

ABARE, DONAGHY & NICHOLLS, P.C.

ATTORNEYS AT LAW
A PROFESSIONAL CORPORATION

122 NORTH MAIN STREET
BARRE, VERMONT 05641
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13104

RECORDATION NO. Filed 1425

REGINALD T. ABARE (OF COUNSEL)
PEARLON DONAGHY
JOHN F. NICHOLLS

May 8, 1981

MAY 18 1981 -2 15 PM

INTERSTATE COMMERCE COMMISSION

1-138A117

Date MAY 18 1981

Fee \$ 30.00

ICC Washington, D. C.

Secretary, Interstate Commerce Commission
12th & Constitution Ave. NW
Washington, D.C. 20423

Attention: Room 2303, Mildred Lee

Re: Granite Savings Bank & Trust Co./ Washington County Railroad

Dear Sir or Madam:

Please find enclosed two copies of a Lease dated February 20, 1981, between the lessor, the Granite Savings Bank and Trust Company, a Vermont banking corporation, and the lessee, Washington County Railroad, a Vermont corporation. The properties being leased are two Alco S1 locomotives identified as Alco serial numbers 71662 and 76737, with the respective locomotive road numbers of 25 and 29.

Also enclosed is our check for \$50.00 made out to the Interstate Commerce Commission to cover the fees for recording. I understand that you will return one copy of the Lease with recordation information and recording number. That may be sent to this office.

Kindly telephone this office if you have questions regarding the above.

Very truly yours,

John F. Nicholls
John F. Nicholls, Esq.

JFN/gkb

RECEIVED
MAY 18 2 08 PM '81
FEE OPERATION BR.
I.C.C.

Interstate Commerce Commission
Washington, D.C. 20423

5/18/81

OFFICE OF THE SECRETARY

John F. Nicholls, Esq.
Abare, Donaghy & Nicholls, P.C.
122 North Main Street
Barre, Vermont 05641

Dear Sir:

The enclosed document(s) was recorded pursuant to the provisions of Section 11303 of the Interstate Commerce Act, 49 U.S.C. 11303, on 5/18/81 at 2:15pm, and assigned re-
recording number(s). 13104

Sincerely yours,

Agatha L. Mergenovich
Agatha L. Mergenovich
Secretary

Enclosure(s)

SE-30
(7/79)

RECORDATION NO. 13104 Filed 1425

MAY 18 1981 -2 15 PM

INTERSTATE COMMERCE COMMISSION LEASE OF RAILROAD EQUIPMENT, dated as of February 20, 1981, between THE GRANITE SAVINGS BANK & TRUST COMPANY, a Vermont

banking corporation (such company and its successors and assigns being hereinafter called the "LESSOR"), and WASHINGTON COUNTY RAILROAD, a Vermont corporation, (such company and its successors but not its assigns, hereinafter called the "LESSEE"), relating to two of the following listed used Alco S1 Locomotives with two additional sets of trucks, one with traction motors and miscellaneous parts, (hereinafter referred to as the "Locomotives");

	ALCO SERIAL NUMBER	LOCOMOTIVE ROAD NUMBER
"	71662	25
"	76737	29

The parties agree that upon the terms and subject to the conditions of this lease, the LESSOR leases the Locomotives to the LESSEE.

Section 1. Application of Lease. Upon the execution of this lease by an authorized representative of the LESSEE, the Locomotives covered hereby shall be subject to all of the terms and conditions of this lease.

Section 2. Rental. The LESSEE agrees to pay to the LESSOR as Basic Rental for each Locomotive subject to this lease, the sum of Four Hundred Twenty-five Dollars, (\$425.00), per month for a total of Eight Hundred Fifty Dollars, (\$850.00), per month. The Basic Rental shall be paid to the LESSOR in advance for the first full calendar month of the lease term, and thereafter on the first day of each month for the term of this lease.

ABARE, DONAGHY & NICHOLS, P.C. ATTORNEYS-AT-LAW 122 NORTH MAIN ST. BARRE, VERMONT 05641

Section 3. Term of Lease. The term of lease of each Locomotive shall begin on the commencement date and shall continue thereafter for a term of 120 months. In no event shall the term of lease as to either locomotive terminate until a certificate of Joint Inspection in the form attached hereto as Exhibit "A" is executed by each of the parties hereto.

Section 4. Purchase Right. The LESSEE shall have the right to purchase from the LESSOR each of the Locomotives at the expiration of the term of this lease. The purchase price for each Locomotive shall be determined by the parties at the time of closing, after said Locomotives have been appraised by an independent appraiser to determine their fair market value and a price negotiated based upon that appraisal. Any Locomotive purchased hereunder shall be on an AS IS, WHERE IS basis.

Section 5. Identification Marks. If not already in place, LESSEE will cause the following words to plainly, distinctly permanently and conspicuously be marked on each side of such Locomotive in letters not less than one inch in height:-

"GRANITE SAVINGS BANK & TRUST COMPANY,
OWNER and LESSOR."

If, during the continuance of the lease the foregoing markings are defaced or destroyed, the LESSEE shall immediately cause such markings to be restored. The LESSEE shall not allow the name of any person, association or corporation to be placed on any of the Locomotives as a designation which might be interpreted as indicating a claim of ownership thereof by any person, association or corporation other than the LESSOR; but the LESSEE may letter the Locomotives with the names or initials or other insignia associated with the LESSEE.

Section 6. Numbering. At all times during the continuance of this Lease, the LESSEE shall cause each locomotive subject to this Lease to bear the LESSEE's road number assigned to it; provided, however, that the LESSEE may change the road number borne by each of the Locomotives if prior thereto the LESSEE shall have filed with the LESSOR a statement of the new road number to be substituted therefor and the LESSEE shall have filed, deposited, registered and recorded such statement wherever this Lease shall have been filed, deposited, registered or recorded as required by law.

Section 7. Taxes. In addition to the Basic Rental, the LESSEE shall promptly pay when due (or reimburse LESSOR if it shall so pay) all taxes, assessments, and other governmental charges, including but not limited to sales, use, value added, excise, property or similar taxes, penalties and interest levied or assessed upon such Locomotives or any interest therein for the use or operation thereof.

Section 8. Payment for Worn Out, Lost, Destroyed or Damaged Locomotives. If any Locomotive subject to this Lease shall become worn out, lost, destroyed or, in the reasonable opinion of the LESSOR, irreparably damaged, then on the first day hereafter that rental is required to be paid, the LESSEE shall, in lieu of the rental payable on such day, pay to the LESSOR as damages in lieu of any further claim of the LESSOR for the Basic Rental, the purchase price for such Locomotive as determined pursuant to Section 4. The LESSEE shall bear the risk of; and, except as otherwise specifically provided herein, shall not be released from its obligations hereunder in the

event of any loss or destruction of or damage to any Locomotive for any cause whatsoever.

Section 9. Reports and Inspection. The LESSEE will furnish to the LESSOR such reports as may be reasonably requested by the LESSOR. The LESSOR shall have the right, by its authorized representatives, to inspect the Locomotives to confirm to the LESSOR the existence and proper maintenance thereof during the continuance of this Lease.

Section 10. Warranties; Maintenance; Compliance with Laws and Rules; and Indemnification. The LESSOR warrants that at the time of the execution of this Lease Agreement it has good and marketable title thereto free and clear of any lien, claim or encumbrance of any nature whatsoever, except the rights of the LESSEE hereunder. THE LESSOR MAKES NO WARRANTY OR REPRESENTATION, EITHER EXPRESSED OR IMPLIED, AS TO THE FITNESS, DESIGN OR CONDITION OF, OR AS TO THE QUALITY OF THE MATERIAL, EQUIPMENT OR WORKMANSHIP IN THE LOCOMOTIVES, IT BEING AGREED THAT ALL SUCH RISKS, AS BETWEEN THE LESSOR AND THE LESSEE, ARE TO BE BORNE BY THE LESSEE. The LESSEE agrees that, at its own cost and expense, it will maintain and keep each Locomotive which is subject to this Lease in good order and repair, ordinary wear and tear excepted. The Lessee agrees to deliver back to the LESSOR, upon the termination of the lease period, each Locomotive complete in all respects theretofore delivered to the LESSEE, and in good operating condition acceptable for movement through interchange. During the term of this Lease, the LESSEE agrees to comply with all Federal, State and Municipal Governmental laws, regulations,

requirements and rules with respect to the use, maintenance and operation of each Locomotive subject to this Lease. In case any equipment or appliance on any such Locomotive shall be required to be changed or replaced, or in case any additional or other equipment or appliance is required to be installed on such Locomotive in order to comply with such laws, regulations, requirements and rules, the LESSEE, at its own cost and expense, agrees to make such changes, additions and replacements and agrees to maintain such Locomotive in full compliance with such laws, regulations, requirements and rules so long as it is subject to this Lease. The LESSEE agrees to indemnify and save harmless the LESSOR against any charge or claim made against the LESSOR, and against any expense or liability which the LESSOR may incur, in any manner arising out of or as a result of the use or operation or purchase of the Locomotives. The LESSEE agrees to insure each Locomotive for at least \$42,500.00, naming the LESSOR as the beneficiary thereof.

In the event any Locomotive becomes inoperative and requires more than normal running repairs, the LESSEE may, upon five days' prior written notice to the LESSOR, terminate rental payments for such Locomotive until the earlier of (1) the completion of the required repairs on such Locomotive; or (2) sixty-five (65) days from the date of such notice. Thereafter, rental payments shall recommence and shall continue as required by the terms and provisions of this Lease.

Section 11. Default. If, during the continuance of this lease, one or more of the following events (herein sometimes called Events of Default) shall occur:

A. Default shall be made in the payment of any part of the rental provided in Section 2 hereof and such default shall continue for ten days;

B. The LESSEE shall make or permit any unauthorized assignment or transfer of this Lease or of possession of any Locomotive and shall fail or refuse to cause such assignment or transfer to be cancelled by agreement of all parties having any interest therein and to recover possession of such Locomotives within ten days after written notice from the LESSOR to the LESSEE demanding such cancellation and recovery of possession;

C. Default shall be made in the observance or performance of any other of the covenants, conditions and agreements on the part of the LESSEE contained herein and such default shall continue for ten days after written notice from the LESSOR to the LESSEE specifying the default and demanding the same to be remedied; or

D. A decree or order by a Court having jurisdiction in the premises shall have been entered: (1) adjudging the LESSEE a bankrupt or insolvent; (2) approving as properly filed a petition seeking reorganization of the LESSEE under the Federal Bankruptcy Act or any other State or Federal law relating to bankruptcy or insolvency, except a petition filed under Section 20b of the Interstate Commerce Act or any similar law enacted hereafter, which petition does not seek any adjustment or impairment of any obligation of the Lease contained herein, or (3) for the appointment of a receiver or liquidator or trustee in bankruptcy, reorganization or insolvency of the LESSEE or of its property or any substantial portion of its property, and within thirty days thereafter (or in case, prior to the end of

such thirty day period, a temporary or permanent receiver or trustee shall have been appointed in such proceedings, then within thirty days after the first such appointment) the obligations of the LESSEE under the Lease shall neither have been assumed pursuant to order or decree of such Court by the receiver or trustee in such proceedings nor otherwise have been given, pursuant to an order or decree of such Court, a status comparable to that of obligations incurred by a receiver or trustee in bankruptcy, reorganization or insolvency proceedings; then, in any such case, the LESSOR at its option may: (a) proceed by appropriate Court action or actions, either at law or in equity, to enforce performance by the LESSEE of the applicable covenants of this Lease or to recover damages for the breach thereof; or (b) by notice in writing to the LESSEE terminate this lease, whereupon all right of the LESSEE to the use of the Locomotives shall absolutely cease and terminate as though this lease had never been made, but the LESSEE shall remain liable as hereinafter provided; and thereupon, the LESSOR may by its agents enter upon the premises of the LESSEE or other premises where any of the Locomotives may be and take possession of all or any of such Locomotives and thenceforth hold, possess and enjoy the same free from any right of the LESSEE, or its successors or assigns, to use the Locomotives for any purpose whatever; but the LESSOR shall nevertheless have a right to recover from the LESSEE any and all amounts which under the terms of this Lease may be then due or which may have accrued to the date of such termination, together with all costs, damages and expenses, including reasonable attorneys' fees, in addition

thereto which the LESSOR shall have sustained by reason of the breach of any covenant or covenants of this Lease.

The remedies in this Lease provided in favor of the LESSOR shall not be deemed exclusive, but shall be cumulative, and shall be in addition to all other remedies in its favor existing at law or in equity. The Lessee hereby waives any mandatory requirements of law, now or hereafter in effect, which might limit or modify any of the remedies herein provided, to the extent that such waiver is permitted by law. The Lessee hereby waives any and all existing or future claims to any offset against the rental payments due hereunder and agrees to make the rental payments regardless of any offset or claim which may be asserted by the LESSEE or on its behalf in connection with the lease of the Locomotives.

The failure of the LESSOR to exercise the rights granted it hereunder upon any occurrence of any of the contingencies set forth herein, shall not constitute a waiver of any such right upon the continuation or recurrence of any such contingencies or similar contingencies.

Section 12. Return of Locomotives. Upon the termination of the term of this Lease with respect to any Locomotive (whether by reason of an Event of Default or otherwise), the LESSEE shall forthwith deliver possession of such Locomotive to the LESSOR in good operating condition, acceptable for movement through interchange. For the purpose of delivering possession of any Locomotive to the LESSOR as above required, the LESSEE shall, at its own cost and expense:

A. Forthwith prepare for safe storage and place such Locomotives upon such storage tracks of the LESSEE as the LESSOR may reasonably designate or, in the absence of such designation, as the LESSEE may select.

B. Permit the LESSOR to store such Locomotives on such tracks for a period not exceeding six months at the risk of the LESSOR.

C. Prepare for dead movement and transport the same, at any time within such six-month period to any place on the lines of railroad operated by it or to any connecting carrier for shipment, all as directed by and without cost to the LESSOR.

The assembling, delivery, storage and transporting of the Locomotives as hereinbefore provided are of the essence of this Lease, and upon application to any Court of equity having jurisdiction in the premises, the LESSOR shall be entitled to a decree against the LESSEE requiring specific performance of the covenants of the LESSEE so to assemble, deliver, store and transport the Locomotives.

Without in any way limiting the obligation of the LESSEE under the foregoing provisions of this Section 12, the LESSEE hereby irrevocably appoints the LESSOR as the agent and attorney of the LESSEE, with full power and authority, at any time while the LESSEE is obligated to deliver possession of any Locomotive to the LESSOR, to demand and take possession of such Locomotive in the name and on behalf of the LESSEE from whosoever shall be at the time in possession of such locomotive.

Section 13. Assignment; Possession and Use. This Lease shall not be assignable in whole or in part by the LESSOR without the consent of the LESSEE, but the LESSEE shall be under no obligation to any assignee of the LESSOR except upon written notice of such assignment from the LESSOR.

So long as the LESSEE shall not be in default under this Lease, the LESSEE shall be entitled to the possession and use of the Locomotives in accordance with the terms of this Lease; but, without the prior written consent of the LESSOR, the LESSEE shall not assign, transfer or encumber its leasehold interest under this Lease in any Locomotive. The LESSEE shall not, without the prior written consent of the LESSOR, part with the possession or control of, or suffer or allow to pass out of its possession or control, any of the Locomotives.

So long as the LESSEE shall not be in default under this Lease, the LESSEE shall be entitled to the possession of the Locomotives and to the use thereof only upon the lines owned and operated by the LESSEE and on lines of other carriers where "run through" or "power pool" agreements are in force. For the purpose of such agreements only, the LESSOR consents to the possession and control of the Locomotives by another carrier during the limited period required therefor. Any other use of any Locomotive shall require the prior written approval of the LESSOR, except the use by Rock of Ages during the summer months.

Section 14. Recording Expenses. The LESSEE will, without expense to the LESSOR, cause this lease to be filed and recorded with all appropriate Federal, State and Municipal

governmental authorities. The LESSEE will from time to time do and perform any other act and will execute, acknowledge, deliver, file, register and record (and will refile, reregister, or rerecord whenever required) any and all further instruments required by law or reasonably requested by the LESSOR, for the purpose of proper protection, to the satisfaction of counsel for the LESSOR of its title to the Locomotives, or for the purpose of carrying out the intention of this Lease. The LESSEE will pay all costs, charges and expenses incident to the filing, refiling, registering, reregistering, recording and rerecording of any such further instrument or incident to the taking of any such other action.

Section 15. Notices. Any notice required or permitted to be given by either party hereto to the other shall be deemed to have been given when deposited in the United States mails, first-class postage prepaid, addressed as follows:

If to the LESSOR:

GRANITE SAVINGS BANK & TRUST COMPANY,
36 North Main Street, Barre, Vt., 05641
Attention: George D. Milne

If to the LESSEE:

Washington County Railroad
43 State Street, Montpelier, Vt., 05602
Attention: Bertil Agell

or addressed to either party at such other address as such party shall hereafter furnish to the other party in writing.

Section 16. Execution in Counterparts. This Lease, and any lease supplemental hereto, may be executed in several counterparts, each of which so executed shall be deemed to be

ABARE, DONAGHY
&
NICHOLLS, P. C.
ATTORNEYS-AT-LAW
122 NORTH MAIN ST.
BARRE, VERMONT 05641

an original, and in each case such counterparts together shall constitute but one and the same instrument.

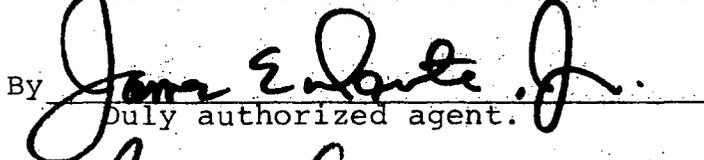
Section 17. Law Governing. This Agreement shall be construed in accordance with the laws of the State of Vermont.

IN WITNESS WHEREOF, the LESSOR and the LESSEE, each pursuant to due corporate authority, have caused this Lease to be executed in their respective corporate names by their respective duly authorized representatives as of the date first above written.

ATTEST:


Secretary

GRANITE SAVINGS BANK & TRUST COMPANY

By 
Duly authorized agent.

ATTEST:


Secretary

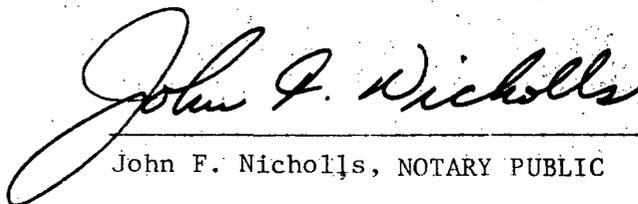
WASHINGTON COUNTY RAILROAD

By 
Duly authorized agent.

STATE OF VERMONT)
) ss:
WASHINGTON COUNTY)

I hereby acknowledge that on the 20th day of ~~FEBRUARY~~ 1981,
BERTEL AGELL did execute a twelve page Lease attached hereto as his free
act and deed.

Dated this 20th day of ~~FEBRUARY~~ 1981.


John F. Nicholls, NOTARY PUBLIC

STATE OF VERMONT)
) ss:
WASHINGTON COUNTY)

I hereby acknowledge that on the 20th day of ~~FEBRUARY~~ 1981,
JAMES E. DENTE, Jr., did execute a twelve page Lease attached hereto as
his free act and deed.

Dated this 20th day of ~~FEBRUARY~~ 1981.

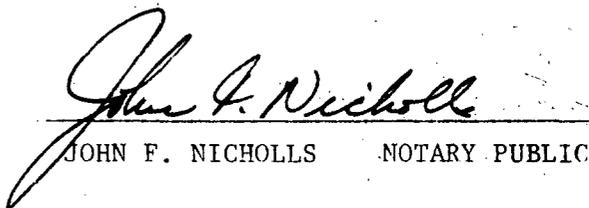

JOHN F. NICHOLLS NOTARY PUBLIC

EXHIBIT A
CERTIFICATE OF JOINT INSPECTION

The undersigned, each for himself, hereby certifies that he is a duly authorized representative of THE GRANITE SAVINGS BANK & TRUST COMPANY, or WASHINGTON COUNTY RAILROAD, respectively, and that he has been duly authorized to execute this Certificate on behalf of THE GRANITE SAVINGS BANK & TRUST COMPANY or WASHINGTON COUNTY RAILROAD, as the case may be, pursuant to Section 3 of the lease, dated February , 1981, between THE GRANITE SAVINGS BANK & TRUST COMPANY and WASHINGTON COUNTY RAILROAD.

The undersigned, each for himself, THE GRANITE SAVINGS BANK & TRUST COMPANY and WASHINGTON COUNTY RAILROAD, further certifies as follows:

1. The below described used Alco S1 Locomotives with two additional sets of trucks, one with traction motors and miscellaneous parts, owned by THE GRANITE SAVINGS BANK & TRUST COMPANY and under lease to WASHINGTON COUNTY RAILROAD, have on this date been inspected prior to the expiration of the lease and found to be in good operating condition acceptable for movement through interchange.

Alco Serial Number

Locomotive Road Number

71662

25

76737

27

2. The locomotives set forth above have been delivered to THE GRANITE SAVINGS BANK & TRUST COMPANY pursuant to Section 12 of the lease.

THE GRANITE SAVINGS BANK & TRUST COMPANY

By _____

WASHINGTON COUNTY RAILROAD

By _____

Dated: _____