

**SECOND AMENDMENT
TO
STOCKHOLDER RIGHTS AGREEMENT**

This Second Amendment to Stockholder Rights Agreement (this “Second Amendment”), dated March 8, 2005, is by and between Bayou Steel Corporation, a Delaware corporation (the “Company”), and Continental Stock Transfer & Trust Company, a New York corporation, as Rights Agent (the “Rights Agent”).

WHEREAS, the Company’s Board of Directors adopted a Stockholder Rights Agreement effective as of May 28, 2004 (the “Effective Date”), as amended by First Amendment to Stockholder Rights Agreement, dated June 18, 2004 (as amended, the “Rights Agreement”), and declared a dividend distribution of one Stock Purchase Right on each outstanding share of the Company’s Common Stock as of the record date of May 28, 2004; and

WHEREAS, pursuant to Section 27 of the Rights Agreement, the Company and the Rights Agent desire to amend the Rights Agreement to revise certain definitions thereunder.

NOW, THEREFORE, the Rights Agreement is hereby amended as follows:

1. The definition of “Affiliate” and “Associate” contained in Section 1 of the Rights Agreement is hereby amended to read in its entirety as follows:

“**Affiliate**” and “**Associate**” have the respective meanings ascribed to such terms in Rule 12b-2 under the Exchange Act as in effect on the date hereof, and to the extent not included within the foregoing clause, shall also include, with respect to any Person, any other Person whose Common Stock would be deemed constructively owned by such first Person pursuant to the provisions of Section 382 of the Internal Revenue Code of 1986, as amended (the “**Code**”), or any successor provision or replacement provision; provided, however, that no Exempt Person shall be deemed an Affiliate or an Associate.

2. The definition of “Beneficial Owner” contained in Section 1 of the Rights Agreement is hereby amended to read in its entirety as follows:

A Person shall be deemed the “**Beneficial Owner**” of, and shall be deemed to have Beneficial Ownership of and to beneficially own, any securities:

(a) that such Person or any of its Affiliates or Associates, directly or indirectly, beneficially owns (as determined pursuant to Rule 13d-3 under the Exchange Act as in effect on the date hereof);

(b) that such Person or any of its Affiliates or Associates, directly or indirectly, has

(i) the right to acquire (whether such right is exercisable immediately or only upon the occurrence of certain events or the passage of time or both) pursuant to any agreement, arrangement or understanding (other than customary agreements with and between underwriters and selling group members with respect to a bona fide public

offering of securities), or upon the exercise of conversion rights, exchange rights, rights, warrants or options, or otherwise; *provided, however*, that a Person shall not be deemed the Beneficial Owner of, or to beneficially own, (A) securities tendered pursuant to a tender or exchange offer made by or on behalf of such Person or any of such Person's Affiliates or Associates until such tendered securities are accepted for purchase, (B) securities that such Person has a right to acquire upon the exercise of Rights at any time prior to the time that any Person becomes an Acquiring Person or (C) securities issuable upon the exercise of Rights from and after the time that any Person becomes an Acquiring Person if such Rights were acquired by such Person or any of such Person's Affiliates or Associates prior to the Distribution Date or pursuant to Section 3(a) or Section 22 hereof ("**Original Rights**") or pursuant to Section 11(i) or Section 11(p) with respect to an adjustment to Original Rights; or

(ii) the right to vote (whether such right is exercisable immediately or only upon the occurrence of certain events or the passage of time or both) pursuant to any agreement, arrangement or understanding (whether or not in writing) or otherwise; *provided* that a Person shall not be deemed the Beneficial Owner of, or to beneficially own, any security under this clause (ii) as a result of an agreement, arrangement or understanding to vote such security if such agreement, arrangement or understanding (A) arises solely from a revocable proxy or consent given in response to a public proxy or consent solicitation made pursuant to the applicable rules and regulations under the Exchange Act and (B) is not also then reportable by such Person on Schedule 13D under the Exchange Act (or any comparable or successor report); or

(c) that are beneficially owned, directly or indirectly, by any other Person (or any Affiliate or Associate thereof) and with respect to which such Person or any of its Affiliates or Associates has any agreement, arrangement or understanding (other than customary agreements with and between underwriters and selling group members with respect to a bona fide public offering of securities) for the purpose of acquiring, holding, voting (except pursuant to a revocable proxy or consent as described in subparagraph (b)(ii) immediately above) or disposing of any such securities;

provided, however, that no Person who is an officer, director or employee of an Exempt Person shall be deemed, solely by reason of such Person's status or authority as such, to be the Beneficial Owner of, to have Beneficial Ownership of or to beneficially own any securities that are beneficially owned, including, without limitation, in a fiduciary capacity, by an Exempt Person or by any other such officer, director or employee of an Exempt Person; and

provided, further, that notwithstanding anything herein to the contrary, to the extent not within the foregoing provisions of this definition, a Person shall be deemed the "Beneficial Owner" of, and shall be deemed to "beneficially own" or have "beneficial ownership" of, any securities which such Person would be deemed to constructively own pursuant to Section 382 of the Code, or any successor provision or replacement provision.

3. The definition of “Exempt Person” contained in Section 1 of the Rights Agreement is hereby amended to read in its entirety as follows:

“**Exempt Person**” shall mean each of the following: (i) the Company or any Subsidiary of the Company, in each case including, without limitation, in its fiduciary capacity, or any employee benefit plan of the Company or of any Subsidiary of the Company, or any entity or trustee holding Common Stock for or pursuant to the terms of any such plan or for the purpose of funding any such plan or funding other employee benefits for employees of the Company or of any Subsidiary of the Company, (ii) any stockholder (but not any transferee or successor to such stockholder) who on the date of the adoption of this Rights Agreement, as amended, beneficially owns a number of shares of Common Stock that equals or exceeds the Threshold Percentage of shares of Common Stock of the Company, (iii) in the case of Black Diamond Capital Management, L.L.C. and any of its Affiliates that it controls (collectively, “Black Diamond”)(but not any transferee or successor to Black Diamond), Black Diamond shall be permitted to be the beneficial owner of not more than 585,316 shares of Common Stock of the Company (“Black Diamond Base Shares”), subject to the terms and conditions of the Agreement dated June 17, 2004 between the Company and Black Diamond, and (iv) any Person whose ownership (together with all Affiliates and Associates of such Person) of shares of Common Stock of the Company that equals or exceeds the Threshold Percentage, in the judgment of a majority of the entire Board of Directors, does not jeopardize or endanger the availability to the Company of its net operating loss carryforwards to be used to offset taxable income of the Company in such year or future years (but in the case of any Person so determined by the Board of Directors pursuant to this subparagraph (iv), only for so long as such Person continues to be an Exempt Person, as determined by the Board of Directors in its good faith discretion), *provided* in the case of (ii) above that if such stockholder acquires any additional shares of Common Stock of the Company on or after the Effective Date of this Rights Agreement, such stockholder will no longer be an Exempt Person; *further provided* in the case of (iii) above that if Black Diamond acquires or becomes the Beneficial Owner of any additional shares of Common Stock of the Company it will no longer be an Exempt Person; and *further provided* in the case of (iv) above that any Person’s status as an Exempt Person pursuant to subparagraph (iv) shall cease immediately and without any action by the Board of Directors at any time that such Person’s ownership (together with all Affiliates and Associates of such Person) of Common Stock, whether directly or by attribution, constitutes the ownership by such Person of the Threshold Percentage or more of the shares of Common Stock then-outstanding for purposes of Section 382 of the Code, or any successor provision or replacement provision.

For avoidance of doubt, any person who is an Affiliate or Associate of Black Diamond who serves on the Board of Directors of the Company may receive securities of the Company (“Director Securities”), including Common Stock of the Company and securities convertible into Common Stock of the Company, pursuant to a director stock incentive plan adopted by the Board of Directors of the Company, without such securities being attributed to Black Diamond and without affecting Black Diamond’s status as an Exempt Person. In addition, if an Affiliate or Associate of Black Diamond transfers ownership of any Director Securities to Black Diamond, Black Diamond may own such Director Securities together with the Black Diamond Base Shares, and continue to enjoy status as an Exempt Person.

4. The definition of “Threshold Percentage” contained in Section 1 of the Rights Agreement is hereby amended to read in its entirety as follows:

“Threshold Percentage,” as of any date of determination, means with respect to any Person and its Affiliates and Associates, 4.99% of all then-outstanding Common Stock.

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

BAYOU STEEL CORPORATION

By: /s/ Jerry M. Pitts
Jerry M. Pitts
President and Chief Executive Officer

CONTINENTAL STOCK TRANSFER & TRUST
COMPANY

By: /s/ William F. Seegraber
William F. Seegraber
Vice President