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**FERROUS RAW MATERIALS MANUAL**

*PART 2*

*CHAPARRAL SAFETY AND ENVIRONMENTAL  
QUALITY REQUIREMENTS*

**Revision 14.0**

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# CHAPARRAL STEEL MIDLOTHIAN, LP CHAPARRAL ( VIRGINIA ) INC. FERROUS RAW MATERIALS MANUAL Part 2

## CHAPARRAL SAFETY AND ENVIRONMENTAL QUALITY REQUIREMENTS

This part of the CHAPARRAL FERROUS RAW MATERIALS MANUAL (“FRMM”) gives the minimum requirements that must be met in order help insure that RAW MATERIALS do not jeopardize the safety and environment of our employees, operations and communities.

As an expression of commitment to the requirements communicated herein, and in order to qualify to supply RAW MATERIALS to Chaparral, all VENDORS must complete and sign the “VENDOR COMPLIANCE AGREEMENT” in Appendix 1 to the Commercial Terms and Conditions of Purchase (Part 1 of the FRMM). The VENDOR COMPLIANCE AGREEMENT confirms the VENDOR’s commitment to comply with the terms of the FRMM, including the Chaparral Safety and Environmental Quality Requirements.

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## **1. Truck and Driver Safety While on Chaparral Property**

**Safe equipment and safe work practices are required at all times while on Chaparral property. This includes proper brakes, balanced payloads, secure tie-downs, etc. Truck drivers must obey all traffic control and warning signs, and not exceed the posted speed limits. Drivers who fail to obey traffic rules and policies while on Chaparral property may be subjected to a written warning which shall be sent to the applicable SHIPPER and Chaparral Plant Manager and Raw Materials Team.**

**Truck drivers entering Chaparral property must wear a hard hat at all times while on the outside of the truck, plus a shirt, long pants, and shoes. "Flip-flop," open-toe, or open-heel shoes are not acceptable. It is the responsibility of the truck driver or the driver's employer to provide required safety apparel. All drivers must comply with all Occupational Safety and Health Administration (OSHA) and Department of Transportation (DOT) rules and regulations while on Chaparral property. Failing to comply with required regulations may result in the driver(s) being banned from entering a Chaparral plant site.**

**Drivers must remain with their trucks at all times except in designated parking areas. Drivers must position themselves at the front bumper of their truck and on the same side of their truck or trailer in which unloading or loading is taking place, and remain there until notified by the equipment operator. If the driver leaves the line of sight of the equipment operator, the operator shall stop operations until the driver is back in line of sight. A driver that leaves the designated position during the unloading/loading process without the knowledge of the unloading/loading equipment operator is violating safety policies and may be exposed to extreme hazard.**

**Drivers must conduct themselves professionally and in accordance with Chaparral rules and policies at all times while on Chaparral property. Failure to do so may result in the driver(s) being banned from entering a Chaparral plant site.**

**Chaparral has a supervisor and/or team leader on duty 24 hours/day, 7 days/week. All concerns or problems should be directed to a shredder or scrap yard operations supervisor and/or team leader, who can be contacted by the scaleman on duty.**

### **1.1 Riders Accompanying Truck Drivers**

**Riders accompanying truck drivers will not be allowed to enter a Chaparral plant site without prior permission. Permission for an adult rider to enter a Chaparral plant site may be granted under special circumstances that include:**

- **A second driver (long distance haulers only)**
- **A driver in training**

**The Chaparral personnel authorized to grant permission for a rider to enter a Chaparral plant site are: A shredder or scrap yard operations supervisor, team leader, scaleman, or Chaparral Security personnel.**

If permission is granted, an adult rider may wait in the scrap scalehouse waiting area until the truck has been unloaded and returns to the scalehouse. Riders that accompany a driver into the plant site will be regarded as "Visitors", and will be required to sign in at the plant security office.

## **1.2 Restrictions Applying to ALL Trucks Entering a Chaparral Plant Site**

- Children and minors will not be permitted to enter a Chaparral plant site.
- Only the truck driver(s), including driver(s) in training, will be allowed in unloading areas.
- No occupants are allowed in the truck during unloading.

## **2. Transport & Transfer of RAW MATERIAL to Chaparral: Hold Harmless Provision**

As a condition of doing business with Chaparral, each vendor and each shipper agrees to indemnify each Chaparral indemnified party (as hereinafter defined) against and hold each Chaparral indemnified party harmless from all claims, demands, causes of action, liabilities, damages, fines, judgments, costs of settlement and expenses (including, without limitation, reasonable attorneys fees and other costs of defense), growing out of or attributable to damage or injury to persons or property (including injury resulting in death) caused in whole or in part by or resulting from (i) the acts and/or omissions of such vendor or shipper or their respective employees, agents and/or representatives in connection with selling, transporting, or delivering materials to Chaparral, provided, however, this indemnification shall not apply to damage or injury solely attributable to the negligence of Chaparral and (ii) any breach of this FRMM. As used herein the term "Chaparral indemnified party" will mean Chaparral and its affiliates (including, without limitation, its parent and subsidiary corporations or other entities) and its and their respective officers, directors, employees, agents and representatives.

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 these Terms and Conditions of Purchase, by agreement, or by law.

## **3. Material Safety Data Sheets (MSDS)**

OSHA (the U.S. Occupational Safety and Health Administration) requires employers to communicate the hazards of chemicals in the workplace to their employees. Chaparral has generated Material Safety Data Sheets (MSDS's) to characterize the hazards associated with Raw Materials as part of its Hazard Communication Program. These MSDS's are included in Appendix 2 of these Safety and Environmental Quality Requirements. These MSDS's are based on the hazardous chemicals that can reasonably be expected to be present in residual and unavoidable amounts.

The Raw Materials that VENDORS sell to Chaparral must be consistent with the MSDS's in Appendix 2, or the VENDOR must provide Chaparral with MSDS's that properly characterize VENDOR's RAW MATERIALS. Failure to comply with this requirement will result in disqualification from supplying RAW MATERIALS to Chaparral.

#### **4. Radioactive Scrap**

**Chaparral expects that all Raw Materials supplied will be free of radioactive material. "Free of radioactive material" means free of anything that would, in an unshielded condition, trigger Chaparral's radiation detection alarm system.**

**The VENDOR COMPLIANCE AGREEMENT, Section 6 of the Chaparral Safety and Environmental Quality Requirements (Part 2 of FRMM) and Section 6 of the Commercial Terms and Conditions of Purchase (Part 1 of FRMM) describe the remedies and liability for costs in the event that Raw Materials contain radioactive materials. VENDOR liability may well exceed the value that the shipment(s) in question would have had absent the presence of the radioactive materials. Chaparral will comply with any applicable requirement to notify governmental authorities regarding the detection of radioactive materials.**

**Chaparral will monitor the frequency of radioactive shipments from all VENDORS. VENDORS with excessive frequencies of radioactive shipments will not be allowed to ship scrap to Chaparral until the VENDOR demonstrates to Chaparral's satisfaction that operating practices have been improved, giving good reason to believe that recurrence of radioactive shipments is unlikely.**

#### **5. Toxic and Hazardous Materials**

**Chaparral expects that all RAW MATERIALS supplied will be free of all waste or substances listed or classified by state or federal regulatory agencies as toxic or hazardous, except in amounts which are nominal, unavoidable and normally contained in or associated with like kinds of RAW MATERIALS, and only if such amounts are not explicitly prohibited by these specifications, by any regulatory authority having jurisdiction, or by law.**

##### **5.1 PCB Capacitors and Other "PCB Items"**

**Chaparral expects that all RAW MATERIALS supplied will be free of all capacitors, whether or not they contain dielectric fluids or pastes formulated with or contaminated by PCB's (Polychlorinated Biphenyls).**

**In addition, all RAW MATERIALS supplied to Chaparral MUST be free of capacitors, transformers, ballasts, containers, canisters and/or other items that contain dielectric fluids or pastes formulated with or contaminated by PCB's, hereinafter referred to as "PCB Items". Sources of "PCB Items" may include, but are not limited to, scrapped air conditioners and other HVAC equipment; fluorescent lighting equipment and fixtures; electrical equipment and their housings or casings; compressors; and household and industrial appliances.**

**If a capacitor, transformer, ballast, etc. does NOT bear markings that indicate that it does NOT contain PCB's, then that item will be treated as if it WERE a PCB item. Chaparral may withhold payment for a scrap shipment until the full amount of the handling, disposal and/or remediation costs of the PCB Item have been determined. These costs shall be borne by VENDOR and shall**

be deducted by Chaparral from the amounts due in payment for RAW MATERIALS purchased by Chaparral.

See Appendix 1 of Part 2, “Chaparral Safety and Environmental Quality Requirements”, for Texas statutes regarding transactions involving lead-acid batteries, fuel tanks, PCB-containing capacitors, and tires.

## 5.2 Contamination with Lead (Pb)

All RAW MATERIALS supplied shall be free of lead (Pb) in metallic, oxide, or other chemical form, whether enclosed by, mixed with, attached to, or coating the RAW MATERIALS. Examples include but are not limited to lead-acid batteries of any kind; battery cables containing lead; soil or sewer pipe with lead-filled joints; wheel weights; and lead-filled counterweights. The only exceptions to this requirement are:

- Scrap steel alloyed with lead for the purpose of improving machinability.
- Lead contained in paint coating the scrap.
- Lead wheel weights contained in RAW MATERIAL purchased for shredding
- Lead contained as an alloy ingredient in metallic coatings applied by sheet manufacturers for the purpose of improving atmospheric corrosion resistance.
- Scrapped manufactured items in which solder may have been used in joining, e.g. scrapped motor vehicles.

See Appendix 1 of Part 2, “Chaparral Safety and Environmental Quality Requirements,” for Texas statutes regarding transactions involving lead-acid batteries, fuel tanks, PCB-containing capacitors, and tires. See also Section 5.7 of this Part 2 for Area Source Rule Requirements.

## 5.3 CFC, HCFC and Other Refrigerants

Pursuant to § 608 of the Clean Air Act and 40 CFR 82, Chaparral expects the proper removal and disposal of CFC (chlorofluorocarbon) and HCFC (hydrochlorofluorocarbon) refrigerants from RAW MATERIALS prior to shipment to Chaparral.

Items that contain or may have contained CFC and HCFC refrigerants include, but are not limited to:

- Air Conditioners (household or motor vehicle)
- Refrigerators and Freezers
- Vending Machines
- Dehumidifiers
- Ice Makers
- Water Coolers

#### **5.4 Closed Containers, Explosive Materials, Combustible Materials**

**Chaparral expects that all RAW MATERIALS supplied to Chaparral will be free of closed containers. "Closed containers" means any scrapped item designed to hold liquid or gas under pressure.**

**All RAW MATERIALS supplied to Chaparral must be free of chemicals or substances that are explosive or flammable (e.g., gasoline).**

**RAW MATERIALS supplied to Chaparral must not contain combustible non-metallic materials in amounts greater than set forth in the Ferrous Raw Material Specifications (Part 3 of FRMM) for the applicable grade, without Chaparral's prior written approval. "Combustible non-metallic materials" include, but are not limited to: rubber, plastic, fabric, wood, oil, lubricants, and other chemicals or organic substances. This includes scrapped hand tools with plastic or wood handles, e.g. screw drivers, hammers, etc.**

#### **5.5 Used Steel Containers**

**Used steel containers may be supplied to Chaparral if and only if the containers are EMPTY.**

**The term "steel containers" include but are not limited to: steel drums, barrels, buckets, kegs, boxes, cartons and cases.**

**"Empty" means free of liquid or solid chemicals, chemical residues and/or other non-steel substances. Note: Steel containers characterized as "RCRA Empty" might not be "empty enough" to be acceptable to Chaparral as RAW MATERIAL.**

**Used steel containers may be galvanized and/or painted, but no other coating substances are allowed without prior approval by Chaparral.**

**Used steel containers must be free of interior linings or exterior coatings of plastic, ceramic or other non-steel substances.**

**Prior to delivery to Chaparral, empty used "steel containers", regardless of size, may be either:**

- Sheared and mixed with No.2 Heavy or No.2 Light, taking care to assure that all other Chaparral Requirements and Specifications for these grades are met as well.**
- Crushed using pressure applied along the vertical axis of the container to a thickness not greater than 12 inches. Empty used "steel containers" prepared in this latter fashion should not be mixed with other scrap, and should be delivered in shipments separate from other grades of scrap.**

#### **5.6 Used Oil Filters (UOF's)**

**If purchased by Chaparral, Used Oil Filters "UOF's" must be shipped as a separate item from other grades of ferrous scrap and must not be attached to scrapped motors or motor vehicles. The UOF's must be processed and free of residual oil in accordance with U.S. EPA and Texas**

requirements [see 40 CFR 261.4(b) and 30 TAC 328.22(a)] so as not to be classified as hazardous wastes.

## **5.7 Free Organic Liquids, Chlorinated Plastics, and Lead – Area Source Rule Requirements**

Chaparral expects that all RAW MATERIALS will meet the following specifications, prior to the June 30, 2008 compliance deadline, to be compliant with the Area Source Rule requirements found in 40 CFR Part 63 Subpart YYYYYY, related to free organic liquids, chlorinated plastics, and lead and lead-containing components:

- RAW MATERIALS must be depleted, to the extent practicable, of undrained used oil filters, chlorinated plastics, and free organic liquids
- RAW MATERIALS must have lead-containing components, such as batteries, battery cables containing lead, and wheel weights, removed to the extent practicable

RAW MATERIALS that have been or will be processed through a shredder with magnetic separation are presumed to be depleted of chlorinated plastics and lead to the extent practicable. Therefore, chlorinated plastics and non-battery lead components do not have to be removed prior to shredding from RAW MATERIALS for shredding or from shredded steel. However, free organic liquids, undrained oil filters, and lead-acid batteries must be removed to the extent practicable prior to shredding.

## **5.8 Mercury– Area Source Rule Requirements**

Chaparral expects that all RAW MATERIALS will meet the following specifications, prior to the June 30, 2008 compliance deadline, to be compliant with the Area Source Rule requirements found in 40 CFR Part 63 Subpart YYYYYY, related to mercury-containing convenience light switches:

The presence of mercury in Motor Vehicle Scrap must be minimized by VENDOR participation in an EPA-approved program for the removal of mercury switches. Motor Vehicle Scrap means vehicle or automobile bodies, including automobile body hulks, that have been processed through a shredder. Motor Vehicle Scrap does not include automobile manufacturing bundles, or miscellaneous vehicle parts, such as wheels, bumpers or other components that do not contain mercury switches. Mercury switch means each mercury-containing capsule or switch assembly that is part of a convenience light switch mechanism installed in a vehicle.

Chaparral requires all VENDORS of Raw Materials for Shredding that could include vehicle or automobile bodies or parts and all VENDORS of Shredded Steel to either:

- Participate in the National Vehicle Mercury Switch Recovery Program (NVMSRP), or another EPA-approved program, prior to June 30, 2008 (for VENDORS who prepare automobile bodies prior to crushing), and/or
- Provide written assurance to Chaparral, prior to June 30, 2008 and every six months thereafter, that all Materials for Shredding and Shredded Steel provided by the VENDOR was procured from other suppliers who are participating in the NVMSRP or another EPA-approved program (for brokers, shredders, and other VENDORS who do not prepare automobile bodies prior to crushing).

The NVMSRP is operated by the End of Life Vehicle Solutions Corporation (ELVS). Participation in the NVMSRP is accomplished by signing up with ELVS and minimizing the presence of mercury in Motor Vehicle Scrap by removing mercury switches from end-of-life vehicles before they are flattened, shredded, and melted to make new steel.

## **6. Remedies in the Event of Receipt of Shipments Containing Materials Prohibited by Sections 4 and 5**

### **6.1 Actions**

By signing the “VENDOR COMPLIANCE AGREEMENT” a VENDOR of RAW MATERIALS to Chaparral, agrees, warrants and represents to Chaparral that RAW MATERIALS shipped to Chaparral will be prepared in accordance with the requirements of this FRMM prior to delivery of such RAW MATERIALS to Chaparral. RAW MATERIALS include but are not limited to ferrous scrap in any form sold to Chaparral for shredding, re-melting, or other processing. Upon any failure of a VENDOR or a SHIPPER to comply with the requirements of Sections 4 and 5 of this FRMM, Chaparral may take any action authorized by and may avail itself of any remedy permitted under the VENDOR COMPLIANCE AGREEMENT, this FRMM, any other agreement between Chaparral and such VENDOR or SHIPPER or applicable law.

### **6.2 Liability for Costs**

Each VENDOR or SHIPPER remains the owner of all rejected materials delivered to Chaparral by it and agrees to be responsible for (i) all costs incurred by Chaparral in connection with decontaminating, packaging, transporting, or disposing of rejected materials and (ii) all extraordinary costs incurred by Chaparral in connection with inspecting, handling, sorting, and storing rejected materials. For example, if a shipment is processed at a Chaparral plant site to remove NORM (Naturally Occurring Radioactive Material) materials, the VENDOR will be responsible for all related processing costs, which typically range from \$ 600 to \$ 6,000 per shipment. If a shipment contains a material or an amount of material prohibited by Sections 4 or 5 or by applicable federal, state, or local laws, each such VENDOR or SHIPPER agrees to pay or cause to be paid, at no expense to Chaparral, all cleanup, administrative, and enforcement costs which may be imposed pursuant to such laws by any governmental agency with jurisdiction over such matters. Each such VENDOR or SHIPPER agrees to pay or cause to be paid, at no expense to Chaparral, all costs (including without limitation, those costs set forth above), damages, liabilities, losses, claims, and expenses (including reasonable attorney’s fees and disbursements) which are incurred by Chaparral without the requirement that Chaparral wait for the ultimate outcome of any litigation, claim or other proceeding, within thirty (30) days after notice to such VENDOR or SHIPPER from Chaparral itemizing the amounts incurred. Notwithstanding anything contained herein to the contrary, such VENDOR or SHIPPER shall have the right to contest in good faith, the validity or applicability of any such asserted claim. Any such contest shall be prosecuted diligently and in a manner not prejudicial to Chaparral or the rights of Chaparral hereunder.

### 6.3 Indemnity

**AS A CONDITION OF DOING BUSINESS WITH CHAPARRAL, EACH VENDOR AND EACH SHIPPER AGREES TO INDEMNIFY EACH CHAPARRAL INDEMNIFIED PARTY AGAINST AND HOLD EACH CHAPARRAL INDEMNIFIED PARTY HARMLESS FROM ALL CLAIMS, DEMANDS, CAUSES OF ACTION, LIABILITIES, DAMAGES, FINES, JUDGMENTS, COSTS OF SETTLEMENT AND EXPENSES (INCLUDING, WITHOUT LIMITATION, REASONABLE ATTORNEYS FEES AND OTHER COSTS OF DEFENSE, THE COST OF STORAGE, HANDLING, DISPOSAL, PROCESSING, AND DECONTAMINATION OF ANY ITEMS DELIVERED TO CHAPARRAL IN VIOLATION OF SECTIONS 4 AND 5 AND THE COST OF ANY ADMINISTRATIVE PENALTY OR FINE TO THE EXTENT PERMITTED BY LAW, ARISING FROM THE DELIVERY OF ANY ITEMS TO CHAPARRAL IN VIOLATION OF SECTIONS 4 AND 5 OR APPLICABLE FEDERAL, STATE, OR LOCAL LAW. SUCH CLAIMS, DEMANDS, CAUSES OF ACTION, LIABILITIES, DAMAGES, FINES, COSTS OF SETTLEMENT AND EXPENSES MAY INCLUDE BUT ARE NOT LIMITED TO BOTH DIRECT AND CONSEQUENTIAL DAMAGES. EACH SUCH VENDOR AND SHIPPER IS LIABLE UNDER THIS INDEMNITY NOTWITHSTANDING THE NEGLIGENCE OR ALLEGED NEGLIGENCE OF CHAPARRAL IN FAILING TO DISCOVER THE PROHIBITED MATERIAL OR AMOUNT OF MATERIAL OR HAVING DISCOVERED THE PROHIBITED MATERIAL OR AMOUNT OF MATERIAL, IN FAILING TO PREVENT ITS USE.**

**APPENDIX 1: TEXAS STATUTES REGARDING TRANSACTIONS INVOLVING LEAD-ACID BATTERIES, FUEL TANKS, PCB-CONTAINING CAPACITORS, AND TIRES**

**TEXAS OCCUPATIONS CODE**

**CHAPTER 1956. SALES TO METAL DEALERS AND METAL RECYCLING ENTITIES**

**SUBCHAPTER C. SALE OF CERTAIN ITEMS TO METAL RECYCLING ENTITIES**

**§ 1956.103. RESTRICTIONS ON TRANSFER OF CERTAIN PROPERTY.**

- (a) A person may not sell or otherwise transfer to a metal recycling entity:
- (1) a lead-acid battery, fuel tank, or PCB-containing capacitor that is included with another type of scrap, used, or obsolete metal without first obtaining from the metal recycling entity a written and signed acknowledgment that the scrap, used, or obsolete metal includes one or more lead-acid batteries, fuel tanks, or PCB-containing capacitors;
  - (2) any of the following items that contain or enclose a lead-acid battery, fuel tank, or PCB-containing capacitor or of which a lead-acid battery, fuel tank, or PCB-containing capacitor is a part:
    - (A) a motor vehicle;
    - (B) a motor vehicle that has been junked, flattened, dismantled, or changed so that it has lost its character as a motor vehicle;
    - (C) an appliance; or
    - (D) any other item of scrap, used, or obsolete metal; or
  - (3) a motor vehicle or a motor vehicle that has been junked, flattened, dismantled, or changed so that it has lost its character as a motor vehicle if the motor vehicle includes, contains, or encloses a tire or scrap tire.
- (b) Subsection (a)(3) does not apply to the sale or other transfer of a motor vehicle or a junked, flattened, dismantled, or changed motor vehicle from another state.