QUANEX CORP
Form DEF 14A
January 19, 2006

QUANEX CORPORATION

1900 West Loop South

Suite 1500

Houston, Texas 77027

(713) 961-4600

January 19, 2006

Dear Fellow Stockholder:

You are cordially invited to attend the Company s Annual Meeting of Stockholders to be held at 8:00 a.m., C.S.T., on Thursday, February 23, 2006, at the Company s principal executive offices at 1900 West Loop South, 15th Floor, Houston, Texas.

This year you will be asked to vote in favor of the election of two directors, the adoption of a new omnibus incentive plan, and the approval of performance goals that may be used by the Board of Directors in granting awards. These proposals are more fully explained in the attached proxy statement, which you are encouraged to read.

THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE IN FAVOR OF EACH PROPOSAL OUTLINED IN THE ATTACHED PROXY, AND URGES YOU TO VOTE AT YOUR EARLIEST CONVENIENCE, WHETHER OR NOT YOU PLAN TO ATTEND THE ANNUAL MEETING.

Thank you for your cooperation.

Sincerely,

Raymond A. Jean

Chairman of the Board

QUANEX CORPORATION PROXY STATEMENT

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NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
To Be Held February 23, 2006

NOTICE IS HEREBY GIVEN that the Annual Meeting of Stockholders of Quanex Corporation, a Delaware corporation (the Company), will be held at the principal executive offices of the Company, 1900 West Loop South, Suite 1500, Houston, Texas, on February 23, 2006, at 8:00 a.m., C.S.T., for the following purposes:

(1) To elect two directors to serve until the Annual Meeting of Stockholders in 2009;

(2) To approve adoption of the Quanex Corporation 2006 Omnibus Incentive Plan (the 2006 Plan);

(3) To approve performance goals that are included in the 2006 Plan and may be used by the Board of Directors in granting performance stock awards and performance unit awards under the 2006 Plan;

(4) To approve performance goals that are included in the 2006 Plan and may be used by the Board of Directors in granting annual incentive awards under the 2006 Plan; and

(5) To transact such other business as may properly come before the meeting or any adjournment or adjournments thereof.

Information with respect to the above matters is set forth in the Proxy Statement that accompanies this Notice.

The Board of Directors has fixed the close of business on January 5, 2006, as the record date for determining stockholders entitled to notice of and to vote at the meeting. A complete list of the stockholders entitled to vote at the meeting will be maintained at the Company s principal executive offices, will be open to the examination of any stockholder for any purpose germane to the meeting during ordinary business hours for a period of ten days prior to the meeting, and will be made available at the time and place of the meeting during the whole time thereof.

Please execute your vote promptly. Your designation of a proxy is revocable and will not affect your right to vote in person if you find it convenient to attend the meeting and wish to vote in person.

The Company s Annual Report to Stockholders for the year ended October 31, 2005, accompanies this Notice.

By order of the Board of Directors

Kevin P. Delaney, *Senior Vice President General Counsel and Secretary*

Houston, Texas

January 19, 2006

PROXY STATEMENT

Annual Meeting of Stockholders

To Be Held February 23, 2006

This Proxy Statement and the accompanying form of proxy are to be first mailed on or about January 19, 2006, to all holders of record on January 5, 2006, (the Record Date), of the Common Stock, $.50 par value (Common Stock), of Quanex Corporation, a Delaware corporation (the Company), and are furnished in connection with the solicitation of proxies by the Board of Directors of the Company to be used at the Annual Meeting of Stockholders to be held at the Company s principal executive offices, 1900 West Loop South, Suite 1500, Houston, Texas, 77027, at 8:00 a.m., C.S.T., on Thursday, February 23, 2006, and at any adjournment or adjournments thereof. Shares of Common Stock represented by any un-revoked proxy in the enclosed form, if such proxy is properly executed and is received prior to the meeting, will be voted in accordance with the specifications made on such proxy. Proxies on which no specifications have been made will be voted for the election as directors of the nominees listed herein and for each other proposal included herein. Proxies are revocable by written notice to the Secretary of the Company at the address of the Company set forth below, or by delivery of a later dated proxy, at any time prior to their exercise. Proxies may also be revoked by a stockholder attending and voting in person at the meeting.

The Common Stock is the only class of securities of the Company that is entitled to vote at the meeting. As of the close of business on the Record Date, the date for determining stockholders who are entitled to receive notice of and to vote at the meeting, there were 25,045,760 shares of Common Stock issued and outstanding (which number of shares reflects our December 31, 2004, stock split in the form of a stock dividend). Each share is entitled to one vote. The presence at the meeting, in person or by proxy, of the holders of a majority of shares of Common Stock is necessary to constitute a quorum.

On December 2, 2004, the Board of Directors declared a three-for-two stock split in the form of a 50% stock dividend, payable on December 31, 2004, to holders of record on December 17, 2004. Unless otherwise stated herein, all share amounts and related information in this proxy statement are presented after giving effect to such stock split.

The cost of soliciting proxies will be borne by the Company. Solicitation may be made personally or by mail, telephone or electronic data transfer by officers, directors and regular employees of the Company (who will not receive any additional compensation for any solicitation of proxies). The Company will also reimburse brokerage houses and other custodians, nominees and fiduciaries for their reasonable expenses for sending proxy materials to the beneficial owners of Common Stock. The mailing address of the Company s principal executive office is 1900 West Loop South, Suite 1500, Houston, Texas, 77027.

MATTERS TO COME BEFORE THE MEETING

PROPOSAL NO. 1

ELECTION OF DIRECTORS

Two directors are to be elected at the meeting. The Company s Restated Certificate of Incorporation and Bylaws both provide that the Board of Directors shall be divided into three classes as nearly equal in number as possible, with the terms of office of the classes expiring at different times. The terms of office of Donald G. Barger, Jr. and Raymond A. Jean expire at the 2006 Annual Meeting. Each of Messrs. Barger and Jean are proposed nominees for director for a term expiring at the 2009 Annual Meeting. The respective terms of directors expire on the dates set forth below.

Nominees for election for terms expiring at the 2009 Annual Meeting	Principal Occupation	Age	Director Since
Donald G. Barger, Jr.	Senior Vice President and Chief Financial Officer of YRC Worldwide, Inc. (formerly Yellow Roadway Corporation), a provider of transportation services throughout North America and other international markets (Overland Park, Kansas)	62	1995

Raymond A. Jean	Chairman of the Board, President and Chief Executive Officer, Quanex Corporation	63	2001
Directors whose terms expire at the 2008 Annual Meeting			
Susan F. Davis	Vice President of Human Resources of Johnson Controls, Inc., an international provider of automotive systems and building controls (Milwaukee, Wisconsin)	52	1998
Russell M. Flaum	Executive Vice President of Illinois Tool Works, Inc., an international manufacturer of engineered components and products for automotive, construction and general industrial markets (Glenview, Illinois)	55	1997
Directors whose terms expire at the 2007 Annual Meeting			
Joseph J. Ross	Retired since 2004 from Federal Signal Corporation, a manufacturer of safety and communications equipment and specialty vehicles (Oak Brook, Illinois)	59	2001
Vincent R. Scorsone	Retired since 1994 from Alcoa, Inc. a manufacturer of aluminum products (Pittsburgh, Pennsylvania)	70	1995
Richard L. Wellek	Retired since 1999 from Varlen Corporation, a manufacturer of engineered products supplying the railroad, light vehicle, and heavy duty truck markets (Naperville, Illinois)	67	2003

Mr. Barger was appointed to his present position with YRC Worldwide, Inc. (formerly Yellow Roadway Corporation) in December 2000. From March 1998 to December 2000, Mr. Barger was Vice President and Chief Financial Officer of Hillenbrand Industries, a provider of services and products for the health care and funeral services industries. From 1993 to 1998, Mr. Barger was Vice President of Finance and Chief Financial Officer of Worthington Industries, Inc., a diversified steel processor. Mr. Barger currently serves on the board of Gardner Denver, Inc.

Mr. Jean joined the Company as President and Chief Executive Officer and was elected to the Board of Directors in February 2001 and elected Chairman of the Board in May 2001. Prior to joining the Company, Mr. Jean was Corporate Vice President and a member of the Board of Directors for AMSTED Industries, a diversified, privately held manufacturer of railroad, vehicular, construction, and general industrial products. Prior to joining AMSTED Industries, through its acquisition of Varlen Corporation in August 1999, Mr. Jean had served as President and Chief Executive Officer of Varlen Corporation, a leading manufacturer of engineered components for transportation markets, since 1999 and President and Chief Operating Officer since 1997. Mr. Jean currently serves on the boards of AMSTED Industries and Nicor, Inc.

Ms. Davis has been the Vice President of Human Resources since 1994 for Johnson Controls, an international provider of automotive systems and building controls. From 1993 to 1994, Ms. Davis was Vice President Organizational Development for Johnson Controls and Director of Organizational Development from 1991 to 1993. She began her career with Johnson Controls in 1984 and has served in positions of increasing responsibilities in the marketing and human resources areas.

Mr. Flaum has been employed as Executive Vice President of Illinois Tool Works, Inc., an international manufacturer of engineered components and products for automotive, construction and general industrial markets since 1992. Prior to that, Mr. Flaum was President Signode Corporation Packaging Systems, U.S. from 1990 to 1992 and Vice President of Marketing since 1986. Mr. Flaum currently serves on the board of Ryerson, Inc.

Mr. Ross retired in January 2004 from Federal Signal Corporation. Prior to his retirement, he served as Chairman of the Board and Chief Executive Officer of Federal Signal. Mr. Ross joined Federal Signal in 1983 as its Vice President General Counsel, assumed the role of Chief Executive Officer in 1987, and added the Chairman s responsibilities in 1990. Mr. Ross currently serves on the board of Enodis PLC.

Mr. Scorsone retired from Alcoa, Inc. in 1994, and prior to his retirement, served as Executive Vice President, Chairman s Counsel from 1991 to 1994 and Group Vice President, Alcoa Aerospace and Industrial Products from 1986 to 1991. Prior to that time, Mr. Scorsone served in various management positions with Alcoa.

Mr. Wellek was Chairman of the Board of Prism Financial Corporation until June 2000. Prior to his tenure with Prism, Mr. Wellek retired from Varlen Corporation, a manufacturer of engineered transportation products supplying the railroad, light vehicle, and heavy duty truck markets, where he served in various capacities from 1968 to 1999, including President and Chief Executive Officer and later, Chairman of the Board.

The Board of Directors has affirmatively determined that each of Messrs. Flaum, Scorsone, Ross, Wellek and Barger and Ms. Davis has no material relationship with the Company and has satisfied the independence requirements of the New York Stock Exchange. In assessing director independence, the Board of Directors considered the relationships (as a customer or supplier or otherwise) of Quanex with various companies with which such directors may be affiliated and has determined that none of these relationships could impair the independence of such directors. In making this assessment, the Board took into account the level of transactions with such companies in relationship to the Company s and the other parties aggregate sales, the level of director involvement in such transactions and the ability of such directors to influence such transactions. In addition, each of such directors has met the definitions of non-employee director under Rule 16b-3 of the Securities and Exchange Act of 1934 and outside director under Section 162(m) of the Internal Revenue Code of 1986.

There are no arrangements or understandings between any person and any of the directors pursuant to which such director was selected as a nominee for election at the Meeting, and there are no family relationships among any of the directors or executive officers of the Company. Messrs. Barger and Jean have each indicated a willingness to serve if elected. If a nominee should be unable to serve or will not serve for any reason, and if any other person is nominated, the persons designated on the accompanying form of proxy will have discretionary authority to vote or refrain from voting in accordance with their judgment on such other nominee unless authority to vote on such matter is withheld. The nominees receiving a plurality of votes cast at the meeting will be elected directors. Abstentions and broker nonvotes will not be treated as a vote for or against any particular director and will not affect the outcome of the election of directors.

Recommendation

The Board of Directors recommends that you vote FOR both of the nominees. Unless you give contrary instructions in your proxy, your proxy will be voted FOR the election of Messrs. Barger and Jean. If either nominee should become unable or unwilling to accept nomination or election, the person acting under the proxy will vote for the election of such other person as the Board of Directors may recommend. The Board has no reason, however, to believe that any of the nominees will be unable or unwilling to serve if elected.

PROPOSAL NO. 2

APPROVAL OF THE QUANEX CORPORATION

2006 OMNIBUS INCENTIVE PLAN

General

On December 19, 2005, the Company s Board of Directors adopted the Quanex Corporation 2006 Omnibus Incentive Plan (the 2006 Plan), subject to approval by the Company s stockholders.

Since its inception, the Company has recognized the importance of aligning the interests of its employees with those of its stockholders. The 2006 Plan reflects this fact by providing those persons who have substantial responsibility for the management and growth of the Company and its affiliates with additional performance incentives and an opportunity to obtain or increase their proprietary interest in the Company, thereby encouraging them to continue in their employment or affiliation with the Company or its affiliates. The 2006 Plan also:

- Keeps dilution of the common stock of the Company (Common Stock) at less than 10%;
- Would result, if the Company continues to grant awards at the current rate, in an average annual dilution from stock option grants of less than 1.5%; and
- Should further enhance the Company s already strong performance with respect to total shareholder return, which, for fiscal 2005, was in the top quartile of the Company s peer group identified on the chart on page 21, and has consistently outperformed certain peers and various stock indices over the past five years. For more information regarding this historical performance, please see the chart on page 21.

The 2006 Plan is administered by the Compensation and Management Development Committee of the Company s Board of Directors (the Compensation Committee), which comprises exclusively non-employee independent directors. The 2006 Plan provides for the granting of stock options, stock appreciation rights (SARs), restricted stock, restricted stock units, performance stock awards, performance unit awards, annual incentive awards, other stock-based awards and cash-based awards. Certain awards under the 2006 Plan may be paid in cash or in Common Stock, as determined by the Compensation Committee. The Compensation Committee has exclusive authority to select the participants to whom awards may be granted, and to determine the type, size and terms of each award. The Compensation Committee will also make all determinations that it decides are necessary or desirable in the interpretation and administration of the 2006 Plan.

The following summary of the material features of the 2006 Plan is qualified by reference to the copy of the 2006 Plan that is attached as *Exhibit A* to this proxy statement.

General Terms

The aggregate number of shares of Common Stock authorized for grant under the 2006 Plan is 1,750,000. Each share of Common Stock that is subject to an award counts as one share of Common Stock against the aggregate number. With respect to full value awards (such as restricted stock awards and performance stock awards), the aggregate number of shares of Common Stock authorized for grant under the 2006 Plan is 875,000 (which is included in the 1,750,000 total authorized shares mentioned above). With respect to each type of award based in Common Stock, the maximum number of shares that may be granted to an employee of the Company during any fiscal year under the 2006 Plan is set out in the chart below:

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Type of Award	**Maximum Number of Shares of Common Stock That May Be Granted to an Employee During a Fiscal Year**
Option	200,000
SAR	200,000
Performance Stock	100,000
Performance Unit payable in Stock	100,000

For performance unit awards payable in cash, a maximum cash value of $2,000,000 can be paid to an employee during a fiscal year. For annual incentive awards, a maximum cash value of $2,000,000 can be paid to an employee during a fiscal year.

Generally, if an award granted under the 2006 Plan is forfeited or cancelled for any reason or is settled in cash in lieu of Shares, the Shares allocable to the forfeited or cancelled portion of the Award may again be subject to an award granted under the 2006 Plan. If shares are delivered to satisfy the exercise price of any option award, those shares will not be added to the aggregate number of shares available under the 2006 Plan. If any shares are withheld to satisfy tax obligations associated with any award, those shares will count against the aggregate number of shares available under the 2006 Plan. If any outstanding award is forfeited or cancelled for any reason, or is settled for cash in lieu of shares, the shares allocable to such award will again be subject to an award granted under the 2006 Plan.

The 2006 Plan is administered by the Compensation Committee.

Any key employee or non-employee director of the Company or one of its affiliates is eligible for awards under the 2006 Plan.

The 2006 Plan provides for awards of options, SARs, restricted stock, restricted stock units, performance stock awards, performance unit awards, annual incentive awards, other stock-based awards and cash-based awards.

The Board of Directors may amend the terms of the 2006 Plan at any time, subject to the stockholder approval requirements of the NYSE and other rules and regulations applicable to the Company.

Awards granted under the 2006 Plan are generally non-transferable by the holder other than by will or under the laws of descent and distribution, and are generally exercisable during the holder s lifetime only by the holder.

In case of certain corporate acquisitions by the Company, awards may be granted under the 2006 Plan in substitution for stock options or other awards held by employees of other entities who are about to become employees of the Company or its affiliates. The terms and conditions of such substitute awards may vary from the terms and conditions set forth in the 2006 Plan to such extent as the Board may deem appropriate to conform to the provisions of the award for which the substitution is being granted.

The Board may establish certain performance goals applicable to performance stock awards, performance unit awards and annual incentive awards granted under the 2006 Plan. Information relating to the specific performance criteria that may be used in connection with these performance goals can be found in Proposals 3 and 4. If stockholder approval of Proposal 3 is not obtained, then no performance stock awards or performance unit awards will be granted under the 2006 Plan. If stockholder approval of Proposal 4 is not obtained, then no annual incentive awards will be granted under the 2006 Plan.

The 2006 Plan will continue indefinitely until it is terminated pursuant to its terms.

Options

For options granted under the 2006 Plan, the Compensation Committee will specify the option price, size and term, and will further determine the option s vesting schedule and any exercise restrictions. Other terms and conditions applicable to options may be determined by the Compensation Committee at the time of grant.

The exercise price for options may be paid (i) by cash, certified check, bank draft or money order, (ii) by means of a cashless exercise through a registered broker-dealer, or (iii) in any other form of payment which is acceptable to the Compensation Committee. The Compensation Committee may also permit a holder to pay the option price and any applicable tax withholding by authorizing a third-party broker to sell all or a portion of the shares of Common Stock acquired upon exercise of the option and remit to the Company a sufficient portion of the sale proceeds to pay the option price and applicable tax withholding.

All options granted under the 2006 Plan are granted with an exercise price equal to or greater than the fair market value of the Common Stock at the time the option is granted.

The 2006 Plan prohibits any repricing of options after their grant, other than in connection with a stock split or the payment of a stock dividend.

SARs

Subject to the terms and conditions of the 2006 Plan, a SAR entitles its holder a right to receive a cash amount equal to the excess of (a) the fair market value of one share of Common Stock of the Company on the date of exercise of the SAR over (b) the grant price of the SAR. All SARs granted under the 2006 Plan must have a grant price equal to or greater than the fair market value of the Common Stock at the time the SAR is granted.

The Compensation Committee may determine the term of any SAR, so long as that term does not exceed 10 years. With respect to exercise of a SAR, the Compensation Committee, in its sole discretion, may also impose whatever terms and conditions it deems advisable. The Compensation Committee will also determine the extent to which any holder of a SAR will have the right to exercise the SAR following such holder s termination of employment or other severance of service with the Company.

Upon the exercise of a SAR, a holder will be entitled to receive payment in an amount determined by multiplying (i) the excess of the fair market value of a share of Common Stock on the date of exercise over the grant price of the SAR by (ii) the number of shares of Common Stock with respect to which the SAR is exercised. At the discretion of the Compensation Committee, this payment may be in cash, in stock of equivalent value, in some combination thereof, or in any other manner that may be approved by the Compensation Committee.

Restricted Stock

The Compensation Committee may grant restricted stock to any eligible persons selected by it. The amount of an award of restricted stock, and any vesting or transferability provisions relating to such an award, are determined by the Compensation Committee in its sole discretion.

Subject to the terms and conditions of the 2006 Plan, each recipient of a restricted stock award will have the rights of a stockholder of the Company with respect to the shares of restricted stock included in the restricted stock award during any period of restriction established for the restricted stock award. Dividends paid with respect to restricted stock (other than dividends paid by means of shares of Common Stock or rights to acquire shares of Common Stock) will be paid to the holder of restricted stock currently. Dividends paid in shares of Common Stock or rights to acquire shares of Common Stock will be added to and become a part of the holder s restricted stock.

Restricted Stock Unit Awards

The Compensation Committee determines the material terms of restricted stock unit awards, including the vesting schedule, the price (if any) to be paid by the recipient in connection with the award, and any transferability restrictions or other conditions applicable to the award, which may include the attainment of specified performance objectives described below.

A restricted stock unit award is similar in nature to a restricted stock award except that in the case of a restricted stock unit, no shares of Common Stock are actually transferred to a holder until a later date as specified in the applicable award agreement. Each restricted stock unit will have a value equal to the fair market value of a share of Common Stock.

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Payment under a restricted stock unit award will be made in either cash or shares of Common Stock, as specified in the applicable award agreement. Any payment under a restricted stock award will be made either (i) by a date that is no later than two and one-half months after the end of the fiscal year in which the restricted stock unit is no longer subject to a substantial risk of forfeiture (as that term is defined in the 2006 Plan) or (ii) at a time that is permissible under section 409A of the Internal Revenue Code of 1986, as amended (the Code).

In its discretion, the Compensation Committee may specify that the holder of a restricted stock unit award is entitled to the payment of dividend equivalents under the award. Other terms and conditions applicable to restricted stock units may be determined by the Compensation Committee at the time of grant.

Performance Stock Awards and Performance Unit Awards

The Compensation Committee determines the material terms of performance awards, including the amount of the award, any vesting or transferability restrictions, and the performance period over which the performance goal of such award shall be measured.

Performance unit awards are payable in cash or shares of Common Stock, or a combination of cash and shares of Common Stock, and may be paid in a lump sum, in installments, or on a deferred basis in accordance with procedures established by the Compensation Committee. Any payment under a performance unit award will be made either (i) by a date that is no later than two and one-half months after the end of the fiscal year in which the performance unit payment is no longer subject to a substantial risk of forfeiture (as that term is defined in the 2006 Plan) or (ii) at a time that is permissible under section 409A of the Code.

Subject to the terms and conditions of the 2006 Plan, each holder of a performance stock award will have all the rights of a stockholder with respect to the shares of Common Stock issued to the holder pursuant to the award during any period in which such issued shares are subject to forfeiture and restrictions on transfer. These rights include the right to vote such shares.

Any performance goal for a particular performance stock award or performance unit award must be established by the Compensation Committee prior to the earlier of (i) 90 days after the commencement of the period of service to which such performance goal relates or (ii) the lapse of 25 percent of the period of service. In any event, the performance goal must be established while the outcome is substantially uncertain. Information relating to specific performance goals that may be used by the Compensation Committee is set forth in Proposal 3 of this proxy statement.

Other terms and conditions applicable to performance awards may be determined by the Compensation Committee at the time of grant.

Annual Incentive Awards

The Compensation Committee may grant annual incentive awards to key executive employees who, by the nature and scope of their positions, regularly directly make or influence policy decisions which significantly impact the overall results or success of the Company.

Annual incentive awards are payable in cash. Subject to the terms and provisions of the 2006 Plan, the Compensation Committee determines the material terms of annual incentive awards, including the amount of the award, any vesting or transferability restrictions, and the performance period over which the performance goal of such award shall be measured.

Any performance goal for a particular annual incentive award must be established by the Compensation Committee prior to the earlier of (i) 90 days after the commencement of the period of service to which such performance goal relates or (ii) the lapse of 25 percent of the period of service. In any event, the performance goal must be established while the outcome is substantially uncertain. Information relating to specific performance goals that may be used by the Compensation Committee is set forth in Proposal 4 of this proxy statement.

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Other Stock-Based Awards

The Compensation Committee may also grant other types of equity-based or equity-related awards not otherwise described by the terms and provisions of the 2006 Plan in such amounts, and subject to such terms and conditions, as the Compensation Committee shall determine. Such awards may involve the transfer of shares of Common Stock to holders, or payment in cash or otherwise of amounts based on the value of shares of Common Stock, and may include awards designed to comply with or take advantage of the applicable local laws of jurisdictions other than the United States.

Each other stock-based award will be expressed in terms of shares of Common Stock or units based on shares of Common Stock, as determined by the Compensation Committee. The Compensation Committee also may establish performance goals relating to other stock-based awards. If the Compensation Committee decides to establish performance goals, the number and/or value of other stock-based awards that will be paid out to the holder will depend on the extent to which the performance goals are met.

Any payment with respect to an other stock-based award will be made in cash or shares of Common Stock, as determined by the Compensation Committee.

The Compensation Committee will determine the extent to which a holder s rights under an other stock-based award will be affected by the holder s termination of employment or other severance from service with the Company. Other terms and conditions applicable to other stock unit awards may be determined by the Compensation Committee at the time of grant.

Cash-Based Awards

The Compensation Committee may grant cash-based awards in such amounts and upon such terms as the Compensation Committee may determine. If the Compensation Committee exercises its discretion to establish performance goals, the number and/or value of cash based awards that will be paid out to the holder will depend on the extent to which such performance goals are met.

Any payment with respect to a cash-based award will be made in cash.

The Compensation Committee will determine the extent to which a holder s rights under a cash-based award will be affected by the holder s termination of employment or other severance from service with the Company. Other terms and conditions applicable to cash-based awards may be determined by the Compensation Committee at the time of grant.

Deferrals

The Compensation Committee may permit a participant to defer the receipt of cash or shares pursuant to any awards under the 2006 Plan. Any deferral permitted under the 2006 Plan will be administered in a manner that is intended to comply with Section 409A of the Code.

Effect of Certain Transactions and Change of Control

The 2006 Plan provides that appropriate adjustments may be made to any outstanding award in case of any change in the Company s outstanding Common Stock by reason of recapitalization, reorganization, subdivision, merger, consolidation, combination, exchange, stock dividend, or other relevant changes to the Company s capital structure. For any award granted under the 2006 Plan, the Compensation Committee may specify the effect of a change in control of the Company with respect to that award.

Awards Currently Contemplated Under the 2006 Plan

No awards are currently contemplated under the 2006 Plan. Because the Board has not yet considered the issuance of awards under the 2006 Plan, the benefits or amounts that will be received by or allocated to various recipients under the 2006 Plan are not currently determinable. Further, because the issuance of awards under the 2006 Plan is wholly in the discretion of the Board, it is impossible to determine the specific benefits or awards that would have been granted under the 2006 Plan if it had been in effect for the fiscal year ended October 31, 2005. If any stock-based awards had been granted under the 2006 Plan on October 31, 2005, the value of such awards would have been based on a NYSE closing price of $57.91 per share of Common Stock.

Federal Income Tax Consequences

The following discussion summarizes certain federal income tax consequences of the issuance and receipt of options and awards pursuant to the 2006 Plan under the law as in effect on the date of this proxy statement. The rules governing the tax treatment of such options and awards are quite technical, so the following discussion of tax consequences is necessarily general in nature and is not complete. In addition, statutory provisions are subject to change, as are their interpretations, and their application may vary in individual circumstances. This summary does not purport to cover all federal employment tax or other federal tax consequences associated with the 2006 Plan, nor does it address state, local, or non-U.S. taxes.

Options, SARs, Performance Stock Awards, Performance Unit Awards and Other Stock-Based Awards. A participant generally is not required to recognize income on the grant of an option, a SAR, a performance stock award, a performance unit award or an other stock-based award. Instead, ordinary income generally is required to be recognized on the date the option or SAR is exercised, or in the case of performance stock awards, performance unit awards or other stock-based awards, upon the issuance of shares and/or the payment of cash pursuant to the terms of the award. In general, the amount of ordinary income required to be recognized is: (a) in the case of an option, an amount equal to the excess, if any, of the fair market value of the shares on the exercise date over the exercise price, (b) in the case of a SAR, the fair market value of any shares or cash received upon exercise plus the amount of taxes withheld from such amounts, and (c) in the case of performance stock awards, performance unit awards or other stock-based awards, the amount of cash and/or the fair market value of any shares received in respect thereof, plus the amount of taxes withheld from such amounts.

Annual Incentive Awards and Cash-Based Awards. Upon payment of an annual incentive award or cash-based award, a participant is required to recognize ordinary income in the amount of the award paid.

Restricted Common Stock. Unless a participant who receives an award of restricted Common Stock makes an election under section 83(b) of the Code as described below, the participant generally is not required to recognize ordinary income on the award of restricted Common Stock. Instead, on the date the shares vest (*i.e.*, become transferable and no longer subject to forfeiture), the participant will be required to recognize ordinary income in an amount equal to the excess, if any, of the fair market value of the shares on such date over the amount, if any, paid for such shares. If a section 83(b) election has not been made, any dividends received with respect to restricted Common Stock that are subject at that time to a risk of forfeiture or restrictions on transfer generally will be treated as compensation that is taxable as ordinary income to the recipient. If a participant makes a section 83(b) election within 30 days of the date of transfer of the restricted Common Stock, the participant will recognize ordinary income on the date the shares are awarded. The amount of ordinary income required to be recognized is an amount equal to the excess, if any, of the fair market value of the shares on the date of award over the amount, if any, paid for such shares. In such case, the participant will not be required to recognize additional ordinary income when the shares vest. However, if the shares are later forfeited, a loss can only be recognized up to the amount the participant paid, if any, for the shares.

Gain or Loss on Sale or Exchange of Shares. In general, gain or loss from the sale or exchange of shares granted or awarded under the 2006 Plan will be treated as capital gain or loss, provided that the shares are held as capital assets at the time of the sale or exchange.

Deductibility by Quanex Corporation. To the extent that a participant recognizes ordinary income in the circumstances described above, the Company or the subsidiary for which the participant performs services will be entitled to a corresponding deduction, provided that, among other things, the income meets the test of reasonableness, is an ordinary and necessary business expense, is not an excess parachute payment within the meaning of section 280G of the Code and is not disallowed by the $1,000,000 limitation on certain executive compensation under section 162(m) of the Code (see *Performance Based Compensation* and *Parachute Payments* below).

Performance Based Compensation. In general, under section 162(m) of the Code, remuneration paid by a public corporation to its chief executive officer or any of its other top four named executive officers, ranked by pay, is not deductible to the extent it exceeds $1 million for any year. Taxable payments or benefits under the 2006 Plan may be subject to this deduction limit. However, under section 162(m), qualifying performance-based compensation, including income from stock options and other performance-based awards that are made under shareholder approved plans and that meet certain other requirements, is exempt from the deduction limitation. The 2006 Plan has been designed so that the Compensation Committee in its discretion may grant qualifying exempt performance-based awards under the 2006 Plan.

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Parachute Payments. Under the so-called golden parachute provisions of the Code, the accelerated vesting of options and benefits paid under other awards in connection with a change of control of a corporation may be required to be valued and taken into account in determining whether participants have received compensatory payments, contingent on the change of control, in excess of certain limits. If these limits are exceeded, a portion of the amounts payable to the participant may be subject to an additional 20% federal tax and may be nondeductible to the corporation.

Withholding. Awards under the 2006 Plan may be subject to tax withholding. Where an award results in income subject to withholding, the Company may require the participant to remit the withholding amount to the Company or cause shares of Common Stock to be withheld or sold in order to satisfy the tax withholding obligations.

Section 409A. Awards of SARs, performance stock awards, performance unit awards, annual incentive awards, other stock-based awards or cash-based awards under the 2006 Plan may, in some cases, result in the deferral of compensation that is subject to the requirements of section 409A of the Code. To date, the U.S. Treasury Department and Internal Revenue Service have issued only preliminary guidance regarding the impact of section 409A of the Code on the taxation of these types of awards. Generally, to the extent that deferrals of these awards fail to meet certain requirements under section 409A of the Code, such awards will be subject to immediate taxation and tax penalties in the year they vest unless the requirements of section 409A of the Code are satisfied. It is the intent of the Company that awards under the 2006 Plan will be structured and administered in a manner that either complies with or is exempt from the requirements of section 409A of the Code.

Recommendation

The Board of Directors recommends a vote FOR approval of the 2006 Plan. Approval of the proposal requires the affirmative vote of the holders of a majority of the shares of Common Stock present in person or by proxy and entitled to vote at the Meeting. If you do not vote against or abstain from voting on the proposal, your proxy will be voted FOR approval of the proposal. Abstentions will be counted as shares entitled to vote on the proposal and will have the same effect as a vote AGAINST the proposal. A broker non-vote will be counted for purposes of establishing a quorum, but will not be treated as a share entitled to vote on the proposal. This will have the effect of reducing the absolute number of shares necessary to approve the proposal.

PROPOSAL NO. 3

APPROVAL OF MATERIAL TERMS OF THE PERFORMANCE CRITERIA

FOR PERFORMANCE STOCK AND PERFORMANCE UNIT AWARDS

UNDER THE 2006 PLAN

The Company s stockholders are being asked to approve the material terms of the performance goals that are included in the 2006 Plan and may apply to performance stock awards and performance unit awards granted under the 2006 Plan. This approval is necessary to preserve the Company s federal income tax deduction for performance-based compensation paid to certain executive officers under section 162(m) of the Code.

Background

Section 162(m) of the Code imposes an annual deduction limit of $1 million on the amount of compensation paid to each of the chief executive officer and the four other highest compensated officers. The deduction limit does not apply to performance-based compensation that satisfies the requirements of section 162(m) of the Code. The requirements of section 162(m) of the Code for performance-based compensation include shareholder approval of the material terms of the performance goals under which the compensation is paid. The material terms include (1) the employees eligible to receive compensation upon attainment of a goal, (2) the business criteria on which the goals may be based, and (3) the maximum amount payable to an employee upon attainment of a goal.

Performance stock awards and performance unit awards under the 2006 Plan may be granted to key employees of the Company and it subsidiaries and affiliates, and to non-employee directors of the Company.

Under the 2006 Plan, performance stock awards and performance and performance unit awards are subject to the satisfaction of one or more performance goals. Performance goals for awards will be determined by the Compensation Committee and will be designed to support the business strategy and align executives and directors interests with stockholder interests. For performance stock awards and performance unit awards that are intended to qualify as performance-based compensation under section 162(m), performance goals will be based on one or more of the following business criteria: earnings per share, total shareholder return, cash return on capitalization, increased revenue, revenue ratios (per employee or per customer), net income, stock price, market share, return on equity, return on assets, return on capital, return on capital compared to cost of capital, return on capital employed, return on invested capital, shareholder value, net cash flow, operating income, earnings before interest and taxes, cash flow, cash flow from operations, cost reductions and cost ratios (per employee or per customer).

Achievement of the goals may be measured:

- individually, alternatively, or in any combination;
- with respect to the Company, one or more business units, or any combination of the foregoing;
- on an absolute basis, or relative to a target, to a designated comparison group, to results in other periods, or to other external measures; and
- including or excluding items that could affect the measurement, such as extraordinary or unusual and nonrecurring gains or losses, litigation or claim judgments or settlements, material changes in tax laws, acquisitions, divestitures, the cumulative effect of accounting changes, asset write-downs, restructuring charges, or the results of discontinued operations.

Under the 2006 Plan, performance stock award grants for any person are limited to 100,000 shares of Common Stock in each taxable year of the Company. The maximum number of shares of Common Stock for which performance unit award grants payable in Common Stock may be granted to any person in each taxable year of the Company is 100,000. The maximum value of a performance unit award payable in cash that may be granted to any person during each taxable year of the Company, determined as of the dates of grants of the performance unit awards, is $2,000,000.

A description of the 2006 Plan is set forth above in Proposal 2 of this proxy statement.

No performance stock awards or performance unit awards will be granted under the 2006. Plan unless the Company s stockholders approve this Proposal 3.

Recommendation

The Board of Directors recommends a vote FOR approval of the material terms of the performance criteria for performance stock awards and performance unit awards under the 2006 Plan. Approval of the proposal requires the affirmative vote of the holders of a majority of the shares of Common Stock present in person or by proxy and entitled to vote at the Meeting. If you do not vote against or abstain from voting on the proposal, your proxy will be voted FOR approval of the proposal. Abstentions will be counted as shares entitled to vote on the proposal and will have the same effect as a vote AGAINST the proposal. A broker non-vote will be counted for purposes of establishing a quorum, but will not be treated as a share entitled to vote on the proposal. This will have the effect of reducing the absolute number of shares necessary to approve the proposal.

PROPOSAL NO. 4

APPROVAL OF MATERIAL TERMS OF THE PERFORMANCE CRITERIA

FOR ANNUAL INCENTIVE AWARDS UNDER THE 2006 PLAN

The Company s stockholders are being asked to approve the material terms of performance goals that are included in the 2006 Plan and may apply to annual incentive awards granted under the 2006 Plan. This approval is necessary to preserve the Company s federal income tax deduction for performance-based compensation paid to certain executive officers under section 162(m) of the Code.

Background

Section 162(m) of the Code imposes an annual deduction limit of $1 million on the amount of compensation paid to each of the chief executive officer and the four other highest compensated officers. The deduction limit does not apply to performance-based compensation that satisfies the requirements of section 162(m) of the Code. The requirements of section 162(m) of the Code for performance-based compensation include shareholder approval of the material terms of the performance goals under which the compensation is paid. The material terms include (1) the employees eligible to receive compensation upon attainment of a goal, (2) the business criteria on which the goals may be based, and (3) the maximum amount payable to an employee upon attainment of a goal.

Annual incentive awards under the 2006 Plan may be granted to key executive employees who, by the nature and scope of their positions, regularly directly make or influence policy decisions which significantly impact the overall results or success of the Company.

Under the 2006 Plan, annual incentive awards are subject to the satisfaction of one or more performance goals. Performance goals for awards will be determined by the Compensation Committee and will be designed to support the business strategy and align executives and directors interests with stockholder interests. For annual incentive awards that are intended to qualify as performance-based compensation under section 162(m), performance goals will be based on one or more of the following business criteria: earnings per share, total shareholder return, cash return on capitalization, increased revenue, revenue ratios (per employee or per customer), net income, stock price, market share, return on equity, return on assets, return on capital, return on capital compared to cost of capital, return on capital employed, return on invested capital, shareholder value, net cash flow, operating income, earnings before interest and taxes, cash flow, cash flow from operations, cost reductions and cost ratios (per employee or per customer).

Achievement of the goals may be measured:

- individually, alternatively, or in any combination;
- with respect to the Company, one or more business units, or any combination of the foregoing;
- on an absolute basis, or relative to a target, to a designated comparison group, to results in other periods, or to other external measures; and

including or excluding items that could affect the measurement, such as extraordinary or unusual and nonrecurring gains or losses, litigation or claim judgments or settlements, material changes in tax laws, acquisitions, divestitures, the cumulative effect of accounting changes, asset write-downs, restructuring charges, or the results of discontinued operations.

Under the 2006 Plan, the maximum amount payable under annual incentive awards to any person during each taxable year of the Company is $2,000,000.

A description of the 2006 Plan is set forth above in Proposal 2 of this proxy statement.

No annual incentive awards will be granted under the 2006 Plan unless the Company s stockholders approve this Proposal 4.

Recommendation

The Board of Directors recommends a vote FOR approval of the material terms of the performance criteria for annual incentive awards under the 2006 Plan. Approval of the proposal requires the affirmative vote of the holders of a majority of the shares of Common Stock present in person or by proxy and entitled to vote at the Meeting. If you do not vote against or abstain from voting on the proposal, your proxy will be voted FOR approval of the proposal. Abstentions will be counted as shares entitled to vote on the proposal and will have the same effect as a vote AGAINST the proposal. A broker non-vote will be counted for purposes of establishing a quorum, but will not be treated as a share entitled to vote on the proposal. This will have the effect of reducing the absolute number of shares necessary to approve the proposal.

EXECUTIVE OFFICERS

Set forth below is certain information concerning the executive officers of the Company, each of whom serves at the pleasure of the Board of Directors. There is no family relationship between any of these individuals or any of the Company s directors.

Name and Age	**Office and Length of Service**
Raymond A. Jean, 63	

	Chairman of the Board, President and Chief Executive Officer since 2001
Michael R. Bayles, 54	Senior Vice President since 2005 and President of Building Products since 2003
Kevin P. Delaney, 44	Senior Vice President General Counsel since 2005 and Secretary since 2004
John J. Mannion, 39	Vice President Treasurer since 2004
Paul A. Hammonds, 49	Vice President Corporate Development since 2005
Brent L. Korb, 33	Vice President Corporate Controller since 2005

Mr. Jean was elected Chairman of the Board on May 22, 2001, and was named President and Chief Executive Officer of the Company on February 22, 2001. Prior to that time, Mr. Jean was Corporate Vice President of Amsted Industries, a diversified, privately held manufacturer of railroad, vehicular, building, and general industrial products, since 1999. Prior to that time, Mr. Jean was President and Chief Executive Officer of Varlen Corporation, a leading manufacturer of engineered components for transportation markets, since 1999 and President and Chief Operating Officer since 1997. Prior to that time, Mr. Jean was Group Vice President and Chief Operating Officer of Varlen since 1993 and Group Vice President since 1988.

Mr. Bayles was promoted to Senior Vice President on February 24, 2005. Prior to that, he was named Vice President and President of Building Products on March 10, 2003, and Vice President, Strategic Planning & Business Development of the Company on May 24, 2001. Prior to that time, Mr. Bayles was Executive Vice President of Helm Financial, a firm engaged in the leasing of rail transportation equipment, since 2000. Prior to that time, Mr. Bayles was President and Chief Operating Officer of Standard Truck Company, a privately held company serving the railroad components market, since 1998 and President and Chief Operating Officer of M-Wave, Inc., a leading manufacturer of high performance printed circuits, since 1997. Prior to that time, Mr. Bayles held manufacturing and general manager positions at Varlen Corporation since 1988.

Mr. Delaney was promoted to Senior Vice President General Counsel of the Company on February 24, 2005. Prior to that, he was named Vice President General Counsel of the Company on July 23, 2003, and Secretary on February 26, 2004. Prior to that he was Chief Counsel for Trane Residential Systems, a business of American Standard Companies, a global manufacturer with market leading positions in automotive, bath and kitchen and air conditioning systems, since January 2002, Assistant General Counsel for American Standard Companies since January 2001 and Group Counsel for The Trane Company s North American Unitary Products Group since 1997. Prior to that time, Mr. Delaney was Vice President General Counsel with GS Roofing Products Company, Inc. from 1995 to 1997 and Senior Attorney with GTE Directories Corporation from 1991 to 1995.

Mr. Mannion was named Vice President Treasurer of the Company on August 30, 2004, and prior to that time was Senior Director Treasury from 2002 to 2004, and Senior Director Financial Planning & Analysis from 1996 to 2002, for ExpressJet Airlines, a commercial airline. Prior to that time, Mr. Mannion served as Director Corporate Finance from 1995 to 1996, and Director Corporate Development from 1994 to 1995, for Continental Airlines. From 1992 to 1994, Mr. Mannion was Senior Financial Analyst Financial Planning & Analysis for Northwest Airlines.

Mr. Hammonds was named Vice President of Corporate Development of the Company on February 24, 2005 and Director of Corporate Business Development on March 11, 2003. Prior to that time, Mr. Hammonds was Director, Catalog Operations and Supplier Integration for ICG Commerce Inc., a provider of electronic procurement services, since 2000. For eleven years prior to that Mr. Hammonds held positions with Grainger Industrial Supply including Product Category Director, Director of Product Process Development and Division Manager.

Mr. Korb was named Vice President Corporate Controller of the Company on February 2, 2005 and Assistant Controller on November 24, 2003. Prior to that time, Mr. Korb was Corporate Controller & Director Business Analysis since 2003, and Manager of Business Analysis since 2001, of Resolution Performance Products, a manufacturer of specialty chemicals. From 1996 to 2001, Mr. Korb held positions at SCI Management Corporation, a provider of funeral, cremation and cemetery services, including Director International Finance & Accounting, Manager International Finance & Accounting, Manager Corporate Development, Manager Strategic Planning, and Financial Analyst.

DIRECTOR AND OFFICER COMPENSATION

Director Compensation

Directors who are also employees of the Company do not receive any additional compensation for serving on our Board. Mr. Jean is the only director who is also an employee of the Company, and as such he does not receive any additional compensation for such service.

For the period of fiscal 2005 prior to September 1, 2005, our non-employee directors received the following compensation(1):

Annual Cash Retainer - $30,000/year paid quarterly

Board Meeting Fees - $1,250/meeting

Committee Meeting Fees - $1,250/meeting

Committee Chairman Fees - $2,500/year paid quarterly except Executive Committee Chair receives no extra pay

Annual Stock Retainer(2) 500 shares of restricted stock and options to purchase 2,000 shares of the Company s common stock. Both the restricted stock and stock options vest immediately upon issuance on October 31, however the restricted stock is restricted until the director ceases to serve in such role.

Initial Stock Option Grant(2) Following the first full year of service as a director, each non-employee director receives an initial stock option grant to purchase 6,000 shares of the Company s common stock. These shares vest immediately.

Expense Reimbursement - Directors are reimbursed for their expenses relating to attendance at meetings.

Effective September 1, 2005, certain changes were made to non-employee director compensation. Following are the new amounts for only those items that changed:

Annual Cash Retainer - $40,000/year paid quarterly

Board Meeting Fees - $1,250/meeting for telephonic and $1,500/meeting for in person

Annual Stock Retainer(2) Equivalent value of $25,000 in restricted stock and equivalent value of $50,000 in options to purchase shares of the Company s common stock. Both the restricted stock and stock options vest immediately upon issuance on October 31, however the restricted stock is restricted until the director ceases to serve in such role.

Initial Stock Option Grant(2) Following the first full year of service as a director, each non-employee director receives an initial stock option grant to purchase 5,000 shares of the Company s common stock. These options vest immediately.

Non-employee directors who first became directors prior to July 1, 1997, are the beneficiaries of life insurance policies provided by the Company at a cost ranging from approximately $1,700 to $2,500 per director for fiscal 2005.

During fiscal 2005, Ms. Davis and Messrs. Barger, Flaum, Ross, and Wellek elected to defer director fees of $43,125, $34,219, $18,000, $43,125 and $43,750 respectively, under the DC Plan in the form of nominal Common Stock units and their accounts were credited with 860, 682, 359, 857 and 870 nominal shares of Common Stock, respectively. In addition, pursuant to the terms of the DC Plan, the Company made matching awards to their respective accounts of 172, 136, 72, 171 and 174 nominal shares of Common Stock, respectively.

(1) Non-employee directors are permitted to defer all or any part of their cash retainers and fees under the Quanex Corporation Deferred Compensation Plan (the DC Plan). Deferrals earned during the ensuing plan year may be invested in an account denominated in the Company s common stock units or cash. On June 3, 2004, the Board of Directors amended the DC Plan to provide that all distributions under the DC Plan will be made in cash and to permit participants to elect to have their notional accounts under the DC Plan deemed invested in any of the accounts available under the Company s qualified 401(k) Plan, as the director elects. If a participant elects to make a deferral to a nominal Common Stock account for a period of three full years or more, a matching award equal to 20% of the amount deferred is made by the Company to such participant s account. The number of shares of nominal Common Stock credited to a participant s deferral and matching account is the number of full shares of Common Stock that could have been purchased with the dollar

amount deferred or matched based on the closing price of the Common Stock on the New York Stock Exchange (the NYSE) on the day that the amount deferred would have been paid had it not been deferred. Dividends and other distributions declared and paid on the Common Stock will be accrued in the participant s account based upon the number of nominal shares of Common Stock credited to such account. No payments in respect thereof, however, are made to any participant until distribution in accordance with the DC Plan. All participant deferrals and Company matching awards are 100% vested; provided, however, that if a participant receives a benefiedt from the DC Plan for any reason, other than death, disability or retirement, within three years after a deferral was credited to a nominal Common Stock account, any matching awards made by the Company with respect to the deferral that is held less than three years will be forfeited. In the event of a change of control of the Company, any amount credited to a participant s account is fully vested and is payable in cash within fiedve days after the change of control occurs. A change in control is defiedned generally as (i) an acquisition of securities resulting in an individual or entity or group thereof becoming, directly or indirectly, the benefiedcial owner of 20% or more of either (a) the Company s then-outstanding Common Stock or (b) the combined voting power of the then-outstanding voting securities of the Company entitled to vote generally in the election of directors, (ii) a change in a majority of the persons who were members of the Board of Directors as of June 1, 1999 (the Incumbent Board), (iii) generally, a reorganization, merger or consolidation or sale of the Company or disposition of all or substantially all of the assets of the Company, or (iv) the approval by the stockholders of the Company of a complete liquidation or dissolution of the Company. For this purpose, an individual will be treated as a member of the Incumbent Board if he becomes a director subsequent to June 1, 1999, and his election, or nomination for election by Quanex s stockholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board; unless his initial assumption of offiedce occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of an individual, entity or group other than the Board.

(2) Restricted stock grants and stock option grants were issued from the Quanex Corporation 1996 Employee Stock Option and Restricted Stock Plan.

Summary Compensation Table

The Summary Compensation Table sets forth certain information concerning the cash compensation and additional incentive compensation earned in the ?scal years ended October 31, 2005, 2004 and 2003 by the Chief Executive Of?cer and each of the Company s four most highly compensated executives. The table shows amounts earned by such persons for all services rendered in all capacities to Quanex Corporation and its subsidiaries during the past three years.

		Annual Compensation			Long-Term Compensation Awards		Payouts	
Name and Principal Position	Year	Salary ($)	Bonus[1] ($)	Other Annual Compen-sation[2] ($)	Restricted Stock Award(s)[3] ($)	Securities Underlying Options/ SARs (#)	LTIP Payouts[1] ($)	All Other Compen-sation[4] ($)
Raymond A. Jean								
	2005	650,0000	1,300,000	61,545	515,040	61,500	770,000	5,250
Chairman of the Board, President	2004	604,583	846,416	56,338	253,440	49,050	700,000	5,125
and Chief Executive Officer	2003	566,667	301,360	57,769	0	82,500	0	29,109
Michael R. Bayles								
	2005	315,417	473,126	26,237	183,520	21,750	330,000	5,606
Senior Vice President an	2004	296,250	355,500	20,636	198,000	20,700	312,000	40,675
Building Products Group President	2003	281,250	128,205	20,522	0	37,500	0	11,410
Terry M. Murphy (5)	2005	302,083	453,125	30,027	177,600	21,150	330,000	5,970
Senior Vice President Finance	2004	289,167	347,000	36,901	198,000	20,250	312,000	5,845
and Chief Financial Officer	2003	284,455	127,256	31,435	0	37,500	0	25,720
Kevin P. Delaney								
	2005	210,417	315,626	18,211	106,560	12,450	0	27,704
Senior Vice President General	2004	188,333	226,000	18,098	55,440	10,650	0	23,565
Counsel and Secretary	2003	49,375	55,000	16,271	0	18,000	0	28,046
Mark A. Marcucci (6)	2005	225,067	225,067	12,698	177,600	18,750	0	5,790
President Macsteel	2004	206,067	206,067	11,893	0	18,750	0	5,665
	2003	197,333	98,972	8,285	0	22,500	0	5,540

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(1) Annual bonus compensation amounts and LTIP payouts are earned and accrued during the scal years indicated and paid in the following year. The bonus and LTIP payouts also include the dollar value of the portion of the amounts deferred under the Company s DC Plan. Under the terms of the DC Plan, participants may elect to defer a portion of their incentive bonus to a mix of Common Stock, cash or investment accounts. The amounts deferred under the DC Plan for the executives named above are:

	Fiscal Year 2005		**Fiscal Year 2004**		**Fiscal Year 2003**	
Name	**Bonus Deferred ($)**	**LTIP Deferred ($)**	**Bonus Deferred ($)**	**LTIP Deferred ($)**	**Bonus Deferred ($)**	**LTIP Deferred ($)**
Jean	0	0	346,416	700,000	120,544	0
Bayles	118,282	82,500	177,750	156,000	32,051	0
Murphy	0	330,000	0	312,000	0	0
Delaney	110,469	0	90,400	0	0	0
Marcucci	0	0	0	0	0	0

(2) The executives named above receive various perquisites provided by or paid for by the Company. These perquisites can include life insurance, nancial planning, personal use of automobiles, memberships in social and professional clubs and gross up payments equal to taxes payable on certain perquisites. The amounts reported in Other Annual Compensation for the executives named above are:

Name	**Year**	**Life Insurance > $50,000 ($)**	**Financial Planning ($)**	**Automobile ($)**	**Club Membership ($)**	**Tax Gross Ups ($)**

Jean	2005	14,454	10,000	11,690	11,376	14,026
	2004	13,622	8,025	11,411	10,863	12,416
	2003	12,672	10,000	11,516	10,577	13,004
Bayles	2005	4,913	7,000	7,491	0	6,833
	2004	4,664	6,904	2,432	0	6,635
	2003	4,416	6,942	2,650	0	6,515
Murphy	2005	6,594	2,500	8,376	7,339	5,216
	2004	6,362	7,932	8,237	6,170	8,199
	2003	8,256	2,700	8,241	5,954	6,284
Delaney	2005	2,100	1,250	9,329	3,611	1,921
	2004	1,884	1,250	9,423	3,743	1,798
	2003	785	0	1,799	546	13,142
Marcucci	2005	1,499	0	5,932	4,905	363
	2004	1,412	0	5,679	4,440	363
	2003	897	0	2,917	4,235	237

(3) Restricted stock awards generally vest in full on the third anniversary after the date of grant. The number and aggregate value of unvested restricted stock awards as of October 31, 2005 were: 22,650 shares ($1,311,661) for Mr. Jean; 12,150 shares ($703,606) for Mr. Bayles; 12,000 shares ($694,920) for Mr. Murphy; 4,800 shares ($277,968) for Mr. Delaney; 4,500 shares ($260,595) for Mr. Marcucci. On December 1, 2005, subsequent to the Company s scal 2005 year end, Messrs. Jean, Bayles, Delaney and Marcucci received 9,000, 3,300, 2,000 and 2,100 restricted stock awards, respectively. Dividends are paid at regular rates on restricted shares.

(4) All other compensation generally includes Company contributions under the Company s 401(k) plan, a 20% match under the Company s DC Plan and a 15% match under the Company s Employee Stock Purchase Program (ESPP). Contributions for scal 2005 for the persons named above are as follows ($):

Name	**401(k)**	**DC Plan**	**ESPP**	**Other**
Jean	5,250	0	0	0
Bayles	5,250	0	0	356
Murphy	5,250	0	720	0
Delaney	5,250	22,094	360	0
Marcucci	5,250	0	540	0

(5) Mr. Murphy retired from the Company effective December 31, 2005.

(6) Mr. Marcucci is not considered an executive ofcer of the Company. He is included here pursuant to the provisions of Item 402(a)(3)(iii) of Regulation S-K under the Securities Exchange Act of 1934.

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Option Grants in Last Fiscal Year

The following table sets forth certain information regarding options granted to the named executives during the Company s last ?scal year.

	Individual Grants(1) (2)				**Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term(3)**	
Name	**Number of Securities Underlying Options Granted (#)**	**% of Total Options Granted to Employees in Fiscal Year(4)**	**Exercise Or Base Price ($/Share)**	**Expiration Date**	**5% ($)**	**10% ($)**
Raymond A. Jean	61,500	18.5%	$ 39.47	12/1/2014	1,526,454	3,868,335
Michael R. Bayles	21,750	6.5%	$ 39.47			