

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

- Annual report pursuant to Section 13 or 15(d) of the Securities
Exchange Act of 1934 For the fiscal year ended March 31, 1996
- Transition report pursuant to Section 13 or 15(d) of the Securities
Exchange Act of 1934 For the transition period from _____ to _____

Commission File No. 1-7521

FRIEDMAN INDUSTRIES, INCORPORATED

(Exact name of registrant as specified in its charter)

Texas

74-1504405

(State or other jurisdiction of
incorporation or organization)(I.R.S. Employer
Identification No.)

4001 Homestead Road, Houston, Texas

77028

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code (713) 672-9433

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, \$1 Par Value	American Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months and (2) has been subject to the filing requirements for the past 90 days.

Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Yes No

The aggregate market value of the Common Stock held by non-affiliates of the registrant as of June 11, 1996 (computed by reference to the closing price on the American Stock Exchange on such date), was approximately \$15,848,000.

The number of shares of the registrant's Common Stock outstanding at June 11, 1996 was 6,125,512 shares.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Annual Report to Shareholders of Friedman Industries, Incorporated for the fiscal year ended March 31, 1996 - Part II.

Proxy Statement for the 1996 Annual Meeting of Shareholders - Part III.

PART I

Item 1. Business

Friedman Industries, Incorporated (the "Company"), a Texas corporation incorporated in 1965, is in the steel processing and distribution business. The Company has two product groups: coil processing (steel sheet and plate) and tubular products.

Significant financial information relating to the Company's product and service groups for the last three years is contained in Note 6 of the Company's Consolidated Financial Statements appearing on page 10 and 11 of the Company's Annual Report to Shareholders for the fiscal year ended March 31, 1996, which is incorporated herein by reference elsewhere in this report.

Coil Processing

The Company purchases domestic and foreign hot-rolled steel coils, processes the coils into steel sheet and plate and sells these products on a wholesale, rapid-delivery basis in competition with steel mills, importers and steel service centers. The Company also processes customer-owned coils on a fee basis. The Company has coil processing plants located at Lone Star, Texas, Houston, Texas and Hickman, Arkansas. At each plant the steel coils are processed through a cut-to-length line which levels the steel and cuts it to prescribed lengths. At the Houston facility, the steel is passed through a 2-Hi rolling mill which, in a cold process, improves surface quality and imparts a higher degree of flatness. The Company's Lone Star facility operates a coil-to-coil, 2-Hi rolling mill, which is designed to uncoil material, pass the material through the rolling mill and recoil the material so that it may be stored in coil form. The Company's processing machinery is heavy, mill-type equipment capable of processing steel coils weighing up to 25 tons. Coils are processed to the specifications required for a particular order. Shipments are made via unaffiliated truckers or by rail and, in times of normal supply and market conditions, can generally be made within 48 hours of receipt of the customer's order.

At its Lone Star facility, the Company receives hot-rolled steel coils primarily from Lone Star Steel Company ("LSS"), which is located approximately four miles from the Company's plant. The Lone Star plant receives its supply of steel from LSS and other suppliers at competitive prices determined at the time of purchase. During fiscal 1996 and 1995, the Company received approximately 90% and 80%, respectively, of its tonnage for the Lone Star facility from LSS and was able to purchase sufficient tonnage at competitive prices from other suppliers to meet the requirements of this facility. Loss of LSS as a source of coil supply could have a material adverse effect on the Company's business.

At its Houston facility, the Company warehouses and processes hot-rolled steel coils, which are generally purchased on the open market at competitive prices from importers, trading companies and domestic steel mills. The Houston facility has primarily relied on domestic steel mills as a significant source of steel coils in recent years.

At the Company's Hickman facility, the Company warehouses and processes steel coils which are purchased primarily from Nucor Steel Company ("NSC"). NSC is located approximately one-half mile from the Hickman facility. Loss of NSC as a source of coil supply could have a material adverse effect on the Company's business.

At the Lone Star facility, the Company maintains three cut-to-length lines and a coil-to-coil 2-Hi rolling mill. This equipment is capable of processing steel up to 84 inches wide and up to one-half inch thick. At the Houston facility, the Company has a cut-to-length line and a rolling mill

that are capable of processing steel up to 90 inches wide and up to one-half inch thick. The Hickman facility operates a cut to length line which has 84 inch wide and one-half inch thick capacity.

Tubular Products

Through its Texas Tubular operation in Lone Star, Texas, the Company purchases, markets, processes (e.g., sorting, end-beveling, threading, etc.) and manufactures tubular products.

The Company processes its own tubular products and processes pipe on a fee basis for one major customer, LSS. Pipe processing equipment employed by this operation includes nine threading machines, six cutoff and beveling machines, pipe handling equipment and other related machinery. This machinery can process pipe up to 13-3/8 inches in outside diameter.

In May 1990, the Company purchased a pipe mill and related equipment, which was installed at the Company's Texas Tubular operation, and, in April 1991, began manufacturing pipe. The pipe mill is capable of producing pipe from 2-3/8 inches to 8-5/8 inches in outside diameter. In March 1992, the pipe mill was API-licensed to manufacture line and oil country pipe. The pipe mill also manufactures pipe for structural and piling purposes that meets recognized industry standards. The Company currently manufactures and sells substantially all of its line and oil country pipe to LSS pursuant to orders received from LSS, and in exchange therefor LSS sells to the Company pipe for structural applications for some sizes of pipe that are beyond the capability of the pipe mill.

In June 1990, the Company and LSS entered into an informal arrangement for the supply of pipe to the tubular operation. The Company can make no assurances, however, as to the amounts of pipe and steel coils that will be available from LSS in the future or amounts of tubular products that it will be able to process for LSS in the future. Loss of LSS as a source of supply or as a customer could have a material adverse effect on the Company's business. A summary of tubular operations is provided in Note 6 of the Company's Consolidated Financial Statements incorporated herein by reference.

Marketing

The following table sets forth the approximate percentage of total sales contributed by each group of steel products during each of the Company's last three fiscal years:

Product Groups	1996	1995	1994
- - - - -	- - -	- - -	- - -
Coil Processing	60%	65%	61%
Tubular Products	40%	35%	39%

Coil Processing (Steel Sheet and Plate). The Company's products and processing services are sold to approximately 370 customers located primarily in the midwestern, southwestern and southeastern sections of the United States. The Company's coil processing products and services are sold principally to steel distributors and to customers fabricating steel products such as storage tanks, steel buildings, farm machinery and equipment, construction equipment, transportation equipment, conveyors and other similar products. During each of the fiscal years ended March 31, 1996, 1995 and 1994, seven, four and four customers, respectively, accounted for approximately 25% of the Company's sales of these products. No sheet and plate customer accounted for as much as 10% of the Company's total sales during those years. Sales by the Company to any one industry did not exceed 40% of total sales in fiscal 1996.

The Company sells substantially all of its steel coil products through its own sales force. At March 31, 1996, the sales force consisted of a senior vice president of sales and marketing and six inside salesmen. The senior vice president of sales and marketing supervises the sales department and performs the duties of an inside salesman. The inside sales force handles mostly telephone orders from customers. Salesmen are paid on a salary and commission basis with the rate of commission depending upon the tonnage shipped to the salesman's customers in a particular month.

Shipments of particular products are made from the facility offering the product desired. If the product is available at more than one facility, other factors such as location of the customer, productive capacity of the facility and activity of the facility enter into the decision regarding shipments. The Company regularly contracts on a quarterly basis with many of its larger customers to supply minimum quantities of steel.

Tubular Products. Tubular products are sold nationally to approximately 280 customers. Sales of tubular products were made primarily to steel and pipe distributors, to piling contractors and to LSS. Sales of pipe to LSS accounted for approximately 14% of the Company's total sales in fiscal 1996.

The Company sells its tubular products through its own sales force, which includes three inside salesmen and one manager. Salesmen are paid on a salary and commission basis.

The Company processes its own tubular products and processes pipe for one major customer, LSS, on a fee basis.

Employees

At March 31, 1996, the Company had approximately 127 full-time employees of whom eight were executive officers, nine were salespersons, nine were administrative and clerical workers, 12 were supervisors and approximately 89 were skilled and semi-skilled operators. None of the Company's employees are represented by a union.

Competition

The Company is normally engaged in a non-seasonal, highly competitive business. The Company competes with steel mills, importers and steel service centers. The steel industry, in general, is characterized by a small number of extremely large companies dominating the bulk of the market and a large number of relatively small companies, such as the Company, competing for a limited share of such market. The large companies and many of the small companies possess resources substantially greater than those of the Company.

In the opinion of management, the competitive position of the Company in times of normal supply and market conditions is dependent upon its ability to offer steel products at prices competitive with or below those of other steel suppliers, as well as its ability to provide products to customer specifications on a rapid delivery basis.

Executive Officers of the Company

The following table sets forth the name, age, officer positions and family relations, if any, of each executive officer of the Company and period during which each officer has served in such capacity:

Name	Age	Position, Offices with the Company and Family Relations, if any
----	---	-----
Jack Friedman	75	Chairman of the Board of Directors and Chief Executive Officer since 1970, Director since 1965, brother of Harold Friedman
Harold Friedman	66	Vice Chairman since 1995, formerly President and Chief Operating Officer since 1975, Executive Vice President from 1973 to 1975, Director since 1965, brother of Jack Friedman
William E. Crow	49	President and Chief Operating Officer since 1995, formerly Vice President since 1981 and formerly President of Texas Tubular Products Division since August 1990.
Benny Harper	50	Senior Vice President - Finance since 1995 (formerly Vice President since 1990), Treasurer since 1980 and Secretary since May 1992
Thomas Thompson	45	Senior Vice President - Sales and Marketing since 1995, formerly Vice President - Sales since 1990
Ronald Burgerson	57	Vice President since 1974
Ted Henderson	68	Vice President since 1985
Dale Ray	50	Vice President since 1994

Dale Ray was elected a vice president in March 1994. Prior thereto, Mr. Ray was a plant manager at the Company's Lone Star facility for more than five years.

Item 2. Properties

The principal properties of the Company are described in the following table:

Location	Approximate Size	Ownership	Type of Construction
-----	-----	-----	-----
LONE STAR, TEXAS			
Plant-Coil Processing	42,260 sq. feet	Owned (1)	Steel frame/siding
Plant-Texas Tubular Products	76,000 sq. feet	Owned (1)	Steel frame/siding
Offices-Coil Processing	1,200 sq. feet	Owned (1)	Steel building
Offices-Texas Tubular Products	5,000 sq. feet	Owned (1)	Cinder block
Land-Coil Processing	13.93 acres	Owned (1)	--
Land-Texas Tubular Products	67.77 acres	Leased (2)	--
LONGVIEW, TEXAS Offices	2,600 sq. feet	Leased (3)	Office Building
HOUSTON, TEXAS			
Plant and Warehouse-Coil Processing	70,000 sq. feet	Owned (1)	Rigid steel frame and steel siding
Offices-Coil Processing	4,000 sq. feet	Owned (1)	Brick veneer; steel building
Land-Coil Processing	12 acres	Owned (1)	--

HICKMAN, ARKANSAS

Plant and Warehouse-Coil Processing	25,500 sq. feet	Owned (1)	Steelframe/siding
Offices-Coil Processing	1,200 sq. feet	Owned (1)	Cinder block
Land-Coil Processing	20 acres	Owned (1)	--

- (1) All of the Company's owned real estate, plants and offices are held in fee and are not subject to any mortgage or deed of trust.
- (2) The real estate lease is with LSS and its affiliate, Texas & Northern Railway, Inc., and expires August 31, 2010. The lease provides for monthly payments of \$1,667 adjusted each January 1 for changes in the Consumer Price Index. The Company has an exclusive option to purchase this property during a 60-day period beginning May 1, 1998 for \$214,238.
- (3) The office lease is with a nonaffiliated party, expires April 30, 2001, and provides for an annual rental of \$24,672.

All of the Company's facilities are in good condition and adequate for the Company's present operations.

Item 3. Legal Proceedings

The Company is not a party to, nor is its property the subject of, any material pending legal proceedings.

Item 4. Submission of Matters to a Vote of Security Holders

None.

PART II

Item 5. Market for the Registrant's Common Stock and Related Shareholder Matters

The Company's Common Stock is traded principally on the American Stock Exchange (Symbol: FRD).

Reference is hereby made to the sections of the Company's Annual Report to Shareholders for the fiscal year ended March 31, 1996, entitled "Description of Business--Range of High and Low Sales Prices of Common Stock" and "Description of Business--Dividends Declared Per Share of Common Stock", which sections are hereby incorporated herein by reference.

The approximate number of shareholders of record of Common Stock of the Company as of May 24, 1996 was 800.

The Company intends to continue the payment of cash dividends although future dividends will depend on the Company's earnings, financial needs and other factors.

Item 6. Selected Financial Data

Information with respect to Item 6 is hereby incorporated herein by reference from the section of the Company's Annual Report to Shareholders for the fiscal year ended March 31, 1996, entitled "Selected Financial Data".

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Information with respect to Item 7 is hereby incorporated herein by reference from the section of the Company's Annual Report to Shareholders for the fiscal year ended March 31, 1996, entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations".

Item 8. Financial Statements and Supplementary Data

The following financial statements and notes thereto of the Company included in the Company's Annual Report to Shareholders for the fiscal year ended March 31, 1996, are hereby incorporated herein by reference:

Consolidated Balance Sheets--March 31, 1996 and 1995

Consolidated Statements of Earnings--Years ended March 31, 1996, 1995 and 1994

Consolidated Statements of Stockholders' Equity--Years ended March 31, 1996, 1995 and 1994

Consolidated Statements of Cash Flows--Years ended March 31, 1996, 1995 and 1994

Notes to Consolidated Financial Statements--March 31, 1996

Report of Independent Auditors

Information with respect to supplementary financial information relating to the Company appears in Note 7-- Summary of Quarterly Results of Operations (Unaudited) of the Notes to Consolidated Financial Statements incorporated herein by reference above in this Item 8 from the Company's Annual Report to Shareholders for the fiscal year ended March 31, 1996.

The following supplementary schedule for the Company for the year ended March 31, 1996, is included elsewhere in this report.

Schedule II--Valuation and Qualifying Accounts

All other schedules for which provision is made in the applicable accounting regulation of the Securities and Exchange Commission are not required under the related instructions or are inapplicable, and, therefore, have been omitted.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None

PART III**Item 10. Directors and Executive Officers of the Registrant**

Information with respect to Item 10 is hereby incorporated herein by reference from the Company's proxy statement in respect of the 1996 Annual Meeting of Shareholders, definitive copies of which are expected to be filed with the Securities and Exchange Commission on or before 120 days after the end of the Company's 1996 fiscal year.

Item 11. Executive Compensation

Information with respect to Item 11 is hereby incorporated herein by reference from the Company's proxy statement in respect of the 1996 Annual Meeting of Shareholders, definitive copies of which are expected to be filed with the Securities and Exchange Commission on or before 120 days after the end of the Company's 1996 fiscal year.

Item 12. Security Ownership of Certain Beneficial Owners and Management

Information with respect to Item 12 is hereby incorporated herein by reference from the Company's proxy statement in respect of the 1996 Annual Meeting of Shareholders, definitive copies of which are expected to be filed with the Securities and Exchange Commission on or before 120 days after the end of the Company's 1996 fiscal year.

Item 13. Certain Relationships and Related Transactions

Information with respect to Item 13 is hereby incorporated herein by reference from the Company's proxy statement in respect of the 1996 Annual Meeting of Shareholders, definitive copies of which are expected to be filed with the Securities and Exchange Commission on or before 120 days after the end of the Company's 1996 fiscal year.

PART IV

Item 14. Exhibits, Financial Statement Schedules and Reports on Form 8-K

- (a) (1) and (2) -- The response to this portion of Item 14 appears elsewhere in this report as a separate section of this report.
- (3) -- Exhibits
- 3(i)1 Articles of Incorporation of the Company, as amended, filed as an exhibit to the Company's Annual Report on Form 10-K for the year ended March 31, 1982, and hereby incorporated herein by reference.
- 3(i)2 Articles of Amendment to the Articles of Incorporation of the Company, as filed with the Texas Secretary of State on September 22, 1987, filed as an exhibit to the Company's Annual Report on Form 10-K for the year ended March 31, 1988, and hereby incorporated herein by reference.
- 3(ii) Bylaws of the Company, amended as of March 27, 1992, filed as an exhibit to the Company's Annual Report on Form 10-K for the year ended March 31, 1992, and incorporated herein by reference.
- 4.1 Promissory Note of the Company to Texas Commerce Bank National Association, dated December 1, 1993, in the amount of \$4,000,000, filed as an Exhibit to the Company's Quarterly Report on Form 10-Q for the quarterly period ended December 31, 1993, and hereby incorporated herein by reference.
- 4.2 Letter Agreement dated March 22, 1993, as amended by the First Amendment dated December 31, 1993, by and between the Company and Texas Commerce Bank National Association regarding a \$5,000,000 revolving credit line, filed as an Exhibit to the Company's Quarterly Report on Form 10-Q for the quarterly period ended December 31, 1993, and hereby incorporated herein by reference.
- 4.3 Amended and Restated Letter Agreement dated April 1, 1995, between the Company and Texas Commerce Bank National Association regarding an \$8,000,000 revolving line of credit, filed as an exhibit to the Company's Annual Report on Form 10-K for the year ended March 31, 1995, and hereby incorporated herein by reference.
- 10.1 Lease Agreement between NCNB Texas National Bank, as Trustee, and the Company dated September 10, 1990, and Addendum No. 1 thereto dated November 11, 1991, filed as an exhibit to the Company's Annual Report on Form 10-K for the

year ended March 31, 1992, and incorporated herein by reference.

- *10.2 1974 Stock Option Plan, as amended through March 24, 1982, as further amended on January 21, 1987 and February 25, 1988, filed as an exhibit to the Company's Annual Report on Form 10-K for the year ended March 31, 1988, and hereby incorporated herein by reference.
- 10.3 Lease, effective September 1, 1990, by and between Lone Star Steel Company, Texas & Northern Railway, Inc., a Texas corporation, and the Company, filed as an exhibit to the Company's Current Report on Form 8-K dated August 1, 1990, and hereby incorporated herein by reference.
- *10.4 Friedman Industries, Incorporated 1989 Incentive Stock Option Plan, filed as an exhibit to the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 1991, and hereby incorporated herein by reference.
- 10.5 Promissory Note of the Company to Texas Commerce Bank National Association, dated December 1, 1993, in the amount of \$4,000,000 (included as Exhibit 4.1 hereto).
- 10.6 Letter Agreement dated March 22, 1993, as amended by the First Amendment dated December 31, 1993, by and between the Company and Texas Commerce Bank National Association regarding a \$5,000,000 revolving credit line (included as Exhibit 4.2 hereto).
- 10.7 Amended and Restated Letter Agreement dated April 1, 1995, between the Company and Texas Commerce Bank National Association regarding an \$8,000,000 revolving line of credit (included as Exhibit 4.3 hereto).
- 10.8 Lease Agreement between Judson Plaza, Inc. and the Company dated March 16, 1996, regarding the lease of office space.
- 13.1 The Company's Annual Report to Shareholders for the fiscal year ended March 31, 1996.
- 21.1 List of Subsidiaries.
- 23.1 Consent of Independent Auditors.

* Management contract or compensation plan.

Copies of exhibits filed as a part of this Annual Report on Form 10-K may be obtained by shareholders of record at a charge of \$.10 per page. Direct inquiries to: Benny Harper, Senior Vice President - Finance, Friedman Industries, Incorporated, P. O. Box 21147, Houston, Texas 77226.

(b) Reports on Form 8-K filed in the fourth quarter of fiscal 1996:

None

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, Friedman Industries, Incorporated has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Houston, and State of Texas, this 21st day of June, 1996.

FRIEDMAN INDUSTRIES, INCORPORATED

By: /s/ Harold Friedman

Harold Friedman
Vice Chairman of the Board

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons in the capacities and on the dates indicated on behalf of Friedman Industries, Incorporated in the City of Houston, and State of Texas.

Signature -----	Title -----	Date ----
----- Jack Friedman	Chairman of the Board, Chief Executive Officer and Director	June 21, 1996
/s/ Harold Friedman ----- Harold Friedman	Vice Chairman of the Board and Director (Acting Principal Executive Officer)	June 21, 1996
/s/ Benny Harper ----- Benny Harper	Senior Vice President - Finance and Treasurer (Principal Financial and Principal Accounting Officer)	June 21, 1996
/s/ Henry Spira ----- Henry Spira	Director	June 21, 1996
/s/ Charles W. Hall ----- Charles W. Hall	Director	June 21, 1996
/s/ Kirk K. Weaver ----- Kirk K. Weaver	Director	June 21, 1996
/s/ Alan M. Rauch ----- Alan M. Rauch	Director	June 21, 1996
/s/ Hershel M. Rich ----- Hershel M. Rich	Director	June 21, 1996

FRIEDMAN INDUSTRIES, INCORPORATED

HOUSTON, TEXAS

ANNUAL REPORT FORM 10-K

YEAR ENDED MARCH 31, 1996

ITEM 14(a)(1) AND (2)

LIST OF FINANCIAL STATEMENTS AND
FINANCIAL STATEMENT SCHEDULES

FORM 10-K

ITEM 14(a)(1) and (2)

FRIEDMAN INDUSTRIES, INCORPORATED

LIST OF FINANCIAL STATEMENTS AND
FINANCIAL STATEMENT SCHEDULES

The following financial statements of the Company are set forth herewith in response to Item 14(a)(1) and (2) of this report.

Consolidated Balance Sheets--March 31, 1996 and 1995

Consolidated Statements of Earnings--Years ended March 31, 1996, 1995 and 1994

Consolidated Statements of Stockholders' Equity--Years end March 31, 1996, 1995 and 1994

Consolidated Statements of Cash Flows--Years ended March 31, 1996, 1995 and 1994

Notes to Consolidated Financial Statements--March 31, 1996

Report of Independent Auditors

The following financial statement schedule of the Company are included in this report.

S-1-Schedule II--Valuation and Qualifying Accounts

All other schedules for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission are not required under the related instructions or are inapplicable, and, therefore, have been omitted.

SCHEDULE II -- VALUATION AND QUALIFYING ACCOUNTS

FRIEDMAN INDUSTRIES, INCORPORATED

Column A	Column B	Column C	Column D	Column E	
Description	Balance at Beginning of Period	ADDITIONS		Deductions - Describe(A)	Balance at End of Period
		Charged to Costs and Expenses(1)	Charged to Other Accounts - Describe		
Year ended March 31, 1996					
Allowance for doubtful accounts receivable (deducted from related asset account).....	\$ 5,970	\$ 9,500		\$ 9,676	\$ 5,794
Year ended March 31, 1995					
Allowance for doubtful accounts receivable (deducted from related asset account).....	\$ 5,900	\$13,715		\$13,645	\$ 5,970
Year ended March 31, 1994					
Allowance for doubtful accounts receivable (deducted from related asset account).....	\$ 5,650	\$ 250			\$ 5,900

(A) Accounts and notes receivable written off.

EXHIBIT INDEX

Exhibit No. -----	Description -----	Sequentially Numbered Pages -----
3(i)1	Articles of Incorporation of the Company, as amended, filed as an exhibit to the Company's Annual Report on Form 10-K for the year ended March 31, 1982, and hereby incorporated herein by reference.	
3(i)2	Articles of Amendment to the Articles of Incorporation of the Company, as filed with the Texas Secretary of State on September 22, 1987, filed as an exhibit to the Company's Annual Report on Form 10-K for the year ended March 31, 1988, and hereby incorporated herein by reference.	
3(ii)	Bylaws of the Company, amended as of March 27, 1992, filed as an exhibit to the Company's Annual Report on Form 10-K for the year ended March 31, 1992, and incorporated herein by reference.	
4	The Company hereby agrees to furnish to the SEC, upon request, any instruments defining the rights of holders of long-term debt of the Company which are not being furnished herewith because the total amount of securities authorized under the respective instruments does not exceed 10% of the total assets of the Company.	
4.1	Promissory Note of the Company to Texas Commerce Bank National Association, dated December 1, 1993, in the amount of \$4,000,000, filed as an Exhibit to the Company's Quarterly Report on Form 10-Q for the quarterly period ended December 31, 1993, and hereby incorporated herein by reference.	
4.2	Letter Agreement dated March 22, 1993, as amended by the First Amendment dated December 31, 1993, by and between the Company and Texas Commerce Bank National Association regarding a \$5,000,000 revolving credit line, filed as an Exhibit to the Company's Quarterly Report on Form 10-Q for the quarterly period ended December 31, 1993, and hereby incorporated herein by reference.	
4.3	Amended and Restated Letter Agreement dated April 1, 1995, between the Company and Texas Commerce Bank National Association regarding an \$8,000,000 revolving line of credit filed as an exhibit to the Company's Annual Report on Form 10-K for the year ended March 31, 1995, and incorporated herein by reference.	
10.1	Lease Agreement between NCNB Texas National Bank, as Trustee, and the Company dated September 10, 1990, and Addendum No. 1 thereto dated November 11, 1991, filed as an exhibit to the Company's Annual Report on Form 10-K for the year ended March 31, 1992, and incorporated herein by reference.	

- 10.2 1974 Stock Option Plan, as amended through March 24, 1982, as further amended on January 21, 1987 and February 25, 1988, filed as an exhibit to the Company's Annual Report on Form 10-K for the year ended March 31, 1988, and hereby incorporated herein by reference.
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- 10.8 Lease Agreement between Judson Plaza, Inc. and the Company dated March 16, 1996, regarding the lease of office space.
- 13.1 The Company's Annual Report to Shareholders for the fiscal year ended March 31, 1996.
- 21.1 List of Subsidiaries
- 23.1 Consent of Independent Auditors.

EXHIBIT 10.8

OFFICE LEASE AGREEMENT

STATE OF TEXAS Section

COUNTY OF GREGG Section

THIS LEASE AGREEMENT, made and entered into as of the 16 day of MARCH, 1996 by and between the Landlord and Tenant hereinafter named.

WITNESSETH:

1. Definitions and Basic Provisions. The following definitions and basic provisions shall be used in conjunction with and limited by the reference thereto in the provisions of this lease:

- a. "Landlord": Judson Plaza, Inc.
- b. "Tenant": Friedman Industries, Inc.
- c. "Premises": 1121 Judson Road, Suite 124
 Longview, Texas 75601

as generally outlined on the plan attached hereto as Exhibit "A". The term "rentable area" as used herein, shall refer to (i) (in the case of single-tenancy floor, all floor area measured from the outside surface of the outer glass of the building to the outside surface of the opposite outer wall, excluding only those areas within the outside walls used for building stairs, fire towers, elevator shafts, flues, vents, stacks, pipe shafts and vertical ducts, but including any such areas which are for the specific use of a particular tenant, such as special stairs or elevators; and (ii) in the case of a partial floor, all floor areas within the outside surface of the outer glass enclosing the tenant-occupied portion of the floor and measured to the midpoint of the walls separating areas leased by or held for lease to other tenants or from areas devoted to corridors, elevator foyers, restrooms, mechanical rooms, janitor closets, vending areas and other similar facilities for the use of all tenants on the particular floor (hereinafter sometimes called "common areas"). No deductions from rentable areas are made for columns or projections necessary to the building. The rentable area in the premises has been calculated on the basis of the foregoing definition and is hereby stipulated for all purposes hereof to be 2596 square feet, whether the same should be more or less as a result of minor variations resulting from actual construction and completion of the premises for occupancy so long as such work is done in accordance with the terms and provisions hereof. The total rentable area of the building shall be 46,889 square feet.

- d. "Lease term": A period of 60 months, commencing on MAY 1, 1996 (the "commencement date") and ending on APRIL 30, 2001.
- e. "Basic rental": \$24,672.00 per year subject to adjustment as provided herein.
- f. "Monthly rental installment": \$2,056.00
- g. "Security deposit": \$-0-
- h. "Permitted use": An office "Development": the property owned by Landlord known as Judson Plaza, Inc., having a street address of 1121 and 1125 Judson Road, Longview, Gregg County, Texas, including the building, all land under and surrounding the building, and all other improvements thereto.

2. LEASE GRANT. Landlord, in consideration of the rent to be paid and the other covenants and agreements to be performed by the Tenant and upon the terms and conditions hereinafter stated, does hereby lease, demise and let unto Tenant the premises (as defined in Paragraph 1.c. hereof) commencing on the commencement date (as defined in Paragraph 1.d. hereof, or as adjusted as hereinafter provided) and ending on the last day of the lease term, unless sooner terminated as herein provided. Landlord shall not be liable for failure to give possession of any previous tenant, tenants, or occupants of same, nor shall such failure impair the validity of this lease, and Tenant agrees to accept possession of the premises on such date as Landlord is able to tender the same and such date shall continue for the lease term described in Paragraph 1.d. hereof. Landlord hereby waives payment of monthly rental installments covering any period prior to the tendering of possession of the premises to Tenant hereunder. If Tenant occupies the premises prior to the commencement date specified in Paragraph 1.d., the commencement date shall be deemed to be changed to coincide with the date of Tenant's occupancy; however, the expiration date of the lease shall remain unchanged, and the amount of the basic rental shall be increased prorata based upon the increased lease term. By occupying the premises, Tenant shall be deemed to have accepted the same as suitable for the purpose herein intended and to have acknowledged that the same comply fully with Landlord's covenants and obligations.

3. RENT. In consideration of this lease, Tenant promises and agrees to pay Landlord the basic rental (as defined in Paragraph 1.e. hereof) without deduction, counterclaim, or setoff. It is agreed that, notwithstanding anything to the contrary, the premises herein are leased for the basic rental for the lease term hereof, payable at the time of the making of this lease and that the provisions herein contained for the payment of such rent in monthly rental installments (as defined in Paragraph 1.f. hereof) are for the convenience of the Tenant only, and that, upon default in the payment of any monthly rental installment as herein allowed, the whole of the rent hereby reserved for the

whole of the lease term herein provided for and then remaining unpaid shall, at the option of the Landlord, become due and payable without notice or demand.

One such monthly rental installment, together with the security deposit (as defined in Paragraph 1.g. hereof), shall be payable by Tenant to Landlord contemporaneously with the execution hereof, and a like monthly rental installment shall be due and payable without notice or demand on or before the first

day of each succeeding calendar month during the term hereof. A monthly rental installment for any fractional month at the beginning or the end of the lease term shall be prorated.

IF THE MONTHLY RENTAL INSTALLMENT IS NOT RECEIVED BY THE LANDLORD ON OR BEFORE THE 5TH DAY OF THE MONTH FOR WHICH SAID MONTHLY RENTAL INSTALLMENT IS DUE, a service charge of \$35.00 of the monthly rental installment shall become due and payable in addition to the monthly rental installment owed. Said service charge is for the purpose of reimbursing Landlord for the extra costs and expenses incurred in connection with the handling and processing of late monthly installment payments.

The security deposit shall be held by Landlord without liability for interest and as security for the performance by Tenant of Tenant's covenants and obligations under this lease, it being expressly understood that such deposit shall not be considered an advance payment of rental or a measure of Landlord's damages in case of default by Tenant. Upon the occurrence of any event of default by Tenant, Landlord may, from time to time, without prejudice to any other remedy, use such deposit to the extent necessary to make good any arrearages of rent and any other damage, injury, expense or liability caused to Landlord by such event or default. Following any such application of the security deposit, Tenant shall pay to the Landlord on demand the amount so applied in order to restore the security deposit to its original amount. If Tenant is not then in default hereunder, any remaining balance of such deposit shall be returned by Landlord to Tenant upon termination of this lease. If Landlord transfers its interest in the premises during the lease term, Landlord may assign the security deposit to the transferee and thereafter shall have no further liability for the return of such security deposit.

4. SERVICES.

a. Landlord agrees to furnish Tenant, while occupying the premises, at Landlord's sole cost and expense: (i) hot and cold water at those points of supply provided for general use of tenants; (ii) electrical current for Tenant's use and occupancy of the premises to the extent reasonably deemed to be standard by Landlord, provided, however, that all costs for extraordinary or unusual demand for electrical service shall be borne by Tenant; (iii) heating and air conditioning at such times as Landlord normally furnishes such services to all tenants of the building, and at such temperatures and in such amounts as are reasonably considered by Landlord to be standard; (iv) periodic janitorial services; (v) replacement of building standard light bulbs and tubes. Initially, the cost of such services shall be paid by Landlord; provided, however, that Landlord is entitled to be partially reimbursed for the costs that it incurs in furnishing these services in accordance with terms and provisions of Paragraph 5 hereinabove.

b. Landlord does not warrant that any of said specific services will be free from interruption or stoppage, but nevertheless, Landlord shall use reasonable diligence to resume any such interrupted or stopped service. Anything to the contrary notwithstanding, no failure, to any extent, to furnish such services or any stoppage or interruption of these defined services shall render Landlord liable in any respect for damages to either person, property or business, nor shall any such failure, interruption or stoppage of such services be deemed or construed as an eviction, actual or constructive, of a Tenant, nor work an abatement of rent, nor relieve Tenant from the obligation to fulfill any covenant or agreement contained in this lease.

5. LEASEHOLD IMPROVEMENTS. Landlord agrees to install, at Landlord's cost and expense, except as otherwise stated herein, the improvements described in Exhibit "B" attached hereto. Landlord has made no representations as to the condition of the premises or the building, and has made no agreements to remodel, repair or decorate the premises or the building, except as expressly set forth herein.

6. USE. Tenant shall use the premises only for the permitted use (as defined in Paragraph 1.h. hereof). Tenant will not occupy or use the premises, or permit any portion of the premises to be occupied or used for any business, or permit any portion of the premises to be occupied or used for any business or purpose other than the permitted use, or for any use or purpose which is unlawful in part or in whole or deemed to be disreputable in any manner or extra hazardous on account of fire, nor will Tenant permit anything to be done which will in any way increase the rate of fire insurance on the building or its contents; and in the event that there shall be any increase in the rate of insurance on the building or its contents created by Tenant's acts or conduct of business, then such acts of Tenant shall be deemed to be an event of default hereunder and Tenant hereby agrees to pay to Landlord the amount of such increase on demand, and acceptance of such payment shall not constitute a waiver of any of Landlord's other rights provided herein. Tenant will conduct its business and control its agents, employees and invitees in such a manner as not to create any nuisance, nor interfere with, annoy or disturb other tenants or Landlord in management of the building. Tenant will maintain the premises in a clean, healthful and safe condition and will comply with all laws, ordinances, orders, rules and regulations (state, federal, municipal and other agencies or bodies having any jurisdiction thereof) with reference to use, condition or occupancy of the premises. Tenant will not, without the prior written consent of the Landlord, paint, install lighting, window coverings or decoration or install any signs, window or door lettering, or advertising media of any type on or about the premises or any part thereof. Should Landlord agree in writing to any of the foregoing items in the preceding sentence, Tenant will maintain such permitted items in good condition and repair at all times. Tenant shall not have alcohol or illegal drugs on premises.

7. REPAIRS AND MAINTENANCE.

a. By Landlord: Landlord shall, at its expense, maintain in good repair and condition, except for reasonable wear and tear, only the roof, foundation, heating and air conditioning systems, common areas, plumbing, elevators (if any), fire protection sprinklers (if any), the structural soundness of the exterior walls, the paving outside the building, and the landscaping. Landlord shall be responsible for pest eradication. Landlord shall also be responsible for replacement or repair of windows and glass damaged due to structural movement, weather conditions, and vandalism by outside persons or Landlord's agents.

Tenant shall give immediate written notice to Landlord of the need for repairs or corrections and Landlord shall proceed promptly to make such repairs or corrections. Landlord's liability hereunder shall be limited to the cost of such repairs or corrections.

b. By Tenant: Tenant shall, at its expense and risk, maintain all other parts of the building, the premises and related facilities in good repair and condition, including but not limited to repairs (including all necessary replacements) to the windows, window glass, plate glass, doors and the interior of the premises in general. Tenant will not in any manner deface or injure the building, the premises or related facilities and will pay the cost of repairing any damage or injury done by Tenant or Tenant's agents, employees or invitees. Tenant shall, throughout the term of this lease, take good care of the building, the premises and related facilities and keep them free from waste and nuisance of any kind. If Tenant shall fail to make any repair required hereunder (including all necessary replacement) within fifteen (15) days after written notification to do so, Landlord may, at its option, make such repair, and Tenant shall, upon demand therefor, pay Landlord for the cost thereof together with interest on any such cost which remains unpaid following such demand at the highest rate allowed by law.

8. Alterations and Improvements. At the expiration or earlier termination of this lease, Tenant shall deliver up the premises with all improvements located thereon (except as otherwise herein provided) in good repair and condition, reasonable wear and tear expected, and shall deliver to Landlord all keys to the premises. The cost and expense of any repairs necessary to restore the condition of the premises to the condition in which they are to be delivered to Landlord shall be borne by Tenant. Tenant will not make or allow to be made any alterations or physical additions in or to the premises without the prior written consent of Landlord, which consent shall not be unreasonably withheld as to non-structural alterations. All alterations, additions or improvements (whether temporary or permanent in character) made in or upon the premises, either by Landlord or Tenant, shall be Landlord's property on termination of this lease and shall remain on the premises, without compensation to Tenant. All furniture, movable trade fixtures and equipment installed by Tenant may be removed by Tenant at the termination of this lease if Tenant so elects, and shall be removed if required by Landlord, or if not so removed shall, at the option of Landlord, become the property of Landlord. All such installments, removals and restoration shall be accomplished in a good and workmanlike manner so as not to damage the premises or the primary structure or structural qualities of the building, or the plumbing, electrical lines or other utilities.

9. Relocation. If the premises covered by this lease constitute less than 20% of the net rentable area of the floor on which the premises is located, Landlord reserves the right to relocate the Tenant to other space within the development comparable to the premises by giving Tenant prior written notice to Landlord's intention to relocate. Landlord intends to exercise needs of other Tenants who occupy more than 20% of the net rentable area of the floor and/or to be able to make a full floor available for lease by a single Tenant.

10. Common Areas. The use and occupancy by Tenant of the premises shall include the use in common with others entitled thereto of the common areas, parking areas, service roads, loading facilities, sidewalks; however, to the terms and conditions of this agreement and to reasonable rules and regulations for the use thereof as prescribed from time to time by Landlord.

All common areas described above shall at all times be subject to the exclusive control and management of Landlord, and Landlord shall have the right from time to time to establish, modify and enforce reasonable rules and regulations with respect to all facilities and areas mentioned in this paragraph. Landlord shall reserve the right to construct, maintain and operate lighting facilities; from time to time to change the area, location, and arrangements of parking areas and other facilities hereinabove referred to; and to restrict parking by tenants, their officers, agents, and employees to employee parking areas.

All common areas and facilities not within the premises which Tenant may be permitted to use and occupy, are to be used and occupied under a revocable license, and if the amount of such areas be diminished, Landlord shall not be subject to liability nor shall Tenant be entitled to any compensation or diminution or abatement of rent, nor shall such diminution of such areas be deemed a constructive or actual eviction of Tenant.

11. Assignment and Subletting. In the event Tenant desires to assign or sublet the premises or any part thereof, Tenant shall give Landlord written notice of such desire at least sixty (60) days prior to the date on which Tenant desires to make such assignment or sublease. Landlord shall within thirty (30) days following receipt of such notice notify Tenant in writing that Landlord elects either (i) to terminate this lease as to the space so affected as of the date so specified by Tenant, in which event Tenant will be relieved of all further obligations hereunder as to such space; or (ii) to permit Tenant to assign or sublet such space, subject, however, to subsequent written approval of the proposed assignee or sublessee by Landlord, which approval shall not be unreasonably withheld. If Landlord should fail to notify Tenant in writing of such election within said thirty-day period, Landlord shall be deemed to have elected (ii) above, but subsequent written approval by Landlord of the proposed assignee or sublessee shall be required. If the rental rate agreed to by Tenant and its subtenant is greater than the rental rate payable hereunder, such excess rental shall be deemed to be additional rental owed by Tenant to Landlord and shall be paid to Landlord at the same time and in the same manner as the basic rental. Consent by Landlord to one or more

assignments or sublettings shall not operate as a waiver of Landlord's rights as to any subsequent assignments and subletting. Notwithstanding any assignment or subletting, Tenant and any guarantor or Tenant's obligations under this lease shall at all times remain fully responsible and liable for the payment of the rent herein specified and for compliance with all of Tenant's other obligations under this lease. In the event of the transfer and assignment by Landlord of its interest in this lease and the building containing the premises, Landlord shall thereby be released from any further obligations hereunder, and Tenant agrees to look solely to such successor in interest of the Landlord for performance of such obligations.

Tenant shall not mortgage, pledge or otherwise encumber its interest in this lease or in the premises.

12. INDEMNITY. Landlord shall not be liable for and Tenant will indemnify and save harmless Landlord from all fines, suits, claims, demands, losses, and actions (including attorney's fees) for any injury to person or damage to or loss of property on or about the premises of the Development caused by the negligence or misconduct or breach of this lease by Tenant, its agents, employees, subtenants, invitees or by any other person entering the building, the premises or the Development, under express or implied invitation of Tenant, or arising out of Tenant's use of the building, the premises, or the Development. Landlord shall not be liable or responsible for any loss or damage to any property, or death or injury to any person, occasioned by theft, fire, Act of God, public enemy, injunction, riot, strike, insurrection, war, court order, requisition of any governmental body or authority, by other tenants of the building or the Development, or any other matter beyond the control of Landlord, or for any injury or damage or inconvenience which may result from the repair or alteration of any part of the building, the premises, or the Development, or from the failure to make repairs, or from any cause whatsoever except Landlord's gross negligence.

14. ESTOPPEL CERTIFICATE. Tenant agrees on the Commencement Date, and from time to time thereafter upon not less than five (5) days prior written request by Landlord, to execute, acknowledge and deliver to Landlord a statement in writing, certifying: (i) that this lease is unmodified and in full force and effect (or, if there have been modifications, that this lease is in full effect as modified, and setting forth such modifications); (ii) that Tenant has no defenses, offsets or counterclaims against its obligations to pay the basic rental and adjusted rental and its obligations to perform its other covenants under this lease; (iii) that there are no uncured defaults of landlord or Tenant under this lease; and (iv) the dates to which the basic rental, additional rental and other charges have been paid. Any such statement delivered pursuant to this Paragraph 14 may be relied upon by any prospective purchaser or mortgagee of the Development, or any portion thereof, or any prospective assignee of such mortgagee.

15. CASUALTY INSURANCE. Landlord shall at all times during the term of this lease maintain a general policy or policies of insurance. Landlord shall not be obligated to insure any furniture, equipment, machinery, goods or supplies not covered by this lease which Tenant may bring or obtain upon the premises, or any additional improvements which Tenant may construct thereon.

16. INSPECTION. Landlord or Landlord's representatives shall have the right to enter into and upon any and all parts of the premises at reasonable hours (i) to inspect same or to clean or make repairs or alterations or additions as Landlord may deem necessary (but without any obligation to do so, except as expressly provided for herein), or (ii) to show the premises to prospective tenants, purchasers or lenders; and Tenant shall not be entitled to any abatement or reduction of rent by reason thereof, nor shall such be deemed to be an actual or constructive eviction of Tenant.

17. CONDEMNATION. If, during the term of this lease, or any extension or renewal thereof, all of the premises should be taken for any public or quasi-public use under any governmental law, ordinance or regulation or by right of eminent domain or by private purchase in lieu thereof, this lease shall terminate and the rent shall be abated during the unexpired portion of this lease, effective on the date physical possession is taken by the condemning authority, and Tenant shall have no claim against Landlord for the value of any unexpired term of this lease.

In the event a portion but not all of the premises shall be taken for any public or quasi-public use under any governmental law, ordinance or regulation, or by right of eminent domain or by private sale in lieu thereof and the partial taking or condemnation shall render the premises unsuitable for Tenant's business, then Landlord shall have the option, in its sole discretion, of terminating this lease, or at Landlord's sole risk and expense, restoring and reconstructing the premises to the extent necessary to make same reasonably tenantable. Should Landlord elect to restore the premises, this lease shall continue in full force and effect with the rent payable during the unexpired portion of the lease term adjusted to such an extent as may be fair and reasonable under the circumstances, and Tenant shall have no claim against Landlord for the value of any interrupted portion of this lease.

In the event of any condemnation or taking, total or partial, Tenant shall not be entitled to any part of the award or price paid in lieu thereof, hereby expressly waiving any right or claim to any part thereof, and Landlord shall receive the full amount of such award or price.

18. FIRE OR OTHER CASUALTY. In the event that the premises should be totally destroyed by fire, tornado or other casualty, or in the event the premises or the building should be so damaged that rebuilding or repairs cannot be completed within ninety (90) days after the date of such damage, either Landlord or Tenant may, at its option, terminate this lease, in which event the rent shall be abated during the unexpired portion of this lease effective with the date of such damage. In the event the premises should be damaged by fire, tornado or other casualty covered by Landlord's insurance, and if the necessary rebuilding or repairs can be completed within ninety (90) days after the date of such damage, or if such rebuilding or repairs would take more than ninety (90) days to complete but neither Landlord nor Tenant elects to terminate this lease, then, in either such event, Landlord shall, within thirty (30) days after the date of such damage, commence to rebuild or repair the premises and shall proceed with reasonable diligence to restore the premises to substantially the same condition in which they were immediately prior to the happening of the casualty, except that Landlord shall not be required to rebuild,

repair or replace any part of the furniture, equipment, fixtures and other improvements which may have been placed by Tenant or other tenants within the building or the premises, or related facilities.

In the event that the premises are totally untenable, Landlord shall abate the rent during the time the premises are unfit for occupancy. If the premises are not totally untenable, Landlord shall allow Tenant a fair diminution of rent during the time the premises are unfit for occupancy. In the event any mortgages under a deed of trust, security agreement or mortgage on the Development or the premises should require that the insurance proceeds be used to retire the mortgage debt, Landlord shall have no obligation to rebuild and this lease shall terminate upon notice to Tenant. Any insurance which may be carried by Landlord or Tenant against loss or damage to the Development or to the premises shall be for the sole benefit of the party carrying such insurance and under its sole control.

19. HOLDING OVER. IT IS AGREED THAT LEASE AGREEMENT SHALL AUTOMATICALLY RENEW FOR SIXTY (60) MONTHS AT A RATE NOT TO EXCEED FOUR PERCENT (4%) APRIL 30, 20001 (DATE); IF NOT CANCELED, IN WRITING, BY EITHER LESSOR OR LESSEE 30 DAYS PRIOR TO EXPIRATION DATE.

Should Tenant, or any of its successors in interest, continue to hold the premises, or any part thereof, after the expiration or automatic extension of this lease, unless otherwise agreed in writing, such holding over shall constitute and be construed as a tenancy from month to month only, at a monthly rental equal to twice the sum of the monthly rental installment, plus the amount of the most current rental adjustment which may have been made thereto pursuant to Paragraph 4 and 5 hereof. The inclusion of the preceding sentence shall not be construed as Landlord's consent for the Tenant to hold over.

21. EVENTS OF DEFAULT. The following events shall be deemed to be events of default by Tenant under this lease:

- a. Tenant shall fail to pay any monthly rental installment or any portion of the basic rental hereby reserved when due and such failure shall continue for a period of five days after notice by Landlord;
- b. Tenant shall fail to comply with any term, provision or covenant of this lease, other than the payment of rent, and shall not cure such failure within five (5) days after written notice thereof to Tenant;
- c. Tenant shall make an assignment for the benefit of creditors;
- d. Tenant shall file a petition under any section or chapter of National Bankruptcy Act, as amended, or under any similar law or statute of the United States or any State thereof, or Tenant shall be adjudged a debtor or insolvent in any proceeding filed against Tenant thereunder and such adjudication shall not be vacated or set aside within thirty (30) days;
- e. A receiver or Trustee shall be appointed for all or substantially all of the assets of Tenant and such receivership shall not be terminated or stayed within thirty (30) days;
- f. Tenant shall desert or vacate any substantial portion of the premises for a period of five (5) or more days.

22. REMEDIES. Upon the occurrence of any event of default specified in Paragraph 23 hereof, Landlord shall have the option to pursue any one or more of the following remedies without any notice or demand whatsoever:

- a. Terminate this lease in which event Tenant shall immediately surrender the premises to Landlord, and if Tenant fails to do so, Landlord may, without prejudice to any other remedy which it may have for possession or arrearages in rent, enter upon and take possession and expel or remove Tenant and any other person who may be occupying said premises or any part thereof, by force if necessary, without being liable for prosecution or any claim of damages thereof. Tenant agrees to pay to Landlord on demand the amount of all loss and damage which Landlord may suffer by reason of such termination, whether through inability to relet the premises on satisfactory terms or otherwise, including the loss of the basic rental then remaining unpaid;
- b. Enter upon and take possession of the premises and expel or remove Tenant and any other person who may be occupying the premises of any part thereof, by force if necessary, without being liable for prosecution or any claim for such damages therefor, and if Landlord so elects, relet the premises on such terms as Landlord shall deem advisable and receive the rent thereof. Tenant agrees to pay to Landlord on demand any deficiency in basic rental that may arise by reason of such reletting; and
- c. Enter upon the premises by force if necessary, without being liable for prosecution of any claim for damages thereof, and do whatever Tenant is obligated to do under the terms of this lease, and Tenants agrees to reimburse Landlord on demand for any expenses which Landlord may incur in thus effective compliance with Tenant's obligations under this lease, and Tenant further agrees that Landlord shall not be liable for any damages resulting from such action.

No re-entry or taking possession of the premises by Landlord shall be construed as an election on its part to terminate this lease, unless a written notice of such intention be given to Tenant. Notwithstanding any such reletting or re-entry or taking possession, Landlord may at any time thereafter elect to terminate this lease for a previous default. Pursuit of any of the foregoing remedies shall not preclude pursuit of any of the other remedies herein provided or constitute a forfeiture or waiver of any rent due to Landlord hereunder or of any provisions and covenants herein contained. Landlord's acceptance of rent following an event of default hereunder shall not be construed as Landlord's waiver of such event of default. No waiver by Landlord of any violation or breach of any of the terms, provisions, and covenants herein contained. Forbearance by Landlord to enforce one or more of the remedies herein provided upon an event of default shall not be deemed or construed to constitute a waiver of any other violation or default. The loss or damage that Landlord may suffer by reason of termination of this lease, or the deficiency from any reletting of the premises as provided for above shall include without limitation the expense of recovering possession of the premises and any repairs undertaken by Landlord following recovery of possession, and the loss of the basic rental then remaining unpaid.

23. SURRENDER OF PREMISES. No act or thing done by the Landlord or its agents during the term hereby granted shall be deemed an acceptance of a surrender of the premises, and no agreement to accept a surrender of the premises shall be valid unless same be made in writing and subscribed by the Landlord.

24. ATTORNEY'S FEES. Tenant shall pay to Landlord upon demand all attorney's fees and all expenses and court costs of Landlord incurred in enforcing any of the obligations of Tenant under this lease.

25. LANDLORD'S LIEN. In addition to the statutory Landlord's lien, Landlord shall have, at all times, a valid security interest to secure payment of all rentals and other sums of money becoming due hereunder from Tenant, and to secure payment of any damages or loss which Landlord may suffer by reason of breach by Tenant of any covenant, agreement or condition contained herein, upon all goods, wares, equipment, fixtures, furniture, improvements and other personal property of Tenant but excluding the financial portfolios of Tenant's customers presently, or which may hereafter be situated on the demised premises, and all proceeds therefrom, and such property shall not be removed therefrom without the consent of the Landlord until all arrearages in rent, as well as any and all other sums of money then due to Landlord hereunder, shall first have been paid and discharges and all the covenants, agreements and conditions hereof have been fully complied with and performed by Tenant. Upon the occurrence of an event of default by Tenant, Landlord may, in addition to any other remedies provided herein, enter upon the demised premises and take possession of any and all goods, wares, equipment, fixtures, furniture, improvements and other personal property of Tenant but excluding the financial portfolios of Tenant's customers situated on the premises, without liability for trespass or conversion, and sell the same at public or private sale, with or without having such property at the sale, after giving Tenant reasonable notice of the time and place of any public sale or of the time after which any private sale is to be made, at which sale Landlord or its assigns may purchase, unless otherwise prohibited by law. Unless otherwise provided by law, and without intending to exclude any other manner of giving Tenant reasonable notice, the requirement of reasonable notice shall be met if such notice is given in the manner prescribed in Paragraph 30 of this lease at least five (5) days before the time of sale. The proceeds from any such disposition, less any and all expenses connected with the taking of possession, holding and selling of the property (including reasonable attorneys' fees and other expenses), shall be applied as a credit against the indebtedness secured by the security interest granted in this paragraph. Any surplus shall be paid to Tenant or as otherwise required by law; and Tenant shall pay any deficiencies forthwith. Landlord's statutory lien for rent is not hereby waived, the security interest herein granted being in addition and supplementary thereto.

26. MECHANIC'S LIEN. Tenant will not permit any mechanic's lien or liens to be placed upon the premises or the Development during the term hereof caused by or resulting from any work performed, materials furnished or obligation incurred by or at the request of Tenant, and in the case of the filing of any such lien, Tenant will promptly pay same. If default in payment thereof shall continue for twenty (20) days after written notice thereof from Landlord to the Tenant, the Landlord shall have the right and privilege at Landlord's option of paying the same or any portion thereof without inquiry as to the validity thereof, and any amounts so paid, including expenses and interest, shall be so much additional indebtedness hereunder due from Tenant to Landlord and shall be repaid to Landlord immediately on rendition of bill therefor, together with interest thereon at the highest rate allowed by law.

27. WAIVER OF SUBROGATION. Anything in this lease to the contrary notwithstanding, the parties hereto waive any and all rights of recovery, claim, action or cause of action, against each other, their agents, officers, and employees, for any loss or damage that may occur to the premises hereby demised, or any improvements thereto, of the Development of which the premises are a part, by reason of fire, the elements, or any cause which could be insured against under the terms of standard fire and extended coverage insurance policies, regardless of cause or origin, including negligence of the parties hereto, their agents, officers, and employees.

28. NOTICES. Each provision of this lease, or of any applicable governmental laws, ordinances, regulation, and other requirements with reference to the sending, mailing or delivery of any notice, or with reference to the making of any payment by Tenant to Landlord, shall be deemed to be complied with when and if the following steps are taken:

a. All rent and other payment required to be made by Tenant to Landlord hereunder shall be payable to Landlord in Gregg County, Longview, Texas, at the address hereinbelow set forth, or at such

other address as Landlord may specify from time to time by written notice delivered in accordance herewith;

b. Any notice or document required to be delivered hereunder shall be deemed to be delivered if actually received and whether or not received when deposited in the United States mail, postage prepaid, certified or registered mail (with or without return receipt requested) addressed to the parties hereto at the respective addresses set out beneath their names below, or at such other address as they have heretofore specified by written notice delivered in accordance herewith:

LANDLORD	MANAGING AGENT	TENANT
Judson Plaza, Inc. P. O. Box 3389 Longview, TX 75606-500 (903) 234-0024	Judson Plaza, Inc. 1125 Judson Road, #180 Longview, TX 75601 (903) 758-5208	Friedman Industries, Inc. 1121 Judson Road, Suite 124 Longview, Tx. 75601 758-3431

29. FORCE MAJEURE. Whenever a period of time is herein prescribed for action to be taken by Landlord, the Landlord shall not be liable or responsible for, and there shall be excluded from the computation of any such period of time, any delays due to strikes, riots, Acts of God, shortages of labor or materials, war, governmental laws, regulations or restrictions or any other causes of any kind whatsoever which are beyond the control of Landlord.

30. SEVERABILITY. If any clause or provision of this lease is illegal, invalid or unenforceable under present or future laws effective during the term of this lease, then and in the event, it is the intention of the parties hereto that the remainder of this lease shall not be affected thereby, and it is also the intention of the parties to this lease that in lieu of each clause or provision of this lease that is illegal, invalid, or unenforceable, there be added as a part of this lease a clause or provision as similar in terms to such illegal, invalid or unenforceable clause or provision as may be possible and be legal, valid and enforceable.

31. ENTIRE AGREEMENT; AMENDMENTS; BINDING EFFECT. This lease contains the entire agreement between the parties and may not be altered, changed or amended, except by instrument in writing signed by both parties hereto. No provision of this lease shall be deemed to have been waived by Landlord unless such waiver be in practice which may grow up between the parties in the administration of the terms hereof be construed to waive or lessen the right of Landlord to insist upon the performance by Tenant in strict accordance with the terms hereof. The terms, provisions, covenants and conditions contained in this lease shall apply to, inure to the benefit of, and be binding upon the parties hereto, and upon their respective successors in interest and legal representatives, except as otherwise herein expressly provided.

32. QUIET ENJOYMENT. Provided Tenant has performed all of the terms, covenants, agreements and conditions of this lease, including the payment of rent, to be performed by Tenant, Tenant shall peaceably and quietly hold and enjoy the premises for the term hereof, without hindrance from Landlord, subject to the terms and conditions of this lease.

33. RULES AND REGULATIONS. Tenant and Tenant's agents, employees, and invitees will comply fully with all requirements of the rules and regulations of the Development and related facilities which are attached hereto as Exhibit "C" and made a part hereof as though fully set out herein. Landlord shall at all times have the right to change such rules and regulations or to promulgate other rules and regulations in such reasonable manner as may be deemed advisable for safety, care or cleanliness of the Development, the premises, or related facilities, and for preservation of good order therein, all of which rules and regulations, changes and amendments will be forwarded to Tenant in writing and shall be carried out and observed by Tenant. Tenant shall further be responsible for the compliance with such rules and regulations by the employees, servants, agents, visitors and invitees of Tenant.

34. BROKER'S OR AGENT'S COMMISSION. Tenant represents and warrants that there are no claims for brokerage commission of finder's fees in connection with the execution of this lease, except as listed below, and Tenant agrees to indemnify and hold harmless Landlord against all liabilities and costs arising from such claims, including without limitation attorney's fees in connection therewith.

35. GENDER. Words of any gender used in this lease shall be held and construed to include any other gender, and words in the singular number shall be held to include the plural, unless the context otherwise requires.

36. GUARANTY, JOINT AND SEVERAL LIABILITY. If there be more than one Tenant, the obligations imposed upon the Tenant shall be joint and several. If there be a guarantor of Tenant's obligations hereunder, the obligations hereunder imposed upon Tenant shall be the joint and several obligations of Tenant and such guarantor and Landlord need not first proceed against the Tenant hereunder before proceeding against such guarantor, nor shall any such guarantor be released from its guaranty for any reason whatsoever, including without limitation, in case of any amendments hereto, waivers hereof or failure to give guarantor any notices hereunder.

37. CAPTIONS. The captions contained in this lease are for convenience

of reference only, and in no way limit or enlarge the terms and conditions of this lease.

38. PLACE OF PERFORMANCE. Tenant shall perform all covenants, conditions and agreements contained herein, including but not limited to payment of rent, in Gregg County, Longview. Any suit arising from or relating to this agreement shall be brought in Gregg County, Texas.

39. NO PERSONAL LIABILITY. Tenant agrees to look solely to Landlord's interest in the Development for the recovery of any judgment from Landlord, it being agreed that Landlord, both in its individual corporate capacity and in its capacity as trustee, and the trust for which the Landlord serves as trustee, shall never be personally liable for any such judgment.

40. SPECIAL PROVISIONS. NONE

E X E C U T E D AS OF THE DATE FIRST ABOVE WRITTEN.

LANDLORD:

JUDSON PLAZA, INC.

/s/ L. R. ALSTON

By (signature)

L. R. Alston

Name (please type)

C.E.O.

Title

TENANT:

FRIEDMAN INDUSTRIES, INC.

/s/ BEN HARPER

By (signature)

Ben Harper

Name (please type)

Senior Vice President - Finance

Title

By (signature)

Name (please type)

Title

EXHIBIT "A"

Plan showing exact location to be added later and made a part of this lease agreement.

EXHIBIT "B"

Final plans and specifications to be agreed to and initiated by both Landlord and Tenant and made a part of this lease agreement.

The landlord will construct a passage from Suite 124 to the 448 square feet presently known as Suite 120.

EXHIBIT "C"

1. Landlord agrees to furnish Tenant two keys to the premises without charge. Additional keys will be furnished at a nominal charge.
2. Tenant will refer all contractors, contractor's representatives and installation technicians, rendering any service on or to the premises for Tenant, to Landlord for Landlord's approval and supervision before performance of any contractual service. This provision shall apply to all work performed in the building including installation of telephones, telegraph equipment, electrical devices and attachments and installation of any nature affecting floors, walls, woodwork, trim, windows, ceilings, equipment or any physical portion of the building.
3. No Tenant shall at any time occupy any part of the Development as sleeping or lodging quarters.
4. Tenant shall not place, install or operate on premises or in any part of the Development, any engine, stove or machinery, or conduct mechanical operations or cook thereon or therein, or place or use in or about premises any explosives, gasoline, kerosene, oil, acids, caustics, or any other inflammable, explosive, or hazardous material without prior written consent of Landlord.
5. Landlord will not be responsible for lost or stolen personal property, equipment, money, or jewelry from Tenant's area or public rooms regardless of whether such loss occurs when area is locked against entry or not.
6. No bird, fowl, dogs, animals or pets of any kind shall be brought into or kept in or about the Development.
7. Landlord will not permit entrance to Tenant's offices by use of a passkey controlled by Landlord, to any person at any time without written permission by Tenant, except employees, contractors, or service personnel directly supervised or employed by Landlord.
8. None of the entries, passages, doors, elevators, hallways or stairways shall be blocked or obstructed, or any rubbish, litter, trash, or material of any nature placed, emptied, or thrown into these areas, nor shall such areas be used at any time except for ingress or egress by Tenant, Tenant's agents, employees or invitees.
9. The water closets and other water fixtures shall not be used for any purpose other than those for which they were constructed. No person shall waste water by interfering with the faucets or otherwise.

10. No person shall disturb the occupants of the building by the use of any musical instruments, the making of raucous noises, or other unreasonable use.

11. Nothing shall be thrown out of the windows of the building, or down the stairways or other passages.

12. Tenant shall not store any materials, equipment, products, etc., outside the premises as shown on the plans attached hereto.

13. Tenant shall not erect any sign or insignia upon or in any part of the Development or other portion of the premises without the prior written consent of the Landlord.

14. Tenant shall comply with all local and federal codes and ordinances. In the event of fire or code problems, Tenant shall comply with said requirements.

15. Tenants and its agents, employees and invitees shall observe and comply with the driving and parking signs and markers on all the Development grounds and surrounding areas.

16. Corridor and passage doors when not in use shall be kept closed.

17. All deliveries of other than hand-carried items must be made via the service entrances and service elevators. Any deliveries of an abnormally large, bulky or voluminous nature, such as furniture, office machinery, etc., can be made only after obtaining approval from the Landlord and at those times specified by the Landlord.

18. Directories will be placed by the Landlord, at Landlord's expense, in the building and no other directories shall be permitted.

19. No signs, draperies, shutters, window coverings, decorations, hangings or obstructions of any type shall be placed on the skylights or on any doors or windows which are visible from outside the premises without the prior written consent of the Landlord.

20. The Landlord reserves the right to rescind any of these rules and make such other and further rules and regulations as in the judgment of Landlord shall from time to time be needed for safety, protection, care, and cleanliness of the Development, the operation thereof, the preservation of good order therein, and the protection and comfort of its tenants, their agents, employees and invitees, including but not limited to rules and regulations regarding hours of access to the Development, which rules when made and notice thereof given to a tenant shall be binding upon him in a manner as if originally herein prescribed. In the event of any conflict, inconsistency or other difference between the terms and provisions of these rules and regulations and any lease now or hereafter in effect between Landlord and any tenant in the building, Landlord shall have the right to rely on the term or provision in either such lease or such Rules and Regulations which is most restrictive on such tenant and most favorable to Landlord.

FRIEDMAN
INDUSTRIES,
INCORPORATED

1996
ANNUAL REPORT

FINANCIAL HIGHLIGHTS

	1996	1995
	-----	-----
Net sales.....	\$106,849,181	\$97,968,805
Net earnings.....	\$2,836,768	\$2,458,132
Net earnings per share*.....	\$0.46	\$0.40
Cash dividends per share*.....	\$0.19	\$0.19
Stock dividends per share.....	5%	5%
Stockholders' equity.....	\$20,428,936	\$18,722,781
Stockholders' equity per share*.....	\$3.33	\$3.06
Working capital.....	\$21,114,143	\$20,140,221
* Adjusted for stock dividends.		

FRIEDMAN INDUSTRIES, INCORPORATED

[PHOTO OF MESSRS. CROW, THOMPSON AND HARPER]

TO OUR SHAREHOLDERS:

Please let me introduce you to the Company's senior management team. Pictured from left to right above are Thomas Thompson, Senior Vice President -- Sales and Marketing, William E. Crow, President and Chief Operating Officer and Benny Harper, Senior Vice President -- Finance and Secretary/Treasurer. Each of these gentlemen has been with the Company for more than 20 years and has the experience to direct the current affairs of the Company and take it forward to the next century.

We are pleased to report improved sales and earnings in fiscal 1996. In management's opinion these improvements were produced by favorable market conditions for the Company's products and services.

You are invited to attend the Annual Meeting of Shareholders scheduled to start at 11:00 a.m. on August 30, 1996, in the offices of Fulbright and Jaworski L.L.P., 1301 McKinney, Houston, Texas.

Sincerely,

/s/ JACK FRIEDMAN

Jack Friedman
Chairman of the Board
and Chief Executive Officer

FRIEDMAN INDUSTRIES, INCORPORATED

OFFICERS

Jack Friedman
Chairman of the Board and
Chief Executive Officer

Harold Friedman
Vice Chairman of the Board

William E. Crow
President and Chief Operating Officer

Benny Harper
Senior Vice President -- Finance
and Secretary/Treasurer

Thomas Thompson
Senior Vice President -- Sales and Marketing

Ronald L. Burgerson
Vice President -- Coil Products
(Lone Star, Texas)

Ted Henderson
Vice President -- Tubular Products

Dale Ray
Vice President -- Coil Products
(Hickman, Arkansas)

Charles W. Hall
Assistant Secretary

DIRECTORS

Jack Friedman
Chairman of the Board and
Chief Executive Officer

Harold Friedman
Vice Chairman of the Board

Charles W. Hall
Partner, Fulbright & Jaworski L.L.P. (law firm)
Houston, Texas

Alan M. Rauch
President, Ener-Tex
International, Inc.
(oilfield equipment sales)
Houston, Texas

Hershel M. Rich
Private investor and
business consultant
Houston, Texas

Henry Spira
Retired; Former Vice President,
Friedman Industries, Incorporated
Houston, Texas

Kirk K. Weaver
Chairman of the Board and
Chief Executive Officer,
LTI Technologies, Inc.
(technical services)
Houston, Texas

COMPANY OFFICES

MAIN OFFICE
4001 Homestead Road
Houston, Texas 77028
713-672-9433

SALES OFFICE
1121 Judson Road
Longview, Texas 75606
903-758-3431

COUNSEL

Fulbright & Jaworski L.L.P.
1301 McKinney, 51st Floor
Houston, Texas 77010

AUDITORS

Ernst & Young LLP
1221 McKinney, Suite 2400
Houston, Texas 77010

TRANSFER AGENT AND REGISTRAR

American Stock Transfer & Trust Company
40 Wall Street
New York, New York 10005

STOCK EXCHANGE LISTING
American Stock Exchange
(Trading symbol: FRD)

APPROXIMATE NUMBER OF
SHAREHOLDERS OF RECORD
800 at May 24, 1996

ANNUAL REPORT ON FORM 10-K

Shareholders may obtain without charge a copy of the Company's Annual Report on Form 10-K for the year ended March 31, 1996 as filed with the Securities and Exchange Commission. Written requests should be addressed to: Benny Harper, Senior Vice President, Friedman Industries, Incorporated, P.O. Box 21147, Houston, Texas 77226.

FRIEDMAN INDUSTRIES, INCORPORATED

DESCRIPTION OF BUSINESS

Friedman Industries, Incorporated is in the steel processing and distribution business. The Company has two product classifications: coil processing (steel sheet and plate) and tubular products.

At its facilities in Lone Star, Texas, Houston, Texas, and Hickman, Arkansas, the Company processes semi-finished, hot-rolled steel coils into flat, finished sheet and plate, and sells these products on a wholesale, rapid-delivery basis in competition with steel mills, importers and steel service centers. The Company also processes customer-owned coils on a fee basis. The Company purchases a substantial amount of its annual coil tonnage from Lone Star Steel Company ("LSS") and Nucor Steel Company ("NSC"). Loss of LSS or NSC as a source of coil supply could have a material adverse effect on the Company's business.

Steel sheet and plate and coil processing services are sold directly through the Company's own sales force to approximately 370 customers located primarily in the midwestern, southwestern and southeastern sections of the United States. These products and services are sold principally to steel distributors and to customers fabricating steel products such as storage tanks, steel buildings, farm machinery and equipment, construction equipment, transportation equipment, conveyors and other similar products.

The Company, through its Texas Tubular Products operation located in Lone Star, Texas, markets and processes pipe. In addition, this division manufactures pipe of which a substantial amount is sold to LSS. Pipe is sold nationally to approximately 280 customers. The Company processes its own tubular products and processes pipe for LSS on a fee basis. Pursuant to an informal arrangement with LSS, the Company purchases a substantial portion of its pipe from LSS. Loss of LSS as a source of pipe supply or as a customer of manufactured pipe could have a material adverse effect on the Company's business.

Significant financial information relating to the Company's product groups is contained in Note 6 of Notes to the Company's Consolidated Financial Statements appearing herein.

RANGE OF HIGH AND LOW SALES PRICES OF COMMON STOCK

	FISCAL YEAR 1996		FISCAL YEAR 1995	
	HIGH	LOW	HIGH	LOW
First Quarter.....	4 7/8	3 3/4	4 5/8	4
Second Quarter.....	4 5/8	3 3/4	4 5/8	3 7/8
Third Quarter.....	4 7/16	3 9/16	4 1/8	3 1/2
Fourth Quarter.....	4	3 7/16	4 3/4	4

DIVIDENDS DECLARED PER SHARE OF COMMON STOCK

	FISCAL YEAR 1996		FISCAL YEAR 1995	
	CASH	STOCK	CASH	STOCK
First Quarter.....	\$.05		\$.05	
Second Quarter.....	\$.05		\$.05	
Third Quarter.....	\$.045		\$.06	
Fourth Quarter.....	\$.05	5%	\$.05	5%

(Per share amounts above have not been adjusted to reflect stock dividends.)

FRIEDMAN INDUSTRIES, INCORPORATED

CONSOLIDATED BALANCE SHEETS

ASSETS

	MARCH 31	
	1996	1995
CURRENT ASSETS		
Cash and cash equivalents.....	\$ 595,216	\$ 664,527
Accounts receivable, less allowance for doubtful accounts of \$5,794 in 1996 and \$5,970 in 1995.....	9,423,204	8,670,636
Inventories.....	17,391,625	16,558,774
Other.....	114,625	62,618
TOTAL CURRENT ASSETS.....	27,524,670	25,956,555
PROPERTY, PLANT AND EQUIPMENT		
Land.....	198,021	198,021
Buildings and yard improvements.....	2,687,730	2,595,826
Machinery and equipment.....	11,699,234	11,320,928
Less accumulated depreciation.....	(9,316,572)	(8,699,581)
	5,268,413	5,415,194
OTHER ASSETS		
Cash value of officers' life insurance -- Note 3.....	19,903	703,113
TOTAL ASSETS.....	\$32,812,986	\$32,074,862

FRIEDMAN INDUSTRIES, INCORPORATED

LIABILITIES AND STOCKHOLDERS' EQUITY

	MARCH 31	
	1996	1995
CURRENT LIABILITIES		
Accounts payable and accrued expenses.....	\$ 4,739,206	\$ 4,270,809
Current portion of long-term debt -- Note 3.....	800,000	800,000
Dividends payable.....	291,709	277,742
Income taxes payable.....	53,047	14,658
Contribution to profit-sharing plan -- Note 5.....	216,000	200,000
Employee compensation and related expenses.....	310,565	253,125
TOTAL CURRENT LIABILITIES.....	6,410,527	5,816,334
LONG-TERM DEBT, less current portion -- Note 3.....	5,400,000	7,000,000
DEFERRED INCOME TAXES -- Note 4.....	460,523	422,747
POSTRETIREMENT BENEFITS OTHER THAN PENSIONS -- Note 5.....	113,000	113,000
STOCKHOLDERS' EQUITY -- Note 2		
Common Stock, par value \$1 per share:		
Authorized shares -- 10,000,000		
Issued and outstanding shares -- 5,834,195 in 1996 and 5,554,858 in 1995.....	5,834,195	5,554,858
Additional paid-in capital.....	21,444,360	20,571,057
Retained earnings.....	(6,849,619)	(7,403,134)
TOTAL STOCKHOLDERS' EQUITY.....	20,428,936	18,722,781
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY.....	\$32,812,986	\$32,074,862

See accompanying notes.

FRIEDMAN INDUSTRIES, INCORPORATED
 CONSOLIDATED STATEMENTS OF EARNINGS

	YEAR ENDED MARCH 31		
	1996	1995	1994
Sales.....	\$106,849,181	\$97,968,805	\$70,908,065
Costs and expenses:			
Cost of products sold.....	98,435,636	90,701,372	65,739,495
Selling, general and administrative.....	3,567,785	3,227,646	2,693,918
Interest.....	617,629	399,098	94,719
	102,621,050	94,328,116	68,528,132
Interest and other income.....	4,228,131	3,640,689	2,379,933
	70,001	83,753	65,629
EARNINGS BEFORE FEDERAL INCOME TAXES AND ACCOUNTING CHANGES.....	4,298,132	3,724,442	2,445,562
Federal income taxes:			
Current.....	1,423,588	1,186,466	774,949
Deferred.....	37,776	79,844	56,538
	1,461,364	1,266,310	831,487
EARNINGS BEFORE ACCOUNTING CHANGES.....	2,836,768	2,458,132	1,614,075
Cumulative effect of accounting changes -- Notes 4 and 5.....	--	--	77,000
NET EARNINGS.....	\$ 2,836,768	\$ 2,458,132	\$ 1,691,075
Average number of common shares outstanding.....	6,125,905	6,124,231	6,121,637
Earnings per share:			
Before accounting changes.....	\$.46	\$.40	\$.27
Cumulative effect of accounting changes.....	--	--	.01
NET EARNINGS PER SHARE.....	\$.46	\$.40	\$.28

CONSOLIDATED STATEMENTS OF
 STOCKHOLDERS' EQUITY

	COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS
Balance at March 31, 1993.....	\$5,035,907	\$19,172,805	\$(7,680,169)
Net earnings.....	--	--	1,691,075
Exercise of stock options.....	2,315	2,940	--
Stock dividend (5%).....	251,376	502,752	(755,441)
Cash dividends -- (\$.13 per share).....	--	--	(793,223)
BALANCE AT MARCH 31, 1994.....	5,289,598	19,678,497	(7,537,758)
Net earnings.....	--	--	2,458,132
Exercise of stock options.....	1,216	1,411	--
Stock dividend (5%).....	264,044	891,149	(1,157,100)
Cash dividends -- (\$.19 per share).....	--	--	(1,166,408)
BALANCE AT MARCH 31, 1995.....	5,554,858	20,571,057	(7,403,134)
Net earnings.....	--	--	2,836,768
Issuance of Director's shares.....	2,000	6,625	--
Stock dividend (5%).....	277,337	866,678	(1,145,690)
Cash dividends -- (\$.19 per share).....	--	--	(1,137,563)
BALANCE AT MARCH 31, 1996.....	\$5,834,195	\$21,444,360	\$(6,849,619)

See accompanying notes.

FRIEDMAN INDUSTRIES, INCORPORATED

CONSOLIDATED STATEMENTS OF CASH FLOWS

	YEAR ENDED MARCH 31		
	1996	1995	1994
OPERATING ACTIVITIES			
Net earnings.....	\$2,836,768	\$2,458,132	\$1,691,075
Adjustments to reconcile net earnings to cash provided by (used in) operating activities:			
Depreciation.....	616,991	575,336	362,715
Director's shares issued.....	8,625	--	--
Provision for losses on accounts receivable.....	9,500	13,645	1,812
Provision for deferred taxes.....	37,776	79,844	56,538
Cumulative effect of accounting changes.....	--	--	(77,000)
Decrease (increase) in operating assets:			
Accounts receivable.....	(762,068)	(993,999)	(2,190,801)
Inventories.....	(832,851)	(3,699,588)	(3,278,681)
Other.....	(52,007)	71,906	183,164
Increase (decrease) in operating liabilities:			
Accounts payable and accrued expenses.....	468,397	(479,001)	1,890,870
Contribution to profit-sharing plan.....	16,000	20,000	28,000
Employee compensation and related expenses...	57,440	60,376	85,271
Postretirement benefit other than pensions...	--	36,000	27,000
Federal income taxes payable.....	38,389	14,658	--
Net cash provided by (used in) operating activities.....	2,442,960	(1,842,691)	(1,220,037)
INVESTING ACTIVITIES			
Purchase of property, plant and equipment.....	(470,210)	(470,612)	(2,529,888)
Decrease (increase) in cash value of officers' life insurance.....	683,210	(69,206)	(54,295)
Other.....	--	16,315	--
Net cash provided by (used in) investing activities.....	213,000	(523,503)	(2,584,183)
FINANCING ACTIVITIES			
Cash dividends paid.....	(1,123,596)	(1,097,661)	(732,716)
Proceeds from borrowings of long-term debt.....	--	4,000,000	4,000,000
Principal payments on long-term debt.....	(1,600,000)	(200,000)	(280,000)
Cash paid on fractional shares from stock dividend.....	(1,675)	(1,907)	(1,313)
Proceeds from issuing stock under employee plans.....	--	--	5,255
Net cash provided by (used in) financing activities.....	(2,725,271)	2,700,432	2,991,226
Increase (decrease) in cash and cash equivalents.....	(69,311)	334,238	(812,994)
Cash and cash equivalents at beginning of year....	664,527	330,289	1,143,283
Cash and cash equivalents at end of year.....	\$ 595,216	\$ 664,527	\$ 330,289

See accompanying notes.

FRIEDMAN INDUSTRIES, INCORPORATED

NOTES TO CONSOLIDATED
FINANCIAL STATEMENTS
March 31, 1996

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF CONSOLIDATION: The consolidated financial statements include the accounts of Friedman Industries, Incorporated and its subsidiary (which are collectively referred to herein as the "Company"). All material intercompany amounts and transactions have been eliminated.

CASH AND CASH EQUIVALENTS: The Company considers all highly liquid debt instruments purchased with maturities of three months or less to be cash equivalents.

INVENTORIES: The following is a summary of inventory by product group:

	MARCH 31	
	1996	1995
Coil.....	\$ 7,033,949	\$ 5,870,349
Tubular.....	10,357,676	10,688,425
	\$17,391,625	\$16,558,774
	=====	=====

Coil inventory consists primarily of raw materials. Tubular inventory consists of both raw materials and finished goods. Inventories are valued at the lower of cost or replacement market. Cost for the Company's coil inventory is determined under the last-in, first-out (LIFO) method. Cost for tubular inventories is determined using the first-in, first-out (FIFO) method. At March 31, 1996 and 1995, the current replacement cost of LIFO inventories exceeded their LIFO value by approximately \$2,857,000 and \$4,123,000, respectively.

PROPERTY, PLANT AND EQUIPMENT: Property, plant and equipment is stated on the basis of cost. Depreciation is calculated principally by the straight-line method over the estimated useful lives of the various classes of assets. Interest costs incurred during construction projects are capitalized as part of the cost of such assets.

EARNINGS PER SHARE: Earnings per share are based on the weighted average number of common shares outstanding. Stock options are not included in the computation of the weighted average number of common shares outstanding since their effect is not significant. Fully diluted earnings per share are not presented because they are not materially dilutive.

All applicable per share amounts herein have been retroactively adjusted to give effect to a 5% stock dividend distributed May 24, 1996.

SUPPLEMENTAL CASH FLOW INFORMATION: The Company paid interest of approximately \$679,000 in 1996, \$373,000 in 1995 and \$81,000 in 1994. The Company paid income taxes, net of refunds, of approximately \$1,385,000 in 1996, \$1,130,000 in 1995 and \$660,000 in 1994.

USE OF ESTIMATES: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

FINANCIAL INSTRUMENTS: The carrying value of the Company's financial instruments approximate fair value.

PENDING ACCOUNTING POLICY CHANGES: In October 1995, the FASB issued Statement No. 123, "Accounting for Stock-Based Compensation". Under the provisions of FASB 123, companies can elect to account for stock-based compensation plans using a fair value based method or continue measuring compensation expense for those plans using the intrinsic value method prescribed by Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to

FRIEDMAN INDUSTRIES, INCORPORATED

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Employees". FASB 123 requires that companies electing to continue using the intrinsic value method must make pro forma disclosures of net income and earnings per share as if the fair value based method had been applied. The Company's required adoption date for FASB 123 is April 1, 1996. Presently, the Company anticipates continuing to account for stock-based compensation using APB 25.

ECONOMIC RELATIONSHIP: Lone Star Steel Company ("LSS") and Nucor Steel Company ("NSC") supply a significant amount of steel products to the Company. Loss of either of these mills as a source of supply could have a material adverse effect on the Company. Additionally, the Company derives revenue by selling a substantial amount of its manufactured pipe to LSS and by providing tubular processing services for LSS. Total sales to LSS were approximately \$15.6 million, \$10.4 million, and \$11.8 million in 1996, 1995 and 1994, respectively. Loss of this mill as a customer could have a material adverse effect on the Company's business.

2. CAPITAL STOCK AND STOCK OPTIONS

Under the Company's 1989 Incentive Stock Option Plan, incentive options were granted to certain officers and key employees to purchase Common Stock of the Company. The following is a summary of activity relative to options outstanding during the years ended March 31 (adjusted for stock dividends):

	1996		1995		1994	
	SHARES	OPTION PRICE	SHARES	OPTION PRICE	SHARES	OPTION PRICE
Outstanding at beginning of year.....	81,744	\$ 1.96	83,085	\$1.96	87,106	\$1.96
GRANTED.....	10,500	3.57	--	--	--	--
CANCELED.....	--	--	--	--	(1,341)	1.96
EXERCISED.....	--	--	(1,341)	1.96	(2,680)	1.96
OUTSTANDING AT END OF YEAR (ALL OF WHICH ARE EXERCISABLE).....	92,244	\$1.96-3.57	81,744	\$1.96	83,085	\$1.96

Pursuant to the terms of the plan, 104,748 additional options may be granted. The exercise price of all previously granted options equaled or exceeded the fair market price of the Common Stock on the date of grant. No charges to earnings have been made as a result of granting or exercising options.

The Company has 1,000,000 authorized shares of Cumulative Preferred Stock with a par value of \$1 per share. The Stock may be issued in one or more series; and the Board of Directors is authorized to fix the designations, preferences, rights, qualifications, limitations and restrictions of each series, except that any series must provide for cumulative dividends and must be convertible into Common Stock.

3. LONG-TERM DEBT

The Company's long-term debt consists of a term note payable and borrowings under a line of credit. The term note payable of \$2,200,000 and \$3,800,000 at March 31, 1996 and 1995, respectively, bears an interest rate equal to the lending bank's floating prime rate. Principal payments in the amount of \$200,000 plus interest are to be made quarterly through December 1, 1998. Borrowings under the line of credit were \$4,000,000 at March 31, 1996 and 1995. The line of credit facility provides for borrowings of up to \$8,000,000, is unsecured, bears interest at a maximum of the bank's floating prime rate, and expires on April 1, 1998. There are no commitment fees or compensating balance requirements under this facility. The annual principal payments required on long-term debt during the next three fiscal years are as follows: 1997 -- \$800,000; 1998 -- \$800,000; 1999 -- \$4,600,000. There are no principal payments due in the fiscal years 2000 and 2001.

FRIEDMAN INDUSTRIES, INCORPORATED

3. LONG-TERM DEBT (CONTINUED)

In July 1995, the Company borrowed \$708,168 at an average interest rate of 7.95% against the cash surrender value of officers' life insurance policies (the "borrowings"). The borrowings do not require specific repayment terms except that in case of a death, the borrowings will be deducted from the proceeds of the life insurance policy. The proceeds of the borrowings were used to reduce the term note.

4. INCOME TAXES

Effective April 1, 1993, the Company adopted Statement of Financial Accounting Standards 109 (SFAS 109), "Accounting for Income Taxes." The adoption of SFAS 109 changed the Company's method of accounting for income taxes from the deferred approach to an asset and liability approach. The asset and liability approach requires the recognition of deferred tax liabilities and assets for the expected future tax consequences of temporary differences between the financial reporting basis and tax basis of assets and liabilities. The cumulative effect of adopting SFAS 109 as of April 1, 1993 increased net earnings by \$110,000 or \$.02 per share.

	MARCH 31	
	1996	1995
DEFERRED TAX LIABILITY:		
Depreciation.....	\$553,401	\$520,490
DEFERRED TAX ASSETS:		
Inventory capitalization.....	52,488	53,738
Postretirement benefits other than pensions.....	38,420	38,420
Other.....	1,970	5,585
Total deferred tax assets.....	92,878	97,743
Net deferred tax liability.....	\$460,523	\$422,747

5. PROFIT-SHARING PLAN AND OTHER POSTRETIREMENT BENEFITS

The Company has a defined-contribution plan ("Plan") covering substantially all employees, including officers. Company contributions, which are made at the discretion of the Board of Directors in an amount not to exceed 15% of the total compensation paid during the year to all eligible employees, were \$216,000 for the year ended March 31, 1996, \$200,000 for the year ended March 31, 1995 and \$180,000 for the year ended March 31, 1994. Contributions, Plan earnings and forfeitures of terminated participants' nonvested accounts are allocated to the individual accounts of participating employees based on compensation received during the Plan year and years of active service with the Company.

In addition, certain health care benefits are provided for retired employees. Employees with a minimum of 20 years of employment with the Company who retire at 65 or older are eligible. Effective April 1, 1993, the Company adopted Statement of Financial Accounting Standards 106, "Employers Accounting for Postretirement Benefits Other than Pensions," which provides that the Company follow an accrual method of accounting for the postretirement benefits other than pensions. Such benefits, in prior years, were accounted for on a pay-as-you-go basis. The Company elected to immediately recognize as a charge to 1994 earnings the cumulative effect of the change in accounting for postretirement benefits of \$33,000 (\$50,000 liability net of a deferred tax asset of \$17,000). The \$50,000 liability represents the accumulated postretirement benefit obligation existing at adoption. The Company has not funded the cost of the postretirement health care plan.

6. INDUSTRY SEGMENT DATA

The Company is engaged in the steel processing and distribution business. Within the Company there are two product groups: coil processing (steel sheet and plate) and tubular products. Coil

FRIEDMAN INDUSTRIES, INCORPORATED

6. INDUSTRY SEGMENT DATA (CONTINUED)

processing converts steel coils into flat sheet and plate steel cut to customer specifications. Through its Texas Tubular operation, the Company purchases, processes, manufactures and markets tubular products. This operation processes its own tubular products and processes pipe on a fee basis for LSS.

The following is a summary of significant financial information relating to the product groups:

	YEAR ENDED MARCH 31		
	1996	1995	1994
NET SALES:			
Coil processing.....	\$ 63,811,709	\$64,138,520	\$42,921,520
Tubular products.....	43,037,472	33,830,285	27,986,545
TOTAL NET SALES.....	\$106,849,181	\$97,968,805	\$70,908,065
OPERATING PROFIT (LOSS):			
Coil processing.....	\$ 1,856,750	\$ 1,975,775	\$ 1,069,349
Tubular products.....	4,218,560	3,147,319	2,315,254
TOTAL OPERATING PROFIT.....	6,075,310	5,123,094	3,384,603
Corporate expenses.....	(1,229,550)	(1,083,307)	(909,951)
Interest expense.....	(617,629)	(399,098)	(94,719)
Interest and other income.....	70,001	83,753	65,629
TOTAL EARNINGS BEFORE TAXES.....	\$ 4,298,132	\$ 3,724,442	\$ 2,445,562
IDENTIFIABLE ASSETS:			
Coil processing.....	\$ 15,132,983	\$14,312,010	\$13,290,525
Tubular products.....	16,998,998	16,309,266	12,749,723
General corporate assets.....	32,131,981	30,621,276	26,040,248
TOTAL ASSETS.....	\$ 32,812,986	\$32,074,862	\$27,184,421
DEPRECIATION:			
Coil processing.....	\$ 310,840	\$ 287,308	\$ 108,823
Tubular products.....	299,714	280,982	250,131
Corporate and other.....	6,437	7,046	3,761
	\$ 616,991	\$ 575,336	\$ 362,715
CAPITAL EXPENDITURES:			
Coil processing.....	\$ 108,765	\$ 298,832	\$ 2,336,292
Tubular products.....	359,737	167,293	169,468
Corporate assets.....	1,708	4,487	24,128
	\$ 470,210	\$ 470,612	\$ 2,529,888

Operating profit is total revenue less operating expenses, excluding general corporate expenses, interest expense and interest and other income. Corporate assets consist primarily of cash and cash equivalents and the cash value of officers' life insurance. There are no sales between product groups.

FRIEDMAN INDUSTRIES, INCORPORATED

7. SUMMARY OF QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

The following is a summary of unaudited quarterly results of operations for the years ended March 31, 1996 and 1995 (per share amounts have been adjusted for subsequent stock dividends):

	Quarter Ended			
	June 30 1995	September 30 1995	December 31 1995	March 31 1996
Net sales.....	\$28,752,665	\$26,208,387	\$25,559,420	\$26,328,709
Gross profit.....	2,266,467	1,775,268	2,033,081	2,338,729
Net earnings.....	783,214	554,018	684,456	815,080
Net earnings per share.....	.13	.09	.11	.13

	Quarter Ended			
	June 30 1994	September 30 1994	December 31 1994	March 31 1995
Net sales.....	\$22,998,712	\$24,651,141	\$24,228,187	\$26,090,765
Gross profit.....	1,514,769	1,797,633	1,941,393	2,013,638
Net earnings.....	423,618	612,586	719,840	702,088
Net earnings per share.....	.07	.10	.12	.11

8. CONCENTRATION OF RECEIVABLES

The Company's sales are concentrated primarily in the midwestern, southwestern and southeastern sections of the United States and are principally to customers in the steel distributing and fabricating industries. The Company performs periodic credit evaluations of its customers' financial conditions and generally does not require collateral. Generally, receivables are due within 30 days.

FRIEDMAN INDUSTRIES, INCORPORATED

REPORT OF INDEPENDENT AUDITORS

Board of Directors and Shareholders
Friedman Industries, Incorporated

We have audited the accompanying consolidated balance sheets of Friedman Industries, Incorporated as of March 31, 1996 and 1995, and the related consolidated statements of earnings, stockholders' equity and cash flows for each of the three years in the period ended March 31, 1996. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Friedman Industries, Incorporated at March 31, 1996 and 1995, and the consolidated results of its operations and its cash flows for each of the three years in the period ended March 31, 1996, in conformity with generally accepted accounting principles.

/s/ ERNST & YOUNG LLP

May 28, 1996
Houston, Texas

SELECTED FINANCIAL DATA

	YEAR ENDED MARCH 31				
	1996	1995	1994	1993	1992
Net sales.....	\$ 106,849,181	\$ 97,968,805	\$ 70,908,065	\$ 56,230,967	\$ 42,609,330
Net earnings.....	2,836,768	2,458,132	1,691,075(A)	806,272	483,720
Total assets.....	32,812,986	32,074,862	27,184,421	20,491,441	19,619,875
Long-term debt.....	5,400,000	7,000,000	3,800,000	--	280,000
Stockholders' equity.....	20,428,936	18,722,781	17,430,337	16,528,543	16,277,792
Net earnings per share.....	0.46	0.40	0.28(A)	0.13	0.08
Cash dividends declared per share adjusted for stock dividends.....	0.19	0.19	0.13	0.09	0.08

(A) Includes the cumulative effect of accounting changes which increased net earnings \$77,000 (\$.01 per share).

See also Note 1 of Notes to the Company's Consolidated Financial Statements herein which describes the Company's relationship with its primary suppliers of steel products.

FRIEDMAN INDUSTRIES, INCORPORATED

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF
OPERATIONS
RESULTS OF OPERATIONS

Year ended March 31, 1996 compared to year ended March 31, 1995

During the year ended March 31, 1996, sales, cost of products sold and gross profit increased \$8,880,376, \$7,734,264 and \$1,146,112, respectively, from the comparable amounts recorded during the year ended March 31, 1995. The sales increase was primarily related to the Company's tubular operations which benefited from stronger market conditions for its products and recorded a substantial increase in volume. The increase in cost of products sold primarily resulted from the increase in sales noted above. Gross profit increased as a result of the increase in sales combined with an improved margin rate. Margins earned on sales increased from 7.4% in 1995 to 7.9% in 1996. This improvement was primarily related to tubular operations which benefited from both stronger market conditions for its products and efficiencies associated with increased production.

Selling, general and administrative expenses increased \$340,139 from the amount recorded during fiscal 1995. This increase primarily resulted from increases in variable expenses which were associated with increased volume and earnings.

Interest expense increased \$218,531 from the comparable amount recorded in fiscal 1995. This increase was primarily related to interest paid on borrowings under the Company's bank line of credit which were outstanding twelve months in fiscal 1996 compared to approximately four months in fiscal 1995. Borrowings under this line of credit were used to support working capital.

Federal income taxes increased \$195,054 from the amount recorded in fiscal 1995. This increase was related to the increase in earnings before taxes as the effective tax rates were the same for both years.

Year ended March 31, 1995 compared to year ended March 31, 1994

During the year ended March 31, 1995, sales, cost of products sold and gross profit increased \$27,060,740, \$24,961,877 and \$2,098,863 from each of the respective amounts recorded during the year ended March 31, 1994. Approximately 78% of the sales increase was related to the coil products group. This increase in coil sales was primarily due to the Company's Arkansas coil facility which became operational in January 1994, and accordingly, operated twelve months in fiscal 1995 compared to three months in fiscal 1994. In addition, coil sales benefited from an increase in the average selling price of these products and from an increase in volume. The tubular products group also reflected an increase in sales which was primarily related to an increase in sales of pipe piling and structural products. The increases in cost of products sold and gross profit were primarily related to the sales increase discussed above. Gross profit rates were 7.4% and 7.3% in fiscal 1995 and fiscal 1994, respectively.

Selling, general and administrative expenses increased \$533,728 from the amount recorded during fiscal 1994. This increase was primarily related to direct expenses associated with the Arkansas coil facility. In addition, variable expenses which were principally related to volume and earnings contributed to the overall increase in selling, general and administrative costs.

Interest expense during fiscal 1995 increased \$304,379 from the comparable amount in fiscal 1994. In December 1993, the Company borrowed \$4,000,000 to support the construction and operation of the Arkansas coil facility. In addition, beginning in December 1994, the Company made borrowings under its bank line of credit which were utilized to support working capital.

FRIEDMAN INDUSTRIES, INCORPORATED

Federal income taxes increased \$434,823 from the amount recorded during fiscal 1994. This increase was related to increased earnings before taxes as the effective tax rates were the same for both years.

During fiscal 1994, the Company was required to adopt Statement of Financial Accounting Standards No. 109 "Accounting for Income Taxes" and No. 106, "Employer's Accounting for Post-retirement Benefits Other Than Pensions". The cumulative effect of these accounting changes, net of tax, was to increase net income \$77,000. See also Notes 4 and 5 to the financial statements appearing herein.

FINANCIAL CONDITION, LIQUIDITY AND SOURCES OF CAPITAL

At March 31, 1996, the Company maintained a strong, liquid position as evidenced by a debt to equity ratio of .26 and by a current ratio of 4.3. In December 1993, the Company borrowed \$4,000,000 from a bank to support the construction and operation of its new steel processing facility located in Hickman, Arkansas. This note is a five year term note that bears interest at the bank's floating prime rate and requires quarterly principal payments of \$200,000 plus interest through December 1, 1998. The Company has available a line of credit facility with a bank, which provides for borrowings up to \$8,000,000, is unsecured, bears interest at the maximum of the bank's floating prime rate and expires on April 1, 1998. At March 31, 1996, the Company had borrowed \$4,000,000 under this facility to support working capital. The Company believes that its cash flow from operations and borrowing capability under its line of credit facility are adequate to fund its expected cash requirements for the year ending March 31, 1997.

FRIEDMAN INDUSTRIES, INCORPORATED

TEN YEAR FINANCIAL SUMMARY

	YEAR ENDED MARCH 31					
	1996	1995	1994	1993	1992	1991
Net sales.....	\$106,849,181	\$97,968,805	\$70,908,065	\$56,230,967	\$42,609,330	\$50,264,851
Earnings.....	\$ 2,836,768	\$ 2,458,132	\$ 1,691,075(1)	\$ 806,272	\$ 483,720	\$ 866,259
Current assets.....	\$ 27,524,670	\$25,956,555	\$21,014,281	\$16,542,769	\$15,537,203	\$16,826,544
Current liabilities.....	\$ 6,410,527	\$ 5,816,334	\$ 5,534,143	\$ 3,549,495	\$ 2,849,637	\$ 2,501,178
Net working capital.....	\$ 21,114,143	\$20,140,221	\$15,480,138	\$12,993,274	\$12,687,566	\$14,325,366
Total assets.....	\$ 32,812,986	\$32,074,862	\$27,184,421	\$20,491,441	\$19,619,875	\$20,936,487
Stockholders' equity.....	\$ 20,428,936	\$18,722,781	\$17,430,337	\$16,528,543	\$16,277,792	\$16,274,914
Earnings as a percent of						
Net sales.....	2.7	2.5	2.4	1.4	1.1	1.7
Stockholders' equity.....	13.9	13.1	9.7	4.9	3.0	5.3
Average number of common and common equivalent shares(3).....	6,125,905	6,124,231	6,121,637	6,121,176	6,121,176	6,121,176
Per share						
Earnings from operations(3).....	\$ 0.46	\$ 0.40	\$ 0.28(1)	\$ 0.13	\$ 0.08	\$ 0.14
Stockholders' equity(3).....	\$ 3.33	\$ 3.06	\$ 2.85	\$ 2.70	\$ 2.66	\$ 2.66
Cash dividends per common share(3).....	\$ 0.19	\$ 0.19	\$ 0.13	\$ 0.09	\$ 0.08	\$ 0.13
Stock dividend declared.....	5%	5%	5%	5%	5%	5%

	YEAR ENDED MARCH 31			
	1990	1989	1988	1987
Net sales.....	\$50,043,949	\$53,499,476	\$59,255,966	\$46,984,967
Earnings.....	\$ 1,560,701	\$ 1,830,861(2)	\$ 3,449,368	\$ 1,924,726
Current assets.....	\$16,731,964	\$19,592,919	\$18,110,425	\$36,043,350
Current liabilities.....	\$ 1,783,375	\$ 4,695,397	\$ 3,514,402	\$ 2,980,992
Net working capital.....	\$14,948,589	\$14,897,522	\$14,596,023	\$33,062,358
Total assets.....	\$19,042,527	\$21,803,286	\$20,498,322	\$38,519,625
Stockholders' equity.....	\$16,186,557	\$15,715,223	\$15,288,709	\$33,529,670
Earnings as a percent of				
Net sales.....	3.1	3.4	5.8	4.1
Stockholders' equity.....	9.6	11.7	22.6	5.7
Average number of common and common equivalent shares(3).....	6,121,176	6,029,248	5,988,153	5,961,312
Per share				
Earnings from operations(3).....	\$ 0.25	\$ 0.30(2)	\$ 0.58	\$ 0.32
Stockholders' equity(3).....	\$ 2.64	\$ 2.61	\$ 2.55	\$ 5.62
Cash dividends per common share(3).....	\$ 0.18	\$ 0.27	\$ 3.64	\$ 0.17
Stock dividend declared.....	5%	5%	10%	--

(1) Includes the cumulative effect of accounting changes which increased net earnings \$77,000 (\$.01 per share).

(2) Includes an after-tax loss of \$544,500 (\$0.09 per share) due to an extraordinary item.

(3) Adjusted for stock dividends.

SUBSIDIARIES

Royal Fasteners Corporation	Texas corporation	100% owned
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CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in this Annual Report (Form 10-K) of Friedman Industries, Incorporated of our report dated May 28, 1996, included in the 1996 Annual Report to Shareholders of Friedman Industries, Incorporated.

Our audits also included the financial statement schedule of Friedman Industries, Incorporated listed in the response to Item 14(a). These schedules are the responsibility of the Company's management. Our responsibility is to express an opinion based on our audits. In our opinion, the financial statement schedule referred to above, when considered in relation to the basic financial statements taken as a whole, present fairly in all material respects the information set forth therein.

/s/ Ernst & Young LLP

May 28, 1996
Houston, Texas

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM 1996 ANNUAL REPORT TO SHAREHOLDERS.

0000039092

FRIEDMAN INDUSTRIES, INCORPORATED

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U.S. DOLLARS

YEAR	
MAR-31-1996	
APR-01-1995	
MAR-31-1996	
	1
	595,216
	0
	9,423,204
	0
	17,391,625
	27,524,670
	14,584,985
	9,316,572
	32,812,986
6,410,527	
	5,400,000
	5,834,195
	0
	0
	14,594,741
32,812,986	
	106,849,181
	106,849,181
	98,435,636
	102,003,421
	0
	0
	617,629
	4,298,132
	1,461,364
2,836,768	
	0
	0
	0
	2,836,768
	.46
	.46