders for sales of Company Stock must be share specific.

Managed Income Portfolio

Exchanges Between Mutual Funds and Managed Income Portfolio

Participants who wish to exchange out of a mutual fund into the Managed Income Portfolio of the Fidelity Group Trust for Employee Benefit Plans (the "Group Trust") may call on any business day. If the request is received before 4:00 p.m. (ET), it will receive that day's trade date. Calls received after 4:00 p.m. (ET) will be processed on a next day basis.

Exchanges from Managed Income Portfolio to Company Stock

Participants who wish to exchange out of the Managed Income Portfolio into Company Stock may call between the 1st and the 15th of the month. No calls will be accepted after 4:00 p.m. (ET) on the 15th (or previous business day if the 15th is not a business day).

Managed Income Portfolio shares are sold on the 15th of the month (or the previous business day if the 15th is not a business day) and the Company Stock is purchased within two (2) business days after the date on which the Managed Income Portfolio shares are sold.

Exchanges from Company Stock to Managed Income Portfolio

Participants who wish to exchange out of Company Stock into the Managed Income Portfolio may call between the 1st and the 15th of the month. No calls will be accepted after 4:00 p.m. (ET) on the 15th (or previous business day if the 15th is not a business day).

The Company Stock is sold on the 16th (or the next business day if the 16th is not a business day) and the subsequent purchase into the Managed Income Portfolio will take place five (5) business days later. This allows for settlement of the stock trade at the custodian and the corresponding transfer to Fidelity. Orders for sales of Company Stock must be share specific.

Exchange Restrictions

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

QUANEX CORPORATION

By _____
Date

SCHEDULE E

QUANEX CORPORATION
1900 West Loop South, Suite 1500
Houston, Texas 77027
(713) 961-4600

March 31, 1994

Re: Nichols-Homeshield 401(k) Savings Plan Trust

Ms. Jacqueline W. McCarthy
Fidelity Investments Institutional Operations Company
82 Devonshire Street
Boston, Massachusetts 02109

Dear Ms. McCarthy:

This letter is sent to you in accordance with Section 7(c) of the Trust Agreement, dated as of April 1, 1991, between Quanex Corporation and Fidelity Management Trust Company. We hereby designate Robert C. Snyder, Vernon E. Oechsle, Wayne M. Rose, and Joseph K. Peery, as the individuals who may provide directions upon which Fidelity Management Trust Company shall be fully protected in relying. Only one such individual need provide any direction. The signature of each designated individual is set forth below and certified to be such.

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

Very truly yours,
QUANEX CORPORATION

By: /s/ JOSEPH K. PEERY
_____
Joseph K. Peery
Assistant Secretary

/s/ ROBERT C. SNYDER
_____
Robert C. Snyder

/s/ VERNON E. OECHSLE
_____
Vernon E. Oechsle

/s/ WAYNE M. ROSE
_____
Wayne M. Rose

/s/ JOSEPH K. PEERY
_____
Joseph K. Peery

Exhibit 4.16

NICHOLS-HOMESHIELD
401(K) SAVINGS PLAN

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NICHOLS-HOMESHIELD
401(K) SAVINGS PLAN

Quanex Corporation, Nichols-Homeshield, Inc. and Quanex Metals, Inc. have entered into the following Agreement:

W I T N E S S E T H:

WHEREAS, on December 12, 1987, Nichols-Homeshield, Inc. established the Nichols-Homeshield, Inc. and Participating Companies Salaried Employees Profit Sharing Retirement Plan effective October 1, 1987; and

WHEREAS, on October 1, 1987, Nichols-Homeshield, Inc. established the Nichols-Homeshield, Inc. 401(k) Savings Plan effective October 1, 1987; and

WHEREAS, Gulf Wire Corporation adopted the Nichols-Homeshield, Inc. and Participating Companies Salaried Employees Profit Sharing Retirement Plan and the Nichols-Homeshield, Inc. 401(k) Savings Plan effective April 1, 1989; and

WHEREAS, Nichols-Homeshield, Inc. has determined to merge the Nichols-Homeshield, Inc. and Participating Companies Salaried Employees Profit Sharing Retirement Plan into the Nichols-Homeshield, Inc. 401(k) Savings Plan effective November 1, 1991; and

WHEREAS, Nichols-Homeshield, Inc. has determined to completely amend, restate and continue the Nichols-Homeshield, Inc. and Participating Companies Salaried Employees Profit Sharing Retirement Plan and the Nichols-Homeshield, Inc. 401(k) Savings Plan without a gap or lapse in coverage, time or effect which would cause any Member to become fully vested or entitled to a distribution, in order to (a) effect numerous technical changes for the benefit of eligible employees and beneficiaries, and (b) to ensure the plans' qualifications under the applicable provisions of the Internal Revenue Code of 1986, as amended, and the Employee Retirement Income Security Act of 1974, as amended; and

WHEREAS, Quanex Metals, Inc. has determined to adopt the merged plans under the form of this instrument effective April 1, 1991;

WHEREAS, on January 1, 1992, employees of Nichols-Homeshield, Inc. will be transferred to the employ of Quanex Corporation;

WHEREAS, Quanex Corporation is desirous of assuming the liabilities of this plan and the responsibilities as Sponsor of this plan effective January 1, 1992;

WHEREAS, effective January 1, 1992, the parties have determined to change the name of this plan to "Nichols- Homeshield 401(k) Savings Plan"; and

WHEREAS, it is intended that other business organizations may adopt this plan and its related trust for the exclusive benefit of their employees and their employees' beneficiaries;

NOW, THEREFORE, this Agreement is entered into in order to set forth the terms of the plan which are as follows:

ARTICLE I

DEFINITIONS

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

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

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

(b) Supplemental Employer Contribution Account -- The Employer's profit sharing contributions.

(c) Qualified Nonelective Employer Contribution Account -- The Employer's contributions made as a means of passing the Actual Deferral Percentage test.

(d) Rollover Account -- Funds transferred from another qualified plan or IRA account for the benefit of a Member.

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

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

1.4 "ACTUAL DEFERRAL RATIO" means for an Employee the ratio of Section 401(k) Contributions actually paid into the Trust on behalf of the Employee for a Plan Year to the Employee's Annual Compensation for the same Plan Year.

1.5 "AFFILIATED EMPLOYER" means an employer which is a member of the same controlled group of corporations within the meaning of Section 414(b) of the Code or which is a trade or business (whether or not incorporated) which is under common control (within the meaning of Section 414(c) of the Code), which is a member of an affiliated service group (within the meaning of Section 414(m) of the Code) with the Employer, or which is required to be aggregated with the Employer under Section 414(o) of the Code.

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

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

1.8 "ALLOCATION PERIOD" means the period beginning on the day following a Valuation Date or Special Valuation Date and ending on the immediately succeeding Valuation Date or Special Valuation Date.

1.9 "ANNUAL ADDITIONS" means (a) Employer Discretionary Contributions, (b) Salary Deferral Contributions, (c) forfeitures and (d) amounts described in Sections 415(l)(1) and 419A(d)(2) of the Code having to do with individual medical accounts (but these amounts shall be subject to only the dollar limitation and not to the 25% Annual Compensation limitation). Excess 401(k) Contributions for a Plan Year are treated as Annual Additions for that Plan Year even if they are corrected through distribution. Excess Deferrals that are timely distributed as set forth in Section 4.3 will not be treated as Annual Additions.

1.10 "ANNUAL COMPENSATION" means for purposes of Section 5.4 of the Plan, as to each Member wages as defined in Section 3401(a) of the Code for purposes of income tax withholding at the source but determined without regard to any rules that limit the remuneration included in wages based on the nature or location of the employment or the services performed.

Annual Compensation means, when used in determining an Employee's Actual Deferral Ratio and when used to determine if a person is a Highly Compensated Employee or a Key Employee the same as it does for purposes of applying Section 415 of the Code as

modified by including elective contributions under a cafeteria plan governed by Section 125 of the Code and contributions to any plan qualified under Section 401(k), 408(k) or 403(b) of the Code. However, for purposes of determining an Employee's Actual Deferral Ratio, Annual Compensation shall include only compensation earned during the portion of the Plan Year that the Employee was eligible to participate in the Plan.

For purposes of determining the amount of and allocating Supplemental Employer Contributions for Members who receive salaried remuneration, "Annual Compensation" means the same as it does when used to determine if a person is a Highly Compensated Employee, as modified by excluding the following items (even if includable in gross income): all bonuses, reimbursements or other expense allowances, fringe benefits (cash and noncash), moving expenses, deferred compensation (such as amounts realized from the exercise of a nonqualified stock option or when restricted property or other property held by a Member either becomes freely transferable or no longer subject to a substantial risk of forfeiture under Code Section 83, or amounts realized from the sale exchange or other disposition of an incentive stock option) and welfare benefits (such as severance pay and vacation pay).

For purposes of determining the amount of and allocating Supplemental Employer Contributions for Members who receive hourly remuneration, "Annual Compensation" means the same as it does when used for purposes of determining the amount of and allocating Supplemental Employer Contributions for Members who receive salaried remuneration, as modified by including all bonuses.

For purposes of determining the amount of and allocating Salary Deferral Contributions, Annual Compensation means the same as it does when used for purposes of determining the amount of and allocating Supplemental Employer Contributions for Members who receive salaried remuneration. However, field bonuses paid to Non-Highly Compensated Employees under the Improshare or Productivity Improvement programs shall be included in Annual Compensation for this purpose. A management bonus that is paid annually will not be included in Annual Compensation for this purpose.

All Annual Compensation, without regard to its definition, in excess of $200,000 (as adjusted by the Secretary of the Treasury) shall be disregarded. In determining the Annual Compensation of a Member for purposes of this limitation, the rules of Section 414(q)(6) of the Code shall apply to an Employee who is related to an Employee or owner of an Employer, except that the term Family Member shall include only the spouse of the Member and any lineal descendants of the Member who have not attained age 19 before the close of the Plan Year. If as a result of the application of this rule, the adjusted $200,000 limitation is exceeded, the limitation shall be prorated among the affected Members in proportion to each Member's Annual Compensation as determined under this Section prior to the application of this limitation.

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

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

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

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

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

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

(b) Supplemental Employer Contribution -- Profit sharing contributions made by the Employer out of Net Earnings.

(c) Qualified Nonelective Employer Contribution -- Contributions made by the Employer as a means of passing the Actual Deferral Percentage test.

(d) Rollover Contribution - Contributions made by a Member which are transfers from a prior qualified plan or IRA account.

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

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

1.18 "EARNINGS BEFORE INTEREST AND TAXES" means gross margin minus selling expenses and general administrative expenses but before interest income or expense and income taxes determined on a consolidated basis for the Sponsor's aluminum facilities and Quanex Metals, Inc. However, Earnings Before Interest and Taxes shall not be reduced for contributions made under this Plan.

1.19 "EMPLOYEE" means, except as otherwise specified in this Section, all common law employees of the Sponsor who are working at one of the Nichols-Homeshield Divisions, and all common law employees of any other Employer. However, employees working outside of the United States will not be considered Employees unless the Committee elects to continue to cover them in this Plan. In addition, all leased employees (as defined in Section 414(n) of the Code) will not be considered Employees unless the Plan's qualified status is dependent upon coverage of the leased employees.

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

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

1.22 "EXCESS 401(K) CONTRIBUTIONS" means, with respect to any Plan Year, the excess of (a) the aggregate amount of Section 401(k) Contributions actually paid into the Trust on behalf of Highly Compensated Employees for the Plan Year over (b) the maximum amount of those contributions permitted under the limitations set out in the first sentence of Section 4.4 of the Plan. To calculate the amount of Excess 401(k) Contributions the Actual Deferral Ratio of the Highly Compensated Employee with the highest Actual Deferral Ratio is reduced to equal the ratio of the Highly Compensated Employee with the next highest Actual Deferral Ratio. However, if a lesser reduction would enable the Plan to pass the Actual Deferral Percentage test, only that lesser reduction may be made. This leveling process is repeated until the Actual Deferral Percentage test is satisfied.

1.23 "FAMILY MEMBER" means the spouse and lineal ascendants or descendants and the spouses of those lineal ascendants or descendants of a 5% owner or of a Highly Compensated Employee who is one of the 10 employees receiving the greatest Annual Compensation from the Employers during the Plan Year.

1.24 "HIGHLY COMPENSATED EMPLOYEE" means an Employee who, during the Plan Year or the preceding Plan Year, (a) was at any time a 5% owner, (b) received Annual Compensation from the Employers in excess of $75,000 (as adjusted from time to time by the Secretary of the Treasury), (c) received Annual Compensation from the Employers in excess of $50,000 (as adjusted from time to time by the Secretary of the Treasury) and was within the 20% of employees of the Employer and Affiliated Employers who were the highest paid for the

Plan Year, or (d) was at any time an officer and received Annual Compensation in excess of 50% of the annual addition limitation of Section 415(b)(1)(A) of the Code. For this purpose no more than 50 employees or, if lesser, the greater of three employees or 10% of the employees shall be treated as officers, excluding those Employees who may be excluded in determining the top paid group. If no officer has Annual Compensation in excess of 50% of the annual limitation of Section 415(b)(1)(A) of the Code, the highest paid officer for the year shall be treated as a Highly Compensated Employee. If a Member did not fall within (b), (c) or (d), without regard to this sentence, for the Plan Year preceding the Plan Year of the determination, he will not be treated as falling within (b), (c) or (d) for the Plan Year of the determination unless he is a member of the group consisting of the 100 employees paid the greatest Annual Compensation during that Plan Year. For this purpose the determination of the top paid 100 employees will be made using Section 414(q) of the Code and its Regulations. A former Member will be treated as a Highly Compensated Employee if he was a Highly Compensated Employee when he severed Service or he was a Highly Compensated Employee at any time after attaining age 55.

If an Employee is, during the Plan Year or the preceding Plan Year, a Family Member of a Highly Compensated Employee who is one of the 10 most highly compensated Employees ranked on the basis of Annual Compensation paid by the Employer during such year, then the Family Member and the top-ten highly compensated Employee shall be aggregated. In such case, the Family Member and top-ten highly compensated Employee will be treated as a single Employee receiving Annual Compensation and Plan Contributions equal to the sum of such Annual Compensation and Contributions of the Family Member and top-ten highly compensated Employee.

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

1.26 "KEY EMPLOYEE" means an Employee or former or deceased Employee or Beneficiary of an Employee who at any time during the Plan Year or any of the four preceding Plan Years is (a) an officer of an Employer or any Affiliated Employer having Annual Compensation greater than 50% of the annual addition limitation of Section 415(b)(1)(A) of the Code for the Plan Year, (b) one of the 10 employees having Annual Compensation from an Employer or any Affiliated Employer of greater than 100% of the annual addition limitation of Section 415(c)(1)(A) of the Code for the Plan Year and owning or considered as owning (within the meaning of Section 318 of the Code) the largest interest in an Employer or any Affiliated Employer, treated separately, (c) a 5% owner of an Employer or any Affiliated Employer, treated separately, or (d) a 1% owner of an Employer or any Affiliated Employer, treated separately, having Annual Compensation from an Employer or any Affiliated Employer of more than $150,000. For this purpose no more than 50 employees or, if lesser, the greater of three employees or 10% of the employees shall be treated as officers. Section 416(i) of the Code shall be used to determine percentage of ownership. For the purpose of the test set out in (b) above,

if two or more employees have the same interest in an Employer, the employee with the greater Annual Compensation from the Employer shall be treated as having the larger interest.

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

1.28 "NON-HIGHLY COMPENSATED EMPLOYEE" means an Employee of the Employer who is neither a Highly Compensated Employee nor a Family Member of a Highly Compensated Employee.

1.29 "NON-KEY EMPLOYEE" means any Employee who is not a Key Employee.

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

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

1.32 "PLAN" means this Plan, including all subsequent amendments.

1.33 "PLAN YEAR" means the calendar year. The Plan Year shall be the fiscal year of this Plan.

1.34 "REGULATION" means the Internal Revenue Service regulation specified, as it may be changed from time to time.

1.35 "RETIRED MEMBER" means a person who was at one time a Member who received allocations of Contributions and who has now retired under the terms of this Plan but still has an Account.

1.36 "RETIREMENT AGE" means 65 years of age. Once a Member has attained his Retirement Age he shall be 100% vested at all times.

1.37 "ROLLOVER CONTRIBUTION" means the amount contributed by a Member of this Plan which consists of: (a) any part of a distribution the Member received from an individual retirement account which consists entirely of property that was initially contributed to the individual retirement account from a distribution received out of a qualified total distribution from a qualified employee trust described in Section 401(a) or 403(a) of the Code

together with the earnings on that property or (b) any part of a distribution or proceeds from the sale of any part of the property that the Member received in excess of his own Contributions and in excess of any amounts previously distributed to the Member and not includable in gross income from any distribution out of a qualified employee trust described in Section 401(a) or 403(a) of the Code.

1.38 "SECTION 401(K) CONTRIBUTIONS" means the sum of Salary Deferral Contributions made on behalf of the Member during the Plan Year and other amounts that the Employer elects to have treated as Section 401(k) Contributions pursuant to Code Section 401(k)(3)(d)(ii) to the extent that those other amounts are not used to enable the Plan to satisfy the minimum contribution requirements of Section 416 of the Code.

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

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

1.41 "SPONSOR" means, effective January 1, 1992, Quanex Corporation or any other business organization which assumes the primary responsibility for maintaining this Plan with the consent of the last preceding Sponsor.

1.42 "TOP-HEAVY PLAN" means any plan which has been determined to be top-heavy under the test described in Article VII of this Plan.

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

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

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

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

1.47 "VALUATION DATE" means the day or days each Plan Year selected by the Committee on which the Trust Fund is to be valued which cannot be less frequent than annually. One or more Accounts may have different Valuation Dates from other Accounts. The Valuation Date must be announced to all Members and shall remain the same until changed by the Committee and announced to the Members. Until changed by the Committee, the Valuation Dates shall be March 31, June 30, September 30 and December 31 of each Plan Year.

ARTICLE II

ACTIVE SERVICE

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

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

2.3 ELIGIBILITY COMPUTATION PERIODS. For the purpose of determining eligibility and vesting, the initial period shall begin on the day the Employee first performs an Hour of Service simultaneously with Active Service beginning and each future year shall begin on the anniversary of that date.

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

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

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

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

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

2.9 COVERAGE OF CERTAIN PREVIOUSLY EXCLUDED EMPLOYEES. Any Employee who is no longer excludable because he or she is no longer included in a unit of Employees covered by a collective bargaining agreement between the Employees' representative and the Employer where retirement benefits were the subject of good faith bargaining shall immediately become eligible for membership if he meets the eligibility requirements. All his Service with the Employer or any Affiliated Employer shall be counted as Active Service for eligibility and vesting purposes.

2.10 MILITARY SERVICE. A Member who leaves the employ of an Employer to enter the armed services of the United States shall not be deemed to have broken his continuous employment if he returns to employment with an Employer within 90 days after his separation from military service without employment elsewhere. The Member, however, shall be awarded Active Service for eligibility and vesting purposes but only such Active Service as is required by law for an allocation of Contributions and/or forfeitures.

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

2.12 CREDIT FOR SERVICE WITH ALUMI-BRITE CORPORATION. For purposes of determining an Employee's Active Service for eligibility to participate and vesting, up to five years of his service with Alumi-Brite Corporation will be counted as Active Service under the Plan.

ARTICLE III

ELIGIBILITY RULES

3.1 ELIGIBILITY REQUIREMENTS. Each Employee shall be eligible to participate in this Plan beginning on the entry date which occurs with or next follows the date on which the Employee completes one year of Active Service. However, all Employees who are included in a unit of Employees covered by a collective bargaining agreement between the Employees' representative and the Employer shall be excluded, even if they have met the requirements for eligibility, if there has been good faith bargaining between the Employer and the Employees' representative pertaining to retirement benefits and the agreement does not require the Employer to include such Employees in this Plan. The Plan's entry dates will be January 1, April 1, July 1 and October 1 of each Plan Year.

3.2 SPECIAL RULE FOR SALARY DEFERRAL CONTRIBUTIONS. An Employee will be eligible to participate in the cash or deferred arrangement portion of the Plan for all purposes relating to Salary Deferral Contributions on the entry date next following the date that he completes an Hour of Service.

3.3 ELIGIBILITY UPON REEMPLOYMENT. If an Employee Severs Service with the Employer for any reason after fulfilling the eligibility requirements but prior to the date he initially begins participating in the Plan, the Employee shall be eligible to begin participation in this Plan on the day he first completes an Hour of Service upon his return to employment with an Employer. Once an Employee has become eligible to be a Member, his eligibility shall continue until he Severs Service. A former Member shall be eligible to recommence participation in this Plan on the first day he completes an Hour of Service upon his return to employment with an Employer.

3.4 FROZEN PARTICIPATION. An Employee employed by an Affiliated Employer, which has not adopted this Plan, cannot actively participate in this Plan even though he accrues Active Service. Likewise, if an Employee: (a) is transferred from an Employer to an Affiliated Employer which has not adopted this Plan, or (b) is a Member of this Plan when he is excluded under the provisions of a collective bargaining agreement his participation becomes inactive. Under these circumstances, the Member's Account becomes frozen and he cannot contribute to the Plan nor can he share in the allocation of any Employer Contribution or forfeitures for the period after he is transferred. However, his Accounts shall continue to share in any appreciation or depreciation of the Trust Fund and in any income earned or losses incurred by the Trust Fund during the period of time that he is employed by an Affiliated Employer which has not adopted this Plan, or is excluded from covered employment under the provisions of a collective bargaining agreement.

ARTICLE IV

CONTRIBUTIONS

4.1 ROLLOVER CONTRIBUTIONS AND PLAN TO PLAN TRANSFERS. The Committee may permit Rollover Contributions by Members and/or direct transfers to or from another qualified plan on behalf of Members from time to time. If Rollover Contributions and/or direct transfers to or from another qualified plan are permitted, the opportunity to make those Contributions must be made available to all Members on a nondiscriminatory basis. For this purpose, all Employees of an Employer shall be considered to be Members of the Plan even though they may not have met the eligibility requirements. However, they shall not be entitled to contribute to the Plan, share in Employer Contributions or share in forfeitures unless and until they have met the requirements for eligibility, Contributions and allocations.

A Rollover Contribution shall not be accepted unless it is made on or before the 60th day after the Member received the distribution and it met one of the following requirements: (a) the distribution, when made from a qualified employee plan, must have met the requirements of a lump sum distribution, or (b) it was part or all of a distribution which was made within one taxable year of the Member because of the termination of a qualified plan or a complete discontinuance of contributions. A complete discontinuance of contributions occurs, for this purpose, on the day the Internal Revenue Service is notified that all contributions to the plan have been completely discontinued. A direct transfer of assets from another qualified plan shall not be accepted if it was at any time part of (a) a defined benefit plan (as defined in Section 401(a) or 414(j) of the Code), (b) a defined contribution plan (as defined in Sections 401(a) and 414(i) of the Code) which is subject to the minimum funding standards of Section 412 of the Code, (c) any other qualified plan which has joint and survivor annuity benefits or qualified preretirement survivor annuity benefits as described in Section 417 of the Code, or (d) which would require a distribution or withdrawal in a form not permitted under this Plan.

Rollover Contributions shall have no effect upon the amount permitted to be allocated to a Member's Account under Section 415 of the Code.

4.2 EMPLOYER CONTRIBUTIONS. Each Employer shall contribute for each Plan Year the following amounts:

(a) an amount, which when added to previously unapplied and unallocated forfeitures, shall equal the amounts which have been forfeited by Members who have become entitled to have their forfeited amounts restored;

(b) an amount equal to the value of all forfeited benefits for Members who formerly could not be located, upon receipt of claims by those Members;

(c) an amount which is equal to the amount, if any, necessary to fulfill the Top-Heavy Plan requirements found in Article VII if the Plan is determined to be a Top-Heavy Plan;

(d) the amount by which the Member's Annual Compensation is reduced as a result of a salary deferral agreement for the Plan Year; and

(e) the amount, if any, which is designated by the Board of Directors to be the Qualified Nonelective Employer Contribution for the Plan Year.

Effective October 1, 1991, if during the fiscal year of the Sponsor immediately preceding an Allocation Period the Sponsor had positive Earnings Before Interest and Taxes each Employer shall contribute for such Allocation Period an amount, if any, which is designated by the Board of Directors to be the Supplemental Employer Contribution for the Allocation Period. The Supplemental Employer Contribution for Members who receive salaried remuneration shall be equal to 6 1/2% of such Members' Annual Compensation for the Allocation Period. The Supplemental Employer Contribution for Members who receive hourly remuneration shall not exceed an amount equal to 6 1/2% of such Members' Annual Compensation for the Allocation Period. The rate of the Supplemental Employer Contribution need not be uniform among all divisions of the Employer.

The election to have Salary Deferral Contributions made, the ability to change the rate of Salary Deferral Contributions, the right to suspend Salary Deferral Contributions, and the manner of commencing new Salary Deferral Contributions shall be permitted under any uniform method determined from time to time by the Committee.

The amount of the Employer's Contributions described above cannot exceed the lesser of: (i) a sum equal to 15% of the total Annual Compensation paid during its taxable year ending with or within the Plan Year to all Members plus the maximum amount deductible under the "carryover" provisions of the Code which relate to contributions in previous years of less than the maximum amount deductible or (ii) the sum which may be allocated to the Members' Accounts without violating the limitations of Section 415 of the Code.

4.3 $7,000 LIMIT ON SALARY DEFERRAL CONTRIBUTIONS. The maximum Salary Deferral Contribution that a Member may elect to have made on his behalf during the Member's taxable year may not, when added to the amounts deferred under other plans or arrangements described in Code Sections 401(k), 408(k) and 403(b) exceed $7,000 (as adjusted by the Secretary of Treasury). If this dollar limitation is exceeded during any taxable year of the Member, the excess of the amounts deferred on behalf of the Member under plans or

arrangements described in Code Sections 401(k), 408(k) and 403(b) during the Member's taxable year over the dollar limitation (the "Excess Deferral") as adjusted by any earnings or losses thereon will be distributed to the Member no later than April 15 following the Member's taxable year in which the Excess Deferral was made.

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

For purposes of applying the requirements of Code Sections 4.4 and 7.2, Excess Deferrals will not be disregarded merely because they are Excess Deferrals or because they are distributed in accordance with this Section. However, Excess Deferrals made to the Plan on behalf of Non-Highly Compensated Employees are not to be taken into account under Section 4.4.

4.4 ACTUAL DEFERRAL PERCENTAGE FOR HIGHLY COMPENSATED EMPLOYEES. The Actual Deferral Percentage for Highly Compensated Employees for any Plan Year must bear a relationship to the Actual Deferral Percentage for all other eligible Employees for the Plan Year which meets either of the following tests:

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

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

For purposes of this test an eligible Employee is an Employee who is eligible to make Salary Deferral Contributions for all or part of a Plan Year. A person who is suspended from making Salary Deferral Contributions because he has made a withdrawal is an eligible Employee. If no Salary Deferral Contributions are made for an eligible Employee the deferral ratio that will be included for him in determining the Actual Deferral Percentage is zero. If this Plan and any other plan or plans which include cash or deferred arrangements are considered as one plan for purposes of Section 401(a)(4) or 410(b) of the Code, the cash or deferred arrangements included in this Plan and the other plans shall be treated as one plan for these tests. If any Highly Compensated Employee is a Member of this Plan and any other cash or deferred arrangements

of the Employer, when determining the deferral percentage of the Employee, all of the cash or deferred arrangements are treated as one.

As soon as practicable after the close of each Plan Year, the Committee shall determine whether the Actual Deferral Percentage for the Highly Compensated Employees would exceed the limitation. If the limitation would be exceeded for a Plan Year, before the close of the following Plan Year (a) the amount of Excess 401(k) Contributions for that Plan Year (and any income allocable to those Contributions as calculated in the specific manner required by Section 4.6) shall be distributed, or (b) the Employer may make a Qualified Nonelective Employer Contribution which is treated as a Section 401(k) Contribution and allocated only to those Members who are Non-Highly Compensated Employees. Any distributions of the Excess 401(k) Contributions for any Plan Year are to be made to Highly Compensated Employees on the basis of the respective portions of the Excess 401(k) Contributions attributable to each of them. The amount of Excess 401(k) Contributions to be distributed for any Plan Year must be reduced by any excess Salary Deferral Contributions previously distributed for the taxable year ending in the same Plan Year.

Failure to correct Excess 401(k) Contributions by the close of the Plan Year following the Plan Year for which they were made will cause the Plan to fail to be a qualified cash or deferred arrangement for the Plan Year for which the Excess Contributions were made and for all subsequent years they remain in the Trust. Also, the Employer will be liable for a 10% excise tax on the amount of Excess Contributions unless they are corrected within 2 1/2 months after the close of the Plan Year for which they were made.

4.5 SPECIAL ACTUAL DEFERRAL PERCENTAGE RULES FOR FAMILY MEMBERS. If a Member is a Highly Compensated Employee and a Family Member, the combined Actual Deferral Ratio for the family group (which is treated as one Highly Compensated Employee) must be determined by combining the Section 401(k) Contributions and Annual Compensation of all the eligible Family Members. If an Employee is required to be aggregated as a member of more than one family group in the Plan, all eligible Employees who are members of those family groups that include that Employee are aggregated as one family group. The correction of Excess 401(k) Contributions of a Highly Compensated Employee whose Actual Deferral Ratio is determined under the family aggregation rules is accomplished by reducing the Actual Deferral Ratio and allocating the Excess 401(k) Contributions for the family group among the Family Members in proportion to the Section 401(k) Contributions of each Family Member that is combined to determine the Actual Deferral Ratio. These family aggregation rules do not apply to Non-Highly Compensated Employees.

4.6 DISTRIBUTIONS OF INCOME ALLOCABLE TO EXCESS 401(K) CONTRIBUTIONS. The income allocable to Excess 401(k) Contributions for the Plan Year shall be determined by multiplying the income for the Plan Year allocable to Salary Deferral Contributions by a fraction. The numerator of the fraction is the amount of Excess 401(k) Contributions made on

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

4.7 PAYMENT OF EMPLOYER CONTRIBUTIONS. The Salary Deferral Contributions are to be paid to the Trustee in installments. The installment for each payroll period is to be paid within 30 days after the end of the payroll period and shall be in an amount equal to the amount by which all Members' Annual Compensation was reduced for the period. The Supplemental Employer Contribution and the Qualified Nonelective Employer Contribution for a Plan Year must be paid into the Trust Fund in one or more installments not later than the time prescribed by law for filing the Employer's federal income tax return (including extensions) for its taxable year for which it is to take the deduction. If the Contribution is paid after the last day of the Employer's taxable year but prior to the date it files its tax return (including extensions), it shall be treated as being received by the Trustee on the last day of the taxable year if (a) the Employer notifies the Trustee in writing that the payment is being made for that taxable year or (b) the Employer claims the Contribution as a deduction on its federal income tax return for the taxable year.

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

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

(b) any Contribution conditioned upon the Plan's initial qualification under Section 401 of the Code or the initial qualification of an Employer's adoption of the Plan, if later, may be repaid to the Employer within one year after the date of denial of the initial qualification of the Plan or of its adoption by the Employer; and

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

The Employer has the exclusive right to determine if a Contribution or any part of it is to be repaid or is to remain as a part of the Trust Fund except that the amount to be repaid is limited, if the Contribution is made by mistake of fact or if the deduction for the Contribution is disallowed, to the excess of the amount contributed over the amount that would have been contributed had there been no mistake or over the amount disallowed. Earnings

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which are attributable to any excess contribution cannot be repaid. Losses attributable to an excess contribution must reduce the amount that may be repaid. All repayments of mistaken Contributions or Contributions which are disallowed are limited so that the balance in a Member's Account cannot be reduced to less than the balance that would have been in the Member's Account had the mistaken amount or the amount disallowed never been contributed.

ARTICLE V

PARTICIPATION

5.1 ALLOCATION OF ROLLOVER CONTRIBUTIONS. If Rollover Contributions are permitted, the Committee shall allocate each Member's Rollover Contribution to his Rollover Account as of the date it is contributed.

5.2 ALLOCATION OF EMPLOYER CONTRIBUTIONS. As of the end of each Plan Year, the Committee shall:

(a) allocate the Employer Contribution, if any, which is required to restore the nonvested portion of the Employer Accounts of Members who had previously forfeited that nonvested portion on the date they terminated employment but who qualified for the restoration of that amount during the Plan Year;

(b) allocate the Employer Contribution, if any, which is required to restore the Accounts of those Members whose distributions were forfeited because of the Committee's inability to contact the Members previously but who have filed a claim for their Accounts during the Plan Year;

(c) allocate the Employer Contribution, if any, which is necessary to fulfill the Top-Heavy Plan requirements found in Article VII if the Plan is determined to be a Top-Heavy Plan; and

(d) allocate the Qualified Nonelective Employer Contribution for the Plan Year, if any, among the Non-Highly Compensated Employees who are Members on the last day of the Plan Year based upon each such Member's Annual Compensation as compared to the Annual Compensation of all such Members.

As of the end of each Allocation Period, the Committee shall allocate the Supplemental Employer Contribution for the Allocation Period, if any, among the Members who are eligible to participate and who are employed by one of the Employers or Affiliated Employers during the Allocation Period based upon each Member's Annual Compensation paid by the Employer as compared to the Annual Compensation of all Members employed by the Employer or Affiliated Employer and eligible for the allocation.

If a Member has been Transferred during the Plan Year, the Member shall be entitled to have allocated to him a portion of the Supplemental Employer Contribution based

upon his Annual Compensation for the Plan Year earned from all of the Employers for which a Supplemental Employer Contribution was made.

5.3 FORFEITURE ON TERMINATION OF PARTICIPATION. If as a result of terminating his participation in the Plan a former Member receives a distribution of his entire vested interest in his Accounts, the nonvested amount in his Accounts is immediately forfeited. However, if the Member is reemployed, all of his Accounts containing Employer Contributions (unadjusted for subsequent gains or losses) shall be restored if he repays to the Trustee within five years of the date of distribution that portion of the distribution which was derived from Employer Contributions.

If a former Member who has a vested interest in his Accounts containing Employer Contributions received no distribution or a distribution of less than the full amount of the Member's entire vested interest as a result of his termination of participation in the Plan, the nonvested amount in his Accounts is immediately forfeited. However, his Accounts containing Employer Contributions (unadjusted for subsequent gains or losses) shall be restored if he resumes employment with the Employer prior to incurring five consecutive one year Periods of Severance. A Member who received no distribution of Employer Contributions because he had no vested interest shall be treated as if he received a distribution of his entire vested interest and as if his entire vested interest was less than $3,500. A distribution shall be treated as if it were made as a result of termination of participation in the Plan if it is made not later than the end of the second Plan Year following the Plan Year in which the Member's termination occurs.

At the time a forfeiture occurs, the amount forfeited shall first be used to reinstate any Account required to be reinstated under this Section and any remaining amount shall be used to reduce future Employer Contributions.

5.4 LIMITATION ON ALLOCATION. Under no circumstances shall the Annual Additions to an individual Member's Account in any Plan Year exceed the lesser of (a) $30,000 or, if greater, 25% of the dollar limitation in effect under Section 415(b)(1)(A) of the Code, or (b) 25% of the Annual Compensation paid or made available to the Member.

If the Employer maintains a defined benefit plan in which the Member participates, the sum of the following described defined benefit fraction and defined contribution fraction for the Plan Year cannot exceed one. The defined benefit fraction to be used is a fraction, in which the numerator is the Member's projected annual benefit under the plan computed as of the end of the Plan Year and in which the denominator is the lesser of: (a) the product of 1.25 multiplied by the dollar limitation then in effect under Section 415(b)(1)(A) of the Code for that Plan Year or (b) the product of 1.40 multiplied by the amount which may be taken into account under Section 415(b)(1)(B) of the Code with respect to the Member for the Plan Year. The defined contribution fraction to be used is a fraction in which the numerator is

the sum of the Annual Additions to the Member's Account determined for the Plan Year and for each prior Plan Year and in which the denominator is the sum of the lesser of the following amounts determined for the Plan Year and for each prior Plan Year that the Member was employed by the Employer: (a) the product of 1.25 multiplied by the dollar limitation then in effect under Section 415(c)(1)(A) of the Code for that Plan Year, determined without regard to subsection (c)(6), and (b) the product of 1.40 multiplied by the amount which can be taken into account under Section 415(c)(1)(B) of the Code with respect to the Member for the Plan Year. If the sum of the two fractions exceeds one, the Member's projected annual benefit under the defined benefit plan shall be reduced until the sum equals one.

The limitation year for Section 415 shall be the Plan Year unless the Employer affirmatively, by resolution, designates another limitation year. In that event, the different limitation year shall be used instead of the Plan Year in applying the tests.

In order to compute the defined benefit fraction and the defined contribution fraction, all defined contribution plans (whether terminated or not) of the Employer shall be treated as one defined contribution plan and all defined benefit plans (whether terminated or not) of the Employer shall be treated as one defined benefit plan.

If the Employer has Affiliated Employers, the Employer and all Affiliated Employers shall be considered a single employer in applying the limitations described in this Section.

No Employee or Employer Contributions shall be made to this Plan which cannot be allocated to the Accounts of Members without exceeding the limits of Section 415 of the Code.

If despite this prohibition, an amount in excess of the limits of Section 415 of the Code is held or contributed as a result of the allocation of forfeitures, a reasonable error in estimating a Member's Annual Compensation, a reasonable error in calculating the maximum Salary Deferral Contribution that may be made with respect to a Member under Section 415 of the Code or because of other facts and circumstances which the Commissioner of Internal Revenue finds to be justified, the excess shall be reduced as follows:

(a) first, all Employee After Tax Contributions and Salary Deferral Contributions in excess of the limits of Section 415 of the Code shall be returned to the Member;

(b) second, if the Member is still employed by the Employer at the end of the Plan Year, any remaining excess funds shall be placed in an unallocated suspense account to be applied to reduce future Employer Contributions for that Member for as many Plan Years as are necessary to exhaust the suspense account

in keeping with the amounts which would otherwise be allocated to that Member's Account; and

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

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

5.5 VALUATION OF TRUST FUND. The Trustee shall value the Trust Fund on its Valuation Date at its then fair market value, but without regard to any Contributions made to the Plan after the preceding Valuation Date, shall determine the amount of income earned or losses suffered by the Trust Fund and shall determine the appreciation or depreciation of the Trust Fund since the preceding Valuation Date. The Committee shall separate the Trust Fund into the various investment funds or accounts in which it is held, if more than one, and shall then allocate as of the Valuation Date the income earned and losses suffered and the appreciation or depreciation in the assets of the Trust Fund for the period since the last preceding Valuation Date. The allocation shall be among the Members and former Members who have undistributed Account balances based upon a Member's Account balance in each of the various investment funds or accounts, if more than one, as of the last Valuation Date increased by 50% of the amount of Contributions made to the investment fund on behalf of the Member since the last Valuation Date and reduced, as appropriate, by amounts used from the investment fund or account or Trust to make a withdrawal or distribution or any other transaction which is properly chargeable to the Member's Account during the period since the last Valuation Date. In lieu of the allocation method described above the Committee may by resolution elect to use a unit allocation method, a separate account method or any other equitable method if it announces the method of allocation to the Members prior to the beginning of the period during which it is first used.

5.6 INTERIM VALUATION OF TRUST FUND. If at any time in the interval between Valuation Dates, one or more withdrawals or one or more distributions are to be made and the Committee determines that an interim allocation is necessary to prevent discrimination against those Members and former Members who are not receiving funds, the Trustee is to perform a valuation of a portion or all of the Trust Fund as of a date selected by the Committee which is administratively practical and near the date of withdrawals or distributions in the same manner as it would if it were a scheduled Valuation Date. That date may be before or after any particular distribution or withdrawal. The Committee shall then allocate as of that date any income or loss and any appreciation or depreciation to the various Accounts of each of the Members in the same manner as it would if it were a scheduled Valuation Date. Then, without

regard to the language in Section 6.1, all withdrawals or distributions made after that date and prior to the next Valuation Date, even though the event causing it occurred earlier, shall be based upon the Accounts as adjusted by the interim valuation.

5.7 MAINTENANCE OF INVESTMENT FUNDS. The Committee may: (a) maintain commingled and/or separate Trusts for some or all Members, (b) establish separate investment funds which may be elected by some or all Members, (c) permit some or all individual Members to elect their own investments, or (d) permit a combination of (a), (b) and (c), from time to time. Once the Committee has selected or changed the mode of investments, it shall establish rules pertaining to its administration, including but not limited to: selection of forms, rules for making selections effective, establishing the frequency of permitted changes, the minimum percentage in any investment, and all other necessary or appropriate regulations.

The Committee may direct the Trustee to hold funds in cash or near money awaiting investment or to sell assets and hold the proceeds in cash or near money awaiting reinvestment when establishing, using or changing investment modes. For this purpose the funds may be held in cash or invested in short-term investments such as certificates of deposit, U.S. Treasury bills, savings accounts, commercial paper, demand notes, money market funds, any common, pooled or collective funds which the Trustee or any other corporation may now have or in the future may adopt for short-term investments and any other similar assets which may be offered by the federal government, national or state banks (whether or not serving as Trustee) or any savings and loan association.

5.8 RIGHTS OF MEMBERS IN TRUST FUND. No allocation, adjustment, credit or transfer shall ever vest in any Member any right, title or interest in the Trust Fund except at the times and upon the terms and conditions specified in this Plan. The Trust Fund shall, as to all Accounts of all Members, be a commingled fund.

ARTICLE VI

BENEFITS

6.1 VALUATION OF ACCOUNTS FOR WITHDRAWALS AND DISTRIBUTIONS. For the purpose of making a distribution or withdrawal, a Member's Accounts shall be his Accounts as valued as of the Valuation Date which is coincident with or next follows the event which caused the distribution or withdrawal, adjusted for Contributions, distributions and withdrawals, if any, made between the Valuation Date and that event. The amount of a Plan benefit payable for any reason will be reduced by the unpaid balance of a loan to a Member or Beneficiary.

6.2 DEATH BENEFIT. If a Member or retired Member dies, the death benefit payable to the Member's spouse or designated Beneficiary or Beneficiaries shall be 100% of the remaining amount in all of his Accounts as of the day he dies.

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

6.4 DISABILITY BENEFIT. If a Member's employment with an Employer is terminated and the Committee determines he is suffering from a Disability, he is entitled to receive 100% of all of his Accounts as of the day he terminated because of his Disability.

6.5 SEVERANCE BENEFIT. If a Member severs employment with the Employer and all Affiliated Employers for any reason other than death, retirement or disability, he is entitled to receive (a) 100% of all of his Accounts, except his Supplemental Employer Contribution Account, and (b) that percentage of his Supplemental Employer Contribution Account, if any, as shown in the vesting schedule below, as of the day he severs employment.

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

6.6 DISTRIBUTIONS TO DIVORCED SPOUSE. If the Committee determines that a judgment, decree or order relating to child support, alimony payments or marital property rights of the spouse, former spouse, child or other dependent of the Member is a qualified domestic relations order which complies with a state's domestic relations law or community property law and Section 414(p) of the Code or is a domestic relations order entered before January 1, 1985, the Committee may direct the Trustee to distribute the awarded property to the person named in the award but only in the manner permitted under this Plan. To be a qualified domestic relations order, the order must clearly specify: (a) the name and last known mailing address of the Member and each alternate payee under the order, (b) the amount or percentage of the Member's benefits to be paid from the Plan to each alternate payee or the manner in which the amount or percentage can be determined, (c) the number of payments or periods for which the order applies, (d) the plan to which the order applies, and (e) all other requirements set forth in Section 414(p) of the Code. If a distribution is made at a time when the Member is not fully vested, a separate subaccount shall be created for the remaining portion of each Account which was not fully vested. That subaccount shall then remain frozen: that is, no further contributions of any form and no forfeitures shall be allocated to the subaccount; however, it shall receive its proportionate share of trust appreciation or depreciation and income earned on or losses incurred by the Trust Fund. To determine the Member's vested interest in each subaccount at any future time, the Committee shall add back to the subaccount at that time the amount that was previously distributed under the qualified domestic relations order, shall multiply the reconstituted subaccount by the vesting percentage, and shall then subtract the amount that was previously distributed. The remaining amount is the Member's vested interest in the subaccount at that time.

6.7 WITHDRAWALS. Only the following withdrawals may be made during employment:

(a) A Member is entitled to receive a withdrawal from his Salary Deferral Contribution Account, his vested interest in his Employer Discretionary Contribution Account and his Rollover Account in the event of an immediate and heavy financial need incurred by the Member and the Committee's determination that the withdrawal is necessary to alleviate that hardship.

A distribution shall be made on account of financial hardship only if the distribution is for: (i) Expenses for medical care described in Section 213(d) of the Code previously incurred by the Member, the Member's spouse, or any dependents of the Member (as defined in Section 152 of the Code) or necessary for these persons to obtain medical care described in Section 213(d) of the Code, (ii) costs directly related to the purchase (excluding mortgage payments) of a principal residence for the Member, (iii) payment of tuition and related educational fees for the next 12 months of post-secondary education for the Member, his or her spouse, children, or dependents (as defined in Section 152

of the Code), (iv) payments necessary to prevent the eviction of the Member from his principal residence or foreclosure on the mortgage of the Member's principal residence, or (v) any other event added to this list by the Commissioner of Internal Revenue.

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

Effective for withdrawal requests made on or after January 1, 1992, the Member's hardship distribution shall terminate his or her right to make any Employee After-Tax Contributions or to have the Employer make any Salary Deferral Contributions on his or her behalf until the next time Employee After-Tax Contributions and Salary Deferral Contributions are permitted after the lapse of 12 months following the hardship distribution and his or her timely filing of a written request to resume his or her Employee After-Tax Contributions or Salary Deferral Contributions. Even then, if the Member resumes Contributions in his next taxable year he cannot have the Employer make any Salary Deferral Contributions in excess of the limit in Section 402(g) of the Code for that taxable year reduced by the amount of Salary Deferral Contributions made by the Employer on the Member's behalf during the taxable year of the Member in which he received the hardship distribution. In addition, for 12 months after he receives a hardship distribution from this Plan the Member is prohibited from making elective contributions and employee contributions to all other qualified and nonqualified plans of deferred compensation maintained by the Employer, including stock option plans, stock purchase plans and Code Section 401(k) cash or deferred arrangements that are part of cafeteria plans described in Section 125 of the Code. However, the Member is not prohibited from making mandatory employee contributions to a defined benefit plan, or contributions to a health or welfare benefit plan, including one that is part of a cafeteria plan within the meaning of Section 125 of the Code.

Financial hardship withdrawals will be made in the following order: First withdrawals will be made from the Member's Supplemental Employer Contribution Account, then from his Rollover Account, and finally, from his or her Salary Deferral Contribution Account. A Member shall not be entitled to make a financial hardship withdrawal of any amount credited to his Qualified

Nonelective Employer Contribution Account, or of any income that is not allocable or credited to the Member's Salary Deferral Contribution Account as of December 31, 1988.

(b) A Member may withdraw part or all of his vested Account balance on or after the date that he attains age 59-1/2.

6.8 LOANS. The Committee may direct the Trustees to make loans to Members and Beneficiaries who have a vested interest in the Plan. The Loan Committee established by the Committee will be responsible for administering the Plan loan program. All loans will comply with the following requirements:

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

(b) Loans will be available on a nondiscriminatory basis to all Beneficiaries, and to all Members who have participated in the Plan for at least one year.

(c) Loans will not be made for less than $1,000.

(d) The maximum amount of a loan may not exceed the lesser of (A) $50,000, or (B) one-half of the present value of the person's vested Account balance under the Plan.

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

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

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

(h) The term of the loan will not be less than 18 months. Generally, the term of the loan will not be more than 5 years. The Loan Committee may agree to a longer term (but not more than 7 years) only if such term is otherwise reasonable and the proceeds of the loan are to be used to acquire a dwelling which will be used within a reasonable time (determined at the time the loan is made) as the principal residence of the borrowing person.

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

(j) If a person fails to make a required payment within 30 days of the due date set forth in the loan agreement, the loan will be in default. No distribution under the Plan will be made to a person until all loans to him by the Trustee are fully paid. If the person is otherwise entitled to a distribution while he still has an unpaid loan balance, then the Loan Committee will direct the Trustee to foreclose on the person's Account to the extent necessary to pay off the person's unpaid loan balance. If after the Trustee forecloses on the person's Account and the person still has an unpaid loan balance, the person will continue to be liable for and continue to make payments on the balance still due from him.

(k) No Plan loan will be made to anyone who has an unpaid Plan loan balance.

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

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

6.9 FORFEITURE BY LOST MEMBERS OR BENEFICIARIES; ESCHEAT. If a person who is entitled to a distribution cannot be located during a search period of 60 days after the Trustee has initially attempted making payment, that person's Account shall be forfeited. However, if at any time prior to the termination of this Plan and the

complete distribution of the Trust Fund, the former Member or Beneficiary files a claim with the Committee for the forfeited benefit, that benefit shall be reinstated (without adjustment for trust income or losses during the forfeited period) effective as of the date of the receipt of the claim. As soon as appropriate following the Employer's Contribution of the reinstated amount, it shall be paid to the former Member or Beneficiary in a single sum. If the Plan is joined as a party to any escheat proceeding involving a forfeited amount, the Plan shall comply with the final judgment and shall treat the judgment as if it were a claim filed by the former Member or Beneficiary and shall pay in accordance with that judgment.

6.10 CLAIMS PROCEDURE. When a benefit is due, the Member or Beneficiary should submit his claim to the person or office designated by the Committee to receive claims. Under normal circumstances, a final decision shall be made as to a claim within 90 days after receipt of the claim. If the Committee notifies the claimant in writing during the initial 90 day period, it may extend the period up to 180 days after the initial receipt of the claim. The written notice must contain the circumstances necessitating the extension and the anticipated date for the final decision. If a claim is denied during the claims period, the Committee must notify the claimant in writing. The denial must include the specific reasons for it, the Plan provisions upon which the denial is based, and the claims review procedure. If no action is taken during the claims period, the claim is treated as if it were denied on the last day of the claims period.

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

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

6.11 TIMING AND FORM OF ALL DISTRIBUTIONS. Distributions shall be made only in cash unless an asset held in the Trust cannot be sold by the distribution date or can only be sold at less than its appraised value, in which event part or all of the distribution may be made in kind. Distribution shall be made in a lump sum payment.

Any benefit held for distribution past one or more Valuation Dates shall continue to share in the appreciation or depreciation of the Trust Fund and in the income earned or losses incurred by the Trust Fund until the last Valuation Date which occurs with or next precedes the date distribution is made.

If the benefit to be distributed plus all prior Plan payments to the Member is $3,500 or less, the benefit shall be distributed in the form of a lump sum distribution within one year after the Member becomes entitled to the benefit. If the benefit plus all prior Plan payments to the Member is greater than $3,500 and the Member consents to the distribution, the benefit must be paid or begin to be paid within one year after the Member becomes entitled to the benefit. If the benefit plus all prior Plan payments to the Member is greater than $3,500 and the Member fails to consent to the distribution, the distribution shall not be made without the Member's consent until he attains normal Retirement Age or age 62, whichever is later. In any event, if the Member dies, the surviving spouse may require payments to begin within a reasonable time.

At the election of a Member, a distribution may be paid to him in two payments. The first payment will be equal to 80% of the Member's vested Account balance as of the last Plan valuation performed prior to the date that he Severs Service. The second payment will be an amount equal to the undistributed vested balance of the Member's Account including earnings and losses credited to his Account as of the Valuation Date immediately preceding the date that he Severs Service based upon the entire vested amount that was credited to his Account as of such Valuation Date. Both such payments shall be made as soon as administratively practicable following the date that the Member elects to receive them and in any event shall be made within the same taxable year of the Member.

If a portion of the Member's Account is payable to a designated Beneficiary the payment must be made not later than one year after the Member's death. If the surviving spouse is the Beneficiary, the payment may be delayed so as to be made on the date on which the Member would have attained age 70 1/2. If payment is postponed and the surviving spouse dies before payment is made, the surviving spouse shall be treated as the Member for purposes of this paragraph.

6.12 MANDATORY RULES APPLICABLE TO ALL DISTRIBUTIONS. All distributions must comply with Section 401(a)(9) and (14) of the Code. Therefore, unless the distribution fits within one of the exceptions below the distribution must be made NO LATER than the earlier of (a) or (b): (a) the 60th day after the latest of the end of the Plan Year in which: (i) the Member attains his Retirement Age, (ii) occurs the 10th anniversary of the year in which the Member began participation, or (iii) the Member terminates employment with the Employer and all Affiliated Employers unless the Member consents to a later time, OR (b) April 1st of the calendar year following the calendar year in which the Member attains age 70 1/2. If a Member attains age 70 1/2, the Member must receive the required distribution within that time limit in

one lump sum. The following are exceptions to the general mandatory distribution rule: (a) if a Member was 70 1/2 before January 1, 1988, and neither is nor has been a 5% owner at any time during the Plan Year ending with or within the calendar year in which the Member became 66 1/2 or any subsequent Plan Year, the distribution does not have to be made until the April 1 following the calendar year in which the Member retires; (b) if a Member was 70 1/2 before January 1, 1988, and was then or later becomes a 5% owner, the distribution does not have to be made until the April 1 following the earlier of the calendar year with or within which ends the Plan Year in which the Member becomes a 5% owner or the calendar year in which the Member retires; and (c) if a Member made a designation before January 1, 1984 which complied with Section 401(a)(9) of the Code before its amendment by the Tax Reform Act of 1984, the distribution does not have to be made until the time described in the designation.

6.13 NO DUPLICATION OF BENEFITS. There shall be no duplication of benefits under this Plan. Without regard to any other language in this Plan, all distributions and withdrawals are to be subtracted from a Member's Account as of the date of the distribution or withdrawal. Thus, if the Member has received one distribution or withdrawal and is ever entitled to another distribution or withdrawal, the prior distribution or withdrawal is to be taken into account.

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

If a Member is considered to be married under local law, the Member's designation of any Beneficiary, other than the Member's spouse, shall not be valid unless the spouse acknowledges in writing that he or she understands the effect of the Member's beneficiary designation and consents to it. The consent must be to a specific Beneficiary. The written acknowledgement and consent must be filed with the Committee, signed by the spouse and at least two witnesses, one of whom must be a member of the Committee or a notary public. However, if the spouse cannot be located or there exist other circumstances as described in Sections 401(a)(11) and 417(a)(2) of the Code, the requirement of the Member's spouse's acknowledgement and consent may be waived. If a Beneficiary other than the Member's spouse is named, the designation shall become invalid if the Member is later determined to be married under local law, the Member's missing spouse is located or the circumstances which resulted in the waiver of the requirement of obtaining the consent of the Member's spouse no longer exist.

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

ARTICLE VII

TOP-HEAVY REQUIREMENTS

7.1 APPLICATION. The requirements described in this Article shall apply to each Plan Year that this Plan is determined to be a Top-Heavy Plan under the test set out in the following Section.

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

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

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

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

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

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

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

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

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

7.4 MINIMUM CONTRIBUTIONS IF PLAN BECOMES TOP-HEAVY. If this Plan is a Top-Heavy Plan and the normal allocation of the Employer Contribution and forfeitures is less than 3% of any Non-Key Employee Member's Annual Compensation, the Committee, without regard to the normal allocation procedures, shall allocate the Employer Contribution and the forfeitures among the Members who are in the employ of the Employer at the end of the Plan Year in proportion to each Member's Annual Compensation as compared to the total Annual Compensation of all Members for that Plan Year until each Non-Key Employee Member has had an amount equal to the lesser of (i) the highest rate of Contribution applicable to any Key Employee, or (ii) 3% of his Annual Compensation allocated to his Account. At that time, any more Employer Contributions or forfeitures shall be allocated under the normal allocation procedures described earlier in this Plan. Salary Deferral Contributions made on behalf of Key Employees are included in determining the highest rate of Employer Contributions. Salary Deferral Contributions made on behalf of Non-Key Employees are not included for that purpose. Amounts that may be treated as Section 401(k) Contributions made on behalf of Non-Key Employees may not be included in determining the minimum contribution required under this Section to the extent that they are treated as Section 401(k) Contributions for purposes of the Actual Deferral Percentage test.

In applying this restriction, the following rules shall apply:

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

(b) All defined contribution plans required to be included in the Aggregation Group shall be treated as one plan for purposes of meeting the 3% maximum; this

required aggregation shall not apply if this Plan is also required to be included in an Aggregation Group which includes a defined benefit plan and this Plan enables that defined benefit plan to meet the requirements of Sections 401(a)(4) or 410 of the Code.

7.5 COVERAGE UNDER MULTIPLE TOP-HEAVY PLANS. If this Plan is a Top-Heavy Plan, it must meet the vesting and benefit requirements described in this Article without taking into account contributions or benefits under Chapter 2 of the Code (relating to tax on self-employment income), Chapter 21 of the Code (relating to Federal Insurance Contributions Act), Title II of the Social Security Act or any other Federal or State law.

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

7.6 RESTRICTIONS IF PLAN BECOMES SUPER TOP-HEAVY. If the Plan is determined to be a Top-Heavy Plan, the number "1.00" must be substituted for the number "1.25" when applying the limitations of Section 415 of the Code to this Plan, unless the Plan would not be a Top-Heavy Plan if "90%" were substituted for "60%" and the Employer Contribution for the Plan Year for each Non-Key Employee, who is a Member, is not less than 4% of the Member's Annual Compensation.

ARTICLE VIII

ADMINISTRATION OF THE PLAN

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

8.8 STANDARD OF PERFORMANCE. The Committee and each of its members shall use the care, skill, prudence and diligence under the circumstances then prevailing that a prudent man, acting in a like capacity and familiar with such matters, would use in conducting his

business as the administrator of the Plan, shall, when exercising its power to direct investments, diversify the investments of the Plan so as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so, and shall otherwise comply with the provisions of this Plan and ERISA.

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

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

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

8.11 COMPENSATION. The Committee shall serve without compensation but shall be reimbursed by the Employer for all expenses properly incurred in the performance of their duties unless the Sponsor elects to have those expenses paid from the Trust Fund. Each Employer shall pay that part of the expense as determined by the Committee in its sole judgment.

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

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

ARTICLE IX

TRUST FUND AND CONTRIBUTIONS

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

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

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

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

ARTICLE X

ADOPTION OF PLAN BY OTHER EMPLOYERS

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

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

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

An adoption may be retroactive to the beginning of a Plan Year if these conditions are complied with on or before the last day of that Plan Year.

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

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

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

the condition precedent and the portion of the Trust Fund allocable to the adoption by that business organization shall be immediately spun off, retroactively as of the last date for which the Plan qualified, to a separate Trust for its sole benefit and an identical but separate Plan shall be created, retroactively effective as of the last date the Plan as adopted by that business organization qualified, for the benefit of the Members covered by that adoption.

ARTICLE XI

AMENDMENT AND TERMINATION

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

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

(b) Cause or permit the Trust Fund to be diverted to any purpose other than the exclusive benefit of the present or future Members and their Beneficiaries except under the circumstances described in Section 4.8;

(c) Decrease the Account of any Member or eliminate an optional form of payment;

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

(e) Change the vesting schedule to one which would result in the nonforfeitable percentage of the Account derived from Employer Contributions (determined as of the later of the date of the adoption of the amendment or of the effective date of the amendment) of any Member being less than the nonforfeitable percentage computed under the Plan without regard to the amendment. If the Plan's vesting schedule is amended, if the Plan is amended in any other way that affects the computation of the Member's nonforfeitable percentage, or if the Plan is deemed amended by an automatic change to or from a Top-Heavy vesting schedule, each Member with at least three years of Service may elect, within a reasonable period after the adoption of the amendment or the change, to have the nonforfeitable percentage computed under the Plan without regard to the amendment or the change. The election period shall begin no later than the date the amendment is adopted or deemed to be made and shall end no later than the latest of the following dates: (1) 60 days after the date the amendment is adopted or deemed to be made, (2) 60 days after the date the amendment becomes effective, or (3) 60 days after the day the Member is issued written notice of the amendment.

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

11.2 MANDATORY AMENDMENTS. The Contributions of each Employer to this Plan are intended to be:

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

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

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

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

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

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

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

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

11.4 TERMINATION OF PLAN. The Sponsor may terminate this Plan and its related Trust Fund with respect to all Employers by executing and delivering to the Committee and the Trustee, a notice of termination, specifying the date of termination. Any Employer may terminate this Plan and its related Trust Fund with respect to itself by executing and delivering to the Trustee a notice of termination, specifying the date of termination. Likewise, this Plan and its related Trust Fund shall automatically terminate with respect to any Employer if there is a general assignment by that Employer to or for the benefit of its creditors, or a liquidation or dissolution of that Employer without a successor. Upon the termination of this Plan as to an Employer, the Trustee shall distribute to each Member employed by the terminating Employer the amount certified by the Committee to be due the Member.

The Employer should apply to the Internal Revenue Service for a determination letter with respect to its termination, and the Trustee should not distribute the Trust Funds until a determination is received. However, should it decide that a distribution before receipt of the determination letter is necessary or appropriate it should retain sufficient assets to cover any tax that may become due upon that determination.

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

11.6 CONTINUANCE PERMITTED UPON SALE OR TRANSFER OF ASSETS. An Employer's participation in this Plan and its related Trust Fund shall not automatically terminate if it consolidates or merges and is not the surviving corporation, sells substantially all of its assets, is a party to a reorganization and its Employees and substantially all of its assets are transferred to another entity, liquidates, or dissolves, if there is a successor organization. Instead, the successor may assume and continue this Plan and its related Trust Fund by executing a direction, entering into a contractual commitment or adopting a resolution providing for the continuance of the Plan and its related Trust Fund. Only upon the successor's rejection of this Plan and its related Trust Fund or its failure to respond to the Employer's, the Sponsor's or the Trustee's request that it affirm its assumption of this Plan within 90 days of the request shall this Plan automatically terminate. In that event the appropriate portion of the Trust Fund shall be distributed exclusively to the Members or their Beneficiaries as soon as possible. If there is a disposition to an unrelated entity of substantially all of the assets used by the Employer in a trade or business or a disposition by the Employer of its interest in a subsidiary, the Employer may make a lump sum distribution from the Plan if it continues the Plan after the disposition; but the

distribution can only be made for those Members who continue employment with the acquiring entity.

11.7 DISTRIBUTIONS UPON TERMINATION OF THE PLAN. A Member is entitled to receive a lump sum distribution on account of the termination of the Plan if the Employer and all Affiliated Employers do not establish or maintain a successor plan within the period ending 12 months after all assets are distributed from the Plan. A distribution on account of the termination of the Plan may be made only in the form of a lump sum payment. Therefore, if a Member's Account balance plus all prior Plan payments to the Member is more than $3,500 and the Member does not consent to receive an immediate lump sum payment on account of the termination of the Plan the Member will not receive a Plan distribution on account of the termination of the Plan. His Plan benefit will be payable in the future on account of a distribution event other than the termination of the Plan.

If the Plan is terminated and does not offer an annuity option (purchased from a commercial provider) and the Employer or an Affiliated Employer maintains another defined contribution plan the Member's Account balance may be transferred to the other plan without his consent if he does not consent to an immediate lump sum distribution from the Plan.

For purposes of this Section the term "successor plan" means a defined contribution plan other than an employee stock ownership plan as defined in Section 4975(e) or 409 of the Code or a simplified employee pension plan as defined in Section 408(k) of the Code. However, the term successor plan does not include any plan in which fewer than two percent of the Plan Members were eligible to participate during the 24 month period beginning 12 months before the time of Plan termination.

11.8 MODES OF DISTRIBUTION UPON TERMINATION. All modes of distribution permitted by this Plan must be available for all distributions to Members upon termination of this Plan.

11.9 DISTRIBUTIONS TO HIGHLY COMPENSATED EMPLOYEES AND FORMER EMPLOYEES MUST NOT DISCRIMINATE. Upon termination of the Plan, the benefit payable to each Highly Compensated Employee or former Employee is limited to a benefit that is nondiscriminatory under Section 401(a)(4) of the Code.

ARTICLE XII

MISCELLANEOUS

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

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

12.3 ANTI-ALIENATION PROVISIONS. No principal or income payable or to become payable from the Trust Fund shall be subject: to anticipation or assignment by a Member or by a Beneficiary to attachment by, interference with, or control of any creditor of a Member or Beneficiary, or to being taken or reached by any legal or equitable process in satisfaction of any debt or liability of a Member or Beneficiary prior to its actual receipt by the Member or Beneficiary. An attempted conveyance, transfer, assignment, mortgage, pledge, or encumbrance of the Trust Fund, any part of it, or any interest in it by a Member or Beneficiary prior to distribution shall be void, whether that conveyance, transfer, assignment, mortgage, pledge, or encumbrance is intended to take place or become effective before or after any distribution of Trust assets or the termination of this Trust Fund itself. The Trustee shall never under any circumstances be required to recognize any conveyance, transfer, assignment, mortgage, pledge or encumbrance by a Member or Beneficiary of the Trust Fund, any part of it, or any interest in it, or to pay any money or thing of value to any creditor or assignee of a Member or Beneficiary for any cause whatsoever. These prohibitions against the alienation of a Member's Account shall not apply to qualified domestic relations orders or domestic relations orders entered prior to January 1, 1985.

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

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

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

12.7 GOVERNING LAW; PARTIES TO LEGAL ACTIONS. The provisions of this Plan shall be construed, administered, and governed under the laws of the State of Illinois and, to the extent applicable, by the laws of the United States. The Trustee or any Employer may at any time initiate a legal action or proceeding for the settlement of the account of the Trustee, or for the determination of any question or for instructions. The only necessary parties to that action or proceeding are the Trustee and the Employer concerned. However, any other person or persons may be included as parties defendant at the election of the Trustee and the Employer.

IN WITNESS WHEREOF, Quanex Corporation, Nichols-Homeshield, Inc. and Quanex Metals, Inc. have caused this Agreement to be executed this _____ day of _____, 1991, in multiple counterparts, each of which shall be deemed to be an original, to be effective the 1st day of January, 1989, except for those provisions which have an earlier effective date provided by law, or as otherwise provided under applicable provisions of this Plan.

QUANEX CORPORATION

By_____

_____
Title

NICHOLS-HOMESHIELD, INC.

By_____

_____
Title

QUANEX METALS, INC.

By_____

_____
Title

FIRST AMENDMENT TO THE
NICHOLS-HOMESHIELD 401(K) SAVINGS PLAN

THIS AGREEMENT by Quanex Corporation (the "Sponsor"),

W I T N E S S E T H:

WHEREAS, the Sponsor has executed and maintains a qualified plan entitled "Nichols-Homeshield 401(k) Savings Plan" (the "Plan"); and

WHEREAS, the Sponsor retained the right to amend the Plan from time to time;

WHEREAS, the Internal Revenue Service has authorized a model amendment to comply with the new legislation affecting distributions from qualified plans; and

WHEREAS, the Board of Directors of the Sponsor, in order to adopt the model amendment so as to comply with the new law, approved resolutions to amend the Plan;

NOW, THEREFORE, the Sponsor declares that the Plan is hereby amended, effective as of January 1, 1993, as follows:

A new Article XIII is added to the Plan to provide as set forth in the substitute pages attached hereto which shall be inserted into the Plan.

IN WITNESS WHEREOF, the Sponsor has executed this Agreement this _____ day of September 1993.

QUANEX CORPORATION

By_____

ARTICLE XIII

DIRECT ROLLOVERS

13.1 Distributions Made On or After January 1, 1993. This Article applies to distributions made on or after January 1, 1993. Notwithstanding any provision of the plan to the contrary that would otherwise limit a distributee's election under this Article, a distributee may elect, at the time and in the manner prescribed by the plan administrator, to have any portion of an eligible rollover distribution paid directly to an eligible retirement plan specified by the distributee in a direct rollover.

13.2 Definitions.

(a) Eligible Rollover Distribution: An eligible rollover distribution is any distribution of all or any portion of the balance to the credit of the distributee, except that an eligible rollover distribution does not include: any distribution that is one of a series of substantially equal periodic payments (not less frequently than annually) made for the life (or life expectancy) of the distributee or the joint lives (or joint life expectancies) of the distributee and the distributee's designated beneficiary, or for a specified period of ten years or more; any distribution to the extent such distribution is required under Section 401(a)(9) of the Code; and the portion of any distribution that is not includible in gross income (determined without regard to the exclusion for net unrealized appreciation with respect to employer securities).

(b) Eligible Retirement Plan: An eligible retirement plan is an individual retirement account described in Section 408(a) of the Code, an individual retirement annuity described in Section 408(b) of the Code, an annuity plan described in Section 403(a) of the Code, or a qualified trust described in Section 401(a) of the Code, that accepts the distributee's eligible rollover distribution. However, in the case of an eligible rollover distribution to the surviving spouse, an eligible retirement plan is an individual retirement account or individual retirement annuity.

(c) Distributee: A distributee includes an employee or former employee. In addition, the employee's or former employee's surviving spouse and the employee's or former employee's spouse or former spouse who is the alternate payee under a qualified domestic relations order, as defined in Section 414(p) of the Code, are distributees with regard to the interest of the spouse or former spouse.

(d) Direct Rollover: A direct rollover is a payment by the plan to the eligible retirement plan specified by the distributee.

SECOND AMENDMENT TO
NICHOLS-HOMESHIELD 401(K) SAVINGS PLAN

THIS AGREEMENT by Quanex Corporation, a corporation (the "Sponsor"),

W I T N E S S E T H:

WHEREAS, on December 19, 1991, the Sponsor executed the Agreement known as "Nichols-Homeshield 401(k) Savings Plan" (the "Plan"); and

WHEREAS, the Sponsor retained the right in Section 11.1 of the Plan to amend the Plan from time to time; and

WHEREAS, the Board of Directors of the Sponsor has approved resolutions to amend the Plan;

NOW, THEREFORE, the Sponsor agrees that the Plan is hereby amended as follows:

(1) Effective January 1, 1993, Section 1.37 of the Plan is completely amended to provide as follows:

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

(2) Effective January 1, 1993, Section 4.1 of the Plan is completely amended to provide as follows:

4.1 ROLLOVER CONTRIBUTIONS AND PLAN TO PLAN TRANSFERS. The Committee may permit Rollover Contributions by Members and/or direct transfers to or from another qualified plan on behalf of Members from time to time. If Rollover Contributions and/or direct transfers to or from another qualified plan are permitted, the opportunity to make those contributions and/or direct transfers must be made available to Members on a nondiscriminatory basis. For this purpose, all Employees of an Employer shall be considered to be Members of the Plan even though they may not have met the eligibility requirements. However, they shall not be entitled to contribute to the Plan, share

in Employer Contributions or share in forfeitures unless and until they have met the requirements for eligibility, contributions and allocations. A Rollover Contribution shall not be accepted unless it is made on or before the 60th day after the Member received the distribution or it is directly rolled over to this Plan in a rollover described in Section 401(a)(31) of the Code. A Member shall not be permitted to make a Rollover Contribution if the property he intends to contribute is for any reason unacceptable to the Trustee. A Rollover Contribution Account shall be established for any Employee who makes a Rollover Contribution.

A direct transfer of assets from another qualified plan in a transfer subject to the requirements of Section 414(l) of the Code shall not be accepted if it was at any time part of (a) a defined benefit plan (as defined in Section 401(a) or 414(j) of the Code), (b) a defined contribution plan (as defined in Sections 401(a) and 414(i) of the Code) which is subject to the minimum funding standards of Section 412 of the Code, (c) any other qualified plan which has joint and survivor annuity benefits or qualified preretirement survivor annuity benefits as described in Section 417 of the Code, or (d) a plan which permits a distribution or withdrawal in a form not permitted under this Plan.

(3) Effective with respect to loans made on or after June 1, 1994, Section 6.8 of the Plan is hereby completely amended to provide as follows:

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

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

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

(c) Loans will not be made for less than $1,000.

(d) The maximum amount of a loan may not exceed the lesser of (A) $50,000 reduced by the person's highest outstanding loan balance from the Plan during the preceding one year period, or (B) one-half of the present value of the person's vested Account balance under the Plan determined as of the date on which the loan is approved by the Loan Committee.

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

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

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

(h) The term of the loan will not be less than 18 months. Generally, the term of the loan will not be more than 5 years. The Loan Committee may agree to a longer term (but not more than 7 years) only if such term is otherwise reasonable and the proceeds of the loan are to be used to acquire a dwelling which will be used within a reasonable time (determined at the time the loan is made) as the principal residence of the borrowing person.

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

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

(k) If a Member has an outstanding loan from the Plan at the time he terminates employment with the Employer and all Affiliated Employers, the outstanding loan principal balance and any accrued but unpaid interest will become immediately due in full. The Member will have the right to immediately pay the Trustee that amount. If the Member fails to repay the loan, the Trustee will foreclose on the loan and the Member will be deemed to have received a Plan distribution of the amount foreclosed upon.

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

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

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

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

(4) Effective January 1, 1994, by adding thereto the following new Article XIV:

ARTICLE XIV

LIMITATION ON COMPENSATION

COMPENSATION LIMITATION. In addition to other applicable limitations set forth in the Plan, and notwithstanding any other provision of the Plan to the contrary, for Plan years beginning on or after January 1, 1994, the annual compensation of each employee taken into account under the Plan shall not exceed the OBRA '93 annual compensation limit. The OBRA '93 annual compensation limit is $150,000, as adjusted by the Commissioner for increases in the cost of living in accordance with Section 401(a)(17)(B) of the Internal Revenue Code. The cost-of-living adjustment in effect for a calendar year applies to any period, not exceeding 12 months, over which compensation is determined (determination period) beginning in such calendar year. If a determination period consists of fewer than 12 months, the OBRA '93 annual compensation limit will be multiplied by a fraction, the numerator of which is the number of months in the determination period, and the denominator of which is 12.

For Plan years beginning on or after January 1, 1994, any reference in this Plan to the limitation under Section 401(a)(17) of the Code shall mean the OBRA '93 annual compensation limit set forth in this provision.

If compensation for any prior determination period is taken into account in determining an employee's benefits accruing in the current Plan Year, the compensation for that prior determination period is subject to the OBRA '93 annual compensation limit in effect for that prior determination period. For this purpose, for determination periods beginning before the first day of the first Plan Year beginning on or after January 1, 1994, the OBRA '93 annual compensation limit is $150,000.

IN WITNESS WHEREOF, the Sponsor has caused this Agreement to be executed this _____ day of_____ 1994.

QUANEX CORPORATION

By _____

Title _____

EXHIBIT 5.1

INTERNAL REVENUE SERVICE
DISTRICT DIRECTOR
P.O. BOX A-3617 DPN20-6
CHICAGO, IL 60690

DEPARTMENT OF THE TREASURY

Dated Nov 7 1990

NICHOLS-HOMESHIELD INC.
C/O RICHARD P BOGATTO
FULBRIGHT AND JAWORSKI
1301 MCKINNEY SUITE 5100
HOUSTON, TX 77010-3095

Employer Identification Number:
73-0776025
File Folder Number:
360015577
Person to Contact:
WARREN BUSSE
Contact Telephone Number:
(312) 886-9580
Plan Name:
401K SAVINGS PLAN
Plan Number: 006

Dear Applicant:

We have made a favorable determination on your plan, identified above, based on the information supplied. Please keep this letter in your permanent records.

Continued qualification of the plan under its present form will depend on its effect in operation. (See section 1.401-1(b)(3) of the Income Tax Regulations.) We will review the status of the plan in operation periodically.

The enclosed document explains the significance of this favorable determination letter, points out some features that may affect the qualified status of your employee retirement plan, and provides information on the reporting requirements for your plan. It also describes some events that automatically nullify it. It is very important that you read the publication.

This letter relates only to the status of your plan under the Internal Revenue Code. It is not a determination regarding the effect of other federal or local statutes.

This determination is subject to your adoption of the proposed amendments submitted in your letter dated October 25 1990. The proposed amendments should be adopted on or before the date prescribed by the regulations under Code section 401(b).

This determination expresses an opinion on whether the amendments(s), in and of itself, affects the continued qualified status of the plan under Code section 401 and the exempt status of the related trust under section 501(a). It is not an opinion on the qualification of the plan as a whole and the exempt status of the related trust as a whole.

This determination letter is applicable for the amendment(s) adopted on August 9 1990.

The information on the enclosed addendum is an integral part of this determination. Please be sure to read and keep it with this letter.

We have sent a copy of this letter to your representative as indicated in the power of attorney.

If you have questions concerning this matter, please contact the person whose name and telephone number are shown above.

Sincerely yours,

/s/ R. S. WINTRODE, JR.
R. S. Wintrode, Jr.
District Director

Enclosures:
Publication 794
PWBA 515
Addendum

This determination letter also applies to amendments adopted January 11, 1989, March 29, 1990 and August 22, 1990.

Exhibit 23.1

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in the Registration Statement of Quanex Corporation on Form S-8 of our report dated November 24, 1993, incorporated by reference in the Annual Report on Form 10-K of Quanex Corporation for the year ended October 31, 1993.

/s/ Deloitte & Touche
DELOITTE & TOUCHE

Houston, Texas
June 9, 1994