

TCI Stainless Flat Rolled Quality Claim Policy

This document sets forth the policy and procedures for handling defective material claims for Ta Chen International, Inc. (“TCI”) stainless steel flat rolled products. Flat rolled products include coil, sheet and plate products. No debit memo shall be deducted from TCI until after a claim has been entered, reviewed, accepted and a TCI credit memo has been issued. Buyer’s debits deductions prior to the issuance of a TCI credit memo will be rejected and Buyer shall be responsible for immediate payment of the subject invoice in full.

The TCI Stainless Flat Rolled Quality Claim Policy is integrated into and should be read together with TCI’s General Terms and Conditions. TCI does not reimburse for labor (i.e. backoff charges) and/or freight and/or transfer charges (to and from 3rd party processors) or any subsequent charges associated with claims resulting from material defects. All products are subject to ASTM standards. ASTM standard may be found on TCI’s home page.

1. NOTIFICATION OF REJECTION OF PRODUCT

In the event of Buyer’s timely rejection of any TCI stainless steel flat rolled products, the following must be provided by Buyer:

- A sample and/or photograph that clearly displays the nature of the defect.
- A copy of the mill test report (“MTR”), packing list, purchase order number and TCI Sales Order Confirmation number corresponding to the material under claim.
- An accurate description of the defect(s) and the exact location(s) within the coil (head middle -tail end -edges -top or bottom side).
- Shape Defect for Coil – Samples are generally not required. Provide a digital photo and a definitive measurement of the raw material – height of the wave and distance between centers.
- Defective materials exceeding accepted industry tolerances on weight and dimension: Provide a digital photo demonstrating the deviation from allowable tolerance.
- A formal claim as outlined above is to be logged with Buyer’s TCI account manager so that the product management team can process the claim.

2. CRITERIA FOR MATERIAL REJECTION ON COIL STOCK

- a. Product minimum yield is 97% based on the net weight of the coil.
- b. If a defect is visible at the beginning of an individual coil, TCI authorizes Buyer to run up to 10% of the coil weight to evaluate the degree and persistence of the defect.
- c. If the defect diminishes at the 10% point, TCI authorizes Buyer to run an additional 5% of the coil weight. If the defect persists, the balance of the coil, along with the metal processed must be set aside for TCI inspection.
- d. If a defect appears towards the end of the coil, TCI authorizes Buyer to process any coil weighing 1,000 pounds or less and to set aside for TCI inspection the defective material in excess of the 97% minimum product yield.



- e. All rejected material must be properly identified with Buyer's P.O. Number, the TCI Sales Order Confirmation number, invoice number, grade, dimensions, lot number/pack number and the original package weight. The preferred method is to attach a copy of the corresponding MTR and packing list to the Buyer's rejection notice.

3. REVIEW AND CLAIM RESOLUTION

- a. Following TCI's receipt from the Buyer at the originating TCI warehouse location of Buyer's notification of rejection for material defects, the sample or substantiating photo, MTR, packing list, purchase order number, TCI Sales Order Confirmation number and description of the claimed defect(s), TCI will review and inspect the claim and may consult with the originating mill and review and inspect the production and inspection records. Buyer should retain sample of the defective material in each case as the mill may request physical examination of the sample. The completion of such examination by the mill may be necessary before the claim will be accepted or denied by TCI. If there is a disagreement between the Buyer's and the mill or TCI regarding the validity and extent of the claim, a thorough on-site inspection shall be promptly performed to resolve the matter.

In the event of TCI's acceptance of Buyer's claim, TCI, at its sole discretion shall either (i) credit or refund the price for such material defective product upon receipt of the returned product or (ii) request Buyer to retain the material defective product and issue Buyer a credit based upon the TCI invoice price less scrap value as calculated upon the acceptance date using American Metal Market prices with respect to scrap settlements on the immediately preceding Monday.

- b. No claim will be honored on material that has already been processed when it exceeds the limits specified in Part 2: Criteria for Material Rejection on Coil Stock.
- c. No claim will be honored if the above procedures are not followed.
- d. A claim initiated and presented by a third party will not be considered. Expenses or damage caused by third party processing is at Buyer's own risk.
- e. A claim is to be filed within 30 days of purchase date from TCI inventory. External damage of any kind is to be reported promptly upon receipt at Buyer's facility.