

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

Post Effective Amendment No. 2
to
FORM S-8
REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

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

Delaware
(State or other jurisdiction of
incorporation or organization)

38-1872178
(I.R.S. Employer
Identification No.)

1900 West Loop South, Suite 1500
Houston, Texas
(Address of Principal Executive Offices)

77027
(Zip Code)

Quanex Corporation Hourly Bargaining
Unit Employee Savings Plan
(Full title of the plan)

Terry M. Murphy
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.
2200 ROSS AVENUE, SUITE 2800
DALLAS, TEXAS 75201-9975
(214) 855-8000

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PART II

INFORMATION REQUIRED IN THE REGISTRATION STATEMENT

ITEM 3. Incorporation of Documents by Reference.

Quanex Corporation, a Delaware corporation (the "Company" or "Registrant"), and the Quanex Corporation Hourly Bargaining Unit Employee Savings Plan (the "Plan") incorporate by reference, as applicable, in this Registration Statement the following documents:

(a) The Registrant's original Registration Statement on Form S-8, Reg. No. 33-46824, filed March 30, 1992, as amended by Post-Effective Amendment No. 1 filed February 2, 1999;

(b) The Registrant's Annual Report on Form 10-K for the fiscal year ended October 31, 1998;

(c) The Registrant's Quarterly Reports on Form 10-Q for the quarters ended January 31, 1999, April 30, 1999 and July 31, 1999;

(d) The Plan's Annual Report on Form 11-K for the fiscal year ended December 31, 1998;

(e) All other reports filed by the Registrant or 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, 1998;

(f) The description of the Registrant's common stock, \$.50 par value (the "Common Stock"), 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 pursuant to Rule 424(b) of the Securities Act of 1933; and

(g) The description of the rights to purchase Series A Junior Participating Preferred Stock (the "Rights") 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, as amended by that certain Second Amended and Restated Rights Agreement between the Registrant and American Stock Transfer Co., as Rights Agent, filed as Exhibit 4.1 to the Registrant's Report on Form 8-K filed April 16, 1999.

All documents subsequently filed by the Registrant pursuant to Sections 13(a), 13(c), 14 and 15(d) of the Exchange Act after the date of filing of this Post Effective Amendment No. 2 to the Registration Statement on Form S-8 (this "Amendment No. 2") and before the filing of a post-effective amendment which indicates that all securities offered have been sold or which deregisters all securities then remaining unsold, are incorporated by reference in, and constitute a part of, the Registration Statement from the date such documents are filed.

The language in this Amendment No. 2 modifies and supersedes the language in any previously filed document that is incorporated by reference in this Registration Statement. The language in any document that is filed after the date of filing of this Amendment No. 2 that is incorporated by reference in this Registration Statement modifies and supersedes the language in this Registration Statement. However, such language constitutes a part of this Registration Statement only to the extent that it modifies and supersedes this Registration Statement.

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 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 Amended and Restated 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 Amended and Restated 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 Amended and Restated 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 Restated Certificate of Incorporation of the Registrant, as amended on February 27, 1997, filed as Exhibit 4.1 to the Registrant's Registration Statement on Form S-8, Registration No. 333-22977, and incorporated herein by reference.
- 4.2 Amended and Restated Bylaws of the Registrant, as amended through August 26, 1999, filed as Exhibit 3 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended July 31, 1999, 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 Second Amended and Restated Rights Agreement between the Registrant and American Stock Transfer Co., as Rights Agent, filed as Exhibit 4.1 to the Registrant's Report on Form 8-K filed April 16, 1999, 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 Quanex Corporation Hourly Bargaining Unit Employee Savings Plan, as amended and restated effective April 1, 1996.
- 4.7 Master Trust Agreement between the Registrant and Fidelity Management Trust Company dated as of February 1, 1999. First Amendment to Trust Agreement between Fidelity Management Trust Company and the Registrant, effective as of November 1, 1999.
- 4.8 First Amendment to Trust Agreement between Fidelity Management Trust Company and the Registrant, effective as of November 1, 1999.
- 23.1 Consent of Deloitte & Touche LLP.
- 24.1 Powers of Attorney.

The Registrant hereby undertakes to submit the Plan, and any amendments thereto, 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 of 1993, as amended (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. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar volume of

securities offered would not exceed that which was registered) and any deviation from the high or low end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Securities and Exchange Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than a 20% change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective 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 into 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.

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 Post-Effective Amendment No. 2 to Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Houston, State of Texas, on the 15th day of October, 1999.

QUANEX CORPORATION

By /s/ Vernon E. Oechsle

 Vernon E. Oechsle
 Director, President and Chief Executive Officer
 (Principal Executive Officer)

Pursuant to the requirements of the Securities Act of 1933, this Post-Effective Amendment No. 2 to Registration Statement has been signed below by the following persons in the capacities and on the dates indicated.

| Signature | Title | Date |
|---|--|------------------|
| ===== | ===== | ===== |
| /s/ Vernon E. Oechsle ----- Vernon E. Oechsle | Director, President and Chief Executive Officer (Principal Executive Officer) | October 15, 1999 |
| /s/ James H. Davis ----- James H. Davis | Executive Vice President and Chief Operating Officer (Principal Operating Officer) | October 15, 1999 |
| * ----- Donald G. Barger, Jr. | Director | October 15, 1999 |

| | | |
|----------------------|---|------------------|
| * | | |
| ----- | Director | October 15, 1999 |
| Susan F. Davis | | |
| * | | |
| ----- | Director | October 15, 1999 |
| Russell M. Flaum | | |
| * | | |
| ----- | Director | October 15, 1999 |
| Carl E. Pfeiffer | | |
| * | | |
| ----- | Director | October 15, 1999 |
| John D. O'Connell | | |
| * | | |
| ----- | Director | October 15, 1999 |
| Vincent R. Scorsone | | |
| * | | |
| ----- | Director | October 15, 1999 |
| Michael J. Sebastian | | |
| /s/ Terry M. Murphy | President, Engineered Products Group and Chief Financial Officer (Principal Financial Officer) | October 15, 1999 |
| ----- | | |
| Terry M. Murphy | | |
| /s/ Viren M. Parikh | Controller (Principal Accounting Officer) | October 15, 1999 |
| ----- | | |
| Viren M. Parikh | | |

* By /s/ Viren M. Parikh

Viren M. Parikh
Attorney-in-Fact

The Plan. Pursuant to the requirements of the Securities Act of 1933, the Administrative Committee of the Plan has duly caused this Post-Effective Amendment No. 2 to Registration Statement on Form S-8 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 October 15, 1999.

QUANEX CORPORATION HOURLY
BARGAINING UNIT EMPLOYEE SAVINGS PLAN

By: /s/ Vernon E. Oechsle

Vernon E. Oechsle

By: /s/ James H. Davis

James H. Davis

By: /s/ Wayne M. Rose

Wayne M. Rose

By: /s/ Terry M. Murphy

Terry M. Murphy

By: /s/ Paul J. Giddens

Paul J. Giddens

By: /s/ Viren M. Parikh

Viren M. Parikh

EXHIBIT INDEX

| Exhibit Number | Description |
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| 23.1 | Consent of Deloitte & Touche LLP. |
| 24.1 | Powers of Attorney. |

QUANEX CORPORATION
HOURLY BARGAINING UNIT
EMPLOYEES SAVINGS PLAN

AMENDMENT AND RESTATEMENT
EFFECTIVE APRIL 1, 1996

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QUANEX CORPORATION
HOURLY BARGAINING UNIT
EMPLOYEES SAVINGS PLAN

Quanex Corporation has entered into the following Agreement:

W I T N E S S E T H:

WHEREAS, effective January 1, 1989, Quanex Corporation has heretofore adopted the Quanex Corporation Hourly Bargaining Unit Employees Savings Plan (the "Plan") and the Quanex Corporation Hourly Bargaining Unit Employees Savings Plan Trust (the "Trust") for the exclusive benefit of its employees and their beneficiaries;

WHEREAS, effective December 29, 1992, Michigan Seamless Tube Company adopted the Plan and the Trust for the exclusive benefit of its employees and their beneficiaries;

WHEREAS, effective July 1, 1994, LaSalle Steel Company adopted the Plan and the Trust for the exclusive benefit of certain of its employees working in Hammond, Indiana and their beneficiaries; and

WHEREAS, LaSalle Steel Company desires to amend the Plan to permit certain of its employees working in Griffith, Indiana to participate in the Plan in accordance with the terms of the collective bargaining agreement between LaSalle Steel Company and the United Steelworkers of America, Local 2281-2;

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) Employee After Tax Contribution Account - The Member's after-tax contributions, if any.

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

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

(d) Matching Contribution Account - The Employer's matching contributions allocated to the Member, if any.

(e) Supplemental Employer Contribution Account - The Employer's supplemental contributions allocated to the Member, if any.

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. Solely for this purpose all Section 401(k)

Contributions and Annual Compensation of all eligible Family Members will be attributed to each Highly Compensated Employee.

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) or which is a member of an affiliated service group (within the meaning of Section 414(m) of the Code) with the Employer.

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

1.7 "ANNUAL ADDITIONS" means (a) Employer Contributions, (b) Employee 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 and for a Plan Year are treated as Annual Additions for that Plan Year even if they are corrected through distribution or recharacterization. Excess Deferrals that are timely distributed as set forth in Section 4.4 shall not be treated as Annual Additions.

1.8 "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, 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.

Annual Compensation means, when used for any other purpose, compensation received by the Employee from the Employer, other than compensation

in the form of qualified or previously qualified deferred compensation that is currently includable in gross income for federal income tax purposes.

Effective January 1, 1994, except for purposes of Section 415 of the Code and Section 5.4 of the Plan, all Annual Compensation, without regard to its definition, in excess of \$150,000.00 (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) shall apply, 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 \$150,000.00 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.

1.9 "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.

1.10 "BOARD OF DIRECTORS" means the board of directors of the Sponsor.

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

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

1.13 "CONSIDERED COMPENSATION" means as to each Member who is employed by Quanex Corporation or Michigan Seamless Tube Company: (a) the earnings reported on Form W-2 by the Employer during the Plan Year, excluding amounts includable on Form W-2 which are reimbursements or other expense allowances, fringe benefits (cash and noncash), moving expenses, deferred compensation and welfare benefits and (b) the amounts deferred under an eligible cash or deferred arrangement under Section 401(k) of the Code or under a cafeteria plan described in Section 125 of the Code. Considered Compensation means as to each Member who is employed by LaSalle Steel Company the base pay from LaSalle Steel Company for hours worked during the Plan Year. Accordingly, for Employees of LaSalle Steel Company, Considered Compensation shall not include vacation pay, sick pay, grievance pay, shift premium pay, or the premium portion of overtime pay. Considered Compensation in excess of \$150,000.00 (as adjusted by the Secretary of the Treasury) shall be disregarded. In determining the Considered Compensation of a Member for purposes of this limitation, the rules of Section 414(q)(6) shall apply,

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 \$150,000.00 limitation is exceeded, the limitation shall be prorated among the affected Members in proportion to each Member's Considered Compensation as determined under this Section prior to the application of this limitation.

1.14 "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) Employee After Tax Contribution - After Tax Contributions paid by the Employee.

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

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

(d) Matching Contributions - Matching Contributions made by the Employer.

(e) Supplemental Employer Contributions - Contributions made by an Employer in addition to other Contributions made by the Employer.

1.15 "DISABILITY" means a mental or physical disability which, in the opinion of a physician selected by the Committee, shall prevent the Member from performing his regular work during the first 24 months of disability and after 24 months from performing any job for which he is educated, trained, or experienced 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.

1.16 "EMPLOYEE" means all persons who are (1) common law employees of the Sponsor who are employed at its Gulf States Tube Division or MacSteel-Michigan Division, common law employees of LaSalle Steel Company employed in Hammond, Indiana or Griffith, Indiana, or common law employees of Michigan Seamless Tube Company or common law employees of any other Employer and (2) are included in a unit of employees covered by a collective bargaining agreement with an

Employer. 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.

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

1.18 "ENTRY DATE" means the January 1, April 1, July 1, or October 1 following the Employee's satisfaction of the Plan eligibility requirements.

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

1.20 "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 4.5 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 test, only that lesser reduction may be made. This leveling process is repeated until the Actual Deferral Percentage test is satisfied.

1.21 "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.

1.22 "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 \$75,000.00 (as adjusted from time to time by the Secretary of the Treasury), (c) received Annual Compensation from the Employers in excess of \$50,000.00 (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.

1.23 "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.

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

1.25 "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.

1.26 "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.

1.27 "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.

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

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

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

1.31 "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.

1.32 "RETIREMENT AGE" means 65 years of age, or 55 years of age in the case of Members who have completed 10 years of Active Service. Once a Member has attained his Retirement Age he shall be 100% vested at all times.

1.33 "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.

1.34 "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).

1.35 "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.

1.36 "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.

1.37 "SPONSOR" means Quanex Corporation or any other business organization which assumes the primary responsibility for maintaining this Plan with the consent of the last preceding Sponsor.

1.38 "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.

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

1.40 "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.

1.41 "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.

1.42 "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 annual. 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 Date shall be the last day of each month.

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, 365 days shall be counted as one year of Active Service. 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 incurs a Period of Severance of one year or more, all Periods of Service prior to that Period of Severance shall not count as Active Service until the Employee has completed a Period of Service of one year or more after his return to Service.

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 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.

ARTICLE III
ELIGIBILITY RULES

3.1 ELIGIBILITY REQUIREMENTS. Each Employee shall be eligible to participate in this Plan beginning on the later of (a) the effective date of the adoption of this Plan by the Employer or (b) the Entry Date which occurs with or next follows the date on which the Employee completes three months of Active Service.

3.2 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 Entry Date which occurs with or next follows the date on which 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.

3.3 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, (b) is a Member of this Plan when he is excluded under the provisions of a collective bargaining agreement or (c) is a Member of the Plan when he is employed outside the United States and is not designated by the Committee to continue to be eligible to participate, his participation becomes inactive. Under these circumstances, the Member's Account becomes frozen: 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, is excluded from covered employment under the provisions of a collective bargaining agreement, or is employed outside the United States and has not been designated by the Committee to continue to be eligible to participate.

ARTICLE IV
CONTRIBUTIONS

4.1 EMPLOYEE AFTER TAX CONTRIBUTIONS. The Committee may permit Employee After-Tax Contributions to be made by Members from time to time. If the Committee permits Contributions by Members, the opportunity must be made available to all Members on a nondiscriminatory basis. If the Committee decides to stop all Contributions by Members, the Contributions to the effective date of the announcement shall be retained in the Trust Fund subject to the right of withdrawal described under this Plan.

Changes in the rate of Employee After-Tax Contributions and suspension of those Contributions shall be permitted under any uniform method determined from time to time by the Committee.

4.2 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.

Rollover Contributions shall have no effect upon the amount permitted to be allocated to a Member's Account under Section 415 of the Code or the amount contributed to the Plan by a Member under Section 4.1.

4.3 EMPLOYER CONTRIBUTIONS. Each Employer shall contribute for each Plan Year the amount by which the Member's Considered Compensation is reduced as a result of a salary deferral agreement, not to exceed the amount of the Member's Considered Compensation for the Plan Year, less the amount of the Member's Employee After-Tax Contribution, if any, as set by the Committee from time to time in a nondiscriminatory manner and announced to the Members;

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.

Each Plan Year LaSalle Steel Company will make a Supplemental Employer Contribution of \$100 on behalf of each individual who is first hired by LaSalle Steel Company after May 15, 1994, is employed by LaSalle Steel Company at Hammond, Indiana, and becomes a Member during the Plan Year.

During the 1996 Plan Year, LaSalle Steel Company shall make a Supplemental Employer Contribution of \$50 on behalf of each Member who was employed by LaSalle Steel Company at Griffith, Indiana on February 19, 1996.

Each Plan Year LaSalle Steel Company will contribute for each Member employed by it an amount which is equal to 25% of the Member's Salary Deferral Contribution and/or Employee After Tax Contribution that does not exceed 5% of the Member's Considered Compensation.

Each Employer shall contribute for each Plan Year 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.

LaSalle Steel Company shall contribute for each Plan Year an amount, which when added to previously unapplied and unallocated forfeitures, shall equal the amounts that have been forfeited by Members who have become entitled to have their forfeited amounts restored pursuant to Section 5.4.

The amount of the Employer's Contributions described above cannot exceed the lesser of: (a) 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 (b) the sum which may be allocated to the Members' Accounts without violating the limitations of Section 415 of the Code.

4.4 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 Sections 401(k), 408(k) and 403(b) of the Code 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 Sections 401(k), 408(k) and 403(b) of the Code 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 taxable year.

For purposes of applying the requirements of Section 4.5 and Article VII, Excess Deferrals shall 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 4.5.

4.5 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 directly or indirectly eligible to make Salary Deferral Contributions for all or part of the 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 Actual Deferral Ratio that shall 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 4.9) shall be distributed, or (b) to the extent provided in regulations issued by the Secretary of the Treasury, and permitted by the Committee, the Employee may elect to treat the amount of the Excess 401(k) Contributions as an amount distributed to the Employee and then contributed by the Employee to the Plan as an Employee After-Tax Contribution, provided the recharacterized amounts shall remain subject to the same rules and restrictions to which the Salary Deferral Contributions are subjected, or (c) the Employer may make an Employer contribution which it elects to have treated as a Section 401(k) Contribution and allocated only to those Members who are Non-Highly Compensated Employees. The Excess 401(k) Contributions of Highly Compensated Employees will not be recharacterized to the extent that the recharacterized amounts would exceed the Contribution Percentage as determined prior to applying the Contribution Percentage limitations. Excess 401(k) Contributions may not be recharacterized after 2 1/2 months after the close of the Plan Year to which the recharacterization relates. The amount of recharacterized Excess 401(k) Contributions, in combination with Employee After- Tax Contributions actually made by the Member, may not exceed the maximum amount of Employee After-Tax Contributions (determined without regard to Section 4.7) that the Member could have made under the provisions of the Plan in effect on the first day of the Plan Year in the absence of recharacterization. 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 or recharacterized 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.

The Actual Deferral Percentages are to be calculated, and the provisions of this section are to be applied, separately for each Employer which constitutes a separated controlled group or affiliated service group.

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's cash or deferred arrangement to be disqualified for the Plan Year for which the Excess 401(k) 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 401(k) Contributions unless they are corrected within 2 1/2 months after the close of the Plan Year for which they were made.

4.6 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.

4.7 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 Section 401(k) 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.

4.8 EMPLOYEE AFTER TAX CONTRIBUTIONS AND SALARY DEFERRAL CONTRIBUTIONS. The Employee After-Tax Contributions and the Salary Deferral Contributions are to be paid to the Trustee in installments. The installment for each payroll period is to be paid as of the end of the payroll period and shall be paid as soon

as administratively feasible but in any event not later than the time prescribed by law for filing the Employer's federal income tax return (including extensions) for its taxable year which ends with or next follows the end of the Plan Year for which the Contribution is to be made, and shall be in an amount equal to the amount by which all Members' Considered Compensation was reduced for the period. The Employer's 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.

4.9 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 shall 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, shall 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 shall 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 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 EMPLOYEE CONTRIBUTIONS. The Committee shall allocate each Member's Employee After Tax Contributions made on his behalf to his Employee After Tax Contribution Account as of the date they are contributed.

5.2 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.

5.3 ALLOCATION OF EMPLOYER CONTRIBUTIONS. The Committee shall allocate the Salary Deferral Contributions made on behalf of each Member to his Salary Deferral Contributions Account as of the date they are contributed.

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 Matching Contribution made on behalf of each Member who is employed by LaSalle Steel Company; and

(d) allocate the Supplemental Employer Contribution, if any, among the Members who are eligible to receive such a contribution under Section 4.3 of the Plan.

5.4 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 Account, the nonvested amount in his Account 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 that portion of the distribution which was derived from Employer Contributions before the earlier of five years after the first date on which the Member is subsequently reemployed by an Employer or the close of the first period of five consecutive one-year Periods of Severance commencing after the distribution.

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 following 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 that interest was less than \$3,500.00.

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.

5.5 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) \$30,000.00 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, reasonable error in estimating a Member's Annual Compensation, 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.

5.6 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 their Account balances in each of the various investment funds or accounts, if more than one, as of the last Valuation Date 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. The Committee, by resolution, may elect in lieu of the allocation method described above 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.

5.7 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.

5.8 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.

5.9 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 preceding the event which caused the distribution or withdrawal, adjusted only for Contributions, distributions and withdrawals, if any, made between the Valuation Date and that event.

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 Employee After Tax Contribution Account, Salary Deferral Contribution Account and Rollover Account, and (b) that percentage of his Matching Contribution Account and 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 Vested In Accounts Containing Employer Contributions ----- |
|--|--|
| Less than one year..... | 0% |
| One years 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, upon giving 30 days written notice to the Committee, is entitled to withdraw from his Employee After Tax Contribution Account and his vested interest in his Matching Contribution Account. The minimum withdrawal permitted under this Section 6.7(a) is the lesser of \$1,000 or the balances of his Employee After Tax Contribution Account and his vested Matching Contribution Account. Also, a Member may withdraw from his vested Matching contribution Account only if the Member has been a Member of the Plan for five years or more or the amounts withdrawn from the Matching Contribution Account have been in such Account for at least two years. A Member may not make another withdrawal request under this Section 6.7(a) until he has made After Tax Contributions for at least 12 months after the withdrawal.

(b) After giving 30 days written notice to the Committee, a Member is entitled to receive a withdrawal from his Account (exclusive of income earned on his Salary Deferral Contribution Account and exclusive of any portion of his Supplemental Employer Contribution 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.

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.

Withdrawals made pursuant to this Section 6.7(b) shall be made in the following order: First, withdrawals will be made from a Member's Employee After Tax Contribution Account, then from his Rollover Account, then from his Matching Contribution Account, and finally, from his Salary Deferral Contribution Account.

(c) A Member who is at least age 70 1/2, upon giving 30 days written notice to the Committee, is entitled to withdraw all or any portion of the amounts credited to his Accounts.

6.8 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.

6.9 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 60 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.

6.10 TIMING AND FORM OF ALL DISTRIBUTIONS. Distributions shall be made only in cash unless an asset held in the Trust cannot be sold by 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 is \$3,500.00 or less, and the vested Account balance of the Member at the time of any prior distribution to him was \$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 to be distributed to the Member is greater than \$3,500.00, or the vested Account balance of the Member at the time of any prior distribution to him was \$3,500 or more, 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 to be distributed to the Member is greater than \$3,500.00, or the vested Account balance of the Member at the time of any prior distribution to him was \$3,500 or more, 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.

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.

6.11 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 elect to receive the required distribution within that time limit. 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.

6.12 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.

6.13 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.

6.14 DISTRIBUTIONS TO DISABLED OR MINORS. If the Committee determines that any person to whom a payment is due is a minor or is unable to care for his affairs because of a physical or mental disability, it shall have the authority to cause the payments to be made to an ancestor, descendant, spouse, or other person the Committee determines to have incurred, or to be expected to incur, expenses for that person or to the institution which is maintaining or has custody of the 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.

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ARTICLE VII

ADMINISTRATION OF THE PLAN

7.1 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.

7.2 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.

7.3 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.

7.4 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.

7.5 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.

7.6 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.

7.7 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.

7.8 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.

7.9 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.

7.10 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.

7.11 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.

7.12 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.

7.13 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 VIII

TRUST FUND AND CONTRIBUTIONS

8.1 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.

8.2 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.

8.3 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.

8.4 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, 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 IX

ADOPTION OF PLAN BY OTHER EMPLOYERS

9.1 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.

9.2 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.

9.3 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.

9.4 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 X

AMENDMENT AND TERMINATION

10.1 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.

10.2 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.

10.3 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.

10.4 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, subject to the provisions of Section 11.7, 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.

10.5 PARTIAL OR COMPLETE TERMINATION OR COMPLETE DISCONTINUANCE. 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.

10.6 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.

10.7 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 distributions 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 shall 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 Sections 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.

10.8 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.

10.9 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 XI
MISCELLANEOUS

11.1 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.

11.2 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.

11.3 ANTI-ALIENATION PROVISION. 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.

11.4 REQUIREMENTS UPON MERGER OR CONSOLIDATION 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).

11.5 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.

11.6 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.

11.7 GOVERNING LAW; PARTIES TO LEGAL ACTIONS. The provisions of this Plan shall be construed, administered, and governed under the laws of the State of Texas 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 and LaSalle Steel Company have caused this Agreement to be executed this day of 1996, in multiple counterparts, each of which shall be deemed to be an original, to be effective the 1st day of April 1, 1996, 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

LASALLE STEEL COMPANY

By

.....
Title

MASTER TRUST AGREEMENT

BETWEEN

QUANEX CORPORATION

AND

FIDELITY MANAGEMENT TRUST COMPANY

QUANEX EMPLOYEE SAVINGS
MASTER TRUST

DATED AS OF FEBRUARY 1, 1999

TRUST AGREEMENT, dated as of the first day of February 1999, between QUANEX CORPORATION a Delaware corporation, having an office at 1900 West Loop South, Houston, Texas 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 or one of its subsidiaries is the sponsor of the Quanex Corporation Employee Savings Plan, the Quanex Corporation Hourly Bargaining Unit Employees Savings Plan, the Piper Impact 401(k) Plan, the Nichols-Homeshield 401(k) Savings Plan and the Nichols-Homeshield 401(k) Savings Plan for Hourly Davenport Employees (collectively and individually, the "Plan"); and

WHEREAS, certain affiliates and subsidiaries of the Sponsor maintain, or may in the future maintain, qualified defined contribution plans for the benefit of their eligible employees; and

WHEREAS, the Sponsor desires to establish a single trust to hold all of the assets of the Plan and or such other tax-qualified defined contribution plans maintained by the Sponsor, or any of its subsidiaries or affiliates, as are designated by the Sponsor as being eligible to participate therein; and

WHEREAS, the Trustee shall maintain a separate account reflecting the equitable share of each Plan in the Trust and in all investments, receipts, disbursements and other transactions hereunder, and shall report the value of such equitable share at such times as may be mutually agreed upon by the Trustee and the Sponsor. Such equitable share shall be used solely for the payments of benefits, expenses and other charges properly allocable to each such Plan and shall not be used for the payment of benefits, expenses or other charges properly allocable to any other Plan; and

WHEREAS, the Trustee is willing to hold and invest the aforesaid plan assets in trust pursuant to the provisions of this Trust Agreement, which trust shall constitute a continuation, by means of an amendment and restatement, of each of the prior trusts from which plan assets are transferred to the Trustee; 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 Trustee is willing to perform recordkeeping and administrative 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. DEFINITIONS. The following terms as used in this Trust Agreement have the meaning indicated unless the context clearly requires otherwise:

- (a) "Administrator" shall mean, with respect to the Plan, the person or entity which is the "administrator" of such Plan within the meaning of section 3(16)(A) of ERISA.
- (b) "Agreement" shall mean this Trust Agreement, as the same may be amended and in effect from time to time.
- (c) "Code" shall mean the Internal Revenue Code of 1986, as it has been or may be amended from time to time.
- (d) "ERISA" shall mean the Employee Retirement Income Security Act of 1974, as it has been or may be amended from time to time.
- (e) "Existing Investment Contracts" shall mean shall mean each annuity contract heretofore entered into by the Sponsor, any other Employer or any predecessor trustee and specifically identified on Schedule "G" attached hereto.
- (f) "Fidelity Mutual Fund" shall mean any investment company advised by Fidelity Management & Research Company or any of its affiliates.
- (g) "Mutual Fund" shall refer both to Fidelity Mutual Funds and Non-Fidelity Mutual Funds.
- (h) "Named Fiduciary" shall mean, with respect to the application of any provision of this Agreement to any Plan, the person or entity which is the relevant fiduciary under such Plan with respect to such matter (within the meaning of section 402(a) of the Employee Retirement Income Security Act of 1974, as amended); and
- (i) "Non-Fidelity Mutual Fund" shall mean certain investment companies not advised by Fidelity Management & Research Company or any of its affiliates.

- (j) "Participant" shall mean, with respect to the Plan, any employee (or former employee) with an account under the Plan, which has not yet been fully distributed and/or forfeited, and shall include the designated beneficiary(ies) with respect to the account of any deceased employee (or deceased former employee) until such account has been fully distributed and/or forfeited.
- (k) "Plan" shall mean the Quanex Corporation Employee Savings Plan, the Quanex Corporation Hourly Bargaining Unit Employees Savings Plan, the Piper Impact 401(k) Plan, the Nichols-Homeshield 401(k) Savings Plan, the Nichols-Homeshield 401(k) Savings Plan for Hourly Davenport Employees and such other tax-qualified, defined contribution plans which are maintained by the Sponsor or any of its subsidiaries or affiliates for the benefit of their eligible employees as may be designated by the Sponsor in writing to the Trustee as a Plan hereunder, such writing to be in the form of the Plan Designation Form attached hereto as Schedule "J". Each reference to "a Plan" or "the Plan" in this Agreement shall mean and include the Plan or Plans to which the particular provision of this Agreement is being applied or all Plans, as the context may require.
- (l) "Reporting Date" shall mean the last day of each calendar quarter, the date as of which the Trustee resigns or is removed pursuant to Section 9 hereof and the date as of which this Agreement terminates pursuant to Section 11 hereof.
- (m) "Sponsor" shall mean Quanex Corporation, a Delaware corporation, or any successor to all or substantially all of its businesses which, by agreement, operation of law or otherwise, assumes the responsibility of the Sponsor under this Agreement.
- (n) "Sponsor Stock" shall mean the Common Stock of the Sponsor, or such other publicly-traded stock of the Sponsor, or such other publicly-traded stock of the Sponsor's affiliates as meets the requirements of section 407(d)(5) of ERISA with respect to the Plan.
- (o) "Trust" shall mean the Quanex Employee Savings Master Trust, being the trust established by the Sponsor and the Trustee pursuant to the provisions of this Agreement.
- (p) "Trustee" shall mean Fidelity Management Trust Company, a Massachusetts trust company and any successor to all or substantially all of its trust business as described in Section 10(c). The term Trustee shall also include any successor trustee appointed pursuant to Section 10 to the extent such successor agrees to serve as Trustee under this Agreement.

SECTION 2. TRUST. The Sponsor hereby establishes the Trust with the Trustee. The Trust shall consist of the assets of the Plan that are transferred from the previous trusts funding to the Plan, such additional sums of money and Sponsor Stock as shall from time to time be delivered to the Trustee under a 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 3. EXCLUSIVE BENEFIT AND REVERSION OF SPONSOR CONTRIBUTIONS.

Except as provided under applicable law, no part of the Trust allocable to a Plan 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.

SECTION 4. 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 under a Plan in excess of the net realizable value of the assets of the Trust allocable to such Plan at the time of the disbursement. The Trustee shall not be required to make any disbursement in cash unless the Named Fiduciary has provided a written direction as to the assets to be converted to cash for the purpose of making the disbursement.

SECTION 5. 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 with respect to a Plan shall direct the Trustee as to the investment options in which Plan Participants may invest, subject to the following limitations. The Named Fiduciary may determine to offer as investment options only (i) Mutual Funds, (ii) Sponsor Stock, (iii) notes evidencing loans to Participants in accordance with the terms of the Plan, (iv) Existing Investment Contracts, and (v) collective investment funds maintained by the Trustee for qualified plans.

The Named Fiduciary hereby directs the Trustee to continue to hold such Existing Investment Contracts until the Named Fiduciary directs otherwise, it being expressly understood that such direction is given in accordance with Section 403(a) of ERISA. The Trustee shall be considered a fiduciary with

investment discretion only with respect to Plan assets that are invested in collective investment funds maintained by the Trustee for qualified plans.

The investment options initially selected by the Named Fiduciary are identified on Schedules "A" and "C" attached hereto. The Named Fiduciary may add additional investment options with the consent of the Trustee and upon mutual amendment of this Trust Agreement and the Schedules thereto to reflect such additions.

(c) Participant Direction. Each Participant shall direct the Trustee in which investment option(s) to invest the assets in the Participant's individual accounts. Such directions may be made by 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". 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. The Sponsor hereby acknowledges that it has received from the Trustee a copy of the prospectus for each Fidelity Mutual Fund selected by the Named Fiduciary as a Plan investment option. All transactions involving Non-Fidelity Mutual Funds shall be done in accordance with the Operational Guidelines for Non-Fidelity Mutual Funds attached hereto as Schedule "H". 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 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 Sponsor shall have the right to direct the Trustee as to the manner in which the Trustee is to vote the mutual fund shares held in any short-term

investment fund or liquidity reserve. 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 or the Sponsor.

(e) Sponsor Stock. Trust investments in Sponsor Stock shall be made via the Quanex Corporation Stock Fund (the "Stock Fund") which shall consist of shares of Sponsor Stock and short-term liquid investments, including Fidelity Institutional Cash Portfolios: Money Market Portfolio: Class I or such other Mutual Fund or commingled money market pool as agreed to by the Sponsor and Trustee, necessary to satisfy the Fund's cash needs for transfers and payments. A cash target range shall be maintained in the Stock Fund. Such target range may be changed as agreed to in writing by the Sponsor and the Trustee. The Trustee is responsible for ensuring that the actual cash held in the Stock Fund falls within the agreed upon range over time. Each Participant's proportional interest in the Stock Fund shall be measured in units of participation, rather than shares of Sponsor Stock. Such units shall represent a proportionate interest in all of the assets of the Stock Fund, which includes shares of Sponsor Stock, short-term investments and at times, receivables for dividends and/or Sponsor Stock sold and payables for Sponsor Stock purchased. A Net Asset Value ("NAV") per unit will be determined daily for each unit outstanding of the Stock Fund. The return earned by the Stock Fund will represent a combination of the dividends paid on the shares of Sponsor Stock held by the Stock Fund, gains or losses realized on sales of Sponsor Stock, appreciation or depreciation in the market price of those shares owned, and interest on the short-term investments held by the Stock Fund. Dividends received by the Stock Fund are reinvested in additional shares of Sponsor Stock. 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 5(c) of this Agreement.

(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 affect 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) Purchases and Sales from or to Sponsor. If directed by the Sponsor in writing prior to the trading date, the Trustee may purchase or sell Sponsor Stock from or to the Sponsor if the

purchase or sale is for adequate consideration (within the meaning of section 3(18) of ERISA) and no commission is charged. If Sponsor contributions or contributions made by the Sponsor on behalf of the Participants under the Plan are to be invested in Sponsor Stock, the Sponsor may transfer Sponsor Stock in lieu of cash to the Trust. In either case, the number of shares to be transferred will be determined by dividing the total amount of Sponsor Stock to be purchased or sold by the 4:00 p.m. closing price of the Sponsor Stock on the New York Stock Exchange on the trading date.

(C) Use of an Affiliated Broker. The Sponsor hereby directs the Trustee to use Fidelity Capital Markets and its affiliates ("Capital Markets") to provide brokerage services in connection with any purchase or sale of Sponsor Stock in accordance with directions from Plan Participants. Capital Markets 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:

(1) As consideration for such brokerage services, the Sponsor agrees that Capital Markets shall be entitled to remuneration under this authorization provision in an amount of no greater than three and two-fifths cents (\$.032) commission on each share of Sponsor Stock. Any change in such remuneration may be made only by a signed agreement between Sponsor and Trustee.

(2) The Trustee will provide the Sponsor with a description of Capital Markets' brokerage placement practices and a form by which the Sponsor may terminate this direction to use a broker affiliated with the Trustee. The Trustee will provide the Sponsor with this termination form annually, as well as quarterly and annual reports which summarize all securities transaction-related charges incurred by the Plan.

(3) Any successor organization of Capital Markets, through reorganization, consolidation, merger or similar transactions, may, upon consummation of such transaction, become the successor broker in accordance with the terms of this direction provision.

(4) The Trustee and Capital Markets shall continue to rely on this direction provision until notified to the contrary. The Sponsor reserves the right to terminate this direction upon sixty (60) days written notice to Capital Markets (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 or special meeting, the Sponsor shall notify the Trustee at least thirty (30) days in advance of the intended record date and shall cause a copy of all 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 with an interest in Sponsor Stock held in the Trust, together with the foregoing voting instruction form to be returned to the Trustee or its designee. The form shall show the proportional interest in the number of full and fractional shares of Sponsor Stock credited to the Participant's accounts held in the Stock Fund. The Sponsor shall provide the Trustee with a copy of any materials provided to the Participants pursuant to this Section 5(e)(v)(A) and shall certify to the Trustee that the materials have been mailed or otherwise sent to Participants.

(2) Each Participant with an interest in the Stock Fund shall have the right to direct the Trustee as to the manner in which the Trustee is to vote (including not to vote) that number of shares of Sponsor Stock reflecting such Participant's proportional interest in the Stock Fund (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 except to the extent that the aggregate consequences of such directions are reflected in reports regularly communicated to any such person in the ordinary course of the performance of the Trustee's services hereunder. Upon its receipt of the directions, the Trustee shall vote the shares of Sponsor Stock reflecting the Participant's proportional interest in the Stock Fund as directed by the Participant. Except as otherwise required by law, the Trustee shall vote shares of Sponsor Stock reflecting a Participant's proportional interest in the Stock Fund for which it has received no direction from the Participant in the same proportion on each issue as it votes shares for which it has received voting instructions from Participants.

(3) Except as otherwise required by law, 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 Participant's accounts by a fraction of which the numerator is the number of shares of Sponsor Stock reflecting a Participant's proportional interest in the Stock Fund that are credited to Participant's accounts for which the Trustee received voting directions from Participants and of which the denominator is the total number of shares of Sponsor Stock reflecting a Participant's proportional interest in the Stock Fund that are credited to participants' accounts. The Trustee shall vote those shares of Sponsor Stock not credited to Participant's 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 reflecting a Participant's proportional interest in the Stock Fund that are 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 Participant's 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 with an interest in such Sponsor Stock 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 reflecting such

Participant's proportional interest in the Stock Fund (both vested and unvested). The Sponsor shall provide the Trustee with a copy of any material provided to the Participants pursuant to this Section 5(e)(v)(B) 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 reflecting such Participant's proportional interest in the Stock Fund (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. Except as otherwise required by law, the Trustee shall not tender shares of Sponsor Stock reflecting a Participant's proportional interest in the Stock Fund for which it has received no direction from the Participant.

(3) Except as otherwise required by law, 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 reflecting the Participants' proportional interests in the Stock Fund that are credited to Participants' accounts for which the Trustee has received directions from Participants to tender and of which the denominator is the total number of shares of Sponsor Stock reflecting the Participants' proportional interests in the Stock Fund that are credited to Participants' accounts.

(4) A Participant who has directed the Trustee to tender some or all of the shares of Sponsor Stock reflecting the Participant's proportional interest in the Stock Fund may, at any time prior to the tender offer withdrawal date, direct the Trustee to withdraw some or all of the tendered shares reflecting the Participant's proportional interest, 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 5(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 reflecting the Participant's proportional interest in the Stock Fund 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 proportional interest 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 interest. 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" or "reflected" to a Participant's proportional interest shall be determined as of the relevant date (the record date or the date specified in the tender offer) shall be calculated by reference to the number of shares reflected on the books of the transfer agent as of the relevant date.

(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 proportional interest in the Stock Fund, 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 5(e) shall also apply to any securities received as a result of a conversion of Sponsor Stock.

(f) Participant Loans. 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) separately account for repayments of such loans and clearly identify such assets as Plan assets, (iii) collect and remit all principal and interest payments to the Trustee, 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 direct the Trustee as to the type of loan to be made from the participant's individual account. Such directions shall be made by Plan participants by use of the telephone exchange system maintained for such purpose by the Trustee or its agent. The Trustee shall determine, based on the current value of the participant's account, the amount available for the loan. Based on the interest rate supplied by the Sponsor in accordance with the terms of the Plan, the Trustee shall advise the participant of such interest rate, as well as the installment payment amounts. The Trustee shall forward the loan document to the participant for execution and submission for approval to the Administrator. The Administrator shall have the responsibility for approving the loan and instructing the Trustee to send the loan proceeds to the Administrator or to the participant if so directed by the Administrator. In all cases, if the Trustee does not receive approval or disapproval by the Administrator within thirty (30) days of the participant's initial request (the origination date) the participant will be required to reinitiate the loan request process.

(g) 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 (i) agrees to the terms of the Group Trust and adopts said terms as a part of this Agreement and (ii) 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.

(h) 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 5 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 5, 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.

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

(i) Subject to paragraphs (b), (c) and (d) of this Section 5, 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 5, to invest in 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 Code.

(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 Sponsor 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 borrow funds from a bank not affiliated with the Trustee in order to provide sufficient liquidity to process Plan transactions in a timely fashion, provided that the cost of borrowing shall be allocated in a reasonable fashion to the investment fund(s) in need of liquidity.

(vii) To settle, compromise, or submit to arbitration any claims, debts, or damages due to or arising from the Trust; to commence or defend suits or legal or administrative proceedings; to represent the Trust in all suits and legal and administrative hearings; and to pay all reasonable expenses arising from any such action, from the Trust if not paid by the Sponsor.

(viii) 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.

(ix) To invest all of any part of the assets of the Trust in any collective investment trust or group trust which then provides for the pooling of the assets of plans described in section 401(a) and exempt from tax under section 501(a) of the Code, or any comparable provisions of any future legislation that amends, supplements, or supersedes those sections, provided that such collective investment trust or group trust is exempt from tax under the Code or regulations or rulings issued by the Internal Revenue Service; the provisions of the document governing such collective investment trusts or group trusts, as it may be amended from time to time, shall govern any investment therein and are hereby made a part of this Trust Agreement.

(x) 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.

SECTION 6. RECORDKEEPING AND ADMINISTRATIVE SERVICES TO BE PERFORMED.

(a) General. The Trustee shall perform those recordkeeping and administrative functions described in Schedule "A" attached hereto. These recordkeeping and administrative functions shall be performed within the framework of the Named Fiduciary'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 each 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 Sponsor a written account setting forth all investments, receipts, disbursements, and other transactions affected 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 Sponsor, 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 Sponsor or any person designated by the Sponsor. Upon the resignation or removal of the Trustee or the termination of this Agreement, the Trustee shall provide to the Sponsor, at no expense to the Sponsor, in the format regularly provided to the Sponsor, a statement of each Participant's accounts as of the resignation, removal, or termination, and the Trustee shall provide to the Sponsor or the Plan's new recordkeeper such further records as are reasonable, at the Sponsor's expense.

(d) Effect of Plan Amendment. A confirmation of the current qualified status of each Plan is attached hereto as Schedule "F". The Trustee's provision of the recordkeeping and administrative services set forth in this Section 6 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 Sponsor providing the Trustee on a timely basis with all the information the Sponsor deems necessary for the Trustee to perform the recordkeeping and administrative services and such other information as the Trustee may reasonably request.

(e) Returns, Reports and Information. The Sponsor 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 Sponsor with such information as the Sponsor may reasonably request to make these filings. The Sponsor shall also be responsible for making any disclosures to Participants required by law including, without limitation, such disclosures as may be required by law, except such disclosure as may be required under federal or state truth-in-lending laws with regard to Participant loans, which shall be provided by the Trustee.

(f) Allocation of Plan Interests. All transfers to, withdrawals from, or other transactions regarding the Trust shall be conducted in such a way that the proportionate interest in the Trust of each Plan and the fair market value of that interest may be determined at any time. Whenever the assets of more than one Plan are commingled in the Trust or in any investment option, the undivided interest therein of each such Plan shall be debited or credited (as the case may be) (i) for the entire amount of every contribution received on behalf of such Plan, every benefit payment, or other expense attributable solely to such Plan, and every other transaction relating only to such Plan; and (ii) for its proportionate share of every item of collected or accrued income, gain or loss, and general expense, and of any other transactions attributable to the Trust or that investment option as a whole.

SECTION 7. 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 or the Sponsor may direct the Trustee to deduct such amount from Participants' account. 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 Participants' accounts.

SECTION 8. DIRECTIONS AND INDEMNIFICATION.

(a) Identity of Sponsor and Named Fiduciaries. The Trustee shall be fully protected in relying on the fact that the Sponsor and the Named Fiduciaries under a Plan are the individuals or persons named as such on the Authorization Letters in the form of Schedules "D" and "E" attached hereto or on a Plan Designation Form in accordance with Schedule "J" attached hereto or such other individuals or persons as the Sponsor may notify the Trustee in writing.

(b) Directions from Sponsor or Administrator. Whenever the Sponsor or 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 Sponsor in the form attached hereto as Schedule "D", provided the Trustee reasonably believes the signature of the individual to be genuine. Such direction may also be made via

Electronic Data Transfer ("EDT") in accordance with procedures agreed to by the Sponsor and the Trustee; provided, however, that the Trustee shall be fully protected in relying on such direction as if it were a direction made in writing by the Sponsor. The Trustee shall have no responsibility to ascertain any direction's (i) accuracy, (ii) compliance with the terms of the Plan or any applicable law, or (iii) effect for tax purposes or otherwise.

(c) Directions from Named Fiduciary. Whenever a Named Fiduciary 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. Without limiting the foregoing, the Trustee shall have no liability for the acts or omissions of any predecessor or successor trustee.

(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 8 shall survive the termination of this Agreement.

SECTION 9. 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 10. 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 of 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 11. 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 12. 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 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 13. 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 14. 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 15. ELECTRONIC SERVICES.

(a) The Trustee may provide communications and services via electronic medium ("Electronic Services"), including, but not limited to, Fidelity Plan Sponsor WebStation, Client Intranet, Client e-mail, interactive software products or any other information provided in an electronic format. The Sponsor, its agents and employees agree to keep confidential and not publish, copy, broadcast, retransmit, reproduce, commercially exploit or otherwise disseminate the data, information, software or services without the Trustee's written consent.

(b) The Sponsor shall be responsible for installing and maintaining all Electronic Services on its computer network and/or Intranet upon receipt in a manner so that the information provided via the Electronic Service will appear in the same form and content as it appears on the form of delivery, and for any programming required to accomplish the installation. Materials provided for Plan Sponsor's intranet web sites shall be installed by the Sponsor and shall be clearly identified as originating from Fidelity. The Sponsor shall promptly remove Electronic Services from its computer network and/or Intranet, or replace the Electronic Service with an updated service provided by the Trustee, upon written notification (including written notification via facsimile) by the Trustee.

(c) All Electronic Services shall be provided to the Sponsor without any express or implied legal warranties or acceptance of legal liability by the Trustee relative to the use of material or Electronic Services by the Sponsor. No rights are conveyed to any property, intellectual or tangible, associated with the contents of the Electronic Services and related material.

(d) To the extent that any Electronic Services utilize Internet services to transport data or communications, the Trustee will take, and Plan Sponsor agrees to follow, reasonable security precautions; however, the Trustee disclaims any liability for interception of any such data or communications. The Trustee shall not be responsible for, and makes no warranties regarding access, speed or availability of Internet or network services. The Trustee shall not be responsible for any loss or damage related to or resulting from any changes or modifications to the electronic material after delivering it to the Plan Sponsor.

SECTION 16. GENERAL.

(a) Performance by Trustee, its Agents or Affiliates. The Sponsor acknowledges and authorizes that the services to be provided under this Agreement shall be provided by the Trustee, its agents or affiliates, including Fidelity Investments Institutional Operations Company or its successor, and that certain of such services may be provided pursuant to one or more other contractual agreements or relationships.

(b) Delegation by Employer. By authorizing the assets of any Plan as to which it is an Employer to be deposited in the Trust, each Employer, other than the Sponsor, hereby irrevocably delegates and grants to the Sponsor full and exclusive power and authority to exercise all of the powers conferred upon the Sponsor and each Employer by the terms of this Agreement, and to take or refrain from taking any and all action which such Employer might otherwise take or refrain from taking with respect to this Agreement, including the sole and exclusive power to exercise, enforce or waive any rights whatsoever which such Employer might otherwise have with respect to the Trust, and irrevocably appoints the Sponsor as its agent for all purposes under this Agreement. The Trustee shall have no obligation to account to any such Employer or to follow the instructions of or otherwise deal with any such Employer, the intention being that the Trustee shall deal solely with the Sponsor.

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

(d) 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.

(e) 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.

(f) 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.

(g) 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.

SECTION 17. 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.

SECTION 18. PLAN QUALIFICATION. The Sponsor shall be responsible for verifying that while any assets of a particular Plan are held in the Trust, the Plan (i) is qualified within the meaning of section 401(a) of the

Code; (ii) is permitted by existing or future rulings of the United States Treasury Department to pool its funds in a group trust; and (iii) permits its assets to be commingled for investment purposes with the assets of other such plans by investing such assets in this Trust. If any Plan ceases to be qualified within the meaning of section 401(a) of the Code, the Sponsor shall notify the Trustee as promptly as is reasonable. Upon receipt of such notice, the Trustee shall promptly segregate and withdraw from the Trust, the assets which are allocable to such disqualified Plan, and shall dispose of such assets in the manner directed by the Sponsor.

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: _____
Secretary

By: _____
Name: _____
Title: _____
Date: _____

FIDELITY MANAGEMENT TRUST COMPANY

Attest: _____
Assistant Clerk

By: _____
Name: _____
Title: _____
Date: _____

SCHEDULE "A"

ADMINISTRATIVE SERVICES

Administration

- * Establishment and maintenance of Participant account and election percentages.
- * Maintenance of the following investment options:
 - Quanex Corporation Stock Fund
 - Fidelity Balanced Fund
 - Fidelity Contrafund
 - Fidelity Growth & Income Portfolio
 - Fidelity Low-Priced Stock Fund
 - Fidelity Magellan Fund
 - Fidelity Money Market Trust: Retirement Government Money Market Portfolio
 - Fidelity Overseas Fund
 - Fidelity Puritan Fund
 - Fidelity Asset Manager
 - Managed Income Portfolio
 - Neuberger & Berman Partners Trust
 - Templeton Foreign Fund
 - Fidelity Blue Chip Growth Fund
 - Fidelity Retirement Growth Fund
- * Maintenance of the following money classifications for the Quanex Corporation Employee Savings Plan:
 - Elective Deferrals
 - Employee After-tax
 - Company Match
 - Rollover
 - Qualified Non-elective Employer Contribution
- * Maintenance of the following money classifications for the Quanex Corporation Hourly Bargaining Unit Employees Savings Plan:
 - Elective Deferrals
 - Employee After-tax
 - Company Match
 - Rollover
 - Supplemental Employer Contributions
- * Maintenance of the following money classifications for the Piper Impact 401(k) Plan:
 - Employee Deferral

- Employer Match
- Supplemental Employer Contribution
- Rollover

* Maintenance of the following money classifications for the Nichols-Homeshield 401(k) Savings Plan:

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

* Maintenance of the following money classifications for the Nichols-Homeshield 401(k) Savings Plan for Hourly Davenport Employees:

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

The Trustee will provide the recordkeeping and administrative services set forth on this Schedule "A" and as detailed in the Plan Administrative Manual and no others.

A) PROVIDE PARTICIPANT TELEPHONE SERVICES

1. Fidelity registered representatives are available from 8:30 a.m. - 12:00 midnight ET each business day to provide toll free telephone service for Participant inquiries and transactions. Additionally, Participants have 24 hour account balance and transaction inquiry access utilizing our automated voice response system and the internet.

2. For security purposes, all calls are recorded. In addition, several levels of security are available including the verification of a Personal Identification Number (PIN) and/or any other indicative data resident on the system.

3. Through our telephone services, Fidelity provides the following services:

- o Provide Plan investment option information.
- o Maintain Plan specific provisions.
- o Process exchanges (transfers) between investment options on a daily basis.
- o Maintain and process changes to Participants' contribution allocations for all money sources.
- o Allow Participants to change their deferral and after-tax percentages and provide updates via EDT for customer to apply to its payrolls accordingly.
- o Consult with Participants in various loan scenarios and generate all documentation.
- o Process all Participant loan and withdrawal requests via Fidelity's toll-free telephone service according to Plan provisions on a daily basis.
- o Process in-service withdrawals via telephone due to certain circumstances previously approved by the Sponsor.
- o Process hardship withdrawals via telephone as directed and approved by the Sponsor.

- o Enroll new Participants via telephone; provide confirmation of enrollment within five (5) days of the request.

B) PLAN ACCOUNTING

1. Process payroll contributions according to payroll frequency via electronic data transfer (EDT), consolidated magnetic tape or diskette. The data format will be provided by Fidelity.
2. Provide Plan and Participant level accounting for up to nine (9) money classifications for the Plan.
3. Audit and reconcile the Plan and Participant accounts daily.
4. Provide daily Plan and Participant level accounting for the Plan investment options.
5. Reconcile and process Participant withdrawal requests as approved and directed by the Sponsor. All requests are paid based on the current market values of Participants' accounts, not advanced or estimated values. A distribution report will accompany each check.
6. Track individual Participant loans; process loan withdrawals; re-invest loan repayments; and prepare and deliver comprehensive reports to the Sponsor to assist in the administration of Participant loans.
7. Fidelity's Guaranteed Investments Daily Equity System (GUIDE) is an automatic Investment Contract daily portfolio accounting system. GUIDE provides the Sponsor with daily valuation of its Plan assets whether individually managed or in our Managed Income Portfolio.
8. Maintain and process changes to Participants' prospective and existing investment mix elections via Fidelity's toll-free telephone service.

C) PARTICIPANT REPORTING

1. Mail confirmation to Participants of all transactions initiated via Fidelity Telephone Services within three (3) calendar days of the transaction.
2. Prepare and mail via first class to each Plan Participant a quarterly detailed Participant statement reflecting all activity for the period. Statements will be mailed no later than twenty (20) calendar days after each quarter end.
3. Mail required 402(f) notification for distribution from the Plan. This notice advises Participants of the tax consequences of their Plan distributions.

D) PLAN REPORTING

1. Prepare, reconcile and deliver a monthly Trial Balance Report presenting all money classes and investments. This report is based on the market value as of the last business day of the month. The report will be delivered not later than twenty (20) days after the end of each month in the absence of unusual circumstances.

2. Prepare, reconcile and deliver a Quarterly Administrative Report presenting both on a Participant and a total Plan basis all money classes, investment positions and a summary of all activity of the Participant and Plan as of the last business day of the quarter. The report will be delivered not later than twenty (20) days after the end of each quarter in the absence of unusual circumstances.

E) GOVERNMENT REPORTING

1. Process year-end tax reports for Participants - 1099R, as well as financial reporting to assist in the preparation of Form 5500.

F) COMMUNICATION SERVICES

1. Employee communications describing available investment options, including multimedia informational materials and group presentations.

G) OTHER

1. Performance of non-discrimination 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.

2. Monitor and process required minimum distribution amounts (MRD) as follows: the Trustee will notify the MRD Participant and, upon notification from the MRD Participant, will use the MRD Participant's information to process their distributions. If the MRD Participant does not respond to the Trustee's notification, the Sponsor directs the Trustee to automatically begin the required distributions for the Participant.

3. The Fidelity Recordkeeping System is available on-line to the Sponsor via our Plan Sponsor Webstation ("PSW"). PSW is a graphical, Windows-based application that provides current plan and participant-level information, including indicative data, account balances, activity and history. PSW also provides Sponsors with the ability to instruct the Trustee to process particular transactions.

4. NetBenefits: Plan participants may access their accounts and conduct transactions via the Internet's World Wide Web, including obtaining current account balances, exchanges, contributions, dividend/capital gains, new loans and repayments, new withdrawals, quotes on all plan level investment options, fund performance on all plan level investment options, and Plan literature ordering

QUANEX CORPORATION

FIDELITY MANAGEMENT TRUST COMPANY

By: _____
Date

By: _____
Vice President Date

SCHEDULE "B"

FEE SCHEDULE

| | |
|------------------------------------|--|
| Annual Participant Fee: | \$15.00 per Participant* per year, billed and payable quarterly. |
| Loan Fee: | Establishment fee of \$35.00 per loan account; annual fee of \$15.00 per loan account. |
| Minimum Required Distribution: | \$25.00 per Participant per MRD withdrawal. |
| Plan Sponsor Webstation (PSW): | Two (2) user IDs provided free of charge, each additional user ID, \$500 per year. |
| Return of Excess Contribution Fee: | \$25.00 per Participant, one-time charge per calculation and check generation. |
| Non-Fidelity Mutual Funds: | .35% annual administration fee on the following Non-Fidelity Mutual Fund assets which are equity/balanced funds: AMR Funds, Calvert Funds, Franklin/Templeton Funds, Founders Funds, Pilgrim Baxter Funds and Warburg Pincus Funds. .25% annual administration fee on all other Non-Fidelity Mutual Fund assets (to be paid by the Non-Fidelity Mutual Fund vendor.) |

o Other Fees: separate charges for optional non-discrimination testing, extraordinary expenses resulting from large numbers of simultaneous manual transactions, from errors not caused by Fidelity, reports not contemplated in this Agreement, or extraordinary and/or duplicative expenses associated with electronic services. The Administrator may withdraw reasonable administrative fees from the Trust by written direction to the Trustee.

* 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 purposes.

TRUSTEE FEE

o 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.

- o 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, but no less than \$10,000 per year.

QUANEX CORPORATION

FIDELITY MANAGEMENT TRUST COMPANY

By: _____
Date

By: _____
Vice President Date

SCHEDULE "C"

INVESTMENT OPTIONS

In accordance with Section 5(b), the Named Fiduciary hereby directs the Trustee that Participants' individual accounts may be invested in the following investment options:

- Quanex Corporation Stock Fund
- Fidelity Balanced Fund
- Fidelity Contrafund
- Fidelity Growth & Income Portfolio
- Fidelity Low-Priced Stock Fund
- Fidelity Magellan Fund
- Fidelity Money Market Trust: Retirement Government Money Market Portfolio
- Fidelity Overseas Fund
- Fidelity Puritan Fund
- Fidelity Asset Manager
- Managed Income Portfolio
- Neuberger & Berman Partners Trust
- Templeton Foreign Fund
- Fidelity Blue Chip Growth Fund
- Fidelity Retirement Growth Fund

The investment option referred to in Section 5(c) and Section 5(e)(v)(B)(5) shall be Fidelity Money Market Trust: Retirement Government Money Market Portfolio.

QUANEX CORPORATION

By: _____
Date

SCHEDULE "D"

[Administrator's Letterhead]

[DATE]

Mr. David Phillips
Fidelity Investments Institutional Operations Company, Inc.
82 Devonshire Street - MM3H
Boston, Massachusetts 02109

[Name of Plan]

*** NOTE: This schedule should contain names and signatures for ALL individuals who will be providing directions to Fidelity representatives in connection with the Plan.

Fidelity representatives will be unable to accept directions from any individual whose name does not appear on this schedule.***

Dear Mr. Phillips:

This letter is sent to you in accordance with Section 8(b) of the Trust Agreement, dated as of [date], between [name of Plan Sponsor] and Fidelity Management Trust Company. [I or We] hereby designate [name of individual], [name of individual], and [name of individual], as the individuals who may provide directions, on behalf of the Administrator, 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 [I or we] deliver to you written notice of the termination of authority of a designated individual.

Very truly yours,

[SPONSOR]

By

[signature of designated individual]
[name of designated individual]

[signature of designated individual]
[name of designated individual]

[signature of designated individual]
[name of designated individual]

SCHEDULE "E"

[Named Fiduciary's Letterhead]

[DATE]

Mr. David Phillips
Fidelity Investments Institutional Operations Company, Inc.
82 Devonshire Street - MM3H
Boston, Massachusetts 02109

[Name of Plan]

Dear Mr. Phillips:

This letter is sent to you in accordance with Section 8(c) of the Trust Agreement, dated as of [date], between [name of Plan Sponsor] and Fidelity Management Trust Company. [I or We] hereby designate [name of individual], [name of individual], and [name of individual], as the individuals who may provide directions, on behalf of the Named Fiduciary, 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 [I or we] deliver to you written notice of the termination of authority of a designated individual.

Very truly yours,

[NAMED FIDUCIARY]

By

[signature of designated individual]
[name of designated individual]

[signature of designated individual]
[name of designated individual]

[signature of designated individual]
[name of designated individual]

SCHEDULE "G"

TELEPHONE EXCHANGE GUIDELINES

The following telephone exchange guidelines are currently employed by Fidelity Investments Institutional Operations Company, Inc. (FIIOC).

Telephone exchange hours via a Fidelity Representative are 8:30 a.m. (ET) to 12:00 midnight (ET) on each business day. A "business day" is any day on which the New York Stock Exchange ("NYSE") is open. Exchanges via the Internet and Fidelity's voice response system are intended to be available virtually 24 hours a day.

FIIOC reserves the right to change these telephone exchange guidelines at its discretion.

Note: The NYSE's normal closing time is 4:00 p.m. (ET); in the event the NYSE alters its closing time, all references below to 4:00 p.m. shall mean the NYSE closing time as altered.

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.

MANAGED INCOME PORTFOLIO

I. EXCHANGES BETWEEN MUTUAL FUNDS AND MANAGED INCOME PORTFOLIO

Participants who wish to exchange between a mutual fund and the Managed Income Portfolio 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. (EST) will be processed on a next day basis.

II. EXCHANGE RESTRICTIONS

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

QUANEX CORPORATION STOCK FUND

I. EXCHANGES BETWEEN MUTUAL FUNDS AND SPONSOR STOCK FUND

Participants may call on any business day to exchange between the mutual funds and the Sponsor Stock Fund. 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.

II. EXCHANGES BETWEEN SPONSOR STOCK FUND AND MANAGED INCOME PORTFOLIO

Participants who wish to exchange between the Sponsor Stock Fund and the Managed Income Portfolio 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.

III. EXCHANGE RESTRICTIONS

Investments in the Sponsor Stock Fund will consist primarily of shares of Sponsor Stock. In order to satisfy daily Participant requests for exchanges, loans and withdrawals, the Stock Fund will also hold cash or other short-term liquid investments in an amount that has been agreed to in writing by the Sponsor and the Trustee. The Trustee will be responsible for ensuring that the percentage of these investments falls within the agreed upon range over time. However, if there is insufficient liquidity in the Sponsor Stock Fund to allow for such activity, the Trustee will sell shares of Sponsor Stock in the open market. Exchange and redemption transactions will be processed as soon as proceeds from the sale of Sponsor Stock are received.

QUANEX CORPORATION

By: _____
Date

SCHEDULE "H"

OPERATIONAL GUIDELINES FOR NON-FIDELITY MUTUAL FUNDS

PRICING

By 7:00 p.m. Eastern Time ("ET") each Business Day, the Non-Fidelity Mutual Fund Vendor (Fund Vendor) will input the following information ("Price Information") into the Fidelity Participant Recordkeeping System ("FPRS") via the remote access price screen that Fidelity Investments Institutional Operations Company, Inc. ("FIIOC"), an affiliate of the Trustee, has provided to the Fund Vendor: (1) the net asset value for each Fund at the Close of Trading, (2) the change in each Fund's net asset value from the Close of Trading on the prior Business Day, and (3) in the case of an income fund or funds, the daily accrual for interest rate factor ("mil rate"). FIIOC must receive Price Information each Business Day (a "Business Day" is any day the New York Stock Exchange is open). If on any Business Day the Fund Vendor does not provide such Price Information to FIIOC, FIIOC shall pend all associated transaction activity in the Fidelity Participant Recordkeeping System ("FPRS") until the relevant Price Information is made available by Fund Vendor.

TRADE ACTIVITY AND WIRE TRANSFERS

By 7:00 a.m. ET each Business Day following Trade Date ("Trade Date plus One"), FIIOC will provide, via facsimile, to the Fund Vendor a consolidated report of net purchase or net redemption activity that occurred in each of the Funds up to 4:00 p.m. ET on the prior Business Day. The report will reflect the dollar amount of assets and shares to be invested or withdrawn for each Fund. FIIOC will transmit this report to the Fund Vendor each Business Day, regardless of processing activity. In the event that data contained in the 7:00 a.m. ET facsimile transmission represents estimated trade activity, FIIOC shall provide a final facsimile to the Fund Vendor by no later than 9:00 a.m. ET. Any resulting adjustments shall be processed by the Fund Vendor at the net asset value for the prior Business Day.

The Fund Vendor shall send via regular mail to FIIOC transaction confirms for all daily activity in each of the Funds. The Fund Vendor shall also send via regular mail to FIIOC, by no later than the fifth Business Day following calendar month close, a monthly statement for each Fund. FIIOC agrees to notify the Fund Vendor of any balance discrepancies within twenty (20) Business Days of receipt of the monthly statement.

For purposes of wire transfers, FIIOC shall transmit a daily wire for aggregate purchase activity and the Fund Vendor shall transmit a daily wire for aggregate redemption activity, in each case including all activity across all Funds occurring on the same day.

PROSPECTUS DELIVERY

FIIOC shall be responsible for the timely delivery of Fund prospectuses and periodic Fund reports ("Required Materials") to Plan participants, and shall retain the services of a third-party vendor to handle such mailings. The Fund Vendor shall be responsible for all materials and production costs, and hereby agrees to provide the Required Materials to the third-party vendor selected by FIIOC. The Fund Vendor shall bear the costs of mailing annual Fund reports to Plan participants. FIIOC shall bear the costs of mailing prospectuses to Plan participants.

PROXIES

The Fund Vendor shall be responsible for all costs associated with the production of proxy materials. FIIOC shall retain the services of a third-party vendor to handle proxy solicitation mailings and vote tabulation. Expenses associated with such services shall be billed directly to the Fund Vendor by the third-party vendor.

PARTICIPANT COMMUNICATIONS

The Fund Vendor shall provide internally-prepared fund descriptive information approved by the Funds' legal counsel for use by FIIOC in its written Participant communication materials. FIIOC shall utilize historical performance data obtained from third-party vendors (currently Morningstar, Inc., FACTSET Research Systems and Lipper Analytical Services) in telephone conversations with plan Participants and in quarterly Participant statements. The Sponsor hereby consents to FIIOC's use of such materials and acknowledges that FIIOC is not responsible for the accuracy of such third-party information. FIIOC shall seek the approval of the Fund Vendor prior to retaining any other third-party vendor to render such data or materials under this Agreement.

COMPENSATION

FIIOC shall be entitled to fees as set forth in a separate agreement with the Fund Vendor.

SCHEDULE "I"

[Sponsor's Letterhead]

Mr. David Phillips
Fidelity Investments Institutional Operations Company, Inc.
82 Devonshire Street
Boston, Massachusetts 02109

[Name of Plan]

Dear Mr. Phillips:

This letter is sent to you in accordance with Section 8(a) of the Trust Agreement dated as of the [] day of [], 199X, between [] and Fidelity Management Trust Company.

Each of the plans identified below is a tax-qualified defined contribution plan which meets the requirements of Section 18 of said Trust Agreement and which is maintained by the undersigned, or one of its subsidiaries or affiliates, for the benefit of their eligible employees. Each such plan is hereby designated as a "Plan" for purposes of said Trust Agreement. The following individuals or entities are the Administrator and Named Fiduciary (ies) of said Plan(s).

Plans Administrator

Named Fiduciary(ies)

We hereby further certify that each Employer with respect to each of the foregoing Plan(s) has authorized the assets of such Plan to be deposited in the Trust and, as a result, is bound by Section 16(b) of said Trust Agreement.

You may rely upon the foregoing designations and certifications until we deliver to you written notice of a change in any of the information set forth therein.

Very truly yours,

[SPONSOR]

By

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

THIS FIRST AMENDMENT, dated as of the first day of November, 1999, 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 February 1, 1999 with regard to the Quanex Corporation Employee Savings Plan, the Quanex Corporation Hourly Bargaining Unit Employees Savings Plan, the Piper Impact 401(k) Plan, the Nichols-Homeshield 401(k) Savings Plan and the Nichols-Homeshield 401(k) Savings Plan for Hourly Davenport Employees (the "Plan"); and

WHEREAS, the Trustee and the Sponsor now desire to amend said Trust Agreement as provided for in Section 14 thereof;

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

- (1) Amending Schedule "G" by adding the following to the Exchange Restrictions for the Quanex Corporation Stock Fund, as follows:

Participants who exchange into the Sponsor Stock Fund must wait a minimum of forty-five (45) days prior to exchanging out of the Sponsor Stock Fund.

Participants who exchange out of the Sponsor Stock Fund must wait a minimum of forty-five (45) days prior to exchanging back into the Sponsor Stock Fund.

IN WITNESS WHEREOF, 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: _____
Date

By: _____
Vice President Date

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in this Post-Effective Amendment No. 2 to Registration Statement No. 33-46824 of Quanex Corporation on Form S-8 of our reports dated November 23, 1998 and June 1, 1999, appearing in the Annual Report on Form 10-K of Quanex Corporation for the fiscal year ended October 31, 1998 and in the Annual Report on Form 11-K of Quanex Corporation Hourly Bargaining Unit Employee Savings Plan for the year ended December 31, 1998, respectively.

DELOITTE & TOUCHE LLP

Houston, Texas
October 15, 1999

MASTER POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Vernon E. Oeschle , James H. Davis, Wayne M. Rose, Viren M. Parikh and Thomas R. Royce, 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 the Registration Statements listed below, 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 to substitutes of any or all of them, may lawfully do or cause to be done by virtue hereof.

Registration Statement No. 333-66777, filed November 4, 1998, relating to the Quanex Corporation 1997 Key Employee Stock Option Plan and the Quanex Corporation 1997 Non-Employee Director Sock Option Plan

Registration Statement No. 333-22977, filed March 7, 1997, as amended by Post-Effective Amendment No. 1, filed February 2, 1999, relating to the Piper Impact 401(k) Plan

Registration Statement No. 333-18267, filed December 19, 1996, relating to the Quanex Corporation 1996 Employee Stock Option and Restricted Stock Plan and the Quanex Corporation Deferred Compensation Plan

Registration Statement No. 33-57235, filed January 11, 1995, relating to the Quanex Corporation Employee Stock Purchase Plan

Registration Statement No. 33-54081, filed June 10, 1994, as amended by Post-Effective Amendment No. 1 filed February 2, 1999, relating to the Nichols-Homeshield 401(k) Savings Plan

Registration Statement No. 33-54085, filed June 10, 1994, as amended by Post-Effective Amendment No. 1 filed February 2, 1999, relating to the Nichols-Homeshield 401(k) Savings Plan for Davenport Hourly Employees

Registration Statement No. 33-54087, filed June 10, 1994, relating to the Quanex Corporation Employee Stock Option and Restricted Stock Plan

Registration Statement No. 33-46824, filed March 30, 1992, as amended by Post-Effective Amendment No. 1 filed February 2, 1999, relating to the Quanex Corporation Hourly Bargaining Unity Employee Savings Plan

Registration Statement No. 33-38702, filed January 25, 1991, as amended by Post- Effective Amendment No. 1 filed February 2, 1999, relating to the Quanex Corporation Employee Savings Plan

Registration Statement No. 33-35128, filed June 4, 1990, relating to the Quanex Corporation 1989 Non-Employee Director Stock Option Plan

Registration Statement No. 33-29585, filed June 29, 1989, relating to the Quanex Corporation 1988 Stock Option Plan

Registration Statement No. 33-22550, filed June 15, 1988, relating to the Quanex Corporation 1987 Non-Employee Director Stock Option Plan

Registration Statement No. 33-23474, as amended by Post-Effective Amendment No. 1 and Post-Effective Amendment No. 2 filed June 28, 1989, relating to the Quanex Corporation 1978 Stock Option Plan

Registration Statement No. 333-36635, filed September 29, 1997, relating to the Quanex Corporation Deferred Compensation Trust

Dated: February 25, 1999

/s/ Vernon E. Oechsle

Vernon E. Oechsle

/s/ Donald G. Barger, Jr.

Donald G. Barger, Jr.

/s/ Susan F. Davis

Susan F. Davis

/s/ Russell M. Flaum

Russell M. Flaum

/s/ John D. O'Connell

John D. O'Connell

/s/ Carl E. Pfeiffer

Carl E. Pfeiffer

/s/ Vincent R. Scorsone

Vincent R. Scorsone

/s/ Michael J. Sebastian

Michael J. Sebastian