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FERROUS RAW MATERIALS MANUAL

PART 1

COMMERCIAL TERMS & CONDITIONS OF PURCHASE

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CHAPARRAL STEEL MIDLOTHIAN, LP CHAPARRAL (VIRGINIA) INC. FERROUS RAW MATERIALS MANUAL

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PART 1

COMMERCIAL TERMS AND CONDITIONS OF PURCHASE OF CHAPARRAL STEEL MIDLOTHIAN, LP AND CHAPARRAL (VIRGINIA) INC., AND THEIR AFFILIATED COMPANIES (HEREINAFTER REFERRED TO AS “WE” “CHAPARRAL” OR “BUYER”):

1. Introduction: Standards of Conduct

Chaparral believes that a requirement of a successful company is to create a climate in which ethics is so integral to day-to-day operations that ethical behavior is virtually self-enforcing. Chaparral's goal is to design organizations, policies and procedures that make it easier rather than harder to do the right thing. Chaparral desires to have a reputation among its customers, suppliers, competitors and investors as a fair, honest and reliable firm with which to do business.

With regard to our suppliers: We will seek to build long-standing, mutually beneficial relationships based on confidence and trust. We will purchase materials and services for Chaparral based solely on the merits of the transaction. We will maintain dependable sources of quality materials at fair and competitive prices.

We will hold ourselves to the highest ethical, moral and professional standards, and we expect our suppliers to hold to the highest ethical, moral and professional standards in their dealings with us. If a supplier becomes aware of immoral, unethical and/or unprofessional behavior by a Chaparral employee, the supplier is asked to immediately contact the General Counsel or Vice President for Raw Materials at Chaparral Steel [300 Ward Road, Midlothian, Texas 76065; Phone: (972) 299-5212].

In dealings with Chaparral, immoral, unethical and/or unprofessional behavior on the part of our employees, outside contractors, carriers and/or suppliers of materials or services will not be tolerated, and will be grounds for severance of the business relationships between Chaparral and the offending parties. In addition, Chaparral may pursue any additional remedies allowed by law.

2. Definitions

FRMM: Chaparral's Ferrous Raw Materials Manual.

RAW MATERIAL: Ferrous scrap and other metallic ferruginous materials (e.g., pig iron), that are prepared or semi-prepared in accordance with Chaparral specifications and other requirements, and supplied to Chaparral for the purpose of re-melting and/or recycling to produce new products.

SELLER (or VENDOR): The business entity with which Chaparral contracts to buy RAW MATERIAL. After we accept a RAW MATERIAL shipment, we remit payment to VENDOR. Each VENDOR has a unique VENDOR Identification Number. The VENDOR will be responsible for meeting the specifications and other terms, conditions and requirements contained in the FRMM.

SHIPPER (or SHIPPING OPERATION): The business entity that actually processes and/or physically ships the RAW MATERIAL. Examples of SHIPPERS include:

- Scrap Processor (a/k/a “Scrap Dealer” or “Scrap Yard”)
- Mobile Auto Crusher
- Auto Salvage Yard

SUPPLIER: A business entity that supplies RAW MATERIAL in any form to Chaparral, whether or not the commercial transaction that transfers ownership of such RAW MATERIAL from the SUPPLIER to Chaparral occurs solely between Chaparral and the SUPPLIER or such title is transferred to Chaparral by one or more third parties. Both VENDORS and SHIPPERS are SUPPLIERS.

CARRIER: A transportation company hired to transport RAW MATERIAL from a SUPPLIER’s shipping point to a Chaparral plant site.

QUALIFIED: Approved by Chaparral to supply RAW MATERIAL to Chaparral.

DISQUALIFIED: deemed ineligible by Chaparral to supply particular grades or all grades of RAW MATERIAL for shredding and/or remelting.

SUSPENDED: deemed ineligible by Chaparral to supply particular grades or all grades of RAW MATERIAL for shredding and/or remelting for a specified length of time.

DOWNGRADE: to reclassify a shipment of RAW MATERIAL that fails to meet the intended grade specification. Reclassification is an alternative to rejection of the shipment and suspension or disqualification of the SUPPLIER, but the shipment must meet an existing, less stringent specification. If a shipment does not meet a less stringent grade specification, rejection, financial penalty, suspension and/or disqualification are alternatives.

REJECT: to refuse to accept, in whole or in part, a shipment.

3. From whom we buy

Chaparral only buys RAW MATERIAL from Qualified VENDORS whose principal business is iron and steel scrap processing, scrap brokerage, auto crushing, and/or auto or truck salvage. Chaparral only buys RAW MATERIAL for the purpose of shredding and recycling.

Chaparral does not purchase or accept scrapped motor vehicles, crushed or uncrushed, from individuals. Even if an individual (including a tow truck operator) were to deliver a motor vehicle to Chaparral and offer it to us for free, or even offer to pay us to take it, we would not accept it.

3.1 VENDOR Qualification:

VENDORS may become Qualified by completing the VENDOR qualification process set forth in Appendix 1 of Part 1, Commercial Terms and Conditions of Purchase.

It is the responsibility of the Chaparral Ferrous Raw Materials Department to assure that all VENDORS of RAW MATERIALS to Chaparral are Qualified.

3.2 All Purchase Orders Require that SHIPPER(S) Be Identified

Every VENDOR of scrap must identify SHIPPER(s) who may ship scrap against each Purchase Order. Once a Purchase Order is issued, a VENDOR may not change SHIPPER(s) associated with that Purchase Order without approval by the Chaparral Ferrous Raw Materials Department.

4. Means of delivery and points of purchase; Destination Net Weight & Grading govern final settlement

Unless otherwise agreed upon, RAW MATERIAL purchased by Chaparral to be shipped by truck shall be priced on a delivered basis, F.O.B. our plant at either Midlothian, TX or Petersburg, VA.

Unless otherwise agreed upon, RAW MATERIAL purchased by Chaparral to be shipped by rail shall be priced F.O.B. point of origin and shipped freight collect to:

Chaparral Steel Midlothian, LP, Ward Spur, TX
Chaparral (Virginia), Inc., Petersburg, VA

Chaparral's net weight and grading shall govern final settlement for all purchases of RAW MATERIAL.

Destination weight agreements are in effect between Chaparral and the delivering rail CARRIERS, whereby net weights at destination, as determined using certified scales operated by Bonded Public Weighers, are used for the purpose of determining freight charges.

Documentation showing Chaparral's gross, tare, and net weights will be provided to SELLER. Chaparral Scale Operators, Inspectors, and Ferrous Raw Materials personnel shall cooperate at all times to satisfy SUPPLIERS that our certified scales are functioning properly and that proper weighing practices are being carried out.

5. Purchase Orders

Chaparral will issue Purchase Orders for all RAW MATERIAL to be purchased by Chaparral.

5.1. "Non-Specified" Purchase Orders

VENDORS who regularly sell RAW MATERIAL to Chaparral, but less than 6,000 tons per year, may be issued "Non-Specified" Purchase Orders that are valid until cancelled by Chaparral. "Non-Specified" Purchase Orders do not require a VENDOR to ship a specific quantity during a Contract Shipping Period. "Non-Specified Purchase Order" prices normally remain unchanged from the first through the last day of a calendar month. HOWEVER, Chaparral DOES NOT GUARANTEE to purchase any minimum quantity against "Non-Specified Purchase Orders" during a calendar month. "Non-Specified Purchase Order" prices and the quantities VENDORS are allowed to deliver during a calendar month against "Non-Specified Purchase Orders" are subject to change without notice.

5.2 "Specified" Purchase Orders (i.e., when SELLER agrees to supply identified quantities, specified by grade during a contract shipping period).

When a VENDOR sells to Chaparral, on average, 500 tons per month or more, or at least 6,000 tons per year, a unique Chaparral Purchase Order Number is normally assigned for identified quantities of scrap purchased for shipment from one or more specified locations during a Contract Shipping Period (usually one calendar month). A Chaparral Purchase Order may cover purchase of more than one grade.

A SELLER will be assigned a different Purchase Order number for the same grade(s) during the same Contract Shipping Period whenever one of the following is different:

- Price
- Price FOB point
- Payment terms
- Transportation mode (i.e., Truck vs. Rail)
- Shipping point
- Destination
- Transportation Contract employed (CARRIER or Routing)

5.3 Contract Shipping Period for "Specified" Purchase Orders

The normal shipping period for a "Specified" Purchase Order is thirty days. Extended shipping periods may be established by mutual agreement.

Shipment against a "Specified" Purchase Order should be completed by the "Ship By" date shown on the Purchase Order. Chaparral may cancel Purchase Orders that are not completed by the "Ship By" date shown on the Purchase Order.

Chaparral expects that shipments against "Specified" Purchase Orders will be made in a timely manner, with shipments distributed as evenly as possible during the Contract Shipping Period. If, after a reasonable period (i.e., three weeks from the Price Effective Date shown on the Purchase Order), less than one-half of the shipment has been made, Chaparral may cancel the Purchase Order.

5.4 Extension of the Contract Shipping Period for "Specified" Purchase Orders

Extension of the shipping period beyond the "Ship by" date shown on the Chaparral Purchase Order may be granted in the sole discretion of Chaparral. Examples:

Chaparral delayed delivery during the Contract Shipping Period. Chaparral will extend the "Ship by" date by a period corresponding to the delay imposed. Extensions beyond the "Ship by" date may be granted for reasons not originating with Chaparral. Examples: Can't get rail cars, bad weather, equipment breakdowns, etc.

SELLERS must request such extensions, allowing Chaparral as much advance notice as possible. Extensions are not granted for "Non-Specified Purchase Orders".

5.5 Non-Performance against Orders that require Scheduled Shipments.

"Specified" Purchase Orders may be issued that, by mutual agreement, commit SELLER to meet a specific, predetermined shipping schedule. If a SELLER fails to meet the agreed-upon shipping schedule, Chaparral may cancel the order and pursue any legal remedies available to it for breach by SELLER.

5.6 When is a "Specified" Purchase Order complete?

A "Specified" order is complete when less than half a rail car shipment would complete the order. Overshipment of up to 5 percent on orders for over 500 gross tons, and 10 percent on orders for 500 gross tons and less will be allowed. Deviation from the quantity ordered by more than these tolerances requires written authorization by Chaparral.

6. Payment Terms

6.1 Standard payment terms are:

Truck Shipments:	"Net 30 Days From Date of Receipt."
Rail Shipments originating within 100 miles:	"Net 20 Days From Date of Receipt."
Rail Shipments originating outside 100 miles:	"Net 15 Days From Date of Receipt."

Payment for purchases of RAW MATERIAL will be made only after shipments have been received. Chaparral will not make advance payments, or payments in cash or check.

Chaparral's method of payment is Electronic Transfer of Funds (i.e., also known as "ACH" or "Automatic Clearing House") to a SELLER's bank account, with backup information documenting remittances either mailed, faxed, or delivered electronically to the SELLER concurrently.

If you are not already benefiting from Electronic Transfer of Funds, please contact Chaparral and add your company to the list of firms who receive payment quickly and reliably.

SELLER is responsible for all costs incurred by Chaparral relating to rejected RAW MATERIAL, including decontamination, transportation, and disposal costs and extraordinary costs related to the inspection, handling, sorting and storage of rejected RAW MATERIAL. Chaparral may offset such costs together with any monetary penalty imposed by Chaparral pursuant to Item 10 herein below, against the amount owing for past shipments and amounts due for concurrent or subsequent shipments by SELLER. If such offsets do not fully reimburse Chaparral for the costs or cover the amount of the penalty within a reasonable period as determined by Chaparral, Chaparral may bill SELLER for the outstanding balance. Payment will be due within thirty days from the date of the statement.

6.2 Non-standard payment terms:

Non-standard payment terms may be negotiated. Contact the Raw Materials Buyer or Manager responsible for your account.

7. Invoices

Do not invoice Chaparral for shipments of RAW MATERIALS. Eliminate paperwork and simplify your business. Chaparral will pay you promptly and automatically as described above.

8. Truck Shipments

8.1 Minimum Payload for Scrap Purchases

Crushed Car Bodies and "Mixed Crushed Cars and No. 2 Light:	30,000 Pounds
All Other Scrap:	20,000 Pounds

8.2 Tire Damage: Chaparral will not pay for tire damage. All vehicles enter Chaparral property at their own risk.

8.3 Truck Shipments That Require Crane Service to Unload

Delivery of Ferrous Scrap grades other than Crushed Cars and Shredder Bundles by non-dump truck (flatbed with sideboards) will only be allowed on an exception basis, in which case Chaparral may charge a fee for unloading scrap grades other than Crushed Cars off flatbed trucks. Vehicles that require magnet unloading may also be charged an unloading fee. SUPPLIERS or CARRIERS will not be permitted to unload by hand.

8.4 Requirements When Shipments Are Unloaded Using a Forklift (Crushed Cars, etc.)

Requirements of CARRIER and/or truck driver when Chaparral receives RAW MATERIAL that is unloaded using a forklift:

- Upon being “Weighed In” (i.e., gross weight determined by the Chaparral Scale Operator), the driver is required to paint the VENDOR Identification Number on the bottom car body of each stack. (Obtain the VENDOR Identification Number from the Scale Operator).
- No occupants allowed in vehicles during unloading.
- Driver must wear Hard Hat and stand in front of vehicle in sight of forklift operator.
- Driver must not approach forklift operator while operator is engaged with load.
- If the driver requests that the forklift operator press down on the load with the forks in order to help release the load binders, Chaparral will bear no responsibility for damage to the trailer bed.
- After unloading has been completed, the truck must “Weigh Out” (i.e., tare weight determined by the Chaparral Scale Operator) before the driver will be permitted to clean off the truck trailer bed. After “Weighing Out”, the driver may proceed to the proper location to clean off debris that may remain on the truck trailer bed.

8.5 Improperly Loaded Trucks

Chaparral will not be liable for damage to trucks or trailers during unloading when such damage arises as a result of improper loading of the cargo. Examples include but are not limited to: Insufficient and/or improper dunnage, improper cargo weight distribution, etc.

8.6 Damage to Equipment During Unloading

In the event of damage to equipment during unloading, a shredder or scrap yard operations supervisor shall investigate and report probable cause before the driver leaves the plant site. If the damaged equipment leaves the Chaparral site before such investigation has been completed, Chaparral will not be liable for the damage. In addition, if damage is discovered after the equipment leaves the plant site, Chaparral will not be liable for the damage. Subject to limitations upon liability set forth elsewhere in this FRMM, Chaparral will only be responsible for damage to tangible property, personal injury and/or death caused by its negligence or willful misconduct.

All repair quotes are required within 30 days of accident. Three quotes are required for any damage exceeding \$500.00. All payments will be made payable to the repairing company only.

8.7 Information Required Upon Delivery:

A truck will not be weighed in unless the driver gives the Chaparral scale operator a completed copy of the Chaparral Scrap Delivery Form. Truck Delivery forms can be found in Appendices 2 & 4 of Part 1 (Commercial Terms & Conditions of Purchase). These forms require that the VENDOR provide with each shipment...

VENDOR Name
Chaparral Purchase Order Number
SELLER's VENDOR Identification Number
RAW MATERIAL Grade Code and Description
Name & location of SHIPPER (the yard where shipment originated)
SHIPPER bill of lading number
CARRIER name
Truck and trailer number
Barge number (if applicable)

Chaparral will not be obligated to remedy shipment application errors caused by VENDOR's failure to use Chaparral Scrap Delivery forms and/or provide legible and accurate information.

8.8 Truck Scale Weight Discrepancies

After a truck shipment leaves Chaparral plant property, Chaparral will NOT accept a SHIPPER's or other "third party" scale weights as a basis for settlement. The burden is upon the SHIPPER to assure that SHIPPER is notified by the truck driver, BEFORE UNLOADING, in the event that an unacceptable difference occurs between Chaparral's gross weight at time of weigh-in and the gross weight determined at yard of origin. Chaparral will not accept responsibility for pointing out truck scale weight discrepancies to SHIPPERS or CARRIERS.

9. Rail Shipments

9.1 Chaparral normally pays freight charges

Unless otherwise agreed upon, shipments must be forwarded "freight collect", with the freight bill for the account of Chaparral.

9.2 Bills of Lading: Information required

The following information must be indicated on all copies of the SHIPPER's bill of lading.

The Chaparral Purchase Order Number
SELLER's VENDOR Identification Number
The grade being shipped
How the shipment is being forwarded: Freight Prepaid or Freight Collect
The rail freight rate authority (tariff or contract number)
The routing specified by said rate authority

9.3 Shipping Notices: Information required

At the time that the rail car is released to the railroad, the Chaparral Rail Shipment Notice must be completed and delivered to Chaparral. Rail Shipping Notice forms can be found in Appendices 3 & 5 of Part 1 (Commercial Terms & Conditions of Purchase). These forms require that the VENDOR provide with each shipment...

VENDOR Name/VENDOR Identification Number
Rail Car Identification (railroad ID/car number, i.e., BNSF 100000)
The Chaparral Purchase Order Number against which shipment was made
Origin City of shipment
Railroad Contract Number
RAW MATERIAL Grade Code and Description
Date Shipped
Gross Weight, Tare Weight, and Net Weight at origin (if available)
Barge Number (if applicable)

VENDORS are encouraged, but not required, to submit with the shipping notice, gross and tare scale weights determined at origin using certified railroad scales operated by Bonded Public Weighers.

Chaparral will not be obligated to remedy shipment application errors caused by VENDOR's failure to use Chaparral Rail Shipment Notice forms and/or provide legible and accurate information.

9.4 Shipping Notices: When and How to Send

The burden is upon SELLER to assure that notification of shipment is delivered to Chaparral at the time that the car is released to the railroad. Written notification of shipment by rail must be faxed or e-mailed to the plant to which rail shipments are forwarded:

Ferrous Raw Materials Dept.
Chaparral Steel Midlothian
300 Ward Road
Midlothian, TX, 76065
FAX (972) 779-1086

Ferrous Raw Materials Dept.
Chaparral (Virginia)
25801 Hofheimer Way
Petersburg, VA 23803
FAX (804) 524-2842

Contact the plant site Ferrous Raw Materials Coordinator for e-mailing instructions.

Note: ON AN EXCEPTION BASIS, verbal notice of shipment by rail is acceptable in lieu of notification by FAX or email, but only if delivered directly to Ferrous Raw Materials Department personnel.

9.5 What Happens When a SUPPLIER Fails To Communicate a Shipping Notice?

Chaparral will not be obliged to receive any rail shipment for which no Shipping Notice has been delivered to Chaparral. As a courtesy to our SUPPLIERS, on an exception basis, Chaparral will attempt to contact the SUPPLIER in an effort to obtain a complete shipping notice. If we are unable to obtain a complete shipping notice, the car may, at Chaparral's sole discretion, be rejected and returned to SHIPPER at SHIPPER's expense. Under such circumstances, VENDOR will be liable for both inbound and outbound freight charges.

If you ship, or claim to have shipped a certain grade (i.e., No.1 Heavy Melt) but fail to advise us before the car arrives, and if for whatever reason, the car is inadvertently accepted, graded,

unloaded or consumed as a different grade (i.e., No.2 Heavy Melt), then Chaparral's determination will be final and binding. As a condition of doing business with Chaparral, SELLERS must agree that failure to deliver a complete rail Shipping Notice to Chaparral will mean that SELLER forfeits SELLER's right to dispute Chaparral's grading of that shipment.

9.6 Rail Car Weight Discrepancies

SHIPPERS are encouraged to weigh rail cars before and after loading, and to deliver the "light" and "heavy" scale weights to Chaparral via a Shipping Notice at time of shipment. If a rail car is received for which "light" and "heavy" scale weights at origin have NOT been delivered to Chaparral before the car arrives at our plant site, and Chaparral unloads the car, then Chaparral will NOT consider an "origin" or other "third party" scale weight as a basis for adjusting the settlement weight determined at destination.

CHAPARRAL WILL NOT ACCEPT A "STENCIL" TARE WEIGHT AS A BASIS FOR ADJUSTING A SETTLEMENT WEIGHT IN CASE OF A WEIGHT DISCREPANCY. IN THE EVENT OF A WEIGHT DISCREPANCY, ONLY SCALE WEIGHTS AT ORIGIN, AS EVIDENCED BY A STAMPED OR PUNCHED TICKET GENERATED BY A CERTIFIED RAIL SCALE, WILL BE CONSIDERED AS A BASIS FOR ADJUSTING A SETTLEMENT WEIGHT DETERMINED AT DESTINATION.

Chaparral's scale gross weight may be challenged before a rail shipment is unloaded. The burden is upon SELLER, through daily communication with our plant, if necessary, to keep up with the whereabouts of rail shipments, and to give disposition in the event that an unacceptable weight discrepancy occurs.

Prior to unloading, as a courtesy to its SELLERS, Chaparral shall notify SELLERS and seek disposition should a discrepancy of 6,000 lbs. or more occur between the Chaparral scale gross weight and an "origin" or "third party" scale gross weight, if such "origin" or "third party" scale gross weight had been delivered to Chaparral via a Shipping Notice before the shipment arrived at our plant site.

After unloading, as a courtesy to its SELLERS, Chaparral shall notify SELLERS and seek disposition should a discrepancy of 6,000 lbs. or more occur between the Chaparral scale tare weight and an "origin" or "third party" scale tare weight, if such "origin" or "third party" scale tare weight had been delivered to Chaparral via a Shipping Notice before the shipment arrived at our plant site.

9.7 Minimum payload requirements for rail shipments; Dead Freight

All rail shipments forwarded freight collect will be subject to minimum payload requirements. When requirements are not met, "dead freight" may be deducted at a "dead freight rate" of \$25/ton multiplied by the difference between the actual payload and the minimum payload required for the grade and car type in question. Unless otherwise agreed upon, the minimum payloads by scrap grade & car type to be used for Dead Freight calculation purposes are shown in Part 1 (Commercial Terms & Conditions of Purchase), Appendix 6.

10. Grading Policy

Chaparral expects every SUPPLIER to provide RAW MATERIALS that consistently conform to the Chaparral Safety & Environmental Quality Requirements (Part 2 of FRMM) and the Ferrous Raw Material Specifications (Part 3 of FRMM), collectively referred to as Requirements and Specifications.

It is our goal that imposition of a downgrade and/or monetary penalty for failure to meet Requirements and Specifications shall be a rare occurrence. SHIPPERS or VENDORS who do not consistently meet our Requirements and Specifications will be disqualified.

When a SUPPLIER delivers RAW MATERIAL that does not meet the Requirements and Specifications, Chaparral may take one or more of the following courses of action:

- 10.1 Shipment may be accepted Out-of-Spec., depending upon the nature of the Off-Spec condition and the SHIPPER's quality record.
- 10.2 Shipment may be reclassified as a lower quality grade (i.e., "Downgraded")
- 10.3 Shipment may be "reworked" to remove the non-conforming item(s).
- 10.4 Shipment may be rejected in whole or in part
- 10.5 VENDOR or SHIPPER may be disqualified
- 10.6 A monetary penalty may be imposed (Non-Negotiable)
- 10.7 Chaparral may take such other action as described in the Chaparral Safety & Environmental Quality Requirements (Part 2 of the FRMM) and/or the VENDOR COMPLIANCE AGREEMENT.

As a condition of doing business with Chaparral, SUPPLIERS accept in advance that Chaparral might impose monetary penalties upon receiving items that are prohibited by Chaparral Safety & Environmental Quality Requirements or Specifications, or that otherwise jeopardize the health or safety of Chaparral's employees or communities, or threaten Chaparral's ability to comply with environmental laws and regulations, or threaten Chaparral's productivity or cost of operations. In addition, disqualification and/or imposition of a monetary penalty might also occur after the fact if a VENDOR's RAW MATERIAL is determined to have caused injury to personnel, contamination of property, or down time or damage to equipment.

Examples of events for which penalties may be imposed include but are not limited to:

- Shipments containing one or more radioactive sources.
- Shipments containing one or more PCB capacitors or "PCB" Items.
- Shipments containing one or more Lead Acid batteries.
- Shipments contaminated with toxic substances or hazardous waste.
- Shipments containing one or more "closed containers" or other items that present risk of or cause explosion.

PENALTIES ARE NOT NEGOTIABLE: Repeated offenses will result in more severe penalties and/or the disqualification of the SHIPPER and/or VENDOR as a SUPPLIER to Chaparral.

10.8 Other Remedies

The foregoing provisions are in addition to, and shall not be construed as a limitation or waiver of, any other remedy that may be available to Chaparral under the FRMM Parts 1 through 3, by agreement, or by law.

11. Limitation on Damages and Liability

Vendor agrees that Chaparral will not be liable for (i) exemplary, special, incidental, consequential or punitive damages, or (ii) loss of or damage to goodwill which arise directly or indirectly out of the transactions contemplated by this FRMM whether such damages are based upon contract, tort, intentional conduct, equity or pursuant to some other theory, including, without limitation, breach of warranty, negligence or strict liability, whether the possibility of such damages was made known to or was foreseeable by Chaparral and whether such damages are asserted by vendor or some other party. Vendor further acknowledges and agrees that, Chaparral's maximum aggregate liability to vendor under any legal theory (including its own negligence) for damages arising directly or indirectly out of the transactions contemplated by this FRMM will not in any event exceed the lesser of (i) the actual damages suffered by vendor or (ii) \$15,000.00, whether such damages are asserted in an action brought in contract, in tort or pursuant to some other theory. Notwithstanding the foregoing, nothing contained herein will be deemed to release Chaparral from its obligation to pay the agreed purchase price for raw materials to be purchased pursuant to this FRMM. Any action, claim or proceeding relating to transactions governed by this FRMM, must be brought within twelve (12) months following the action or event giving rise to such action, claim or proceeding. Any action, claim or proceeding not brought within such period will be barred.

12. Clerical errors on Chaparral documents are subject to correction.

APPENDIX 1
TO
COMMERCIAL TERMS AND CONDITIONS OF PURCHASE
(PART 1 OF FERROUS RAW MATERIALS MANUAL)

VENDOR Qualification Process

To become qualified to sell RAW MATERIALS to Chaparral, all VENDORS must

- 1) Have ongoing access to fax and internet service, including email.
- 2) Read and agree to comply with the Ferrous Raw Materials Manual which consists of the Commercial Terms and Conditions of Purchase (Part 1), the Chaparral Safety and Environmental Quality Requirements (Part 2), the "Ferrous Raw Material" Specifications (Part 3) and Chaparral Quality System (Part 4). Such agreement will be evidenced by execution and delivery by the VENDOR of a VENDOR COMPLIANCE AGREEMENT (in the form included herein).
- 3) As necessary, discuss any aspect of the Ferrous Raw Materials Manual with a Chaparral Raw Materials Department Buyer or Manager, to make sure VENDOR understands and is committed to meet the provisions and requirements contained in the Ferrous Raw Materials Manual.
- 4) Complete each of the forms that follow this page and return completed forms **and a copy of a voided check or deposit slip** to Chaparral by fax:

To become a VENDOR to the Chaparral Midlothian plant: 972-779-1086

To become a VENDOR to the Chaparral Virginia plant: 804-524-2842

After Chaparral has received and processed the above forms and approved the applicant, the applicant will be assigned a VENDOR Identification Number. The Raw Materials Buyer or Manager responsible for the account (or other authorized employee) will deliver the VENDOR Identification Number and Purchase Order number(s) to VENDOR.

Shipping may commence upon receipt of the VENDOR Identification Number and Purchase Order number(s).

Status as a qualified VENDOR will not be finalized until Chaparral has received and approved a trial quantity. Status as a qualified VENDOR may be withdrawn by Chaparral at any time in its sole and absolute discretion, for any reason or for no reason. Upon withdrawal of such status Chaparral will not be required to deliver any explanation to VENDOR or compensate VENDOR for any expense incurred or sustained by VENDOR in connection with or as a result of withdrawal of such status.

**Substitute
W-9 Form**

When making payment(s) to you, it is required by law to obtain from you the information requested below. If you do not provide us with this information, your payments may be subject to 30% federal income tax backup withholding. In addition, if you do not provide us with this information, you may be subject to a \$50 penalty imposed by the Internal Revenue Service under section 6723. Please complete this form in its entirety. Thank you for your cooperation.

NEW VENDOR IDENTITY *VENDOR IDENTIFICATION NUMBER:* _____ (To be completed by Chaparral)

VENDOR NAME: _____

STREET ADDRESS: _____

CITY: _____ **STATE:** _____ **ZIP:** _____

PHONE NUMBER: _____ **FAX NUMBER:** _____

POST OFFICE ADDRESS: _____

CITY: _____ **STATE:** _____ **ZIP:** _____

SALES CONTACT: _____ **E-MAIL ADDRESS:** _____

OFFICE PHONE: _____ **CELL PHONE NUMBER:** _____

MAILING ADDRESS FOR SCALE TICKETS, REMITTANCE ADVICES, _____

CITY: _____ **STATE:** _____ **ZIP:** _____

A/R CONTACT NAME: _____ **PHONE NUMBER:** _____

FAX NUMBER: _____ **A/R E-MAIL:** _____

INSTRUCTIONS: COMPLETE PART 1 BY ONLY FILLING IN THE ROW THAT CORRESPONDS TO YOUR TAX STATUS. In addition, complete part 2 if you are exempt from Form 1099 reporting.

PART 1 - TAX STATUS (EACH NUMBER IS NINE DIGITS)

INDIVIDUAL **INDIVIDUAL'S NAME:** _____
INDIVIDUAL'S S.S. No.: _____

SOLE PROPRIETOR **BUSINESS OWNER'S NAME:** _____
OWNER'S S.S. No.: _____
BUSINESS OR TRADE NAME: _____

PARTNERSHIP **NAME OF PARTNERSHIP:** _____
PARTNERSHIP EIN. No.: _____

CORPORATION **NAME OF CORPORATION:** _____
EXEMPT CHARITY **NAME OF CHARITY/ENTITY:** _____
**** REQUIRED **** **TIN/EIN. No.:** _____

PART 2 - EXEMPTION: If exempt from Form 1099 reporting, check your qualifying exemption reason below

- ___ 1. Corporation (except attorneys and medical corporations)
- ___ 2. Tax Exempt Charity under 501 (a) or IRA
- ___ 3. The United States or any of its agencies or instruments
- ___ 4. A state, the District of Columbia, a possession of the United States or any of their political subdivisions
- ___ 5. A foreign government or any of its political subdivisions

PART 3 - PERSON COMPLETING THIS FORM: ___ I am a U.S. Citizen ___ I am a U.S. resident alien

PLEASE PRINT YOUR NAME: _____

Signature: _____ **Title:** _____

Date: _____ **Phone:** _____ **Fax:** _____

I supply you with: Labor ___ Merchandise ___ Both ___ Freight Services ___

Other (please describe) _____

CHAPARRAL

AUTHORIZATION AGREEMENT FOR ELECTRONIC SUPPLIER PAYMENTS (ACH CREDITS)

VENDOR IDENTIFICATION NUMBER: _____ (To be completed by Chaparral)

VENDOR NAME: _____

ADDRESS: _____

CITY: _____ STATE: _____ ZIP: _____

PHONE NUMBER: _____

I (We) hereby authorize Chaparral Steel or any of its operating subsidiaries to initiate ACH credit Entries to the checking account indicated below.

BANK NAME: _____

ADDRESS: _____

CITY: _____ STATE: _____ ZIP: _____

BANK ROUTING NUMBER (ABA 9 digit number) : _____

ACCOUNT NUMBER: _____

BANK PHONE: _____

BANK FAX _____

BANK CONTACT _____

This authority is to remain in full force and effect until Chaparral has received written notification of termination from the above named VENDOR.

NAME: _____
(Please Print)

NAME: _____
(Please Print)

SIGNATURE: _____

SIGNATURE: _____

*****IMPORTANT*****
Identifying your account number can be difficult: therefore, please attach a voided check or deposit slip so we can verify this information.

CONTACT(S) FOR ACH REMITTANCE ADVICE(S)

NAME(S): _____

FAX No.: _____ Tel. No.: _____

E-MAIL ADDRESS: _____

VENDOR COMPLIANCE AGREEMENT

_____, a SELLER of RAW MATERIALS to Chaparral Steel Midlothian,
Name of Seller

LP and/or Chaparral (Virginia) Inc., and their affiliated companies (hereinafter collectively referred to as "Chaparral"), hereby agrees, warrants and represents to Chaparral that SELLER has read, understands and agrees to supply RAW MATERIAL for recycling in accordance with the terms of the Ferrous Raw Materials Manual ("FRMM") which consists of the Commercial Terms Conditions of Purchase (Part 1), the Chaparral Safety and Environmental Quality Requirements (Part 2), the Ferrous Raw Materials Specifications (Part 3) and Chaparral Quality System (Part 4). Parts 2 and 3 are collectively referred to herein as the "Requirements and Specifications". RAW MATERIALS include but are not be limited to ferrous scrap supplied to Chaparral for shredding and/or re-melting. Capitalized terms used but not defined herein are used as defined in the FRMM.

SELLER acknowledges that the terms and conditions in the FRMM are contractually binding, impose specific obligations upon SELLER, and establish specific remedies available to Chaparral. The FRMM is subject to change, from time to time, in the sole discretion of Chaparral, and the SELLER is responsible for complying with the then current version of the FRMM. The FRMM in its current form is posted on Chaparral's website at www.chapusa.com and the current version and any subsequent modifications thereto are incorporated herein by reference. As a convenience to VENDOR, Chaparral will make a good faith effort to advise VENDOR of changes to the FRMM. However, VENDOR understands, acknowledges and agrees that VENDOR will be solely responsible for insuring it is aware of changes made to the FRMM. Chaparral's standard form of Purchase Order will indicate the version of the FRMM under which it is issued (e.g., Revision 13.0, etc.). This notation will serve as notice to VENDOR of version of the FRMM applicable to that Purchase Order.

Chaparral may conduct inspections of the RAW MATERIAL offered by SELLER before acceptance to determine whether the RAW MATERIAL conforms to the Requirements and Specifications. Such inspections may include monitoring, screening, removal from the truck or rail car, and sorting and separation of RAW MATERIAL prior to acceptance. Chaparral may reject all or a portion of a shipment that does not conform to the Requirements and Specifications. Chaparral will comply with any applicable requirement to notify governmental authorities regarding the detection of radioactive or otherwise hazardous materials.

If a shipment or portion of a shipment is rejected, Chaparral may, at its option, take one or more of the following actions and may take such actions in the order Chaparral deems appropriate, in its sole discretion:

- (a) Immediately reject the entire shipment or a portion of the shipment. VENDOR is responsible for arranging transportation of the RAW MATERIALS and for compliance with all governmental transportation and safety requirements. Chaparral may prepare a Rejected Material Tracking Form to accompany the shipment. Continued SELLER approval for sales to Chaparral may be conditioned upon prompt completion and return of a copy of any Rejected Material Tracking Form documenting delivery of the RAW MATERIALS to SELLER or SELLER's consignee legally authorized to receive the rejected RAW MATERIALS.
- (b) Notify the SELLER of the rejection of all or a portion of the shipment and provide a deadline (normally not exceeding two business days) for SELLER to collect the rejected RAW MATERIAL. In such instance, VENDOR is responsible for arranging transportation of the RAW MATERIALS and for compliance with all governmental transportation and safety requirements. The provisions relating to the Rejected Material Tracking Form in (a) may be applied to such rejected RAW MATERIALS. If SELLER fails to collect the rejected RAW MATERIALS within the period allowed, Chaparral may proceed pursuant to (c).
- (c) Arrange for disposal of the rejected RAW MATERIALS at a facility, which Chaparral believes is legally authorized to receive such RAW MATERIALS. SELLER hereby authorizes Chaparral to make these arrangements on its behalf as SELLER's agent and complete necessary documentation showing SELLER as the party arranging for disposal of the rejected RAW MATERIALS. This authorization specifically includes, but is not limited to, the long-term storage or disposal of radioactive, toxic, and hazardous wastes consistent with applicable legal requirements. SELLER understands, acknowledges and agrees Chaparral is not required to deliver notice of rejection of RAW MATERIALS to SELLER or furnish SELLER with an opportunity to collect the rejected RAW MATERIALS prior to taking action pursuant to this paragraph (c).

SELLER remains the owner of all rejected RAW MATERIALS and shall be responsible for (i) all costs incurred by Chaparral in connection with decontaminating, transporting, or disposing of rejected RAW MATERIALS and (ii) all extraordinary costs incurred by Chaparral in connection with inspecting, handling, sorting and storing of rejected RAW MATERIALS. This Agreement merely confirms certain specific rights and remedies set forth in the FRMM and does not limit other rights and remedies available to Chaparral under the FRMM, by agreement, or at law.

SELLER

Company Name

Name Signature

Title Date

Telephone Fax

List email addresses where you want Chaparral to email correspondence:

Primary email: _____ Secondary (no more than two): _____

BUYER

Chaparral Steel Midlothian, LP
Chaparral (Virginia) Inc.

R.T. Jaffre, Vice President, Raw Materials

APPENDIX 2

CHAPARRAL

Chaparral Midlothian Truck Delivery Form

Vendor Name _____

Purchase Order No. _____ Vendor Number _____

Grade Code _____ Grade _____
 (from list below) Name / Description _____

Shipped From

Shipper Name _____

Origin City _____ State _____

Bill of Lading Number _____

Carrier Name _____

Truck Number _____ Trailer Number _____

Grade Code	Grade Name / Description	Grade Code	Grade Name / Description
601A	No.1 Heavy Melt	650C	Crushed Cars
601B	Railroad Heavy Melt	650A	Mixed Crushed Cars & No.2 Light
601C	P&S	605E	Shredder Bundles
601K	Chargeable Mixed Clips	602L	No. 2 Light
602A	No.2 Heavy Melt	651A	Loose Tin
604A	No.1 Bundles		
606A	Shredded		
607A	Turnings		
608A	Rail Crops, 2 Ft. MAX, & OTM		
608B	Rail Crops, 4 Ft. MAX, & OTM		
608C	Busheling, 2 Ft. MAX		
608D	Busheling, 4 Ft. MAX		
608E	Low Residual P&S, 2 Ft. MAX		
608F	Low Residual P&S, 4 Ft. MAX		
608G	Chopped Steel Wire		

APPENDIX 3

CHAPARRAL

Notice of Rail Shipment of Raw Material to Chaparral Midlothian

Vendor Number _____ Vendor Name _____

Name of Shipper _____

P/O Number _____ Origin City _____

Origin RR _____ Delivering RR _____

RR Contract No. _____ Barge No.* _____

*If applicable.

RR ID	Car Number	Ship Date	Gross Wt.	Tare Wt.	Grade Code	Description

Grade Code	Grade Name / Description
601A	No.1 Heavy Melt
601B	Railroad Heavy Melt
601C	P&S
601D	No. 1 Industrial
601K	Chargeable Mixed Clips
602A	No.2 Heavy Melt
604A	No.1 Bundles
606A	Shredded

Grade Code	Grade Name / Description
607A	Turnings
608A	Rail Crops, 2 Ft. MAX, & OTM
608B	Rail Crops, 4 Ft. MAX, & OTM
608C	Busheling, 2 Ft. MAX
608D	Busheling, 4 Ft. MAX
608E	Low Residual P&S, 2 Ft. MAX
608F	Low Residual P&S, 4 Ft. MAX
608G	Chopped Steel Wire

APPENDIX 4

CHAPARRAL

Chaparral Virginia Truck Delivery Form

Vendor Name _____

Purchase Order No. _____ Vendor Number _____

Grade Code _____ Grade
(from list below) _____ Name / Description _____

Shipped From

Shipper Name _____

Origin City _____ State _____

Bill of Lading Number _____

Carrier Name _____

Truck Number _____ Trailer Number _____

Grade Code	Grade Name / Description
601A	No.1 Heavy Melt
601C	P&S
601P	Plate
602A	No.2 Heavy Melt
602B	Mixed No. 1 & 2 Heavy Melt
602Y	Foundry Steel
606A	Shredded
608C	Busheling, 2 Ft. MAX
608J	Mixed Busheling
618P	Processed Iron

APPENDIX 5

CHAPARRAL

Notice of Rail Shipment of Raw Material to Chaparral Virginia

Vendor Number _____ Vendor Name _____

Name of Shipper _____

P/O Number _____ Origin City _____

Origin RR _____ Delivering RR _____

RR Contract No. _____ Barge No.* _____

*If applicable.

RR ID	Car Number	Ship Date	Gross Wt.	Tare Wt.	Grade Code	Description

Grade Code	Grade Name / Description
601A	No.1 Heavy Melt
601C	P&S
601D	No. 1 Industrial
601P	Plate
602A	No.2 Heavy Melt
602B	Mixed No. 1 & 2 Heavy Melt

Grade Code	Grade Name / Description
602Y	Foundry Steel
606A	Shredded
608C	Busheling, 2 Ft. MAX
608J	Mixed Busheling
617P	Processed Iron

APPENDIX 6

DEFAULT MINIMUM PAYLOAD WEIGHTS BY CAR TYPE & SCRAP GRADE, FOR DEAD FREIGHT CALCULATIONS

Midlothian, TX		Car Type:	GCL	GCM	GC5X	GC6X	GCV
Grade Code	Grade Name	Car Owner:	Railroad	Railroad	Railroad	Chaparral Private	Vendor Private
		Description:	65 Ft., Over 3280 Cu.Ft.	52 Ft., Under 2740 Cu.Ft.	52 Ft., 2740 Cu.Ft. & Over	65 Ft., Over 3280 Cu.Ft.	Various
		Est. Average Cu.Ft.:	3,280	2,350	2,740	3,280	Various
		Payload Capacity (Lb.):	200,000	200,000	215,000	215,000	Various
601A	No.1 Heavy	150,000	120,000	135,000	150,000	150,000	
601B	Railroad Heavy Melt	150,000	120,000	140,000	150,000	150,000	
601C	P & S, 4 Ft. Max.	150,000	120,000	140,000	150,000	150,000	
601D	No.1 Industrial	150,000	120,000	140,000	150,000	150,000	
601K	Chargeable Mixed Clips	140,000	120,000	130,000	140,000	140,000	
602A	No.2 Heavy	136,000	120,000	124,000	136,000	136,000	
602B	Mixed Heavy Melt	150,000	120,000	130,000	150,000	150,000	
602G	Rebar Scrap, Sold as No. 2 HM	140,000	120,000	124,000	140,000	140,000	
604A	No.1 Bundles	180,000	140,000	150,000	180,000	180,000	
606A	Shredded	180,000	140,000	150,000	180,000	180,000	
607A	Turnings	150,000	120,000	130,000	150,000	150,000	
608C	No.1 Busheling, 2 Ft. Max	180,000	150,000	160,000	180,000	180,000	
608D	No.1 Busheling, 4 Ft. Max	160,000	140,000	150,000	160,000	160,000	
608A	Rail Crops- 2 Ft. Max., & OTM	180,000	180,000	180,000	180,000	180,000	
608B	Rail Crops- 4 Ft. Max., & OTM	180,000	180,000	180,000	180,000	180,000	
608E	Plate Scrap, 2 Ft. Max.	180,000	180,000	180,000	180,000	180,000	
608F	Plate Scrap, 4 Ft. Max.	180,000	180,000	180,000	180,000	180,000	
608G	Chopped Steel Wire	180,000	180,000	180,000	180,000	180,000	
608H	Other Low Residual	180,000	180,000	180,000	180,000	180,000	
617P	Processed Iron	180,000	180,000	180,000	180,000	180,000	
ALL OTHER GRADES (Grade default values)		150,000	120,000	130,000	150,000	150,000	

Petersburg, VA		Car Type:	GCL	GCM	GC5X	GC6X	GCV
Grade Code	Grade Name	Car Owner:	Railroad	Railroad	Railroad	Chaparral Private	Vendor Private
		Description:	65 Ft., Over 3280 Cu.Ft.	52 Ft., Under 2740 Cu.Ft.	52 Ft., 2740 Cu.Ft. & Over	65 Ft., Over 3280 Cu.Ft.	Various
		Est. Average Cu.Ft.:	3,280	2,350	2,740	3,280	Various
		Payload Capacity (Lb.):	200,000	200,000	215,000	215,000	Various
601A	No.1 Heavy	150,000	120,000	135,000	150,000	150,000	
601C	P & S, 3 Ft. Max.	150,000	120,000	140,000	150,000	150,000	
601D	No.1 Industrial	150,000	120,000	140,000	150,000	150,000	
601P	Plate Scrap	180,000	180,000	180,000	180,000	180,000	
602A	No.2 Heavy	136,000	120,000	124,000	136,000	136,000	
602B	Mixed Heavy Melt	150,000	120,000	135,000	150,000	150,000	
602Y	Foundry Steel	150,000	120,000	135,000	150,000	150,000	
606A	Shredded	180,000	180,000	180,000	180,000	180,000	
608C	Busheling, 2 Ft. Max	180,000	150,000	160,000	180,000	180,000	
608J	Mixed Busheling	160,000	140,000	150,000	160,000	160,000	
617P	Processed Iron	180,000	180,000	180,000	180,000	180,000	
ALL OTHER GRADES (Grade default values)		150,000	120,000	130,000	150,000	150,000	

CHAPARRAL

Vendor's Mercury Switch Removal Assurance Form

EPA adopted the Area Source Rule for Electric Arc Furnaces with a compliance date of June 30, 2008. In order to comply with the legal obligations of this rule, we have committed to accepting vehicle scrap only from suppliers participating in the NVMSRP or another EPA-approved program. The Area Source Rule requires us to verify that our scrap suppliers are participating in an approved program. In most cases, we satisfy our obligation to verify participation through consultation with the ELVS database.

However, if your company or facility receives vehicle scrap that was prepared under someone else's mercury switch removal plan (for example, if you purchase crushed vehicles or shredded steel from vehicles), we cannot check the ELVS database to confirm that those vehicles were prepared under the NVMSRP, because we don't know the names of your suppliers.

Consequently, in order to comply with the verification requirements of the rule and protect your confidential business information, we require that you provide written assurances every six months that any scrap you provide is obtained from suppliers who are signed up and participating in the NVMSRP, or another EPA-approved program.

Instead of providing a written statement, this document may be provided electronically by email, provided that it includes an "electronic signature."

ASSURANCE STATEMENT

I am providing this written assurance to Chaparral that the vehicle scrap that I sell to Chaparral is obtained from suppliers that are signed up with ELVS (End of Life Vehicle Solutions) and are participating in the NVMSRP (National Vehicle Mercury Switch Removal Program).

NAME (Print) _____

Signature _____ Date _____

Company Name _____

Company Address _____

_____ Zip _____