MICHIGAN DEPARTMENT OF ENVIRONMENTAL QUALITY

In the Matter of:

Quanex Corporation
Former Standard Tube Company Facility
24400 Plymouth Road, Redford Township,
Wayne County, Michigan

MDEQ Reference No. AOC-RRD-08-01

ADMINISTRATIVE ORDER BY CONSENT
FOR PAYMENT OF PAST COSTS

A. This Administrative Order by Consent for Payment of Past Costs (Order) is entered into voluntarily by and between the Michigan Department of Environmental Quality (MDEQ) and the Michigan Department of Attorney General (MDAG) (jointly, the State); and Quanex Corporation (Quanex), pursuant to the authority vested in the MDEQ and the MDAG by Part 201, Environmental Remediation, of the Natural Resources and Environmental Protection Act, 1994 PA 451, as amended (NREPA), MCL 324.20101, *et seq.* All terms used in this Order, which are defined in Part 201 or the Part 201 Administrative Rules, 2002 Michigan Register 24, Effective December 21, 2002 (Part 201 Rules), shall have the same meaning in this Order as in Part 201 and the Part 201 Rules.

B. This Order concerns the settlement between the State and Quanex of the State past response activity costs, which were incurred by the State in responding to the release or threat of release of hazardous substances at and emanating from the property of Former Standard Tube Company Facility, Wayne County, Michigan, property as defined in Attachment 1 (the Property). The Property and any associated area, place, or property where concentrations of hazardous substances exceed the residential cleanup criteria of Section 20120a(1)(a) and (17) of the

NREPA (the Facility), as further defined in the Part 201 Rules, is a facility as defined by Part 201 and is subject to regulation under Part 201.

C. Pursuant to Part 201, the State incurred costs in responding to the release or threat of a release of hazardous substances at the Facility. Pursuant to Section 20126a(1)(a) of the NREPA, a person who is liable under Section 20126 is liable for all response activity costs lawfully incurred by the State. The parties to this Order desire to resolve all claims for past response activity costs that the State has incurred and paid. Settlement of this claim is in the public interest and will minimize litigation.

D. The execution of this Order by Quanex is neither an admission of liability with respect to any issue covered under this Order nor an admission or denial of any findings of fact or legal determinations stated or implied herein.

E. This Order shall apply to and be binding upon Quanex and its successors and assigns. No change or changes in the ownership or corporate status of Quanex shall alter in any way the Quanex obligations under this Order. The signatories to this Order certify that they are authorized to execute this Order and legally bind the parties they represent.

BASED UPON THE FOREGOING FACTS AND DETERMINATIONS, THE MDEQ AND THE ATTORNEY GENERAL HEREBY ORDER, AND QUANEX HEREBY AGREE, TO THE FOLLOWING:

1. Within thirty (30) days of the effective date of this Order, Quanex shall pay to the State Two Hundred Thirty Thousand Dollars ($230,000) to resolve all claims for past response activity costs for the Facility. For the purposes of this Order, the term "past response activity costs" means costs that the State has incurred for response activities at the Facility and paid prior to January 1, 2008.

Payment is to be made by certified check payable to the "State of Michigan - Environmental Response Fund" and sent to:

Revenue Control Unit
Financial and Business Services Division
Michigan Department of Environmental Quality
P.O. Box 30657
Lansing, Michigan 48909-8157

Via Courier:
Revenue Control Unit
Financial and Business Services Division
Michigan Department of Environmental Quality
Constitution Hall, 5th Floor, South Tower
525 West Allegan Street
Lansing, MI 48933-2125

To ensure proper credit, payment made pursuant to this Order must be made by certified check referencing the Former Standard Tube Company Facility, the MDEQ Reference No. AOC-RRD-08-01, and the Remediation and Redevelopment Division Account No. RRD2230. A copy of the transmittal letter and the certified check shall be provided simultaneously to:

The MDEQ Project Coordinator:

Ms. Karen Williams
Southeast Michigan District Office
Remediation and Redevelopment Division
Michigan Department of Environmental Quality
27700 Donald Court
Warren, Michigan 48092
Telephone: 586-753-3884
Facsimile: 586-753-3859

and to:

Chief
Environment, Natural Resources, and Agriculture Division
Michigan Department of Attorney General
G. Mennen Williams Building, 6th Floor
525 West Ottawa Street
Lansing, Michigan 48933

Costs recovered pursuant to this Order shall be deposited in the Environmental Response Fund in accordance with the provisions of Section 20108(3) of the NREPA.

2. If Quanex fails to pay the amount indicated in Paragraph 1 pursuant to the schedule set forth therein, Quanex shall also pay the State interest on the balance not paid at the rate provided in Section 20126a(3) of the NREPA. If the Quanex payment is more than thirty (30) days past due, Quanex shall also pay the State stipulated penalties of Five Hundred Dollars ($500) per day for every day of its noncompliance with Paragraph 1.

3. In consideration of the payment to be made by Quanex under the terms of this Order, except as otherwise provided in this Order, the State covenants not to sue or to take further administrative action against Quanex for the past response activity costs addressed in Paragraph 1. With respect to the Quanex liability for past response activity costs, the State covenant not to sue shall take effect upon the MDEQ receipt of full payment from Quanex for the amount specified in Paragraph 1, and any associated interest and penalties that may have accrued pursuant to Paragraph 2. The covenant not to sue applies only to past response activity costs and shall not be construed as a covenant not to sue for any other liability that Quanex may have to the State for the Facility. The covenant not to sue shall extend only to Quanex and does not extend to any other person.

4. Nothing in this Order shall be construed as releasing or discharging any liability of any person to Quanex and Quanex specifically reserves its rights against such persons.

5. Quanex agrees that all applicable statutes of limitation are tolled until Quanex has complied with the terms of this Order. Quanex's obligations under this Order are conditioned upon its receipt of the fully executed original of the Fourth Modification of the Administrative Order for Response Activity in the form attached hereto as Addendum A.

6. The State reserves all of its rights under state and federal law to perform response activities and to take enforcement action, including action to seek injunctive relief; the recovery of response activity costs not addressed by this Order; the recovery of natural resource damages and costs incurred to assess natural resource damages, monetary penalties, punitive damages for any violation of law or this Order; and liability for criminal acts. The State

expressly reserves all of its rights and defenses pursuant to any available legal authority to enforce this Order.

7. Nothing in this Order shall limit the power and authority of the MDEQ or the State of Michigan, pursuant to Section 20132(8) of the NREPA, to direct or order all appropriate action to protect the public health, safety, or welfare, or the environment; or to prevent, abate, or minimize a release or threatened release of hazardous substances, pollutants, or contaminants on, at, or from the Facility.

8. Pursuant to Section 20129(5) of the NREPA, and to the extent provided in Paragraph 3, Quanex shall not be liable for claims for contribution for the matters addressed in this Order. Entry of this Order does not discharge the liability of any other person that may be liable under any law, including Section 20126 of the NREPA, or Sections 107 and 113 of the Comprehensive Environmental Response, Compensation, and Liability Act, 1980 PL 96-510, 42 USC Sections 9607 and 9613, to the extent allowable by law. Pursuant to Section 20129(9) of the NREPA, any action by Quanex for contribution from any person not a party to this Order shall be subordinate to the rights of the State if the State files an action pursuant to Part 201 or other applicable federal or state laws.

9. This Order shall become effective on the date that the State signs this Order. All dates for the performance of obligations under this Order shall be calculated from the effective date of this Order. For the purposes of this Order, the term "day" shall mean a calendar day unless otherwise noted.

IT IS SO AGREED TO AND ORDERED BY:

Andrew W. Hogarth, Chief
Remediation and Redevelopment Division
Michigan Department of Environmental Quality

5/15/08
Date

Kathleen L. Cavanaugh [P38006]
Assistant Attorney General
Environment, Natural Resources, and Agriculture Division
Michigan Department of Attorney General

5-14-08
Date

IT IS SO AGREED BY:

Quanex Corporation
1900 West Loop South, Suite 1500
Houston, Texas 77027

Kevin Delaney
Vice President – General Counsel
Quanex Corporation

Date

IT IS SO AGREED TO AND ORDERED BY:

_____ _____

Andrew W. Hogarth, Chief — Date
Remediation and Redevelopment Division
Michigan Department of Environmental Quality

_____ _____

Kathleen L. Cavanaugh [P38006] — Date
Assistant Attorney General
Environment, Natural Resources, and Agriculture Division
Michigan Department of Attorney General

IT IS SO AGREED BY:

Quanex Corporation
1900 West Loop South, Suite 1500
Houston, Texas 77027

_____ 4/21/08

Kevin Delaney — Date
Vice President – General Counsel
Quanex Corporation

Attachment 1

Property Description

The West one-half of the East one-half of the Southeast one-quarter of Section 29 and the East 10 acres of the West one-half of the Southeast one-quarter of Section 29, except the Northerly 49.50 feet thereof; all being in Town 1 South, Range 10 East.

Addendum A

Fourth Modification of the Administrative Order for Response Activity
Former Standard Tube Company Facility
24400 Plymouth Road, Redford Township, Wayne County, Michigan
MDEQ Docket No. AO-RRD-03-001
(as attached)