

COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF ENVIRONMENTAL PROTECTION

In the Matter of:

General Refractories Company
225 City Avenue, Suite 114
Bala Cynwyd, PA 19004

Mines & Permit Nos.
Fort Hill Mine, MDP No. 3369BSM32
Alternative Financial Assurance

POSTMINING TREATMENT TRUST CONSENT ORDER AND AGREEMENT

This Consent Order and Agreement ("COA") is entered into this 11th day of September, 2008, by and between the Commonwealth of Pennsylvania, Department of Environmental Protection ("Department"), and General Refractories Company ("GRC"). The Department has found and determined the following:

A. The Department is the agency with the duty and authority to administer and enforce the Surface Mining Conservation and Reclamation Act, Act of May 31, 1945, P.L. 1198, as amended, 52 P.S. §§ 1396.1 et seq. ("Surface Mining Act"); the Noncoal Surface Mining Conservation and Reclamation Act, Act of December 19, 1984, P. L. 1093, No. 219 as amended, 52 P.S. §§ 3301 et seq., ("Noncoal Surface Mining Act"); the Clean Streams Law, Act of June 22, 1937, P.L. 1987, as amended, 35 P.S. §§ 691.1 et seq. ("Clean Streams Law"); Section 1917-A of the Administrative Code of 1929, Act of April 9, 1929, P.L. 177, as amended, 71 P.S. § 510-17 ("Administrative Code") and the rules and regulations promulgated thereunder.

B. GRC is a Pennsylvania corporation with a business address of One Bala Avenue, Suite 310, Bala Cynwyd, PA 19004. GRC was engaged in the mineral extraction of fireclay by the surface method and was authorized to mine fireclay at the Fort Hill Mine in

Addison Township, Somerset County, pursuant to Mine Drainage Permit (hereinafter "MDP") No. 3369BSM32.

C. The Fort Hill Mine was originally permitted by GRC as an Industrial Waste Permit No. 4671017 under the Sanitary Water Board on October 25, 1967. On October 29, 1969, application was made to transfer this permit under the Department of Mines and Mineral Industries, and the permit was issued to GRC as Mine Drainage Permit ("MDP") No. 3369BSM32 on April 9, 1970.

D. On or about January 29, 1977, National Pollutant Discharge Elimination System ("NPDES") Permit No. PA 0605824 (Part A of Noncoal SMP No. 3369B SM32) was issued to GRC. NPDES Permit No. 0605824 was renewed on September 13, 2006.

E. Surface reclamation is completed at the Fort Hill Mine. Currently, GRC's remaining obligation at the Fort Hill Mine site is continued operation and maintenance of the post mining discharge treatment system.

F. Effective August 1, 1994 GRC sold all its operations to AP Green Acquisition, Corp., and GRC ceased all operations. AP Green assumed most of the obligations of GRC, but did not assume the obligations as to GRC's asbestos related claims or as to the Fort Hill Mine. Since August 1, 1994 GRC has not operated, its primary function being to defend the asbestos related claims and to pursue insurance for such claims. During this time period GRC has had sufficient funds to continue to pay the annual costs for compliance with the MDP, but there is no assurance that GRC will have funds to continue to do so. GRC intends to cease to exist once it is able to resolve its asbestos related liabilities, as dealing with those claims and the Fort Hill

Mine are its sole remaining functions:

G. Discharges were initially discovered on May 3, 1966. Subsequent investigation and recommendations led to a January 18, 1967 Sanitary Water Board Order. Since that time, 3 seep on the permit areas have been identified, collected, and directed to the treatment facility.

H. To address the post mining discharges of acid mine drainage, GRC installed the following a treatment system: The raw discharge identified as SEEP 1 is collected at Red Lake sump and pumped to a ditch prior to the hydrated lime silo. The raw discharge identified as SEEP2 flows to a ditch and is directed towards the hydrated lime silo. The raw discharge identified as SEEP3 is collected in three basins and the raw water is directed through a pipeline to the same ditch as SEEP2, mixes and flows towards the hydrated lime silo. The combined flow is then treated at the hydrated lime silo, from where the flow is then directed to a series of five ponds before final discharge. There is a caustic soda backup system to the hydrated lime treatment. Sludge from treatment facility is disposed onsite yearly as a soil supplement. ("Fort Hill Mine treatment facility").

I. The property upon which GRC installed the Fort Hill Mine treatment facility is owned by Mt. Savage Refractories Company with business addresses of P.O. Box 60, Curwensville, PA 16833 and/or 15905 Foundry Row NW, Mt. Savage, MD 21545 and/or 17901 Mt. Savage Road N.W., Frostburg, MD 21532.

J. The following surety bonds and Letter of Credit are on account for the Fort Hill

Mine:	MP#	#acres	Bond Amount	Bond#(file)
Bonding Company Bond#(Efacts)				
Federal Insurance Co M103997	560-1	15	\$7,500	80427230
Federal Insurance Co	560-1(A)	10	\$5,000	80698464

80698464

Insurance Co of N America K91043646 (Federal Insurance Co?)	560-3	19.5	\$10,000	K104364
Insurance Co of N America M084561	560-4	4	\$5,000	M084561
Insurance Co of N America M149917	560-5	9	\$9,000	M149917
Aetna Insurance Co S795716	560-33...-02-1	5	\$14,600	S795716
Letter of Credit S902215	560-33...-04- 0	45.4	\$45,400	LOC

Total \$96,500

K. GRC's estimated annual cost to operate, maintain and repair the Fort Hill Mine treatment facility is \$33,656.00. The Department determined that the present value of the capital costs for replacement of the major components of the treatment facility is \$183,202.00.

ORDER

After full and complete negotiation of all matters set forth in this Consent Order and Agreement and upon mutual exchange of covenants contained herein, the parties intending to be legally bound, it is hereby ORDERED by the Department and AGREED to by GRC as follows:

1. This Consent Order and Agreement is an Order of the Department authorized and issued pursuant to Section 5 of the Clean Streams Law, 35 P.S. § 691.5; Section 4.3 of the Surface Mining Act, 52 P.S. § 1396.4c; Section 11 of the Noncoal Surface Mining Act, 52 P.S. § 3311(b)

and Section 1917-A of the Administrative Code, 71 P.S. § 510-17. The failure of GRC to comply with any term or condition of this Consent Order and Agreement shall subject GRC to all penalties and remedies provided by those statutes for failing to comply with an order of the Department.

2. Findings

a. GRC agrees that the findings in Paragraph A through K are true and correct and, in any matter or proceeding involving GRC and the Department, GRC shall not challenge the accuracy or validity of these findings.

b. The parties do not authorize any other persons to use the findings in this Consent Order and Agreement in any matter or proceeding

3. Treatment Trust

Subsequent to execution of this Consent Order and Agreement, a Trust shall be established to insure continued long-term operation and maintenance of the Fort Hill Mine treatment facility ("the Trust"). The Trust shall be funded as set forth in Section 5 below.

4. Permits

a. A limited liability company ("LLC") will be established by a third party to which the Department will transfer NPDES Permit No. PA0605824.

b. Within fifteen (15) days of execution of this Consent Order and Agreement, GRC shall submit to the Department a complete application to transfer NPDES Permit No. PA0605824 to the LLC described in Paragraph 4.a.

c. Within fifteen (15) days of receiving the completed permit transfer application and confirmation that the LLC has been established, the Department

shall transfer NPDES Permit No. PA0605824 to the LLC described in Paragraph 4.a. The LLC as permittee, will immediately assume all the obligations, liabilities and activities associated with or covered by that permit, thereby transferring all of GRC's obligations and liabilities associated with or covered by that permit, except the funding of the operation and maintenance of the Fort Hill Mine site treatment facility, which shall remain with GRC until the Escrow Deposit is transferred to the Trust.

d. Upon execution of this Consent Order and Agreement, MDP 3369BSM32 is hereby revoked, thereby terminating all of GRC's obligations and liabilities associated with or covered by that permit.

5. Funding of the Escrow and Trust Accounts

a. Initial Payment: within seven (7) days of the execution of this Consent Order and Agreement, GRC shall deposit an amount of \$830,757.83 into a separate account. ("Escrow Deposit").

b. Surety bonds: Subsequent to the execution of this Consent Order and Agreement, GRC shall, as directed by the Department, assign to the Trust or the Department all of its rights as to the surety bonds listed in Paragraph J. The total amount of the listed surety bonds is \$51,100.00.

c. When the transfer of NPDES Permit No. 0605824 and the revocation of MDP No. 3369BSM32 are no longer subject to judicial or administrative review or appeal, GRC shall instruct the Escrow Agent to transfer the Escrow Deposit, without interest, to the Trust. Once the Escrow Deposit is transferred to the Trust, the Trust and not GRC will be responsible for funding the continued operation and maintenance of the Fort Hill Mine site treatment facility.

d. At such time as it becomes apparent to GRC that the permit transfer and/or

permit revocation referenced above shall not occur or is or will remain subject to judicial or administrative review or appeal, GRC shall have the right to transfer the Escrow Deposit, with any interest thereon, to GRC or its designee. Until such time as GRC transfers the Escrow Deposit to the Trust, GRC will remain responsible for funding the operation and maintenance of the Fort Hill Mine site treatment facility. In the event GRC does not transfer the Escrow Deposit to the Trust, the transfer of NPDES Permit No. 0605824 to the LLC and revocation of MDP No.3369BSM32 shall become null and void.

e. The Department agrees that upon transfer of the Escrow Deposit to the Trust it will release back to GRC the LOC referenced in paragraph J above.

6. Bond Forfeiture.

a. All surety bonds listed in Paragraph J are hereby declared forfeit.

b. GRC shall not appeal the Department's forfeiture of the surety bonds listed in Paragraph J or appeal the payment of all of such bond forfeiture proceeds to the Trust, as directed by the Department. With respect to such bond forfeitures, GRC waives all formal notice and other procedural provisions set forth in the Rules and Regulations and knowingly waives its right to appeal to the Environmental Hearing Board.

7. Real and Personal Property

GRC agrees to assign to the Trust all of its rights of access to or personal property associated with the Fort Hill Mine treatment facility.

8. Access and Easement.

Within fifteen (15) days of execution of this Consent Order and Agreement, GRC agrees to execute whatever forms or approvals are necessary for the Department, the Trust and/or any permit holder to obtain whatever rights of access GRC has to the Fort Hill Mine site and to fully

cooperate with respect to obtaining such access.

9. Enforcement Actions.

Once GRC funds the Trust in the amount of in the amount of \$830,757.83 and assigns to the Trust or the Department all of its rights as to the surety bonds described in Paragraph J in the amount of \$51,100.00, the Department will not seek to enforce or compel GRC or any present or past officer or director of GRC to comply with:

- a. Any order previously issued to GRC; or,
- b. Any past or future obligation related to Mine Drainage Permit ("MDP") No. 3369BSM32 and/or to NPDES Permit No. PA0605824; or,
- c. Any past or future obligation to provide additional funding of the Trust,
or,
- d. Any past or future obligation for continued operation and maintenance of the Fort Hill Mine Site treatment facility.

10. If GRC or any officer or director or employee acting at the direction of GRC has made a material misrepresentation with respect to MDP No. 3369BSM32, the protections afforded by Paragraph 9 above shall be null and void.

11. Reservation of Rights

The Department reserves the right to require additional measures to achieve compliance with this Agreement. GRC reserves the right to challenge any action which the Department may take to require those measures.

In addition to any other remedies it may have to enforce this Consent Order and Agreement, if for any reason, GRC does not fulfill its obligations under this Consent Order and Agreement, including funding the Trust in the amount of \$830,757.83, and/or assigning to the Trust or the Department all of its rights as to the surety bonds described in Paragraph J in the

amount of \$51,100.00, the Department reserves the right to terminate this Agreement and to take all actions it deems necessary to fully fund the Trust or to fully bond the Fort Hill Mine site, and GRC reserves any rights it has to challenge such actions.

12. Liability of GRC

GRC shall be liable for any violations of the Consent Order and Agreement, including those caused by, contributed to, or allowed by its officers, agents, employees, or contractors. GRC also shall be liable for any violation of this Consent Order and Agreement caused by, contributed to, or allowed by its successors and assigns.

13. Transfer of Sites

The duties and obligations under this Consent Order and Agreement shall not be modified, diminished, terminated or otherwise altered by the transfer of any legal or equitable interest in the Fort Hill Mine or any part thereof.

14. Correspondence with Department

All correspondence with the Department concerning this Consent Order and Agreement shall be addressed to:

John P. Varner, District Mining Manager
Department of Environmental Protection
Cambria District Mining Office
286 Industrial Park Road
Ebensburg, PA 15931

With copy to :

Samuel C. Faith
Department of Environmental Protection
California District Office
25 Technology Drive
California Technology Park
Coal Center, PA 15423

15. Correspondence with GRC

- a. All correspondence with GRC concerning this Consent Order and

Agreement shall be addressed to:

Barry L. Katz
1 Bala Avenue, Suite 310
Bala Cynwyd, PA 19004

With copy to :

Jamie P. Yadgaroff
1 Bala Avenue, Suite 310
Bala Cynwyd, PA 19004

b. GRC shall notify the Department whenever there is a change in the contact person's name, title, or address. Service of any notice or any legal process for any purpose under this Consent Order and Agreement, including its enforcement, may be made by mailing a copy by first class mail to the above address.

16. Severability

The paragraphs of this Consent Order and Agreement shall be severable and should any part hereof be declared invalid or unenforceable, the remainder shall continue in full force and effect between the parties.

17. Entire Agreement

This Consent Order and Agreement shall constitute the entire integrated agreement of the parties. No prior or contemporaneous communications or prior drafts shall be relevant or admissible for purposes of determining the meaning or extent of any provisions herein in any litigation or any other proceeding.

18. Attorney Fees

The parties shall bear their respective attorney fees, expenses and other costs in the prosecution or defense of this matter or any related matters, arising prior to execution of this Consent Order and Agreement.

19. Modifications

No changes, additions, modifications, or amendments of this Consent Order and Agreement shall be effective unless they are set out in writing and signed by the parties hereto.

20. Titles

A title used at the beginning of any paragraph of this Consent Order and Agreement may be used to aid in the construction of that paragraph, but shall not be treated as controlling.

21. Decisions under Consent Order

Any decision which the Department makes under the provisions of this Consent Order and Agreement is intended to be neither a final action under 25 Pa. Code §1021.2, nor an adjudication under 2 Pa. C.S. § 101. Any objection which General may have to the decision will be preserved until the Department enforces this Consent Order and Agreement.

22. Successors

This Consent Order and Agreement shall be fully and completely binding upon any successor of GRC. For purposes of this Paragraph, successor shall mean any corporation or entity: 1) GRC consolidates with or merges into or permits to merge with it and GRC is not the surviving corporation or entity; or 2) which acquires, by purchase or otherwise, all or substantially all of GRC's properties or assets which include, but is not limited to, voting stock of GRC. Successor does not include any corporation or other entity to which GRC transfers or assigns all or substantially all of its financial or non-financial liabilities.

GRC shall notify the Department, without delay, of any successor as defined herein and shall provide such successor with a copy of this Consent Order and Agreement.

23. Counterpart Signatures

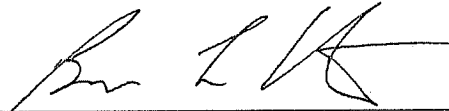
The parties agree to execute this Consent Order and Agreement by counterpart signatures transmitted via facsimile.

IN WITNESS WHEREOF, the parties hereto have caused this Consent Order and Agreement to be executed by their duly authorized representatives. The undersigned

representatives of GRC certify under penalty of law, as provided by 18 Pa.C.S. § 4904, that they are authorized to execute this Consent Order and Agreement on behalf of GRC; that GRC consents to the entry of this Consent Order and Agreement as a final ORDER of the Department; and that GRC hereby knowingly waives its rights to appeal this Consent Order and Agreement and to challenge its content or validity, which rights may be available under Section 4 of the Environmental Hearing Board Act, the Act of July 13, 1988, P.L. 530, No 1988-94, 35 P.S. § 7514; the Administrative Agency Law, 2 Pa.C.S. § 103(a) and Chapters 5A and 7A; or any other provision of law. Signature by GRC's attorney certifies only that the agreement has been signed after consulting with counsel.

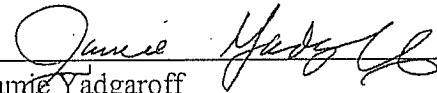
FOR GRC:

FOR THE COMMONWEALTH OF
PENNSYLVANIA, DEPARTMENT
OF ENVIRONMENTAL PROTECTION:



Barry L. Katz
President

John P. Varner
District Mining Manager



Jamie Yadgaroff
Attorney for GRC

Gary L. Hepford
Assistant Counsel
Southcentral Region OCC

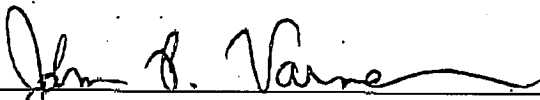
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FOR GRC:

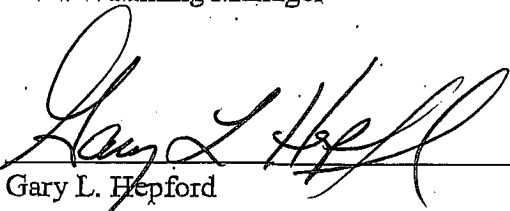
Barry L. Katz
President

Jamie Yadgaroff
Attorney for GRC

FOR THE COMMONWEALTH OF
PENNSYLVANIA, DEPARTMENT
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