

REGISTRATION NO. 29625 FEE

**MACDONALD  
ILLIG ATTORNEYS**

JAN 24 '11 -2 20 PM 100 STATE STREET • SUITE 700  
ERIE, PA 16507-1459  
OFFICE: 814-870-7600  
FAX: 814-454-4647  
MACDONALDILLIG.COM

**SURFACE TRANSPORTATION BOARD**

WILLIAM R. BROWN  
DIRECT DIAL 814-870-7752  
E-MAIL WBROWN@MIJB.COM

January 21, 2011

JAN 24 2011  
RECEIVED

**VIA FEDERAL EXPRESS**

Chief  
Section of Administration  
Office of Proceedings  
Surface Transportation Board  
Washington, DC 20423-0001

Dear Sir/Madam:

Enclosed for recordation pursuant to the provision of 49 U.S.C. Section 11301(a) is a copy of a Security Agreement, dated as of January 13, 2011, a primary document as defined in the Board's Rules for the Recordation of Documents.

The names and addresses of the parties to the enclosed document are:

Secured Party: First Niagara Bank, N.A.  
6950 South Transit Road  
Lockport, NY 14095

Debtor: D&I Silica, LLC  
203 Center Street  
Sheffield, PA 16347

A description of the railroad equipment covered by the enclosed document is:

1. 33 railroad cars described on Exhibit "A" attached hereto, an assignment of any management agreements and/or leases of the railcars now or hereafter applicable to all or a portion of such railcars.

A short summary of the document to appear in the index is:

Security Agreement.

January 21, 2011  
Page -2-

Also enclosed are our checks totally in the amount of \$41.00 payable to the order of the Surface Transportation Board covering the required recordation fee.

Kindly return stamped copies of the enclosed document to the undersigned.

Very truly yours,

MacDONALD, ILLIG, JONES & BRITTON LLP

By   
\_\_\_\_\_  
William R. Brown

WRB/dlw/53103.0019/1224498  
Enclosures

JAN 24 '11 -2 20 PM

**RAILROAD CAR SECURITY AGREEMENT,  
ASSIGNMENT OF INTEREST IN LEASES AND FINANCING STATEMENT**

SURFACE TRANSPORTATION BOARD

DEBTOR:

D&I SILICA, L.L.C.  
203 Center Street  
Sheffield, PA 16347

SECURED PARTY:

First Niagara Bank, N.A.  
6950 South Transit Road  
Lockport, NY 14095

COLLATERAL:

All of Debtor's interest (whether ownership or otherwise, and whether presently existing or hereafter acquired) in the thirty-three (33) rail cars, described in the attached Exhibit "A" and any leases and management agreements relating thereto.



**RAILROAD CAR SECURITY AGREEMENT,  
ASSIGNMENT OF INTEREST IN LEASES AND FINANCING STATEMENT**

Date: January 13, 2011

THIS RAILROAD CAR MORTGAGE, SECURITY AGREEMENT, ASSIGNMENT OF INTEREST IN LEASES AND FINANCING STATEMENT ("Agreement") made and entered into by and between **FIRST NIAGARA BANK, N.A.**, 6950 South Transit Road, Lockport, New York 14095 ("Secured Party") and **D&I SILICA, L.L.C.**, whose address is 203 Center Street, Sheffield, Pennsylvania 16347 ("Debtor").

1. **Indebtedness.** The Security Interest (defined below) is herein created to secure all obligations and indebtedness to Secured Party, direct or indirect, related or unrelated, now existing or hereafter arising, of whatsoever kind or character, whenever or however created or incurred of Debtor including, but not limited to, those provided for in these certain Notes in the original aggregate principal amount of \$12,500,000 payable to Secured Party, together with all renewals, extensions and rearrangements thereof (the "Indebtedness").

2. **Agreement and Collateral.** For value received, Debtor hereby grants to Secured Party a security interest ("Security Interest") in the following described railroad cars and certain leases relating thereto, together with the additional property described in paragraph 3F hereof ("Collateral"), to-wit:

- (i) **Railcars.** The thirty-three (33) rail cars, all bearing the numbers set forth in Exhibit "A" attached hereto and made a part hereof for all purposes and management agreements relating thereto;
- (ii) **Leases.** The rights of the Debtor under certain lease agreements now, or hereinafter, applicable to all or any portion of the above-described rail cars, (the "Lease Agreements") and all amendments to such agreements;

- (iii) **Other Property.** All Accounts, all Commercial Tort Claims, all Chattel Paper (whether Tangible or Electronic), all General Intangibles, all Instruments and Proceeds, as those terms are defined in the UCC, and all books and records relating to or arising out of any of the items described in items (i) and (ii) above, and all files, correspondence, computer programs, tapes, discs and related data processing software owned by the Debtor in which the Debtor has an interest, and which contains the information concerning or relating to any of the foregoing, as they relate to any of the items described in subsections (i) and (ii) above.

"UCC" means Uniform Commercial Code as in effect in the State of Pennsylvania, as the same has been or may be amended or revised from time to time.

3. **Debtor's Warranties, Covenants and Further Agreements.**

A. **Title.** Except for the Security Interest, Debtor owns or on acquisition will own, the Collateral free from any lien, security interest, encumbrance or claim (except liens for current taxes not due) and Debtor will, at Debtor's cost, keep the Collateral free from any other lien, security interest, encumbrance or claim, and defend the Security Interest and Debtor's rights in the Collateral against all claims and demands of all persons at any time claiming the same or any interest therein. Debtor is the duly registered owner of the Collateral pursuant to a proper registration under the Revised Interstate Commerce Act, as amended, and Debtor qualifies in all respects as a citizen of the United States as defined in said Act. Debtor or has the power and authority to execute and deliver this Agreement. The execution, delivery, and performance of this Agreement by Debtor does not and will not violate any law or any rule, regulation or order of any governmental authority. This Agreement and any instrument or document which is, or shall be, included in the Collateral is, and shall be, genuine and legally enforceable and free from any setoff, counterclaim, or defense.

B. **Recorded Instruments.** No conveyance, financing statement or other instrument affecting Debtor's title to the Collateral or any part thereof is on file in any public office. At Secured Party's request Debtor will execute all financing statements and other instruments and take all other actions deemed necessary by Secured Party to perfect the Security Interest and Debtor will pay all costs thereof. A carbon, photographic or other reproduction of this Agreement or of any financing statement covering the Collateral shall be sufficient as a financing statement and may be filed as a financing statement. The address of Debtor designated at the beginning of this Agreement is Debtor's place of business if Debtor has only one place of business; Debtor's chief executive office if Debtor has more than one place of business; or Debtor's residence if Debtor has no place of business.

C. **Assignment.** Other than in the ordinary course of business, Debtor will not sell, lease, rent, charter, or otherwise dispose of all or part of the Collateral. Secured Party may assign or transfer all or part of its rights in, and obligations, if any, under the Indebtedness, the Collateral and this Agreement.

D. **Insurance.** Debtor shall be responsible for any loss of or damage to the Collateral. Debtor shall at its own expense insure the Collateral against property damage and

carry insurance against public liability in such amounts and with such insurers as are acceptable to Secured Party. Debtor shall name Secured Party or cause Secured Party to be named as an additional insured under all policies of liability insurance and as the Secured Party and loss payee under all policies of casualty insurance. Secured Party is hereby authorized in its own name and in the name of Debtor to collect, adjust, and settle any claims under any policies of casualty insurance and to endorse any checks, drafts, or instruments in connection therewith. Secured Party may apply any proceeds from casualty insurance to the Indebtedness in such manner as Secured Party may elect. All policies of insurance shall provide for written notice to Secured Party at least THIRTY (30) days prior to cancellation, if Debtor fails to obtain or maintain any insurance required hereunder or fails to provide evidence of such insurance in form and content satisfactory to Secured Party, Secured Party, at its option and in addition to its other remedies, may obtain substitute insurance, or may obtain insurance that covers only the Secured Party's interest in the Collateral. Secured Party may add to the Indebtedness the premium advanced by Secured Party for any such insurance, and may charge interest on the amount of such premium at the maximum rate permitted by applicable law.

**E. Maintenance.** Debtor will maintain and keep the Collateral in good condition and repair and will maintain, service, repair, overhaul, and test the Collateral so as to keep the Collateral in good operating condition in conformity with any applicable mandatory manufacturer's operating manual, instructions or service bulletins and the Collateral shall be maintained in good standing at all times under all applicable federal and state law. Debtor agrees that the Collateral will not be maintained, used, or operated in violation of any policy of insurance or any law or any rule, regulation, or order of any governmental authority having jurisdiction. Debtor will maintain all records, logs, and other materials required by applicable state and federal law and regulation to be maintained in respect of the Collateral, and Secured Party or its agents shall have the right to inspect the Collateral and examine, audit, and copy all records, logs, and other material relating to the Collateral. Debtor will not enter into any maintenance interchange or pooling arrangement affecting the Security Interest in the Collateral, or any part thereof. At any time Debtor shall furnish reports, data and financial statements, including audits by independent public accountants, in respect of the Collateral and Debtor's business and financial condition, as Secured Party may require. Debtor will pay promptly when due all taxes and assessments on the Collateral or for its use and operation and all costs, expenses and insurance premiums necessary to preserve, protect, maintain and collect the Collateral. Secured Party may, at its option, discharge such costs, expenses, and premiums for the repair, maintenance, and preservation of the Collateral, and all sums so expended shall be part of the Indebtedness and shall bear interest at the maximum rate permitted by applicable law.

**F. Additional Property.** The Collateral includes (i) all products and proceeds of, accessions to, and substitutions and replacements for, the property described in Paragraph 2 above and all leases, subleases, rental agreements, charter agreements, and other agreements relating to the property described in Paragraph 2 above, including, but not limited to, Debtor's right to receive any and all rents, lease payments, fees or other amounts under such leases, subleases or agreements, and (ii) all books, logs, records, registrations, schedules, and warranties that relate to the Collateral. Secured Party shall have the right to set off and apply against the Indebtedness or any part thereof at any time, without notice to Debtor, any and all deposits or other sums at any time credited by or due from Secured Party to Debtor, whether in a special account or other account or represented by a certificate of deposit (whether or not matured), which deposits and other sums shall at all times constitute additional security for the

Indebtedness. Debtor will immediately deliver all additional property to Secured Party upon receipt by Debtor, with proper instruments of transfer and assignment, if possession by Secured Party is necessary to perfect Secured Party's Security Interest or if otherwise required pursuant to this Agreement.

G. **Change of Location.** Debtor agrees that the Collateral will not be operated or located outside the FORTY-EIGHT (48) states constituting the continental United States and Canada.

H. **Condition.** The Collateral is currently in good working order. Debtor will at all times keep the Collateral duly registered with the Surface Transportation Board and all other federal and state authorities having jurisdiction, and will not allow such registration at any time to expire, or to be suspended, revoked, cancelled or terminated.

I. **Notice of Changes.** Debtor will immediately notify Secured Party of any change occurring in or to the Collateral, of any change in Debtor's principal place of business, chief executive office, or residence, or of any change in any fact or circumstance warranted or represented by Debtor to Secured Party, or if any event of default under this Agreement occurs.

J. **Indemnity.** Debtor hereby agrees to indemnify and hold Secured Party harmless from and against any and all present and future claims, actions, liabilities, and damages arising in connection with this Agreement, the Indebtedness, or the Collateral, and all costs and expenses (including attorneys' fees) incurred by Secured Party in respect thereof.

4. **Rights of Secured Party.** Debtor hereby appoints Secured Party as Debtor's attorney-in-fact to do any act which Debtor is obligated by this Agreement to do, to exercise all rights of Debtor in the Collateral, and to do all things deemed necessary by Secured Party to perfect the Security Interest and preserve, collect, enforce and protect the Collateral and any insurance proceeds thereof, all at Debtor's cost and without any obligation on Secured Party so to act, including, but not limited to, transferring title into the name of Secured Party, or its nominee, or receipting for, settling, or otherwise realizing upon the Collateral. Secured Party may, in its discretion, require Debtor to give possession or control of the Collateral to Secured Party; take control of the Collateral or proceeds thereof and use cash proceeds to reduce any part of the Indebtedness; require additional Collateral; notify the post office authorities to change the address for delivery of mail to Debtor to an address designated by Secured Party and to receive, open, and dispose of mail addressed to Debtor; exercise such rights as Debtor might exercise relative to the Collateral, including, without limitation, the leasing, chartering, renting or other utilization thereof; give notices to account Debtor and other parties liable under the Collateral to make payment directly to Secured Party; renew, extend, or otherwise change the terms and conditions of any of *the* Collateral or the Indebtedness; compromise, prosecute, or defend any action, claim, or proceeding concerning the Collateral; endorse any checks, draft, documents, or instruments arising in connection with or pertaining to the Collateral; reject as unsatisfactory any property hereafter offered by Debtor as Collateral; designate, from time to time, a certain percentage of the Collateral as the loan value and require Debtor to maintain the Indebtedness at or below such figure. Secured Party shall not be liable for any act or omission on the part of Secured Party, its officers, agents or employees, except willful misconduct. Secured Party shall not *be* responsible for any depreciation in the value of the Collateral or for preservation of rights against prior parties. Additionally, and without regard to whether an Event of Default then exists,

the Secured Party may, from time to time, and at any time, notify any party who has leased all or any portion of the Collateral, and direct them to make all future payments due under any Lease Agreement directly to the Secured Party for immediate application to the Indebtedness. The foregoing rights and powers of Secured Party may be exercised before or after default and shall be in addition to, and not a limitation upon, any rights and powers of Secured Party given herein or by law, custom, or otherwise.

5. **Events of Default.** Debtor shall be in default hereunder upon the happening of any of the following events or conditions: (a) any default in the timely payment or performance of the Indebtedness or any part thereof or of any other indebtedness; (b) any failure or refusal of Debtor (hereinafter defined) to perform or observe any obligation, covenant, or agreement made or owed by it to Secured Party; (c) any warranty, representation, or statement made or furnished to Secured Party by or on behalf of Debtor proves to have been false in any material respect when made or furnished; (d) any loss, theft, substantial damage, sale, unlawful use, unauthorized transfer, or other deterioration or impairment of the Collateral or any part thereof; (e) the death, incapacity, dissolution, liquidation, merger, consolidation, termination of existence, insolvency, or business failure of Debtor, or the appointment of a receiver, trustee, or other legal representative for Debtor or any of their respective property, or Debtor shall make an assignment for the benefit of its creditors, or proceedings under any bankruptcy or insolvency law shall be commenced by or against Debtor; (f) any event which permits the acceleration of the maturity of indebtedness of Debtor to others under any indenture, agreement, or undertaking; (g) the making of any levy, attachment, execution, or other process against Debtor or any of the Collateral ;(h) any judgment shall have been rendered against Debtor which remains unpaid for THIRTY (30) days or (j) any default hereunder or the Notes and/or the documents evidencing the Indebtedness and/or the documents securing same.

For purposes of this Agreement, the term "Obligated Party" means the Debtor, any guarantor, surety, endorser, or other party (other than Debtor) directly or indirectly obligated, primarily or secondarily, for the Indebtedness or any portion thereof.

6. **Remedies of Secured Party upon Default.** When an event of default occurs, and at any time thereafter, Secured Party may declare all or any part of the Indebtedness immediately due and payable and may proceed to enforce payment of the same and to exercise any and all of the rights and remedies provided by the Pennsylvania Uniform Commercial Code ("Code"), as well as all other rights and remedies possessed by Secured Party under this Agreement, at law, in equity, or otherwise. Secured Party may also require Debtor at Debtor's cost to assemble the Collateral and all log books and records relating thereto and make them available to Secured Party at any place to be designated by Secured Party which is reasonably convenient to both parties. For purposes of the notice requirements of the Code, Secured Party and Debtor agree that notice given at least FIVE (5) days prior to the related action hereunder is reasonable. Secured Party shall have authority to enter upon any premises upon which the Collateral may be situated, and remove the same therefrom. Expenses of retaking, holding, maintaining, insuring, preparing for sale or lease, selling, leasing, or the like, shall include, without limitation, Secured Party's reasonable attorneys' fees and legal expenses and all such expenses shall be recovered by Secured Party before applying the proceeds from the disposition of the Collateral toward the Indebtedness. Secured Party may use its discretion in applying the proceeds of any disposition of the Collateral. All rights and remedies of Secured Party hereunder

are cumulative and may be exercised singly or concurrently. The exercise of any right or remedy will not be a waiver of any other.

**7. General.**

A. **Waiver by Secured Party.** No waiver by Secured Party of any right hereunder or of any default by Debtor or Obligated Party shall be binding upon Secured Party unless in writing. Failure or delay by Secured Party to exercise any right hereunder or waiver of any default of Debtor or Obligated Party shall not operate as a waiver of any other right of further exercise of such rights, or of any further default.

B. **Parties Bound.** This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, executors, administrators, legal representatives, successors, receivers, trustees and assigns where permitted by this Agreement. If this Agreement is signed by more than one Debtor or Obligated Party, each Debtor or Obligated Party shall be jointly and severally liable for all representations, warranties, and agreements hereunder, and all provisions hereof regarding the Indebtedness or the Collateral shall apply to any Indebtedness or Collateral of any or all of them. This Agreement shall constitute a continuing agreement applying to all future as well as existing transactions, such future transactions being contemplated by Debtor or Obligated Party and Secured Party. If all Indebtedness shall at any time be paid in full, this Agreement shall nonetheless remain in full force and effect with respect to any Indebtedness thereafter incurred.

C. **Applicable Law.** This Agreement shall be governed by and construed in accordance with the laws of the State of Pennsylvania and the applicable laws of the United States of America and is performable in the county where the principal office of Secured Party is located. Except as otherwise provided herein, all terms used herein which are defined in the Code shall have the meanings therein stated.

D. **Notice.** Notice shall be given or sent when mailed postage prepaid to Debtor's address given above or to Debtor's most recent address as shown by notice of change of address on file with Secured Party,

E. **Modification.** This Agreement shall not be amended in any way except by a written agreement signed by the parties hereto.

F. **Severability.** The unenforceability of any provision of this Agreement shall not affect the enforceability or validity of any other provision hereof.

G. **Construction.** If there is any conflict between the provisions hereof and the provisions of the Indebtedness, the latter shall control. The captions herein are for convenience of reference only and not for definition or interpretation.

H. **Waiver.** Debtor and any other Obligated Party hereby waives presentment demand, notice of intent to demand, notice of dishonor, protest, notice of acceleration, notice of intent to accelerate, and notice of protest, and all other notices with respect to collection, or acceleration of maturity, of the Collateral and the Indebtedness.

I. **Additional Terms.** All annexes and schedules attached hereto, if any, are hereby made a part hereof.

J. **Entire Agreement.** THIS AGREEMENT AND ALL OTHER INSTRUMENTS, DOCUMENTS AND AGREEMENTS EXECUTED AND DELIVERED IN CONNECTION WITH THIS AGREEMENT EMBODY THE FINAL, ENTIRE AGREEMENT AMONG THE PARTIES HERETO AND SUPERSEDE ANY AND ALL PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OR DISCUSSIONS OF THE PARTIES HERETO. THERE ARE NO ORAL AGREEMENTS AMONG THE PARTIES HERETO.

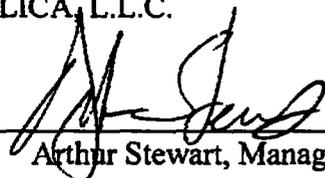
K. **Counterparts.** This Agreement can be in any number of counterparts each of which shall be deemed an original for purposes of enforcing the same and production of any original other than the original to be produced need not be required.

[INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, this Agreement is executed as of the day and year first above written.

DEBTOR:  
D&I SILICA, L.L.C.

By: \_\_\_\_\_

  
Arthur Stewart, Manager

SECURED PARTY:  
FIRST NIAGARA BANK, N.A.

By: \_\_\_\_\_

  
Lisa Slomski, Vice President

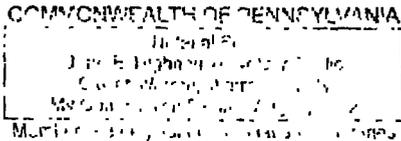
1223217

COMMONWEALTH OF PENNSYLVANIA )  
 )  
COUNTY OF WARREN )

ss:

On this, the 13th day of January, 2011, before me personally appeared Lisa Slomski, to me personally known, who being by me duly sworn, says that she is a Vice President of First Niagara Bank, N.A., that said instrument was signed on behalf of said First Niagara Bank, N.A., by authority of its board of directors and he acknowledged that execution of the foregoing instrument was the free act and deed of First Niagara Bank, N.A.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.



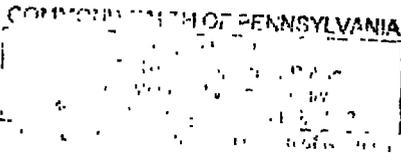
Jane C. Highhouse  
Notary Public

COMMONWEALTH OF PENNSYLVANIA )  
 )  
COUNTY OF WARREN )

ss:

On this, the 13th day of January, 2011, before me personally appeared Arthur J. Stewart, to me personally known, who being by me duly sworn, says that he is the Manager of D&I Silica, L.L.C., that said instrument was signed on behalf of D&I Silica, L.L.C., by authority of its members and he acknowledged that execution of the foregoing instrument was the free act and deed of D&I Silica, L.L.C.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.



Jane C. Highhouse  
Notary Public

**EXHIBIT A**

**RAILROAD CARS**

DISX	3327
DISX	3328
DISX	3329
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