Quanex Building Products CORP
Form DEF 14A
January 28, 2013
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934
(Amendment No.)

Filed by the Registrant þ Filed by a Party other than the Registrant o

Check the appropriate box:

o	Preliminary Proxy Statement
o	**Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
þ	Definitive Proxy Statement
o	Definitive Additional Materials
o	Soliciting Material Pursuant to §240.14a-12

QUANEX BUILDING PRODUCTS CORPORATION
(Name of registrant as specified in its charter)

(Name of person(s) filing proxy statement, if other than the registrant)

Payment of Filing Fee (Check the appropriate box):

þ No fee required.

o Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

o Fee paid previously with preliminary materials.

o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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QUANEX BUILDING PRODUCTS CORPORATION

1900 West Loop South
Suite 1500
Houston, Texas 77027

(713) 961-4600

January 28, 2013

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 28, 2013, 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, in favor of an advisory vote approving the Company s named executive officer compensation, and in favor of ratifying the appointment of Deloitte & Touche LLP as the Company s external auditors. 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. THE BOARD FURTHER URGES YOU TO VOTE AT YOUR EARLIEST CONVENIENCE, WHETHER OR NOT YOU PLAN TO ATTEND THE ANNUAL MEETING.

Thank you for your continued support.

Sincerely,

David D. Petratis
Chairman of the Board

YOUR VOTE IS IMPORTANT

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QUANEX BUILDING PRODUCTS CORPORATION
PROXY STATEMENT

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NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To Be Held February 28, 2013

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NOTICE IS HEREBY GIVEN that the Annual Meeting of Stockholders of Quanex Building Products Corporation, a Delaware corporation (the Company or Quanex), will be held at the principal executive offices of the Company, 1900 West Loop South, Suite 1500, Houston, Texas, 77027, on Thursday, February 28, 2013, 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 2016;

(2) To provide an advisory vote approving the Company s named executive officer compensation;

(3) To ratify the appointment of Deloitte & Touche LLP as the Company s external auditors; and

(4) 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 7, 2013, 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 fiscal year ended October 31, 2012, accompanies this Notice.

By order of the Board of Directors,

Kevin P. Delaney
Senior Vice President General Counsel
and Secretary

Houston, Texas

January 28, 2013

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PROXY STATEMENT

Annual Meeting of Stockholders

To Be Held February 28, 2013

This Proxy Statement and the accompanying form of proxy are to be first mailed on or about January 28, 2013, to all holders of record on January 7, 2013 (the Record Date), of the common stock, $.01 par value (the Common Stock), of Quanex Building Products 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 28, 2013, 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 director 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 36,833,807 shares of Common Stock outstanding. 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. Abstentions and broker non-votes are counted as present in determining whether the quorum requirement is satisfied.

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), or by the firm of Alliance Advisors, LLC, which has been retained by the Company to assist in the solicitation for a fee of approximately $6,500. 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.

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS

FOR THE ANNUAL MEETING TO BE HELD ON FEBRUARY 28, 2013:

Our Proxy Statement and 2012 Annual Report are available online at the following web address:

http://www.quanex.com/2012AR

In accordance with Securities and Exchange Commission rules, this website provides complete anonymity with respect to any stockholder accessing it.

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MATTERS TO COME BEFORE THE MEETING

PROPOSAL NO. 1

ELECTION OF DIRECTORS

Two directors are to be elected at the meeting. The Company s Certificate of Incorporation and Amended and Restated 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. Directors are divided into three classes with Classes I, II, and III standing for election at the annual meetings of stockholders in 2014, 2015 and 2013, respectively. The terms of office of William C. Griffiths and LeRoy D. Nosbaum expire at the 2013 Annual Meeting. Mr. Griffiths was elected by the stockholders in 2010 to a term ending in 2013. Mr. Nosbaum was elected by the Board in 2010 to a term ending in 2013, so as to ensure the satisfaction of the Company s Bylaw requirement that director classes be as equal in size as possible. All Class I directors were elected to a term ending in 2014 at the 2011 Annual Meeting, and both Class II directors were elected to a term ending in 2015 at the 2012 Annual Meeting.

In reviewing the information contained in this Proxy Statement that relates to our directors and officers, it is important to note that Quanex Building Products Corporation was initially created on December 12, 2007, in connection with the April 2008 spin-off of the building products business of Quanex Corporation, and related merger of Quanex Corporation with Gerdau S.A. In connection with these transactions, the directors and officers of Quanex Corporation became the directors and officers of Quanex Building Products Corporation. As such, we have listed these carryover directors and officers as beginning with the Company in 2007 despite the fact that they may have served in similar positions with Quanex Corporation prior to that time. For information related to the transaction, the origins of Quanex Building Products Corporation, and any pre-transaction service as a director or officer of Quanex Corporation, please see (a) the Company s Annual Report on Form 10-K for the fiscal year ended October 31, 2008, (b) the Information Statement attached as Exhibit 99.1 to the Company s Registration Statement on Form 10, filed April 4, 2008 and effective April 9, 2008, and (c) Quanex Corporation s Annual Report on Form 10-K, as amended by Form 10-K/A, for the fiscal year ended October 31, 2007.

Nominees for election for term expiring at the 2016 Annual Meeting (Class III Directors)	**Principal Occupation**	**Age**	**Director Since**
William C. Griffiths	Managing Director of Sealine (International) Ltd., a privately held manufacturer of yachts and other marine vessels (Kidderminster, England).	61	2009
LeRoy D. Nosbaum	Retired President and Chief Executive Officer of Itron, Inc., a leading technology provider to the global energy and water industries and a leading provider of intelligent metering, data collection and utility software solutions (Spokane, Washington).	66	2010

Directors whose terms expire at the 2014 Annual Meeting (Class I Directors)	**Principal Occupation**	**Age**	**Director Since**
Susan F. Davis	Executive Vice President of Human Resources of Johnson Controls, Inc., a global leader in automotive systems, building efficiency and power solutions (Milwaukee, Wisconsin).	59	2007

Joseph D. Rupp	Chairman, President and Chief Executive Officer of Olin Corporation, a basic materials company concentrated in chemicals and ammunition (Clayton, Missouri).	62	2007
Curtis M. Stevens	Chief Executive Officer of Louisiana-Pacific Corporation, a leading building materials manufacturer (Nashville, Tennessee).	60	2010

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Directors whose terms expire at the 2015 Annual Meeting (Class II Directors)	Principal Occupation	Age	Director Since
David D. Petratis	Chairman, President and Chief Executive Officer, Quanex Building Products Corporation (Houston, Texas).	55	2008
Robert R. Buck	Chairman of the Board of Beacon Roofing Supply, Inc., a leading distributor of roofing materials (Peabody, Massachusetts).	65	2011

Director Biographies, Key Attributes, and Skills

ROBERT BUCK, age 65

Biography: Mr. Buck is the Chairman of the Board and retired President and Chief Executive Officer of Beacon Roofing Supply, Inc., a $2.0 billion NASDAQ traded roofing materials distributor. Prior to becoming Chairman in early 2011, Mr. Buck served as Chairman and CEO of Beacon from 2007 to 2011, as Chairman, President and CEO in 2007, and as President and CEO from 2003 to 2007. Prior to joining Beacon in 2003, Mr. Buck spent 21 years with Cintas Corporation in various executive positions. Mr. Buck holds a B.S. in Finance from the University of Cincinnati.

Key Attributes, Experience, and Skills: During his time at Beacon Roofing and Cintas Corporation, Mr. Buck developed extensive executive leadership, finance and accounting expertise. Mr. Buck also participated in numerous mergers and acquisitions and built strong corporate governance experience. In addition, Mr. Buck s tenure at Beacon Roofing has provided him substantial experience in the building products industry. Mr. Buck has also amassed a good deal of public company board experience through his service on the boards of Beacon Roofing Supply, Multi-Color Corporation, and Kendle International.

Other Directorships Since 2007: Mr. Buck currently serves on the boards of Beacon Roofing Supply, Inc., and Multi-Color Corporation, and served on the board of Kendle International, Inc., a former Nasdaq-traded company, until 2011. Mr. Buck also serves on the boards of privately held LVI Services, Inc. and Elkay Manufacturing Co.

SUSAN DAVIS, age 59

Biography: Ms. Davis was elected in September 2006 as Executive Vice President of Human Resources for Johnson Controls, Inc., a global leader in automotive systems, building efficiency and power solutions. Ms. Davis previously served as Vice President of Human Resources for Johnson Controls from 1994 to 2006, and in various other positions with Johnson Controls, which she originally joined in 1983. Johnson Controls is a $42 billion NYSE-traded company.

Key Attributes, Experience, and Skills: As the executive leader of Human Resources for Johnson Controls since 1994, Ms. Davis has acquired extensive management, corporate governance, public company, and international business expertise. She has also worked extensively with executive compensation and management development issues. Further, Ms. Davis time as a director for Butler Manufacturing and Johnson Controls status as a global leader in building efficiency products and controls has provided Ms. Davis with the opportunity to accumulate extensive experience in the building products industry and with manufacturing processes, both of which are very valuable in her service as a director of the Company. Ms. Davis also gained public company board experience as a result of her service as a director for Butler Manufacturing and Quanex Corporation.

Other Directorships Since 2007: Ms. Davis served on the board of Quanex Corporation from 1998 until its merger with Gerdau in April 2008.

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WILLIAM GRIFFITHS, age 61

Biography: Mr. Griffiths is the Managing Director and a member of the board of directors of Sealine (International) Ltd., a privately held manufacturer of yachts and other marine vessels based in the United Kingdom. Prior to joining Sealine in January 2012, Mr. Griffiths served as Chairman of the Board, President and CEO of Champion Enterprises, Inc. a $1 billion NYSE-traded producer of modular and manufactured housing until 2010. He joined Champion as a Director, and as President and Chief Executive Officer, in August 2004, and was named Chairman of the Board in 2006. Champion filed for Chapter 11 bankruptcy on November 15, 2009. From 2001 to 2004, Mr. Griffiths was President Fluid Systems Division at SPX Corporation, a global multi-industry company located in Charlotte, North Carolina. Mr. Griffiths graduated from the University of London with a BS with Honors in Mining Engineering. In addition, Mr. Griffiths is a graduate of the Harvard Business School s PMD executive education program.

Key Attributes, Experience, and Skills: During his tenure as CEO of Champion Enterprises, Mr. Griffiths gained extensive experience with manufacturing processes, corporate governance, and public company issues. Champion also provided Mr. Griffiths with valuable expertise and insight into the building products industry. In addition, Mr. Griffiths tenure as a senior leader at SPX Corporation provided him with extensive and wide-reaching expertise in international operations management and international business in general. It also allowed him to build a great deal of experience in mergers and acquisitions, both international and domestic.

Other Directorships Since 2007: Mr. Griffiths served as a member of the Champion board from 2004 to 2010, including a term as Chairman from 2006 to 2010. Mr. Griffiths also served as a member of the board of Wolverine Tube, Inc. from 2005 to 2007.

LEROY NOSBAUM, age 66

Biography: Mr. Nosbaum is the retired President and Chief Executive Officer of Itron, Inc., a $2.4 billion NASDAQ-traded leading technology provider to the global energy and water industries and a leading provider of intelligent metering, data collection and utility software solutions. Mr. Nosbaum joined Itron in 1996, was promoted to the role of President and CEO in 2000, and was elected as Chairman in 2002. He retired from Itron in 2009, but returned as President and Chief Executive Officer in 2011, before retiring again in January 2013. Prior to his employment with Itron, Mr. Nosbaum served in various positions at Metricom, Inc. from 1989 to 1996, and at Schlumberger Limited from 1977 to 1989.

Key Attributes, Experience, and Skills: Mr. Nosbaum brings to the board strong sales, marketing and technology expertise, which he gained during his service as the Executive VP of Marketing and Sales for Metricom, Inc. In his various roles at Itron, Mr. Nosbaum also built extensive public company, strategic development, technology and manufacturing process expertise. Mr. Nosbaum gained extensive finance and acquisition experience while serving as CEO of Itron. Mr. Nosbaum also gained international experience at Itron, which is an international company with operations throughout Europe, South America, and Asia. In addition, he has built corporate governance expertise both through his role as CEO of Itron, and through his service on the Nominating and Corporate Governance Committee of Esterline Technologies.

Other Directorships Since 2007: Mr. Nosbaum served as director of Itron from 2000 to 2002 and as Chairman from 2002 to 2009. He returned to Itron in 2011, and served on the Itron board of directors until his retirement in January 2013. Mr. Nosbaum also served on the board of Esterline Technologies Corporation from 2009 to 2011.

DAVID PETRATIS, age 55

Biography: Mr. Petratis was elected Chairman of the Board of Quanex Building Products on December 4, 2008, and was named President and CEO of the Company on July 1, 2008. Before joining the Company, Mr. Petratis served as President and Chief Executive Officer of the North American Operating Division of Schneider Electric from 2004 to 2008 and as President and Chief Operating Officer from 2002 until his promotion in 2004. Schneider Electric is a global manufacturer of electrical distribution and control. Prior to that time, Mr. Petratis was President of MGE UPS Systems America, a spin-out of Schneider Electric. Prior to that, he held key management positions with Square D Company from 1981 to 1994.

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Key Attributes, Experience, and Skills: As the Company s Chairman and Chief Executive Officer, Mr. Petratis provides the Board with valuable insight into management s views and perspectives. Mr. Petratis time at Schneider Electric and Quanex have provided him with an extensive background in the building products industry, as well as strong experience with operations and lean manufacturing, the merger and acquisition process, and strategy development. In addition to his service as Chairman of Quanex, Mr. Petratis has also acquired executive compensation, finance, and public board experience through his tenure as a director and member of the Audit and Compensation Committees of Gardner Denver, Inc.

Other Directorships Since 2007: Mr. Petratis currently serves on the board of Gardner Denver, Inc.

JOSEPH RUPP, age 62

Biography: Mr. Rupp has been Chairman, President and Chief Executive Officer of Olin Corporation since 2005. Prior to his election as Chairman, Mr. Rupp was President and Chief Executive Officer of Olin from 2002 to 2005. Prior to 2002, Mr. Rupp served in various positions with Olin, which he originally joined in 1972. Olin is a $2.0 billion NYSE-traded basic materials company concentrated in chemicals and ammunition. Mr. Rupp holds a bachelor s degree in metallurgical engineering from the University of Missouri, Rolla.

Key Attributes, Experience, and Skills: As the CEO of Olin, Mr. Rupp has amassed strong corporate governance expertise, public company management experience, and solid financial acumen. He also brings a wealth of experience in operations management, lean manufacturing processes, and mergers and acquisitions. In addition, he has gained extensive public board experience as a director of Olin since 2002.

Other Directorships Since 2007: Mr. Rupp served as a director of Olin Corporation from 2002 to 2005, and has been Chairman of Olin s board since 2005. He also served as a director of Quanex Corporation from 2007 until its merger with Gerdau in April 2008. Mr. Rupp also serves on the board of privately-held Dot Foods.

CURTIS STEVENS, age 60

Biography: Mr. Stevens is currently the Chief Executive Officer and a director of Louisiana-Pacific Corporation, a $1.4 billion NYSE traded building materials manufacturer. Prior to becoming CEO in May 2012, Mr. Stevens served as Louisiana Pacific s Chief Operating Officer and Executive Vice President beginning in December 2011. Prior to assuming the role of Chief Operating Officer, Mr. Stevens served as CFO of Louisiana Pacific since 1997, and as Executive Vice President, Administration, since 2002. Prior to joining Louisiana Pacific, Mr. Stevens served for 14 years in various financial and operational positions at Planar Systems, a flat-panel display products manufacturer. Mr. Stevens holds a B.A. in Economics and an M.B.A in Management from the University of California at Los Angeles.

Key Attributes, Experience, and Skills: Through his role as CFO of Louisiana Pacific, Mr. Stevens has acquired broad experience in the building products industry. He also possesses a strong background in accounting and finance, as well as extensive expertise in information technology and supply chain management, strategy development, and public company issues. Further, Louisiana Pacific s international operations have provided Mr. Stevens with strong international business experience.

Other Directorships Since 2007: Mr. Stevens has served as a director of Louisiana Pacific since May 2012, and served as a director of Longview Fibre Corporation from 2006 to 2007.

The Board of Directors has affirmatively determined that Ms. Davis and each of Messrs. Buck, Griffiths, Nosbaum, Rupp, and Stevens have no material relationship with the Company and have 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 the Company with various companies with which such directors may be affiliated and has determined that there are no such relationships that, in the opinion of the Board, might impact any director s independence. 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. Based on its review, the Board determined that no transactions occurred during the year that might affect any non-employee director s independence. During the fiscal year, the Nominating and Corporate Governance Committee determined that there were no related party transactions, as defined by the Securities and Exchange Commission. In addition, each of such directors has met the definitions of non-employee

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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. Griffiths and Nosbaum 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 nominee(s) receiving a plurality of votes cast at the meeting will be elected director(s). Cumulative voting is not permitted in the election of directors. Abstentions and broker non-votes will not be treated as a vote for or against any particular director and will not affect the outcome of the election of directors.

Pursuant to the Company s Corporate Governance Guidelines, any current director that is nominated for election must tender his or her resignation as a director in the event that he or she receives more withheld votes than FOR votes. In such an event, the Governance Committee and the full Board would then review and determine whether to accept or decline the tendered resignation.

Recommendation

The Board of Directors recommends that you vote FOR each nominee. Unless you give contrary instructions in your proxy, your proxy will be voted FOR the elections of Mr. Griffiths and Mr. Nosbaum. If any 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 nominee will be unable or unwilling to serve if elected.

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PROPOSAL NO. 2
ADVISORY VOTE APPROVING NAMED EXECUTIVE OFFICER COMPENSATION

At the meeting, the stockholders will vote on an advisory resolution approving the compensation of the Company s named executive officers.

We believe that our compensation practices and procedures are competitive, focused on pay-for-performance and strongly aligned with the long-term interests of our stockholders. This advisory stockholder vote, commonly known as Say-on-Pay, gives you as a stockholder the opportunity to express approval or withhold approval of the compensation we pay our named executive officers through voting for or against the following resolution:

Resolved, that the stockholders approve the compensation of the Company s named executive officers as disclosed in the Company s 2013 proxy statement pursuant to the disclosure rules of the Securities and Exchange Commission (which disclosure includes the Compensation Discussion and Analysis, the Summary Compensation Table and the other executive compensation tables and related discussion).

The Company and the Compensation Committee remain committed to the compensation philosophy, practices, and objectives outlined under the heading Compensation Discussion and Analysis in this proxy statement. As always, the Compensation Committee will continue to review all elements of the executive compensation program and take any steps it deems necessary to continue to fulfill the objectives of the program.

Stockholders are encouraged to carefully review the Compensation Discussion and Analysis section of this proxy statement for a detailed discussion of the Company s executive compensation program.

Because your vote is advisory, it will not be binding upon the Company or the board of directors. However, the Compensation Committee will take into account the outcome of the vote when considering future executive compensation arrangements.

Board Recommendation

The Board recommends that you vote FOR the ratification of the advisory resolution approving the compensation of the Company s named executive officers.

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PROPOSAL NO. 3

RATIFICATION OF APPOINTMENT OF INDEPENDENT AUDITOR

The Audit Committee has selected Deloitte & Touche LLP, an independent registered public accounting firm, to audit our consolidated financial statements for fiscal year 2013. Deloitte & Touche LLP has served as our independent registered public accounting firm since 1980. We are asking the stockholders to ratify the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for the fiscal year ending October 31, 2013. Deloitte & Touche LLP was appointed by the Audit Committee in accordance with its charter.

In the event stockholders fail to ratify the appointment, the Audit Committee may reconsider this appointment. Even if the appointment is ratified, the Audit Committee, in its discretion, may direct the appointment of a different independent accounting firm at any time during the year if the Audit Committee determines that such a change would be in the Company s and its stockholders best interests.

The Audit Committee has approved all services provided by Deloitte & Touche LLP. A representative of Deloitte & Touche LLP will be present at the Annual Meeting, will have the opportunity to make a statement, and will be available to respond to appropriate questions you may ask.

This vote requires approval by the affirmative vote of a majority of the shares present in person or represented by proxy at the Annual Meeting and entitled to vote on this proposal. Abstentions with respect to the approval of this proposal will have the effect of a vote against this proposal. Broker non-votes will not be counted for the purpose of determining the number of votes necessary for approval of this proposal.

Board Recommendation

The Board recommends that you vote FOR the ratification of appointment of Deloitte & Touche LLP as our independent registered public accounting firm for the fiscal year ending October 31, 2013.

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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. There are no arrangements or understandings between any person and any of the executive officers pursuant to which such executive officer was selected as an executive officer, except for arrangements or understandings with such executive officer acting solely in such executive officer s capacity as such.

Name and Age	**Office and Length of Service**
David D. Petratis, 55	Chairman of the Board, President and Chief Executive Officer since 2008
Brent L. Korb, 40	Senior Vice President Finance and Chief Financial Officer since 2008
Kevin P. Delaney, 51	Senior Vice President General Counsel and Secretary since 2007
Jairaj T. Chetnani, 41	Vice President Treasurer since 2008
Deborah M. Gadin, 43	Vice President Controller since 2008

Mr. Petratis was elected Chairman of the Board of the Company on December 4, 2008, and was named President and CEO of the Company on July 1, 2008. Before joining the Company, Mr. Petratis served as President and Chief Executive Officer of the North American Operating Division of Schneider Electric from 2004 to 2008 and as President and Chief Operating Officer from 2002 until his promotion in 2004. Schneider Electric is a global manufacturer of electrical distribution and industrial control products, systems and services. Prior to that time, Mr. Petratis was President of MGE UPS Systems America, a spin-out of Schneider Electric. Prior to that, he held key management positions with Square D Company from 1981 to 1994. Mr. Petratis currently serves on the board of Gardner Denver, Inc.

Mr. Korb was named Senior Vice President Finance and Chief Financial Officer of the Company on August 1, 2008. Mr. Korb was named Vice President Controller of Quanex Corporation in 2005, and was elected to the same position with the Company upon its creation on December 12, 2007. Prior to his election as Vice President Controller of Quanex Corporation, Mr. Korb served as Assistant Controller of Quanex Corporation from 2003 to 2005. Prior to that time, Mr. Korb was Controller & Director of 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 Service Corporation International, 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.

Mr. Delaney was named Senior Vice President General Counsel and Secretary of Quanex Corporation on February 24, 2005, and was elected to the same position with the Company upon its creation on December 12, 2007. Prior to that, he was Vice President General Counsel of Quanex Corporation since 2003, and Secretary since 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 2002; Assistant General Counsel for American Standard Companies since 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. Chetnani was named Vice President Treasurer of the Company on December 1, 2008. Prior to that time, Mr. Chetnani was Treasurer at MEMC Electronic Materials, a NYSE listed global manufacturer of semiconductor wafers since 2005. Prior to that, Mr. Chetnani held positions of increasing responsibility in Corporate Treasury at YRC Worldwide, Inc., a Fortune 500 transportation services provider, and Hillenbrand Industries, an international holding company in the medical, funeral and financial services industries.

Ms. Gadin was named Vice President Controller of the Company on June 16, 2008. Ms. Gadin was named Assistant Controller of Quanex Corporation in 2005, and was elected to the same position with the Company upon its creation on December 12, 2007. Prior to 2005, Ms. Gadin was Director of Financial Planning, Reporting and Analysis at Hexion Specialty Chemicals, the world s largest producer of resins for industrial applications, since 2004. From 1996 to 2004, Ms. Gadin held positions of increasing responsibility at Service Corporation International, including Director Financial Reporting, Director Operational Process Improvement, Director Finance and Development, Director Corporate Development, Manager Corporate Development and Senior Financial Analyst. Prior to that time, Ms. Gadin was a certified public accountant at Coopers and Lybrand LLP.

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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. Petratis was the only director who was also an employee of the Company, and as such he did not receive any additional compensation for such service.

For the fiscal year ended October 31, 2012, our non-employee directors received the following compensation:

- **Annual Cash Retainer**(1) $50,000/year paid quarterly
- **Committee Member Retainer**(1)
  - Member of Audit Committee: $7,500/year paid quarterly
  - Member of Compensation and Management Development Committee: $5,000/year paid quarterly
  - Member of Nominating and Corporate Governance Committee: $5,000/year paid quarterly
- **Committee Chairman Fees**(1)
  - Chairman of Audit Committee: $15,000/year paid quarterly
  - Chairman of Compensation and Management Development Committee: $10,000/year paid quarterly
  - Chairman of Nominating and Corporate Governance Committee: $10,000/year paid quarterly
- **Lead Director Fee**(1) $20,000/year paid quarterly
- **Annual Stock Retainer**(2) Equivalent value of $25,000 in restricted stock units and equivalent value of $50,000 in options to purchase shares of Common Stock. Both the restricted stock units and the stock options vest immediately upon issuance on the last business day of the fiscal year; however, the restricted stock units are 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 Common Stock. These options vest immediately.
- **Expense Reimbursement** Directors are reimbursed for their expenses relating to attendance at meetings.

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(1) Non-employee directors are permitted to defer all or any part of their cash retainers and fees under the Quanex Building Products Corporation Deferred Compensation Plan (the DC Plan). These deferrals are placed into notional accounts maintained under the DC Plan and are deemed invested in cash, units denominated in Common Stock, or any of the accounts available under the Company s qualified 401(k) plan, as the director elects. If a director elects to make a deferral to his or her notional common stock unit 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 the director s notional account. The Board elected to suspend the match effective April 1, 2009, due to the turbulent economic conditions at that time. The number of units that is deemed invested in Company common stock units and credited to a director s notional account is equal to the number of 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 on the date the amount would have been paid had it not been deferred. If a dividend or other distribution is declared and paid on Common Stock, for each notional common stock unit credited to a director s account a corresponding credit will be accrued in the director s notional matching account. Except with respect to matching deferrals (and dividend deferrals, if any), all director deferrals are 100% vested. Matching deferrals (and dividend deferrals, if any) are 100% vested, unless a director receives a distribution from the DC Plan for any reason other than death, disability or retirement, within three years after a deferral was credited to his or her notional common stock unit account. If a director receives such a distribution from the DC Plan, any matching amount corresponding to the deferral that has been credited for less than three years, plus any dividends or other distributions that correspond to such matching amount, will be forfeited. No payments may be made under the DC Plan until a distribution is permitted in accordance with the terms of the DC Plan. In the event of a

change in control of the Company, any amount credited to a director s account is fully vested and is payable in cash within five days after the change in control occurs. A change in control is defined generally as (i) an acquisition of securities resulting in an individual or entity or group thereof becoming, directly or indirectly, the beneficial 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 December 12, 2007 (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 December 12, 2007, and his election, or nomination for election by the Company s stockholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board; unless his initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of an individual, entity or group other than the Board. All distributions under the DC Plan will be made in cash. Any deferral or payment permitted under the DC Plan is administered in a manner that is intended to comply with Section 409A of the Internal Revenue Code of 1986.

(2) Restricted stock unit grants and stock option grants are issued from the Quanex Building Products Corporation 2008 Omnibus Incentive Plan, as amended.

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The table below shows the total compensation of our non-employee directors in fiscal 2012.

Name	Fees Earned or Paid in Cash (1) ($)	Stock Awards (2) ($)	Option Awards (2) ($)	Change in Pension Value & Nonqualified Deferred Compensation Earnings (3) ($)	All Other Compensation (4) ($)	Total ($)
Robert R. Buck	57,500	25,147	50,282	-	-	132,929
Susan F. Davis	65,000	25,147	50,282	-	1,186	141,615
William C. Griffiths	65,000	25,147	50,282	-	749	141,178
LeRoy D. Nosbaum	58,750	25,147	50,282	-	498	134,677
Joseph D. Rupp	78,750	25,147	50,282	-	1,186	155,365
Curtis M. Stevens	65,000	25,147	50,282	-	498	140,927

(1) Amounts shown reflect fees earned by the directors from Quanex Building Products Corporation during fiscal year 2012. During fiscal 2012, Messrs. Buck and Stevens and Ms. Davis elected to defer cash compensation of $43,125, $32,500 and $48,750, respectively, under the DC Plan in the form of notional units.

(2) These columns show respectively, the aggregate grant date fair value for restricted stock units and stock options awarded in fiscal 2012 computed in accordance with FASB ASC Topic 718. Director grants vest immediately and as such are expensed on the date of grant. A discussion of the assumptions used in computing the grant date fair values may be found in Note 14 to Quanex Building Products Corporation s audited financial statements on Form 10-K for the year ended October 31, 2012. These values reflect the Company s assumptions to determine the accounting expense for these awards and do not necessarily correspond to the actual value that may be recognized by directors.

The following table shows the grant date fair value of restricted stock units and option grants made during fiscal year 2012 as well as the aggregate number of restricted stock units and stock option awards outstanding for each director as of October 31, 2012:

	Restricted Stock Units			Stock Options		
	2012 Grants			2012 Grants		
Name	Grant Date	Grant Date Fair Value ($)	Outstanding as of October 31, 2012 (#)	Grant Date	Grant Date Fair Value ($)	Outstanding as of October 31, 2012 (#)
Buck	10/31/2012	25,147	1,272	10/31/2012	50,282	5,987
Davis	10/31/2012	25,147	8,683	10/31/2012	50,282	46,419
Griffiths	10/31/2012	25,147	5,954	10/31/2012	50,282	30,998
Nosbaum	10/31/2012	25,147	4,383	10/31/2012	50,282	25,509
Rupp	10/31/2012	25,147	8,683	10/31/2012	50,282	46,419
Stevens	10/31/2012	25,147	4,383	10/31/2012	50,282	25,509

(3) The Company does not provide a pension plan for non-employee directors. None of the directors received preferential or above-market earnings on deferred compensations.

(4) Amounts shown represent dividends on outstanding restricted stock units.

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Compensation Discussion and Analysis

Introduction

This section of the proxy describes the compensation paid to the executive officers listed in the Summary Compensation Table on page 34:

- David D. Petratis Chairman, President and CEO
- Brent L. Korb Senior Vice President Finance and CFO
- Kevin P. Delaney Senior Vice President General Counsel and Secretary
- Jairaj T. Chetnani Vice President Treasurer
- Deborah M. Gadin Vice President Controller

The compensation programs described, however, apply more broadly to other officers and management personnel at the Company, with changes as appropriate to reflect different levels and types of responsibility. The Company believes that this approach helps to align Quanex employees into a unified team committed to the Company s corporate objectives.

Executive Summary, Compensation Highlights, Market Considerations, and 2012 Company Performance Highlights

We use traditional compensation elements of base salary, annual incentives, long-term incentives, and employee benefits to deliver attractive and competitive compensation. We benchmark both compensation and company performance in evaluating the appropriateness of pay. All of our executive pay programs are administered by an independent compensation committee, with assistance from an independent consultant. We target the market median for fixed compensation, while providing the executive with an opportunity to earn upper quartile incentive pay based on company performance. Some highlights to our executive compensation program include the following actions:

- We eliminated gross-ups on golden parachute excise taxes for new executives going forward
- We maintain a clawback policy on incentive compensation
- We maintain anti-pledging rules in our equity compensation award agreements
- We maintain stock ownership guidelines for both executives and directors

- We evaluate the risk of our compensation programs
- We prepare tally sheets summarizing our executives total compensation and review with the independent compensation committee
- We retain an independent compensation consultant to the Board and the Compensation and Governance Committees to advise on compensation issues.

Company Performance Highlights

We compete in a market heavily influenced by the market demand for new home construction and existing home repair and remodeling. This market has experienced a meaningful downtrend, affecting the end markets for our products. At the beginning of fiscal 2012, we built our business plan based on projected prime window demand and market demand for flat rolled aluminum sheet (non-heat treated and non-can). At year end the prime window demand market was below our original forecast due to continued softness in the residential repair & replacement markets while demand for flat rolled aluminum sheet was higher. In spite of the prime window market environment, our executive management team achieved favorable results in operations, market share, margins, efficiencies, organization improvements and new product development.

When reviewing fiscal 2012 accomplishments, we highlight the following:

- Successfully completed the consolidation of the North America IG Systems manufacturing operations.

- Organic growth - we outgrew the Prime Window Market as measured by the Ducker 12 month rolling average. Our Engineered Products Group grew 6% in same store revenues versus the Ducker index of 1.4% growth.

- Total shareholder return for the fiscal year was 45.1%.

- In a challenging market environment, we achieved cash flow from operations of $26 million.

- We implemented a new sales and marketing team, the success of which is measured through revenue per sales employee. We increased by 14% our revenue per sales employee ratio from 2011 to 2012.

- Increased international growth for IG Systems, emphasizing accelerated growth for both European and non-European IG spacer sales.

- Continuing our commitment to continuous improvement of our operations, we are harvesting our Lean Six Sigma opportunity. We established 2012 goals and objectives by business and reviewed quarterly with business leaders and established a Quanex-Wide Lean Six Sigma Score Card. Because of this initiative, the lean savings pipeline continues to increase and is building the foundation for our operations to be able to successfully ramp up when the markets do recover.

- Acquisition growth - we continued to develop M&A activities by focusing on profitable acquisitions with many opportunities in the pipeline.

- Negotiated a new 5-year labor agreement with union workers at the Nichols Davenport plants, settling the union strike in a way that will benefit all stakeholders in the future.

Compensation Objectives

We design our executive compensation program to further our corporate goal of being a consistently high-performing growth company. Our compensation plan and pay strategy focus on and are intended to influence the profit margins of our businesses, cash flow generation, returns to stockholders and efficient management of our operations.

Our specific objectives and related plan features include:

Objective	How We Meet our Objectives
Attract and retain effective leadership	• We provide a competitive total pay package, taking into account the base salary, incentives, benefits and perquisites for each executive. • We regularly benchmark our pay programs against the competitive market, comparing both fixed and variable, at-risk compensation that is tied to short- and long-term performance; we use the results of this analysis as context in making pay adjustments. • Our plans include three-year performance cycles on LTIP awards, three-year vesting schedules on equity incentives, and career-weighted vesting on our supplemental retirement plan to motivate long-term retention.

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Objective	How We Meet our Objectives
Motivate and reward executives for achieving specific financial goals	• We offer a compensation program that focuses on variable, performance-based compensation (through Annual and Long-Term Incentive Awards). • Specific financial performance measures used in the incentive programs include: o Annual Incentive Awards (AIA) use modified cash flow and operational and strategic goals and will only be considered if the performance hurdle of positive operating income by the Company (excluding any amounts attributable to corporate) is achieved. o Long Term Incentive Plan (LTIP) performance unit awards use compounded Earnings Per Share (EPS) growth goals to motivate long-term focus on bottom-line performance and relative total shareholder return to reward executives for performance compared to the market.
Create a strong financial incentive to meet or exceed long-term financial goals and build long-term value	• We link a significant part of total compensation to Quanex s financial and stock price performance over 70% of compensation mix is performance-based. • We deliver 75% of long-term incentives in the form of equity compensation. • For SVPs and above, long-term compensation opportunities are weighted to deliver more than two times the target short-term incentive opportunity, resulting in a significant portion of our total compensation delivered in the form of long-term incentive.
Align executive and shareholder interests	• Emphasizing long-term shareowner returns, we encourage significant Quanex stock ownership among executives. o The ultimate value of two-thirds of our annual equity grants is driven by stock price performance over the grant date value. o We maintain stock ownership goals for executives and encourage officers to retain shares acquired upon option exercises until their respective goals are met.

Competitive Positioning

Annually the Compensation Committee examines the level of competitiveness and overall effectiveness of our executive compensation program. Quanex uses comparative compensation data from a group of 31 direct and related industry companies, referred to in this CD&A as the Reference Group, as a point of reference in designing its compensation levels and in setting compensation levels. The Reference Group consists of companies selected on criteria including size, complexity, revenue, market capitalization, risk profile, asset intensity, margins, and industrial application of the primary business. The use of a larger Reference Group is intended to provide more statistically valid comparisons with less volatility from year to year. For fiscal 2012, the Reference Group consisted of the following 31 companies:

Actuant Corp.	Encore Wire Corp.	Nordson Corp.

Albany International Corp.	EnPro Industries Inc.	Olympic Steel Inc.
American Woodmark Corp.*	Gibraltar Industries Inc.*	Simpson Manufacturing Inc.*
Apogee Enterprises Inc. *	Graco Inc.	Superior Industries International
Astec Industries Inc.	Greenbrier Companies Inc.	Texas Industries Inc.
Builders Firstsource Inc.*	Griffon Corporation*	Titan International Inc.
Castle (A M) & Co.	H&E Equipment Services Inc.	Trex Company, Inc.*
CLARCOR Inc.	Headwaters Inc.	Universal Forest Products Inc.*
Compass Minerals International Inc.	Louisiana-Pacific Corp.*	Valmont Industries Inc.
Drew Industries Inc.*	Martin Marietta Materials Inc.	Watts Water Technologies Inc.
Eagle Materials Inc.*		

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* The eleven companies in the Reference Group identified by the asterisk are those we consider more traditional peers (i.e., Industry Reference Group). These companies are used by the Compensation Committee to evaluate relative Company performance, as they tend to best reflect the operational and financial performance of our industry.

Frederic W. Cook & Co., Inc., (Cook) an independent compensation consultant to the Compensation Committee, uses the Reference Group pay information, along with manufacturing and general industry survey data, to develop the appropriate range of compensation for each executive position. Cook also prepares an independent analysis of our key performance indicators such as profitability, growth, capital efficiency, balance sheet strength, and total return to stockholders compared to those companies in our Reference Group identified as the Industry Reference Group. These results are then reported to the Compensation Committee so it has a thorough picture of the competitiveness of pay in the context of our performance compared with that of our peers. While the Compensation Committee uses this analysis to help frame its decisions on compensation, it uses its collective judgment in determining executive pay. The Compensation Committee exercises discretion in making compensation decisions based on the following inputs: its understanding of market conditions, its understanding of competitive pay analysis, recommendations from the CEO regarding his direct reports, the Committee s overall evaluation of the executive s performance, and our overall compensation strategy.

Program Description

Our executive compensation program is a traditional design structure that has been customized to suit the business and organizational objectives of the Company. It includes base salary, annual cash incentive compensation, long-term incentives and executive benefits. Our long-term incentive program consists of stock option grants, restricted stock grants and performance unit awards. By design, the majority of compensation value available to our executives is considered performance-based. That is, the opportunity to earn value is largely dependent on the Company meeting certain performance goals and creating shareholder value. The amount of pay that is performance-based for an executive is directly related to the level of responsibility held by the position; accordingly, our highest ranked executive has the most performance-based pay as a percentage of total compensation. We attempt to set realistic but challenging goals in our annual incentive and performance unit plans. In both cases, if we fail to meet the pre-determined standards, no plan-based compensation is earned by executives.

We evaluate the various components of compensation annually relative to the competitive market for prevalence and value. By setting each of the elements against the competitive market within the parameters of our compensation strategy, the relative weighting of each element of our total pay mix varies by individual. We do not set fixed percentages for each element of compensation. The mix may also change over time as the competitive market moves or other market conditions which affect us change. We do not have and do not anticipate establishing any policies for allocating between long-term and currently paid compensation, or between cash and non-cash compensation. We have a process of assessing the appropriate allocation between these elements of compensation on a periodic basis and adjusting our position based on market conditions and our business strategy.

Base Salary

Purpose: This pay element is intended to compensate executives for their qualifications and the value of their job in the competitive market.

Competitive Positioning: The Company s goal is to target the market median as our strategic target for base salary. We review each executive s salary and performance every year to determine whether his/her base salary should be adjusted. Along with individual performance, we also consider movement of salary in the market, as well as our financial results from the prior year to determine appropriate salary adjustments.

While the Compensation Committee applies general compensation concepts when determining competitiveness of our executives salaries, the Compensation Committee considers base salaries as being generally competitive when they are within approximately 10% of the stated market target (in this case, the market 50th percentile). In the most recent analysis using our reference group plus general industry data, the salaries for our named executive officers ranged from 90% to 102% of the market 50th percentile.

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Changes for Fiscal 2012: Based on the Company s performance, the Committee s evaluation of the performance of each named executive officer, and position relative to market, in November 2011, the Compensation Committee approved the salary levels set forth below for the named executive officers. Prior to the institution of these salary levels, Mr. Petratis had waived his contractual right to a base salary increase and had not received a base salary adjustment since joining the Company in July 2008, while Ms. Gadin and Messrs. Chetnani, Korb, and Delaney had not received a base salary increase since December 2009.

Name and Principal Position	**Annual Base Salary**	**Base Salary Increase**
David D. Petratis Chairman, President and CEO	$750,000	7.1%
Brent L. Korb Senior Vice President Finance and CFO	$370,000	8.4%
Kevin P. Delaney Senior Vice President General Counsel and Secretary	$300,000	4.2%
Jairaj T. Chetnani Vice President Treasurer	$209,100	2.0%
Deborah M. Gadin Vice President Controller	$191,174	3.0%

Changes for Fiscal 2013: In December 2012, the Compensation Committee approved a base salary increase of 4% for Messrs. Petratis, Korb and Delaney.

Annual Incentive Awards (AIA)

Purpose: This element of compensation is intended to reward executives for the achievement of annual goals related to key business drivers. It is also intended to communicate to executives the key business goals of the Company from year to year.

Competitive Positioning: The Company s strategy is to target the market median for annual incentives for performance that meets expected levels. We have established the range of possible payouts under the plan so that our competitive position could be above or below our stated strategy based on performance outcomes. Our most recent analysis showed our executives to be in a range of 59% to 79% of the market median on target total cash compensation.

Plan Mechanics: The Company s 2008 Omnibus Incentive Plan (the Omnibus Plan) serves as the governing plan document for our AIA. The AIA is a goal attainment incentive plan design that pays target award levels for expected performance results.

Fiscal 2012: In considering the motivational effectiveness of the AIA and market uncertainty, the Compensation Committee adopted changes to the AIA which include financial as well as operational goals. The transition from an AIA based on the achievement of one financial metric (Return on Invested Capital, or ROIC) to a more comprehensive annual incentive plan helps align managers with crucial financial, operational and strategic goals that are critical to the success of the Company, especially in the current competitive market environment in which we compete. The plan emphasizes cash flow generation and informed decision making with regard to the operational and strategic goals. To integrate the goals of the AIA throughout the company, the incentive plan participation includes the top leaders of all of our business divisions. We believe this is necessary to align all managers throughout the organization with this incentive structure. The new plan design requires the Company (excluding any amounts attributable to corporate) to have positive operating income, in order for any Annual Incentive Awards to be paid out. If the performance hurdle is met, then the bonus pool for all 2012 Annual Incentive Awards is funded at the maximum bonus opportunity level.

If funded, the Compensation Committee assesses performance against a set of balanced goals, including (a) modified free cash flow (60%), and (b) operating initiatives (IG Systems Consolidation and ERP Implementation) and strategic objectives (40%), and applies negative discretion to the maximum funding levels to determine the actual incentive payment. Modified free cash flow is defined as operating income plus depreciation, amortization and impairment charges, plus/minus changes in conversion capital less capital expenditures. The Company set the performance expectations based on the forecasted results of the operating divisions and the projected markets for building products.

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Target Award Levels: Based on competitive market practices for annual incentives, and our compensation strategy, we set a target award opportunity for each of our executives. This is the amount of incentive compensation the executive can earn when performance meets expected results, or target. The table below reflects the payout percentage of a named executive s base salary at the threshold, target and maximum levels of performance.

Potential AIA Payout
Expressed as a % of Salary

Participant	Threshold	Target	Maximum
CEO	25.00%	100.00%	200.00%
[redacted]			
VPs	10.00%	40.00%	80.00%

Fiscal 2012 Results: For Fiscal 2012, the performance hurdle of positive operating income (excluding corporate) was met. The results of the financial and operational goals are as follows:

Metric	Goal Adjusted for Market	Results	Target Payout Weighting	Weighted Result
Modified free cash flow	65% Engineered Products Group: $38.4M	Engineered Products Group: $43.5M	39%	54.3%
-Weighted 60%	35% Nichols Aluminum: $28.8M	Nichols Aluminum: ($18.0M)	21%	0%
Operating Initiatives & Strategic Initiatives	Project Alpha (20%)	Completed ahead of schedule and under budget.	20%	40%
	Project Quest (10%)	Delayed and over budget.	10%	0%
- Weighted 40%	M&A activity (10%)	Pipeline is full and active.	10%	20%
Total:			**100%**	**114.3%**

In determining the modified free cash flow achieved during the period, the Compensation Committee adjusts the final outcome on modified free cash flow given the movement in the prime window demand for EPG and aluminum industry shipments for flat rolled aluminum sheet markets. At the beginning of the year, the goals are based on the planned respective market targets, then the goal is adjusted to reflect the difference between forecast and actual market results. That difference is applied to the Company s results. Based on the corporate level goals and individual results, the following payouts were determined for Fiscal 2012 Annual Incentive Award. The chart below shows each participant s target bonus value, the payout percentage relative to target and the final award value.

Executive	Target Bonus	Payout Percentage	Payout Value
Petratis	$ 745,833	114.3%	$ 852,844
Korb	$ 275,703	114.3%	$ 315,260
Delaney	$ 224,246	114.3%	$ 256,419
Chetnani	$ 83,503	114.3%	$ 95,484
Gadin	$ 76,284	114.3%	$ 87,229

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Fiscal 2013 Decisions: For Fiscal 2013, the Compensation Committee has decided to keep the overall structure of the AIA the same. The targets as a percentage of salary for threshold, target and maximum performance for each officer remain the same as well.

Long-Term Incentive Compensation

Purpose: We have a long-term incentive program designed to help align the interests of executive management with shareholders and reward executives for the achievement of long-term goals. Long-term incentives are also critical to the retention of key employees and provide executives an opportunity for personal capital accumulation. For these reasons we have placed more value on the long-term incentive element of compensation than on other elements. The result is that this element of compensation represents at least half of the named executive officers total direct compensation.

Competitive Positioning: For long-term incentives, we target the opportunity to earn the market s 75th percentile when Company performance warrants, consistent with our program s design. When reviewing the position versus the market, we found that the named executive officers competitive positioning ranges from 69% to 119% of the market s 75th percentile. We believe the wide range of competitiveness in our executive group is partly due to widely varying practices among reference group companies. Our program consists of a combination of stock options, performance units, and restricted stock. Stock options comprise 50% of our target long-term incentive value, restricted stock comprises 25% of our long-term incentive value, and performance units comprise the remaining 25%. Measures used for the performance units are Earnings Per Share Growth and Relative Total Shareholder Return; each goal is weighted 50% of the total performance unit award. The individual performance of each named executive officer is not considered in the value of the long-term incentive awards granted to such officer. Since the goals are set prospectively, the Company s financial performance determines the ultimate value of the award.

Participation: Participation in the program includes the corporate executives and the key contributors in our divisions and is determined based on competitive practices as well as our assessment of which positions contribute to long-term value creation. Participation in the stock option and restricted stock award program extends to key employees throughout the organization.

Target Award Levels: We established the CEO s total long-term incentive value based on our compensation goal of providing the opportunity to earn 75th percentile long-term incentive compensation value when performance warrants. It represents more than 50% of the CEO s total direct compensation. When establishing appropriate targets for other named executive officers, we also targeted approximately the 75th percentile of the competitive market. The long-term incentive award values for the other named executive officers represent relatively less as a percentage of total direct compensation, reflecting the officers responsibilities and ability to influence shareholder returns. From year to year, the CEO may recommend adjustments to the value of long-term incentives awarded to the other executive officers, based on his assessment of their individual contribution.

The following table sets forth the target award levels for long-term incentives of each of our named executive officers:

Long-Term Incentive Target Award Levels
Expressed as a % of Salary

Title	**Target**
CEO	300%

SVPs	200%
VPs	70%

These targets were used in Fiscal 2012 and will be the same Long-Term Incentive targets for Fiscal 2013.

Vehicles and Goals: The Company s program consists of a combination of stock options, performance units and restricted stock. The allocation between the long-term incentive vehicles is determined by the Compensation Committee based on the market information provided by its compensation consultant and input from senior management as to the key business drivers that allow us to maintain a results-oriented culture. The Omnibus Plan does not provide for any specific

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subjective individual performance component in determining the ultimate value of the award. The following chart illustrates the allocation of LTI by vehicle type, description of each vehicle type and related performance goals.

Stock Options

Options to purchase company stock comprise approximately half of our long-term incentive target value and provide executives the opportunity to share in the increase in stock value over time. They provide an element of compensation that varies along with changes in stock price over time. These awards also offer our executives the opportunity to accumulate value (if the Company s stock appreciates) since the growth in value occurs over a long period of time (up to 10 years), and gains from that growth are not taxed until such time as the options are exercised. Since we generally use ratable vesting over three years for each award, stock options serve a meaningful role in the retention of our key employees.

The Compensation Committee s decisions related to executive stock option grants are made each December. In order to determine the number of stock options to be awarded to an executive, the Compensation Committee takes approximately half of the executive s total long-term incentive target award value and divides it by the Black-Scholes value of an option to purchase our Common Stock. This approach allows for an appropriate balance between our growth strategy and risk profile, and also provides an appropriate balance for accounting purposes and stock ownership dilution. Our stock options are granted at the fair market value closing price on the date of grant, have a term of ten years, and generally ratably vest over a three-year period.

Performance Units

Beginning in fiscal 2009, we award performance units to our executives. Performance units are payable in cash and are intended to motivate executives to achieve preset goals that are in line with critical business drivers. These awards also provide incentive for executives to outperform peer companies as measured by relative shareholder return.

Performance unit awards are granted in December and comprise approximately 25% of our executives total long-term incentive grant value. Setting this percentage of long-term value on performance units helps bridge the line of sight for executives between annual accomplishments and long-term value creation. Performance measures are chosen to provide incentive for executives to focus on those things which we believe are closely linked to the creation of stockholder value over time. We set target award values each year. These target values are used to calculate the number of units granted to each executive. The final value of each unit is not determined until the end of a three-year performance cycle. That final unit value is dependent on our performance against preset goals. If the threshold level of performance is not met, no cash payout will occur. However, if maximum performance goals are met or exceeded, then the value of each unit could reach a maximum of 200% of the target value.

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Measures used for the performance units include Earnings Per Share Growth (or EPS Growth) and Relative Total Stockholder Return (or Relative TSR). Each goal is weighted 50% of the total performance unit award. The goals for each metric are as follows:

			Performance Unit Value		
Milestones	**Relative Total Shareholder Return Percentile**	**3-Yr. Cumulative Compounded Annual EPS Growth %**	**R-TSR (50% Weighting)**	**EPS (50% Weighting)**	**Total**
Maximum	75%	12%	$100.00	$100.00	$200.00
Target	60%	9%	$50.00	$50.00	$100.00
Threshold	40%	6%	$37.50	$37.50	$75.00

We use the above approach to accomplish three things: (1) to provide line of sight to performance measures that influence stock price performance, (2) to mitigate the short-term effects of stock price volatility and (3) to measure our performance relative to our reference group, which provides meaningful context to judge our performance in the market.

Fiscal 2010 Performance Units

The performance units awarded to our executives in December 2009 (the 2010 Performance Units) became payable to executives in December 2012, with a final value determined by the Company s performance period for fiscal 2010 through fiscal 2012. The 2010 Performance Unit grants measures and goals include EPS Growth and Relative TSR, each weighted 50% of the total performance unit award. EPS Growth is measured as the cumulative value of EPS over the three-year performance period, and Relative TSR is expressed as the stock price appreciation plus dividends reinvested relative to appreciation of our peer group. Relative TSR is determined by calculating the change in the value of our stock plus the value of dividends and comparing that value with that of our peer group. Our performance against these pre-established goals determined the payout to executives within a range from threshold to maximum. The pre-established goals and the actual performance to these goals are set forth below.

	Relative TSR	**3 yr. EPS Growth(1)**		**Performance Unit Value**		
Milestones	**Percentile**	**cum.**	**Percent**	**R-TSR**	**EPS**	**Total**
Performance Measures:						
Maximum	75%	$1.61	100%	$100.00	$100.00	$200.00
Target	60%	$1.17	75%	$50.00	$50.00	$100.00
Threshold	40%	$0.82	50%	$37.50	$37.50	$75.00
Actual Performance	**41%**	**$0.40**	8%	**$38.31**	**$0.00**	**$38.31**

(1) Three Year EPS Growth was determined by using a base year of $0.12, which represents the fiscal 2009 reported EPS loss of $3.67, adjusted for the exclusion of the fiscal 2009 impairment charge of $3.79.

For the 2010 Performance Units, the actual value was $38.31 per unit associated with Relative TSR and $0 per unit associated with EPS Growth for a total value per performance unit of $38.31. The total $38.31 per performance unit was multiplied by the number of performance units granted to each executive to determine the payout for each executive. For more detail by executive for payouts in December 2012 related to the 2010 Performance Units, please see the Summary Compensation Table located on page 34.

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Restricted Stock

We grant restricted stock awards to executives as another form of long-term compensation. The number of restricted stock awards we typically grant is determined by taking 25% of the participant s long-term incentive value and dividing it by the current stock price at the time of the award. We chose 25% of the total value because it provides meaningful retentive value to our key executives, helps smooth out market volatility and is cost efficient. The restricted stock awards vest three years after the award is granted, so long as the participant remains employed by us. We believe restricted stock awards are an effective long-term compensation vehicle through which key employees can be retained, especially through volatile periods in the market.

Fiscal 2012 Long-Term Incentive Grants

The number of long-term incentive awards granted was determined by: (1) taking 50% of the participant s target award value and dividing it by the calculated Black-Scholes value of a Quanex stock option to determine the number of options, (2) taking 25% of the participant s target award value and dividing it by the 10-day average closing stock price between November 1, 2011, and November 14, 2011, to determine the number of restricted stock awards and (3) taking 25% of the participant s target award value and dividing it by $100 (target unit value), to determine the number of performance units. Both equity grant calculations apply an average stock price based on the first 10 trading days in November 2011. For more information related to long-term incentive awards granted during fiscal 2012, please see the table entitled Grants of Plan Based Awards located on page 36.

Fiscal 2012 Retention Awards

In Fiscal 2012, the Compensation Committee decided to grant special restricted stock unit retention awards in amounts listed below. The Compensation Committee believes that retention of these executives is vital for the company s long-term success and the Compensation Committee will continue to focus on pay for performance and supporting long-term shareholder return. In deciding to grant the retention awards, the Compensation Committee considered the executives considerable performance in positioning the Company for future growth and share price appreciation in a challenging competitive market. In determining the size of the awards, the Compensation Committee considered, among other things, performance factors such as the acquisition of Edgetech, the reorganization of the Company s go-to-market strategy, significant gains in operating margins, and the competition for executive talent in the marketplace. These restricted stock unit awards will vest at the end of three years after the award is granted, so long as the participant remains employed by the Company.

Retention awards were granted in the following number of restricted stock units:

Name	Fiscal 2012 Retention Awards
David D. Petratis	47,700
Brent L. Korb	23,200
Kevin P. Delaney	19,600
Deborah M. Gadin	6,300

Fiscal 2013 Long-Term Incentive Grants

At the Compensation Committee s December 2012 meeting, executives were granted a combination of stock options, performance units and restricted stock awards based on the allocations discussed above.

Fiscal 2013 Performance Units

The fiscal 2013 performance unit measures and goals again include EPS Growth and Relative TSR, each weighted 50%. EPS Growth is measured as the cumulative value of EPS over the three-year performance period, and Relative TSR is expressed as the stock price appreciation plus dividends reinvested relative to appreciation of our peer group. Relative TSR is determined by calculating the change in the value of our stock plus the value of dividends and comparing that value with that of our peer group. This measure is considered by the Compensation Committee to be a meaningful way to assess our performance in terms of generating investment returns for stockholders. We use this measure relative to our peers over a

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three-year period as it gives a good indication of management s ability to generate these returns compared to other companies in a similar market condition. Stock price performance is not captured in our audited financial statements. Our performance against these pre-established goals determines the potential payout to executives within a range from threshold to maximum, as set forth below.

Milestones	Relative Total Shareholder Return Percentile	3-Yr. Cumulative Compounded Annual EPS Growth %	Performance Unit Value R-TSR (50% Weighting)	EPS (50% Weighting)	Total
Maximum	75%	12%	$100.00	$100.00	$200.00
Target	60%	9%	$50.00	$50.00	$100.00
Threshold	40%	6%	$37.50	$37.50	$75.00

For Fiscal 2013, the three-year cumulative compounded EPS growth will be applied to the starting value of the 2008-2011 average of $0.27 per share, which is the period ending EPS adjusted for Nichols impairments & labor union strike.

The reader is cautioned that the foregoing goals are not intended to and do not reflect guidance by or expectations of the Company as to actual results. These goals are part of an overall compensation program designed, among other things, to align executive compensation with the market s reasonable expectations of performance and shareholder returns.

Processes and Procedures for Determining Executive Compensation

Guided by the principal objectives described above, the Compensation Committee approves the structure of the executive compensation program and administers the programs for our executive officers, including matters where approval by our independent Compensation Committee members is appropriate for tax or regulatory reasons. The following describes the roles of key participants in the process.

The Role of Executives

Our Chief Executive Officer is the only executive who works with the Compensation Committee and compensation consultant in establishing compensation levels and performance targets. Our Chief Executive Officer is responsible for reviewing the compensation and performance of the other executive officers. Therefore, he makes recommendations to the Compensation Committee regarding adjustments in compensation to such executive officers. The Compensation Committee considers the Chief Executive Officer s recommendations along with the committee s own evaluation of individual and business performance and the market data provided by its compensation consultant. In making his recommendations, the Chief Executive Officer relies upon his evaluation of his direct reports performance and competitive compensation information. The Chief Executive Officer does not recommend his own compensation. The Chief Executive Officer recommends AIA performance goals to the Compensation Committee. The Chief Executive Officer, with input from the compensation consultant, recommends performance goals for long-term incentive awards that are properly aligned with the business goals and compensation strategy.

Our Senior Vice-President General Counsel and Secretary serves as the liaison between the compensation consultant, the Compensation Committee, and the Governance Committee. In this role, he interfaces with the compensation consultant to carry out the duties of the Compensation Committee and Governance Committee.

The Role of the Independent External Advisors

To facilitate the formulation and administration of our compensation program, beginning in April 2008 until June 30, 2012 the Compensation Committee retained Cogent Compensation Partners as its independent consultant on executive compensation matters. On July 1, 2012 Cogent Compensation Partners merged with Frederic W. Cook & Co., Inc. Upon the merger, the Compensation Committee confirmed its appointment of Cook as its independent consultant. Cook has been retained by the Compensation Committee to help assess the competitiveness and appropriateness of compensation programs throughout the market, including our peers, and to help develop a compensation program that is consistent with our objectives and market conditions. Cook meets with our Compensation Committee in executive sessions and advises the Compensation Committee with respect to a wide range of issues related to executive

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compensation. The Compensation Committee authorizes the scope of services that it desires Cook to provide for the company, including reviewing and analyzing market data, evaluating our peer group composition, making recommendations for incentive system designs, providing market and regulatory updates, assisting with deliberations related to CEO compensation, reviewing any relevant information and reporting to the Compensation Committee on all aspects of our compensation programs. Cook reports directly to, and takes its charge from, the Compensation Committee. However, the Compensation Committee does not specifically direct Cook on how to perform the scope of services it provides to the company, and the Compensation Committee makes all final decisions regarding compensation.

Independence of Advisors

The Compensation Committee reviewed the independence of Cook based on the NYSE proposed rules for independence and Cook s policies for avoiding conflicts of interest and believe that they meet the standard for independence and that there are no conflicts of interest.

The Role of the Compensation and Management Development Committee

The Compensation Committee is currently comprised of three non-employee independent directors. The Compensation Committee s duties in administering executive compensation programs include:

- Review and approve the Company s overall total compensation policy.
- Review and evaluate company performance against pre-established performance metrics.
- Annually, establish the annual total compensation paid to officers and key executives, including base salary, annual incentive, and long-term incentives.
- Regularly review and approve all employment agreements and severance arrangements for the executive officers.
- Review the Company s Compensation Discussion and Analysis disclosure.

The Compensation Committee determines the Chief Executive Officer s salary and incentive awards based upon an assessment of individual and company performance as well as market data provided by the compensation consultant. The Compensation Committee may form and delegate duties to subcommittees when appropriate. A more expansive list of the Compensation Committee s responsibilities can be found in its charter, which can be viewed on our website at *www.quanex.com*.

Post-Employment Compensation

Severance and change of control benefits are provided under the employment agreements of our executives, as well as under our incentive plans. These benefits are discussed at greater length in the section entitled Employment Agreements and Potential Payouts upon Termination or Change in Control on page 29.

Beginning in 2013, the Compensation Committee adopted a policy that it would not provide excise tax gross up benefits to new executives in the event of change in control termination. The Compensation Committee determined that it was important to shareholder interests to continue to honor the commitment to existing executive agreements in which excise tax gross up benefits are provided.

Deferred Compensation Plan

The Company has a nonqualified deferred compensation program that gives executives the opportunity to defer income. As with our various other plans and programs, this deferral opportunity is designed to attract and retain key executives.

The deferred compensation program is administered by the Compensation Committee. Before they can participate, eligible employees must first receive recommendation by our senior managers and then final approval by the Compensation Committee. Participants in the program may choose to defer up to 100% of their annual and long-term incentive bonuses. Participants may choose from a variety of investment choices in which the Company will invest their deferrals over the defined deferral period. Until April 1, 2009, when the Company match was suspended, the program provided that we match 20% of the annual incentive deferrals invested in a Common Stock denominated account.

Executive Benefits

Purpose: The role of executive benefits is to provide financial security, enhanced employee welfare, and competitive packages that are meaningful in the markets for which we compete for executive talent. These programs provide meaningful and competitive post retirement income, and in some cases, our plans replace benefits that would otherwise be lost because of plan limits imposed by the Internal Revenue Code.

Competitive Positioning: Our strategy with respect to executive benefits is to provide a meaningful benefit to executives at a cost that is efficient, and our desired competitive positioning is the middle of the market. In 2009, Cogent, in conjunction with Mercer, our outside actuary, conducted a total remuneration study which revealed that our indirect benefits were generally in the upper quartile of the reference group, though total remuneration was not materially affected and remained within our stated strategy. We provide executives with health and welfare benefits that are consistent with our program for exempt personnel generally. Supplemental retirement and supplemental life benefits are also provided to our officers.

Program Elements:

- Retirement and other benefits. Our executives participate in the Company s defined benefit pension plan, 401(k) defined contribution retirement plan, and supplemental executive retirement plan. Executives also receive company contributions under our 401(k) plan, a 15% match under our employee stock purchase program (ESPP) and dividends on unvested restricted stock. The Company previously provided a 20% match under the deferred compensation plan, but that benefit was suspended on April 1, 2009.

- Life insurance benefits. Our executives participate in Company provided life insurance, the amount of which takes into consideration their age and/or income. Our executives also have the opportunity to purchase supplemental life insurance.

- Perquisites. We provide our executives with certain perquisites which help us compete for executive talent, and in some cases, allow our executives to devote more attention to the business of the Company. These perquisites include financial and tax planning, company provided automobiles, and club memberships. The Compensation Committee eliminated tax gross-up payments on perquisites, effective December 31, 2009.

Other Compensation Items

Clawback Provision (Recovery of Incentive Payments)

We implemented a policy to enable the Board, in its judgment and to the extent permitted by governing law, to require reimbursement of any cash bonus paid to executives where (a) the payment was predicated upon the achievement of certain financial results that were subsequently the subject of a material restatement, and (b) a lower payment would have been made to the executive(s) based on the restated financial results. In each instance, the Company may seek to recover that portion of the affected executive(s) annual and/or long-term incentive payments that is higher than the payment would have originally been. No reimbursement will be required if such material restatement was caused by or resulted from any change in accounting policy or rules.

Risk Assessment

The Compensation Committee discussed and analyzed risks associated with the Company s compensation policies and practices for executive officers and all employees generally. This discussion included, but was not limited to, topics such as eligibility, affordability, retention impact, corporate objectives, alignment with shareholders, governance, and possible unintended consequences. The Compensation Committee did not identify any risks arising from the Company s compensation programs or practices that are reasonably likely to have a material adverse effect on the Company.

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Executive Stock Ownership Guidelines

We encourage our executives to own our Common Stock because we believe such ownership provides strong alignment of interests between executives and stockholders. Our executive stock ownership guidelines provide that different levels of executives are expected to own a specific value of our Common Stock, expressed as a percentage of salary, within the later of three years of adopting the program or the date the executive assumes his/her role. The chart below shows the guidelines by executive level.

Level	Typical Executive Position	Stock Ownership Goal
1	CEO	4x Base Salary
2	SVP	2x Base Salary
3	VP	1x Base Salary

All of our named executives currently exceed their respective stock ownership goals.

Timing of Certain Committee Actions

The Compensation Committee schedules actions related to executive pay to coincide with its regularly scheduled Board meeting in December:

Executive Compensation Element	Action Item
Base Salaries	• Review and/or adjust based on market review
Short-Term Incentives	• Determine year-end results and approve payouts • Set goals for upcoming year
Long-Term Incentives	• Determine performance results and approve long-term cash plan s payouts • Set goals for long-term cash plan s next three-year performance cycle

- Determine and approve equity awards, including stock options and restricted stock awards

Compensation decisions related to promotions or new hire awards are addressed on an individual basis, at the time the executive is promoted or first joins the Company.

Accounting Considerations and Tax Deductibility of Executive Compensation

In designing compensation programs, we consider the effects that accounting and taxation may have on us, the named executive officers or other employees as a group. Accounting for compensation arrangements is in accordance with FASB ASC topic 718. All shares based payments to employees are measured at fair value on the date of grant and recognized in the statement of operations as compensation expense over their requisite service periods.

Section 162(m) of the Internal Revenue Code provides that we may not deduct for federal income tax purposes compensation of more than $1,000,000 paid in any year to the Chief Executive Officer or any of the three other most highly compensated executive officers, excluding the Chief Financial Officer, unless the compensation is paid solely on the attainment of one or more pre-established objective performance goals and certain other considerations are met. Under the terms of our annual cash bonus program and performance unit program, the Compensation Committee may, in its discretion, adjust payouts to executives downward. Because the plans are intended to comply with Internal Revenue Code Section 162(m), no upward discretion in determining payouts is permitted.

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Influence of Say on Pay Results on Executive Compensation Decisions

Management and the Compensation Committee are attentive to the outcome of the shareholder Say on Pay vote. At the Company s 2011 annual shareholder meeting, 97% of the votes cast for the advisory vote on executive compensation voted for the proposal; as such, the Compensation Committee did not change any practices or programs as a result of the 2011 meeting s Say on Pay vote outcome. Again at the Company s 2012 annual shareholder meeting, the company received significant support for its Say on Pay with 97% of the votes, and the Compensation Committee remains responsive to shareholder feedback and believes that the strong support from shareholders indicates satisfaction with the executive compensation program.

Employment Agreements and Potential Payments upon Termination or Change in Control

The Company has entered into change in control agreements with its named executive officers. We believe that the change in control agreements help us attract and retain our named executive officers by reducing the personal uncertainty and anxiety that arises from the possibility of a future business combination. During a potential change in control, we do not want executives leaving to pursue other employment out of concern for the security of their jobs or being unable to concentrate on their work. To enable executives to focus on the best interest of our stockholders, we offer change in control agreements that generally provide benefits to executives whose employment terminates in connection with a change in control. Except as discussed below, no new agreements have been entered into, and there have been no material modifications to any employment or change in control agreement, since December 2008.

In addition, to attract certain of our named executive officers to accept employment with us, we agreed to provide those officers who previously were employed by Quanex Corporation with severance agreements that will provide them certain of the protections they would have been entitled to if they had remained with Quanex Corporation following the spin-off of Quanex Building Products Corporation from Quanex Corporation in April 2008. The Company also entered into a severance letter agreement with the new President and CEO, effective July 1, 2008. The Company entered into these arrangements because executives at this level generally require a longer timeframe to find comparable jobs as fewer jobs at this level exist in the market. In addition, executives often have a large percentage of their personal wealth dependent on the status of their employer, given the requirement to hold a multiple of their salary in stock and the fact that a large part of their compensation is stock-based. The amount and type of benefits were based on competitive market practices for executives at this level.

Provisions of the severance agreements and severance letter arrangement require a termination of employment before any benefits are paid. The change in control agreements require both a change in control and a termination of employment before any benefits are paid (a double trigger). If an executive officer who is covered by both a change in control agreement and a severance agreement or letter arrangement experiences both a change in control of the Company and a termination of employment, benefits are payable under only the change in control agreement; in no event will the executive be able to receive payment under both the severance agreement or letter arrangement and the change in control agreement.

Severance Agreements of Certain Executives

This section describes the severance agreements entered into by Quanex Building Products with the SVP Finance and CFO and the SVP General Counsel and Secretary. As described above, benefits are payable under the severance agreements following a termination of employment that meets certain requirements. A termination of employment that triggers benefits under the severance agreements includes involuntary termination by the Company without cause. Cause exists if the executive commits gross negligence or willful misconduct in connection with his employment; an act of fraud, embezzlement or theft in connection with his employment; intentional wrongful damage to our property; intentional wrongful disclosure of our secret processes or confidential information; or an act leading to a conviction of a felony or a misdemeanor involving moral turpitude.

If the executive is entitled to benefits under the severance agreement, the executive will receive the following:

- Annual base salary and compensation for earned but unused vacation time accrued through the date of termination of employment;

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- Pro-rated amount equal to the greater of the executive s (i) target performance bonus for the year of the termination of employment, or (ii) performance bonus for the year immediately preceding the year of the termination of employment;
- Lump sum severance equal to 18 months of the executive s base salary for the fiscal year in which the termination occurs;
- Continued participation in health and welfare plans and payment of benefit premiums for 18 months; and
- All other perquisites to which the executive is entitled pursuant to the terms of the agreements providing for such perquisites.

President and CEO Severance Letter Agreement

This section describes the severance letter agreement entered into by Quanex Building Products and David D. Petratis, upon his hire as President and CEO. In the event that employment is terminated by the Board of Directors for any reason other than Cause , as defined in the change in control agreement, or a material violation of the Company s Code of Business Conduct and Ethics, the following benefits would be payable:

- Base salary continuation for two years (at the rate in effect immediately preceding the date of termination), paid semi-monthly for 24 months;
- Pro-rated AIA bonus for the year of termination, as determined by the Board of Directors; and
- Continued participation in health and welfare plans and payment of benefit premiums (i.e., medical, dental, vision, life, disability and any other welfare plans he currently participates in) for 18 months.

The letter agreement was amended on December 21, 2012, to comply with new Section 409A of the Internal Revenue Code, as amended. The amendment requires Mr. Petratis to execute a mutually satisfactory release of all claims before the expiration of the 90th day following his termination, or he shall forfeit any and all payment, reimbursements, and benefits due under the letter agreement.

Change in Control Agreements

As described above, benefits are payable under the change in control agreements following both (i) termination of the named executive officer s employment with us and (ii) a change in control of the Company. Each of the following events generally constitutes a change in control of the Company for purposes of the change in control agreements:

- Any person or entity acquiring or becoming beneficial owner as defined in SEC regulations of 20% or more of (i) the then outstanding shares of our Common Stock or (ii) the combined voting power of the then outstanding voting securities of the Company;

- Generally, our current directors ceasing to constitute a majority of our directors;

- Consummation of a merger, consolidation, or recapitalization (unless the directors continue to represent a majority of the directors on the board, more than 80% of the pre-spin-off ownership survives, and, in the event of a recapitalization, no person owns 20% or more of (i) the then outstanding shares of our common stock or (ii) the combined voting power of our then outstanding voting securities);

- The stockholders approve a complete liquidation or dissolution of the Company; or

- The sale, lease or disposal of substantially all of our assets.

Terminations of employment that meet the termination requirement under the change in control agreements will be similar to but broader than those required under the severance agreements. For these purposes, a termination of employment would include a termination by the Company without cause as well as the executive s resignation for Good Reason). Good Reason under the change in control agreements will include (but will not be limited to):

- the executive is assigned any duties inconsistent with his position; there is a change in his position, authority, duties or responsibilities; he is removed from, or not re-elected or reappointed to, any duties or

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position he previously held or was assigned or there is a material diminution in such position, authority, duties or responsibilities;

- the executive s annual base salary is reduced;
- the executive s annual bonus is reduced below a certain amount;
- the executive s principal office is relocated outside of the portion of the metropolitan area of the City of Houston, Texas that is located within the highway known as Beltway 8 ;
- the executive s benefits are reduced or terminated;
- any other non-contractual benefits that were provided to the executive or any material fringe benefit is reduced;
- the executive s number of paid vacation days is reduced;
- the executive s office space, related facilities and support personnel (including, but not limited to, administrative and secretarial assistance) are reduced or moved;
- the executive is required to perform a majority of his duties outside our principal executive offices for a period of more than 21 consecutive days or for more than 90 days in any calendar year; or
- any provision of any employment agreement with the executive is breached.

If the executive officer is entitled to benefits under a change in control agreement, the executive officer would receive the following:

- Annual base salary and compensation for earned but unused vacation time accrued through the date of termination of employment;
- Pro-rated amount equal to the greater of the executive officer s (i) target performance bonus for the year of the termination of employment and (ii) performance bonus for the year immediately preceding the year of the termination of employment;
- Lump sum severance equal to three times (for the Chief Executive Officer and Senior Vice Presidents) or two times (for Vice Presidents) the sum of (i) base salary for the year of termination and (ii) the greater of the executive officer s (x) target performance bonus for the year of the termination of employment and (y) performance bonus for the year immediately preceding the year of the termination of employment;
- Continued health and welfare benefits for the shorter of (i) three years from the date of termination or (ii) such time as the executive becomes fully employed; and
- All other perquisites to which the executive is entitled pursuant to the terms of the agreements providing for such perquisites.

If an executive officer is entitled to benefits under a change in control agreement, the following would occur immediately upon the occurrence of a change in control (regardless of whether the named executive officer s employment is terminated as a result of the change in control):

- all options to acquire our Common Stock and all stock appreciation rights pertaining to Common Stock held by the executive immediately prior to a change in control would become fully exercisable; and
- all restrictions on any restricted Common Stock granted to the executive prior to the change in control would be removed and the stock would be freely transferable.

As set forth above, a named executive officer is entitled to benefits under either the severance agreement or the change in control agreement; under no circumstances can a named executive officer receive payment under both agreements.

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Post-Employment Compensation Table

The following table quantifies the potential payments to named executive officers under the contracts and plans discussed above for various termination scenarios. In each case, the termination is assumed to take place on October 31, 2012. The table shows only the value of the amounts payable for enhanced compensation and benefits in connection with each termination scenario.

Name	Severance Payment ($)	Pro-rated Bonus ($)	Options (Unvested) (1) ($)	Restricted Stock and RSU (Unvested)(1) ($)	Performance Units ($)	Health & Welfare Benefits(2) ($)	NQ Deferred Compensation (Unvested) ($)	Retirement (SERP & Restoration) (3) ($)	Tax Gross-Up ($)	Total Benefit ($)
David D. Petratis										
Enhanced Retirement(4)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Death/Disability	-	852,844	1,179,195	1,527,174	733,043(5)	-	-	5,656,155(6)	n/a	9,948,411
Involuntary w/o Cause(7)	1,500,000	852,844(8)	-	-	-	27,027	-	-	n/a	2,379,871
Termination after Change in Control(9)	4,487,499	745,833	1,179,195	2,884,443	1,060,000	112,620	-	2,693,204	3,577,348	16,740,142
Brent L. Korb										