

CHAPARRAL

**CHAPARRAL STEEL MIDLOTHIAN, LP
300 WARD ROAD
MIDLOTHIAN, TEXAS 76065
PHONE: (972) 775-8241
FAX: (972) 779-1086**

**CHAPARRAL (VIRGINIA), INC.
25801 HOFHEIMER WAY
PETERSBURG, VIRGINIA 23803
PHONE: (804) 520-0286
FAX: (804) 524-2842**

PART 4

FERROUS RAW MATERIAL QUALITY SYSTEM

**Revision 14.0
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FERROUS RAW MATERIAL QUALITY SYSTEM FOR CHAPARRAL STEEL MIDLOTHIAN, LP AND CHAPARRAL (VIRGINIA) INC., AND THEIR AFFILIATED COMPANIES (HEREINAFTER REFERRED TO AS “WE”, “CHAPARRAL” OR “BUYER”):

Introduction

The objective of the Chaparral Steel Ferrous Raw Material Quality System is to assure that specifications and other requirements for RAW MATERIAL supplied to Chaparral are met, thereby helping protect the safety of Chaparral employees, the quality of Chaparral’s finished products, and the productivity and integrity of Chaparral operations.

Please refer to Appendix 1 for definitions of terms used in this document.

What is the Chaparral Steel Ferrous Raw Material Quality System (FRMQS)?

The FRMQS is a methodology for monitoring vendor quality performance, identifying vendors who supply material that does not meet Chaparral specifications or other requirements, and assuring that appropriate corrective actions are taken. The FRMQS includes:

- Guidelines for inspection of receipts,
- The documentation and use of inspection results,
- Procedures for resolving quality issues, and...
- Procedures for ferrous raw material vendor disqualification and re-qualification

Note: VENDOR QUALIFICATION issues are covered by Part 1 “Commercial Terms & Conditions of Purchase” of the Chaparral Ferrous Raw Materials Manual (the “FRRM”).

Who are the parties responsible for scrap quality and what roles do they play?

THE SELLER is responsible for assuring that all RAW MATERIAL forwarded to Chaparral meets the specifications and other requirements given in the FRMM.

CHAPARRAL SCRAP RECEIVING AND PROCESSING DEPARTMENTS are responsible for receiving, inspecting, handling and/or processing of shipments and for communicating quality issues to the Raw Materials Department and, when appropriate, directly to the SUPPLIER.

CHAPARRAL RAW MATERIALS PURCHASING DEPARTMENTS (also referred to as Buyer or Buyers) are responsible for reviewing quality issues, communicating and resolving such issues with SUPPLIERS, and assuring that appropriate corrective (including disciplinary) actions are taken.

What is Chaparral’s inspection process?

Upon arrival at a Chaparral plant site, all shipments of RAW MATERIAL are inspected for conformance to Chaparral specifications and other requirements. Instances of non-conformance are documented on a Chaparral Inspection Report. Inspection data are entered into a Raw Material Receiving Information System (RAM) and become a record permanently associated with the shipment. A sample Inspection Report is provided in Appendix 2.

In addition to recording instances of non-conformance, quality problems are also assigned a severity rating that corresponds to an action taken as a consequence of reported quality problems:

Severity Rating	Numerical Value	Definition
Accepted “AS IS”	1	Nonconformance item(s) present but not severe enough to warrant further action.
Reworked	2	Nonconformance item(s) present and severe enough so that they are to be removed from the shipment.
Downgraded	3	Nonconformance item(s) present and severe enough so that grading of the shipment is to be changed.
Rejected	4	Nonconformance item(s) present and severe enough to warrant rejecting all or a substantial portion of a shipment.

In addition, the number or amount of “quality problem items” will be documented and reported. (examples: the number of closed containers, the estimated pounds of excessive dirt, etc.)

What does Chaparral do with inspection data?

Inspection reports for non-conforming shipments are reviewed among Chaparral Raw Materials Buyers and Scrap Receiving and Processing Operations Supervisors. Following review, Chaparral Buyers communicate warnings, downgrades and/or penalties to the SUPPLIER. Warnings, downgrades and/or penalties are compiled in a Chaparral Raw Materials Tracking Form, an example of which is given in Appendix 3.

In addition to providing quality feedback on a “shipment-by-shipment” basis to SUPPLIERS, inspection data is compiled so that reports may be generated to facilitate review of each SUPPLIER’S quality history. Examples of these reports (VENDOR Frequency Summary Report, VENDOR Performance Summary Report, VENDOR Performance Report, and Quality Problem Report) are provided in Appendix 4.

What are the different categories of quality problems?

Quality problems are categorized as “Zero Tolerance” or “Prohibited Items (other than Zero Tolerance Items)”, hereafter collectively referred to as “Prohibited” Items (see Appendix 1 for

definitions and examples). Discovery of any “Zero Tolerance” or “Prohibited” item initiates one of the procedures as shown in Flowcharts 1 and 2, respectively, in Appendix 5.

In addition, the Chaparral Inspection Report (Appendix 2) may also categorize quality problems as “Improper Preparation”, “Off-Chemistry”, “Low Yield”, and “Other”.

What does it mean for a SUPPLIER to be “disqualified”?

Chaparral will neither purchase nor accept particular grade(s) or all grades of RAW MATERIAL from a SUPPLIER who has been disqualified. Disqualified SUPPLIERS will have their names removed from the Approved SUPPLIER List and added to the Disqualified SUPPLIER List.

How does Chaparral deal with the discovery of “Zero Tolerance” Items?

Once a report of the discovery of a “Zero Tolerance” Item is received by the Raw Materials Department, the incident is logged into the “Tracking Form” (Appendix 3). If documentation of the incident is not complete, a verbal warning may be issued to the SELLER. If documentation of the incident is complete, the SUPPLIER quality history for the most recent 12 months is reviewed. As a general rule, (i) if it is the first incident for this type of item in the most recent 12 month period, a written warning is issued to the SUPPLIER and, at the Buyer’s discretion, the SUPPLIER may be placed on probation, (ii) If it is the second incident for this type of item in the most recent 12 month period, the SUPPLIER is suspended from shipping and (iii) if it is the third incident for this type of item in the most recent 12 month period, the SUPPLIER is disqualified. However, notwithstanding the foregoing, in circumstances deemed appropriate by Chaparral, in its sole discretion, it may take more lenient or more stringent action than those set forth in the immediately preceding sentence. Any actions taken are recorded in the “Tracking Form” (Appendix 3).

See Flowchart 1 in Appendix 5 for the complete procedure regarding discovery of “Zero Tolerance” items.

How does Chaparral deal with the discovery of “Prohibited” Items?

Once a report of the discovery of a “Prohibited” Item is received by the Raw Materials Department, the incident is logged into the “Tracking Form” (Appendix 3). If documentation of the incident is not complete, a verbal warning may be issued to the SELLER. If documentation of the incident is complete, one or more of the following actions may be taken:

1. Issue Verbal Warning
2. Issue Written Warning
3. Place SUPPLIER on Probation
4. Suspend SUPPLIER
5. Disqualify SUPPLIER

In addition, one or more of the following penalties may be imposed to offset any financial burden relating to disposition of said item(s):

1. Re-grading of shipment
2. Lump sum deduction for unusable material received
3. Lump sum deduction for processing costs

4. Lump sum deduction for discovery of item(s)

Any actions taken are recorded in the Tracking Form (Appendix 3).

See Flowchart 2 in Appendix 5 for the complete procedure regarding discovery of “Prohibited” Items.

How does Chaparral deal with unacceptable overall quality?

On a quarterly basis, overall SUPPLIER performance will be evaluated using information from the VENDOR Performance Report. The 5% of SUPPLIERS that demonstrate the most frequent and/or the most severe performance failures will be identified for further review. The names of these SUPPLIERS will be added to the “Review” section of the Tracking Form. At Buyer’s discretion, other SUPPLIERS may be added for review. The three-month quality history for each SUPPLIER identified is reviewed. After reviewing the three-month detail history and factoring in commercial considerations, Buyer determines if a SUPPLIER’s performance is acceptable. If performance is acceptable, a verbal warning may be issued to the SUPPLIER. If performance is not acceptable, one or more of the following actions may be taken:

1. Issue Verbal Warning
2. Issue Written Warning
3. Place SUPPLIER on Probation
4. Adjust SUPPLIER pricing relative to market
5. Suspend SUPPLIER
6. Disqualify SUPPLIER

Any actions taken are recorded in the Tracking Form (Appendix 3).

See Flowchart 3 in Appendix 5 for the complete procedure regarding unsatisfactory overall quality.

Can disqualified SUPPLIERS become re-qualified?

Provided that a disqualified SUPPLIER submits to an on-site audit by a Chaparral Quality Team or agrees to bring responsible operating personnel to the Chaparral plant site to propose a quality control improvement plan to Chaparral, a request may be made that the SUPPLIER be considered for re-qualification. It is, however, at Chaparral’s sole discretion as to whether re-qualification is an option. (See Flowchart 4 in Appendix 5 for the complete re-qualification procedure.) If the request for an audit or plant meeting is granted, the Audit Checklist (Appendix 6) may be used in the re-qualification process. A re-qualification audit will focus on the quality issue(s) for which a SUPPLIER was disqualified but will not necessarily be limited only to such issues. A disqualified SUPPLIER must successfully complete the audit process to become re-qualified.

What is Chaparral’s position on downgrades and other penalties?

Chaparral expects that every RAW MATERIAL shipment shall meet Chaparral specifications and other requirements for the grade forwarded. Downgrades and penalties are a courtesy to

the SUPPLIER in lieu of rejection, suspension and/or disqualification. ***Chaparral's position is that downgrades and other penalties should be the exception rather than the rule.***

Can the disqualification process be accelerated?

The disqualification process CAN be accelerated at Chaparral's discretion, especially in cases where the safety of our employees is jeopardized or our ability to operate is impaired or threatened.

Appendix 1: Quality System Definitions

NON-CONFORMANCE FREQUENCY:

For a given SUPPLIER over a defined time period,

SUPPLIER non-conformance frequency	=	$\frac{\text{Count of inspection reports indicating one or more non-conformances}}{\text{Total number of shipments during the period}}$
--	---	---

For a specific quality problem and/or SUPPLIER over a defined time period,

Frequency of a specific non-conformance	=	$\frac{\text{Number of inspection reports with a specific non-conformance}}{\text{Count of shipments by SUPPLIER during the period}}$
--	---	---

SEVERITY: a numerical value associated with the action taken when quality problems are identified as a result of the inspection process.

Severity Code	Numerical Value	Description
AC	1	Accepted "AS IS"
RW	2	Reworked
DG	3	Downgraded
RJ	4	Rejected

AVERAGE SEVERITY:

For a given SUPPLIER over a defined time period,

SUPPLIER average overall severity	=	$\frac{\text{Sum of severities having a numerical value of 1 to 4}}{\text{Count of severities included in the sum of severities}}$
--------------------------------------	---	--

For a specific quality problem and/or SUPPLIER over a defined time period,

Average severity of a specific non-conformance	=	$\frac{\text{Sum of severities for the specific non-conformance issue}}{\text{Count of severities included in the sum of severities}}$
--	---	--

SHIPMENT EVALUATION: a numerical value associated with the overall quality of a shipment

Grade	Value	Description
A	4	Excellent. Exceeds minimum standards.
B	3	Good. Meets minimum standards.
C	2	Poor. Borderline or somewhat below minimum standards.
D	1	Very Poor. Unacceptable.

For a given SUPPLIER over a defined time period for all grades,

Average overall evaluation	=	$\frac{\text{Sum of evaluation values}}{\text{Count of shipments included in the sum of evaluation values}}$
-------------------------------	---	--

For a given SUPPLIER and particular grade over a defined time period,

Average evaluation for a grade	=	$\frac{\text{Sum of evaluation values for the particular grade}}{\text{Count of shipments included in the sum of evaluation values}}$
--------------------------------	---	---

Appendix 2: Inspection Sheet

CHAPARRAL STEEL SCRAP INSPECTION REPORT

Camera Partial	<input type="checkbox"/>	Routine Suspect	<input type="checkbox"/>
Full	<input type="checkbox"/>		

Vendor No. _____
 Date _____
 Inspector _____
 P O Number _____

Vendor Name _____
 Scale Ticket No. _____
 Carrier Name _____
 Color Code _____

Shipper Name _____
 Truck/Car No. _____
 Grade Shipped _____
 Destination Pile _____

Please check all nonconformances that apply.

For the purpose of charging the shipper estimate and report:

The weight of off-grade scrap (if a downgrade is not appropriate)
 The minutes of crane or loader time used, if any.
 The weight of waste or other non-useable material.

Severity Codes

AC Accepted AS IS.
 RW Rework (report time required)
 DG Downgrade (report new grade)
 RJ Reject

Overall Shipment Evaluation

A Excellent Exceeds minimum standards.
 B Good Meets minimum requirements.
 C Poor Somewhat below minimum requirements.
 D Very poor Unacceptable.

* = comments required if item is checked.

AC	RW	DG	RJ	No. Items	"ZERO-TOLERANCE"
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="text"/>	Z1 Radioactive source(s).
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="text"/>	Z2 PCB items (capacitors, ballasts, transformers, etc.)
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="text"/>	Z3 Toxic substances & hazardous wastes.
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="text"/>	Z4 CFC / HCFC refrigerants.
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="text"/>	Z5 Closed containers.
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="text"/>	Z6 Explosive / highly-flammable substances.
AC	RW	DG	RJ	No. Items	POOR PREPARATION
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="text"/>	P1 Insufficient bulk density.
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="text"/>	P2 Overlength pieces.
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="text"/>	P3 Overweight pieces.
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="text"/>	P4 Turnings/borings.
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="text"/>	P5 Bundles/coils.
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="text"/>	P6 Poor bundle/coil integrity.
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="text"/>	P7 *Poor grade segregation.
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="text"/>	P8 Improperly loaded.
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="text"/>	P9 *Stringy/interlocking/poor-handling scrap.
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="text"/>	P10 *Rebar in grades other than No. 2

AC	RW	DG	RJ	No. Items	CHEMISTRY
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="text"/>	C1 *Copper (motors>10", compressors, wire, powder met parts)
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="text"/>	C2 *Lead (counterweights, solder, soil pipe joints).
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="text"/>	C3 *Sulfur (high S pipe residue or filtration/scrubbing coating).
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="text"/>	C4 *High alloy content (stainless, die blocks, tool steel, etc.)
AC	RW	DG	RJ	No. Items	YIELD
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="text"/>	Y1 Excessive dirt.
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="text"/>	Y2 *Combustibles (rubber, plastic, wood, paper, oil, grease, etc.)
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="text"/>	Y3 *Non-combustibles (concrete, glass, bricks, etc.)
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="text"/>	Y4 Slag/millscale/kerf.
AC	RW	DG	RJ	No. Items	OTHER
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="text"/>	O1 Radiation detection alarm triggered.
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="text"/>	O2 Non-PCB Capacitors and/or Items
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="text"/>	O3 Lead acid batteries.
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="text"/>	O4 Batteries (other than lead acid batteries)
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="text"/>	O5 *Other.
A	B	C	D	SHIPMENT EVALUATION	
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Overall shipment evaluation.	

Comments: _____

Final Disposition of Shipment

Accepted
 Downgraded to _____
 Rejected
 Actual Pile _____

Estimated weight of waste or non-useable material _____
 Estimated equipment time used _____
 Was rework of load required? Yes No

Indicate primary reason for penalty, downgrade, or rejection: _____
 Signature of authorized personnel if penalized, downgraded, or rejected: _____

If the shipment isn't loaded properly, we are not responsible for any damage to the vehicle. Driver's signature: _____

Appendix 4: Reports

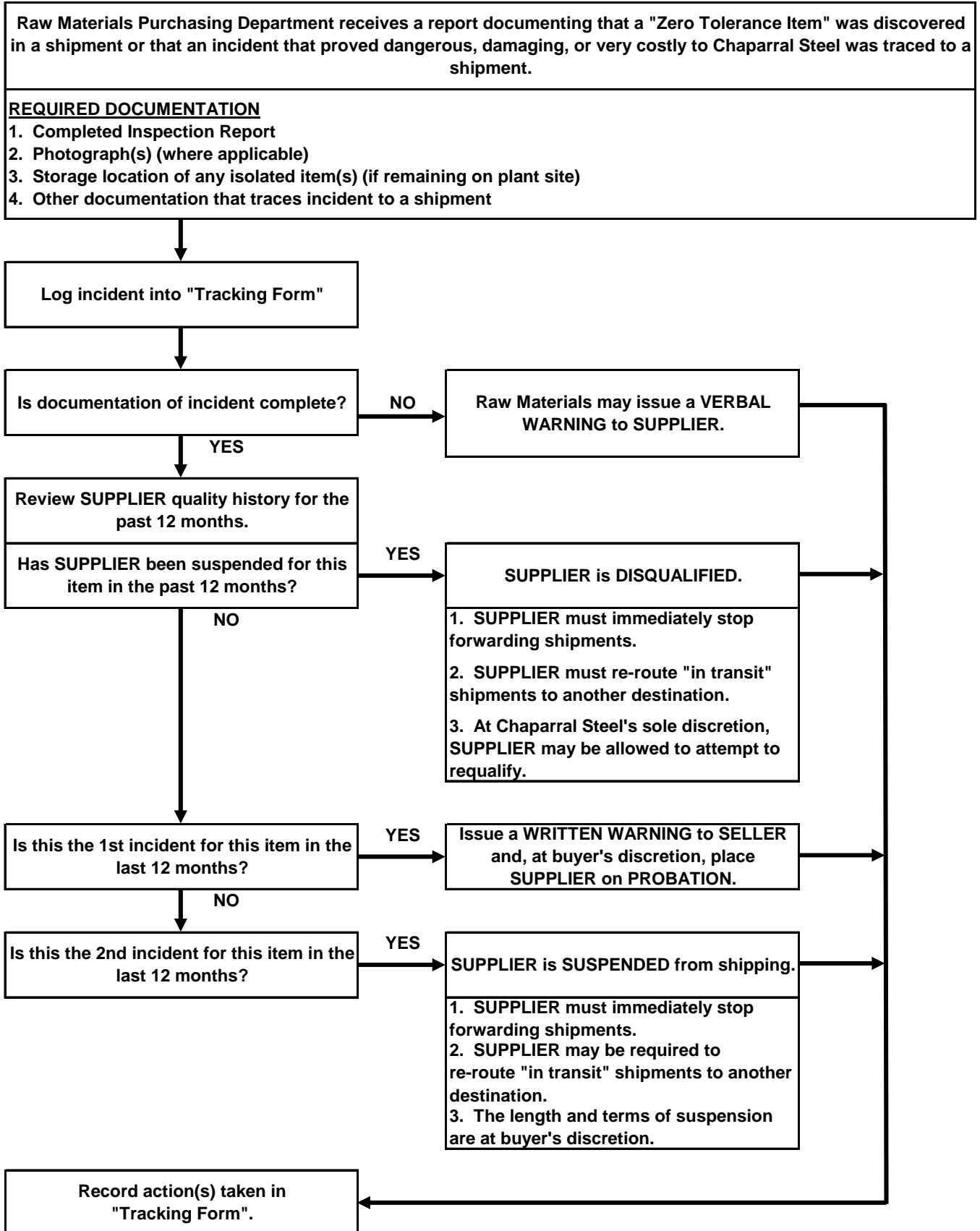
CHAPARRAL FERROUS RMQ SYSTEM		Vendor Frequency Summary Report										
		For: 10/01/1998 00:00:00 to 10/31/1998 23:59:59										
VENDOR SUMMARY												
Vendor Number	Vendor Name	Trucks Rec'd	Rail Rec'd	Overall Freq		Accept	Rework	Dgrade	Reject	TOTAL	Zero Tol	Prohib
12345	ABC Company	25	25	20%	MTD	3	2	1	4	10	2	1
		25	25	20%	LM	3	2	1	4	10	2	1
		25	25	20%	YTD	3	2	1	4	10	2	1
12346	XYZ Iron & Metal	0	20	20%	MTD	1	1	1	1	4	0	0
		0	20	10%	LM	1	0	1	0	2	0	1
		0	40	15%	YTD	2	1	2	1	6	0	1

CHAPARRAL FERROUS RMQ SYSTEM		Vendor Performance Summary Report									
		For: 10/01/1998 00:00:00 to 10/31/1998 23:59:59									
VENDOR SUMMARY											
Vendor Number	Vendor Name	Shipper Name	Origin	Trucks		Rail		Overall	Frequency	Average Severity	
12345	ABC Company	XXX Division	DFW	100	80	0	0	B	xx %	x.x	
		ABC Company	Ok. City	20	3	0	0	B	yy %	y.y	
		YYY Division	Odessa	25	18	32	12	A	zz %	z.z	
12346	XYZ Iron & Metal	XYZ Iron & Metal	Anywhere	0	0	15	15	A	aa%	a.a	

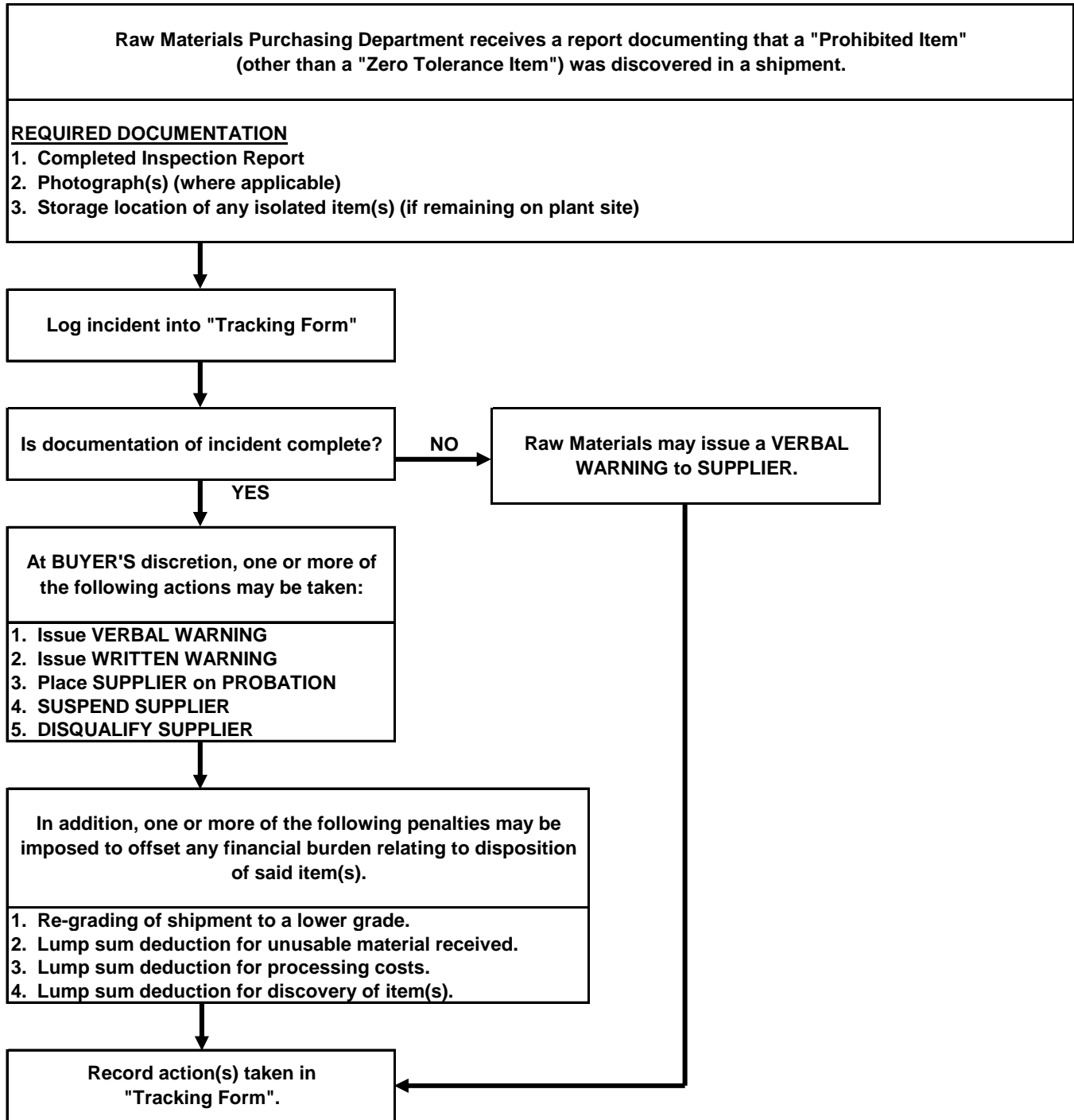
CHAPARRAL FERROUS RMQ SYSTEM		Vendor Performance Report											
		For: 10/01/1998 00:00:00 to 10/31/1998 23:59:59											
VENDOR SUMMARY													
Vendor Number	Vendor Name	Shipper Name	Origin	Trucks		Rail		Overall	Infraction Frequency	Average Severity			
12345	ABC Company	XXX Division	DFW	100	80	0	0	B	xx %	x.x			
		ABC Company	Ok. City	20	3	0	0	B	yy %	y.y			
		YYY Division	Odessa	25	18	32	12	A	zz %	z.z			
VENDOR DETAIL		ABC Company	XXX Division	DFW									
Sev. Code	PR Flag	Infraction Shorthand	No. of Items	Est. Wt.	Crane Time (Min)	P or F	S or R	Date	Ticket	Truck / Car No.	Grade Code	P.O. No.	Inspector
RW	*	PCB Item(s)	2		25	P	S	10/01/98	34567	AST 12 / 14	602A	27856	Williams
RW	*	Radioactive Source	1		45	F	S	10/02/98	34899	BNSF 454545	601A	27857	Creedy
DG		Dirt		5000		P	S	10/01/98	34567	AST 12 / 14	602A	27856	Williams
DG		Low Bulk Density				P	S	10/01/98	34567	AST 12 / 14	602A	27856	Williams
BO	*	Over length / width	5			P	R	10/01/98	34955	Metro 9 / 62	601C	27858	Smith
BO		Dirt		500		P	R	10/01/98	34955	Metro 9 / 63	601C	27858	Smith
VENDOR DETAIL		ABC Company	ABC Company	Ok. City									
DG	*	Low Bulk Density				P	R	10/01/98	34600	AST 12 / 15	602A	27860	Williams
RW		Over length / width	3			P	R	10/01/98	34600	AST 12 / 16	602A	27860	Williams

CHAPARRAL FERROUS RMQ SYSTEM		Infraction Report									
		For: 10/01/1998 00:00:00 to 10/31/1998 23:59:59									
INFRACTION SUMMARY											
		For: "Stringy" or "Interlocking" scrap									
Vendor Number	Vendor Name	Shipper Name	Origin	Truck Received	Rail Received	Infraction Frequency	Average Severity				
12345	ABC Company	XXX Division	DFW	100	0	xx %	x.x				
		ABC Company	Ok. City	20	0	yy %	y.y				
		YYY Division	Odessa	25	32	zz %	z.z				
12346	XYZ Iron & Metal	XYZ Iron & Metal	Anywhere	0	15	aa%	a.a				

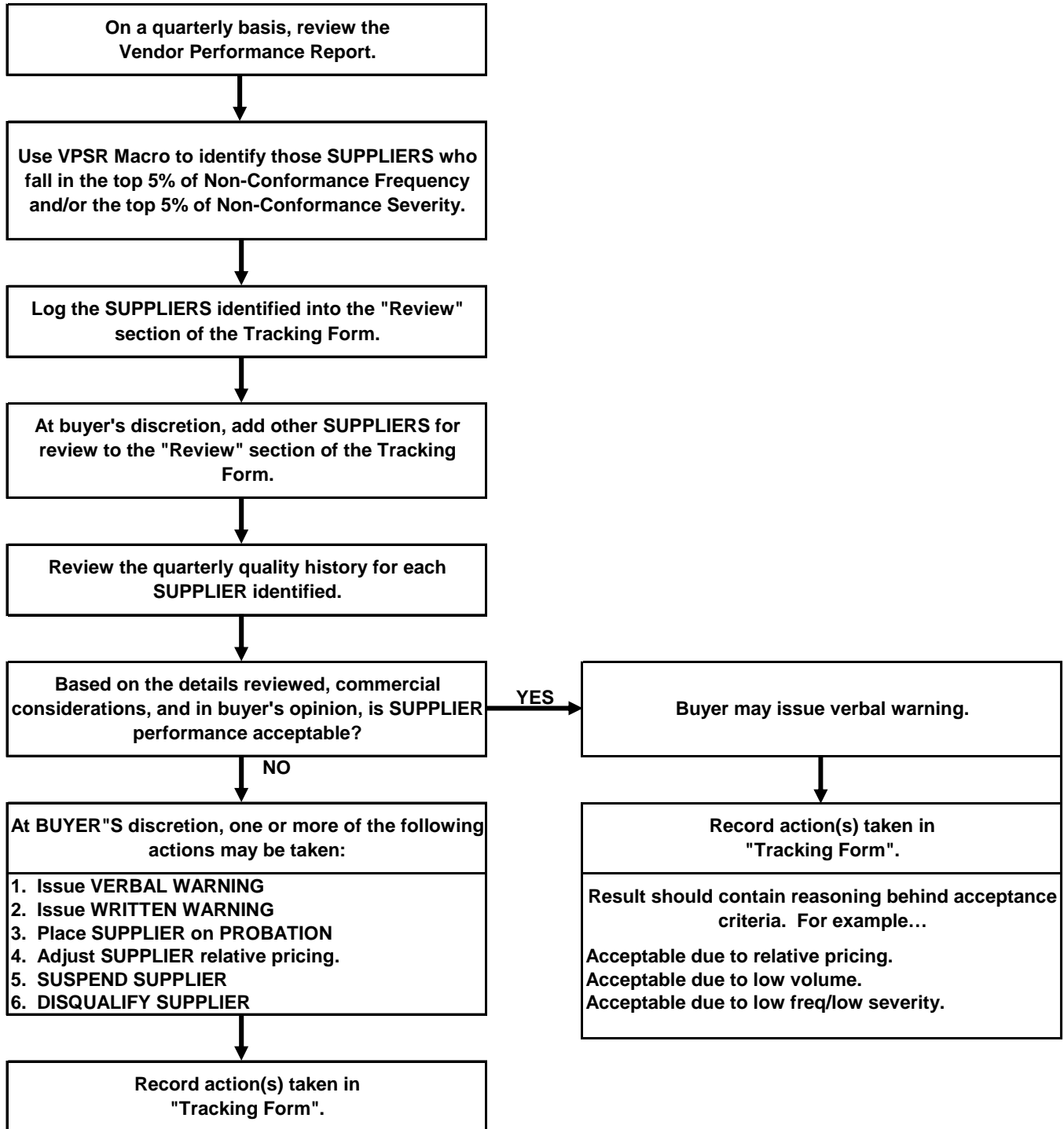
Appendix 5: Flow Diagram 1 – ZERO TOLERANCE ITEM DISCOVERY



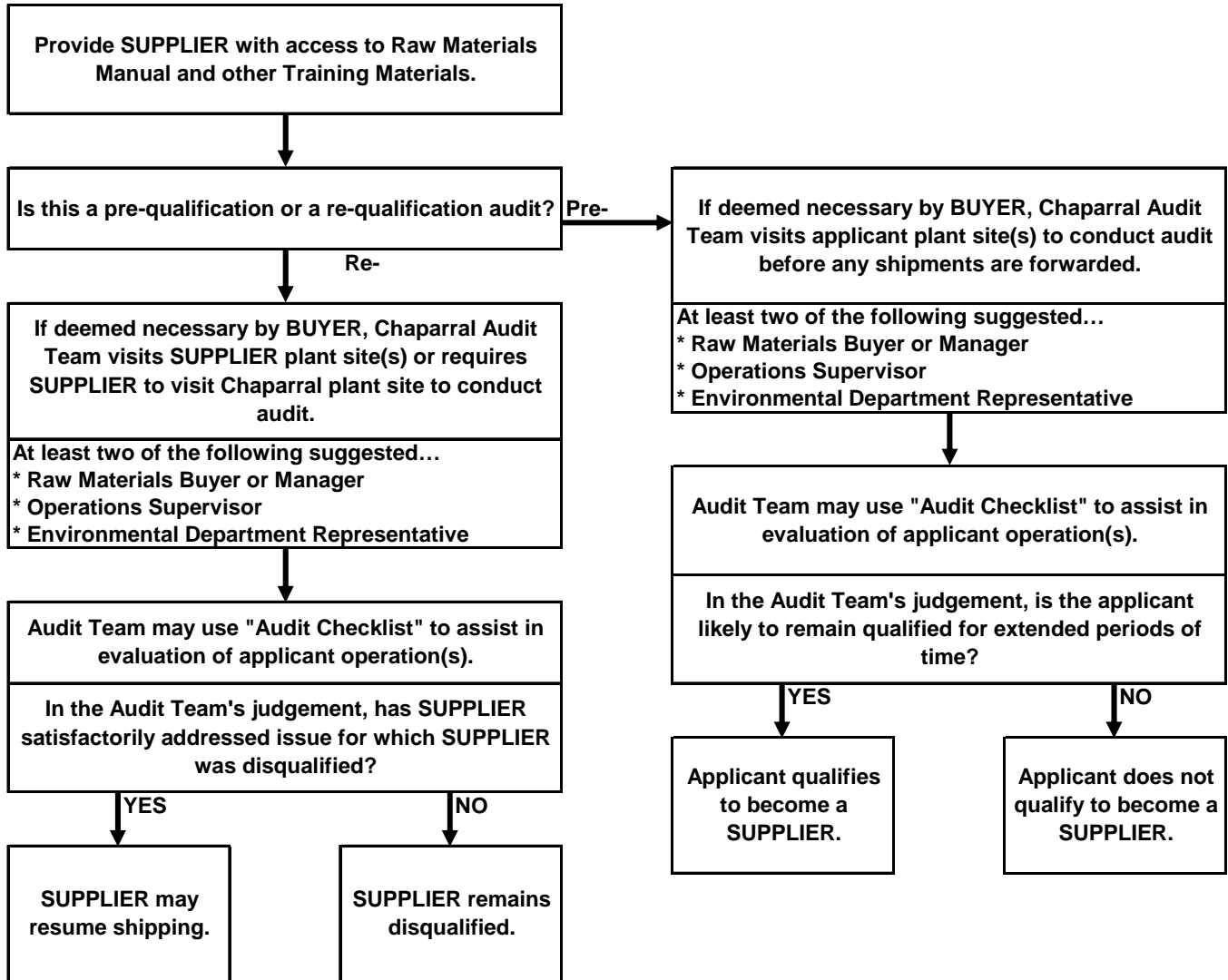
Appendix 5: Flow Diagram 2 – PROHIBITED ITEM DISCOVERY



Appendix 5: Flow Diagram 3 – QUARTERLY PERFORMANCE REVIEW



Appendix 5: Flow Diagram 4 – PRE- OR RE-QUALIFICATION AUDIT



Chaparral Steel will not buy particular scrap grades or all scrap grades from disqualified SUPPLIERS. Any SUPPLIER (including any BROKER) who knowingly sells scrap to Chaparral Steel from disqualified SUPPLIERS will also be disqualified.

Appendix 6: Audit Checklist Page 1

CHAPARRAL

CHAPARRAL FRMQ SYSTEM AUDIT CHECKLIST

Philosophy:

At minimum, Suppliers of ferrous Raw Material to Chaparral must:

- 1) Demonstrate awareness of safety, environmental, and other quality issues by both management and responsible employees,
- 2) Provide evidence that this awareness is acted upon, and...
- 3) Commit to quality improvement and consistency in addition to meeting minimum quality requirements at all times.

If a supplier has been disqualified, the audit will focus on the issue(s) for which disqualification occurred. However, the audit is not solely limited to such issues should other quality concerns present themselves.

Chaparral Audit Team Members _____ Vendor Name _____

_____ Shipper Name _____

_____ Location _____

_____ Date _____

Reason for audit _____

DOES SHIPPER HAVE ACCESS TO THE "CHAPARRAL STEEL RAW MATERIALS MANUAL" ? YES NO

Shipper Knowledge	QUALITY CONCERN	AT LEAST ONE OF THESE FOUR SHOULD BE DEMONSTRATED FOR EACH QUALITY CONCERN				IN ADDITION, SHOULD ALSO DEMONSTRATE:	Contract Signed?
	ZERO TOLERANCE ITEMS / SUBSTANCES I.e., Items / Substances that must be absent from all grades of ferrous Raw Material:	Written Procedures	Signs or Posters	Other Reference Materials	Knowledge by Responsible Supervisors	Knowledge by Responsible Workers	
	1. Radioactive Sources						
	2. PCB Capacitor(s) or other PCB Items						
	3. Lead-Acid Batteries						
	4. Toxic substances and / or listed hazardous wastes						
	5. Closed container(s) or other explosion hazard						
	6. Uncut gas tank(s), or gas tank(s) containing fuel						

ADDITIONAL COMMENTS REGARDING QUALITY ASSURANCE PRACTICES FOR ZERO TOLERANCE ITEMS / SUBSTANCES

Shipper Action Plan	ZERO TOLERANCE ITEMS / SUBSTANCES:	Radioactive Sources	PCB Items	Lead-Acid Batteries	Toxic Substances or LHW's	Closed Containers or Other Explosion Hazard	CFC & HCFC's
Did Shipper demonstrate that Raw Material is inspected for Zero Tolerance Items / Substances before shipping to Chaparral ?							
Did Shipper demonstrate that Zero Tolerance Items / Substances are segregated and stored away from materials to be shipped ?							
Did Shipper demonstrate that Zero Tolerance Items / Substances are disposed of properly?							
Do records exist to support proper disposal?							

Does Shipper commit to keeping Zero Tolerance Items / Substances out of Raw Material shipped to Chaparral ? YES NO

Shipper Knowledge	QUALITY CONCERN	AT LEAST ONE OF THESE FOUR MUST BE DEMONSTRATED FOR EACH QUALITY CONCERN				IN ADDITION, MUST ALSO DEMONSTRATE:	Contract Signed?
	SPECIAL CASES Items that may be sold to Chaparral if properly prepared and shipped per Chaparral specifications:	Written Procedures	Signs or Posters	Other Reference Materials	Knowledge by Responsible Supervisors	Knowledge by Responsible Workers	
	Used Oil Filters						
	Refrigeration unit compressor(s)						
	Used Steel Containers						
	Scrapped Coils						N/A

Comments:

Appendix 6: Audit Checklist Page 2

CHAPARRAL

CHAPARRAL FRMQ SYSTEM AUDIT CHECKLIST

Vendor Name _____ Location _____
 Shipper Name _____ Date _____

QUALITY CONCERN	AT LEAST ONE OF THESE FOUR SHOULD BE DEMONSTRATED FOR EACH QUALITY CONCERN				IN ADDITION, SHOULD ALSO DEMONSTRATE:
	Written Procedures	Signs or Posters	Other Reference Materials	Knowledge by Responsible Supervisors	Knowledge by Responsible Workers
RESTRICTED ITEMS / SUBSTANCES Items / substances that should be absent from (or present in negligible amount in) shipments of ferrous Raw Material that have been properly prepared per Chaparral specifications:					
Bulk Density Requirements					
Uncut gas tank(s), or gas tank(s) containing fuel					
Unprocessed refrigeration unit compressor(s)					
Very high Lead					
Over length / width pieces					
Over weight / thickness pieces					
Copper-wound motor(s) over 10"					
Other high Copper Raw Material					
Powder Metallurgy Raw Material					
High Phosphorous Raw Material					
Sn, Pb, Cd Coated Raw Material					
Liquid combustibles					
Unprocessed UOF's					
Dirt					
Tires					
Other solid combustibles					
Other non-metallics					
High Sulfur substances					
Excessive rust					
Slag, mill scale, etc.					
NF other than Cu & Pb					
Non-Magnetic Fe Raw Material					
Other high alloy Ferrous					
"Stringy" or "interlocking" Raw Material					
"Free Machining" steel Raw Material					
Contains Steel Turnings where prohibited					
Contains CI Borings where prohibited					
Cars or appliances in HMS					
Contains obsolete Raw Material where prohibited					
Pipe / tubing in P&S					
HMS in P&S					
High alloy auto Raw Material					
2HM in P&S or HMS					
Bundles / coils falling apart					
Dirty Motors in HMS					
Coils / bundles prohibited					

GENERAL COMMENTS REGARDING QUALITY ASSURANCE PRACTICES

Did Shipper demonstrate broad knowledge of Chaparral Ferrous Raw Material Specifications ?	YES	NO
Did Shipper demonstrate awareness of safety, environmental, and other quality issues by both management and responsible employees ?	<input type="checkbox"/>	<input type="checkbox"/>
Did Shipper provide evidence that this awareness is acted upon ?	<input type="checkbox"/>	<input type="checkbox"/>
Did Shipper demonstrate that Raw Material is inspected for Restricted Items / Substances before shipping to Chaparral ?	<input type="checkbox"/>	<input type="checkbox"/>
Did Shipper demonstrate that action is taken to assure that shipments meet Chaparral Specifications regarding Restricted Items / Substances ?	<input type="checkbox"/>	<input type="checkbox"/>
Did Shipper display a willingness to commit to continuous quality improvement in addition to meeting minimum quality requirements at all times ?	<input type="checkbox"/>	<input type="checkbox"/>
If Shipper is believed to have failed this audit, did he agree to make required improvements and agree to another audit ?	<input type="checkbox"/>	<input type="checkbox"/>

IF SHIPPER IS BELIEVED TO HAVE FAILED THIS QUALITY AUDIT, INDICATE SPECIFIC AREAS OF REQUIRED IMPROVEMENT:

Date of next Audit _____ YES NO
 Shipper remains disqualified and is prohibited from shipping to Chaparral.