

THIS LEASE is made between the COUNTY OF ULSTER, a municipal corporation, having its principal office at 240 Fair Street, Kingston, New York, herein called LESSOR or the COUNTY, and

ULSTER COUNTY INDUSTRIAL DEVELOPMENT AGENCY, having its office or principal place of business at 44 Main Street, Kingston, New York, hereinafter called LESSEE.

#### ULSTER COUNTY RAILROAD ADVISORY COMMITTEE

The term RAILROAD ADVISORY COMMITTEE when contained herein, shall mean that board or body created under the authority of Resolution No. 70 of March 14, 1986 and whose members have been duly appointed thereunder.

#### DESCRIPTION OF LEASED PREMISES

Lessor hereby leases to Lessee and lessee hereby hires from lessor, certain mileage of the Catskill Mountain Branch railroad from the east side of Downs Street to the Delaware County line for railroad purposes, subject to the terms and conditions hereinafter contained.

#### AUTHORIZED USES OF PROPERTY

Lessee is authorized to operate a passenger carrying tourist ride on the leased premises, and to operate freight and passenger service.

Lessee is also authorized to use the leased premises for maintenance and rehabilitation. In addition, Lessee may use the trackage between Washington Avenue and the Conrail main line as well as that portion of the railroad extending from milepost 39.7 to the Delaware County line for transport of equipment upon due regard for and coordination with others having any rights with respect to such trackage, including but not limited to, Kingston Associates, National Micronetics, Catskill Rail Committee, Conrail and their successors and assigns, and the rights of the public. Any such use shall be approved by the Railroad Advisory Committee.

The County as Lessor, makes no representations or

warranties concerning the condition of the railroad tracks, road bed or any other portions of the property, nor as to the suitability of any such property for any operations contemplated under this lease. All such operations shall be at Lessee's risk.

Customary railroad accessory uses are permitted by Lessee. These uses shall specifically include ticket sales, giftshop, snack bar and dining facilities, but only as part of train operations.

Non-railroad uses or commercial concessions shall not be permitted on the leased premises without prior written consent from the County Legislature, upon the recommendation of the Railroad Advisory Committee. Such consent shall be based upon, but not limited to, consideration of the nature of the proposed activity, the risks of liability involved, and the ability of Lessee adequately to insure against such risks.

As a condition precedent to any non-railroad use, the County may require that Lessee provide public notice and warning of the risks and hazards of the activity involved, and disclaimers of liability where appropriate, in a form and manner which is acceptable to the County Legislature.

#### TOURIST CAR OPERATION

Lessee agrees to operate a passenger carrying tourist ride between Mt. Pleasant and Phoenicia. No tourist car shall be operated at a speed in excess of that which is permitted by Federal regulations, based on the type of vehicle and class of track utilized, as certified by an independent, Federal Railroad Administration certified inspector, and approved by the Commissioner of Public Works, after consultation with the Railroad Advisory Committee.

The County, acting through its Commissioner of Public Works, after consultation with the Railroad Advisory Committee, reserves the right to waive any requirement of passenger car operation as set forth, and further to prohibit any such operations if the Commissioner of Public Works after consultation with the Railroad Advisory Committee, in his discretion, or the County Legislature in its discretion, determines that such operations would present an unreasonable risk of injury or harm to passengers or the general public.

Railway operations and passenger service must take place a minimum of 30 days (consecutive or non-consecutive) during the months of May through September.

Lessee shall perform on-site safety inspections of the track and equipment used for any rail service on each day of operation and prior to commencement of such operation. Documentation of such inspections shall be made available to the Commissioner of Public Works and the Railroad Advisory Committee upon request.

#### TERM

The premises shall be leased for a term of twenty-five (25) years to commence on the 1st day of June, . 1991, and to end at twelve o'clock Noon on May 31st, .2016 , or on such earlier date as this lease may terminate as hereinafter provided, except that if any such date falls on a Sunday or holiday, then this lease shall end at twelve o'clock Noon on the next business date.

#### REHABILITATION AND MAINTENANCE

The Lessee shall expend a minimum of \$25,000 to rehabilitate a minimum of 1 mile of track per lease year so that the line of track from Kingston to Phoenicia is entirely rehabilitated to Class 1 condition by the end of this lease. This rehabilitation requirement may be performed in advance of any lease year. The term "Class 1 Condition" shall be such condition described by such classification under the standards of the United States Department of Transportation.

The Lessee shall perform all maintenance necessary to keep the rehabilitated track at that Class 1 standard. The Lessor shall have the right, at least once a year, to inspect the track through professional engineers selected by Lessor and paid for by Lessee to insure that the requirements of this lease are being met.

The Lessee shall, at all times, maintain the entire railroad right-of-way free from brush, papers and trash from the Conrail main line to the Delaware County line.

The Lessee may make other capital improvements to the right-of-way over and above the rehabilitation and maintenance requirement.

## PERCENTAGE RENT PROVISIONS

Lessee agrees to pay Lessor at the times and in the manner specified in this agreement, rent in an amount equal to 1% (one percent) of Lessee's gross revenue for each of lease years 1-5 inclusive; 2% (two percent) of Lessee's gross revenue for each of lease years 6-10 inclusive; 3% (three percent) of Lessee's gross revenue for each of lease years 11-15 inclusive; 4% (four percent) of Lessee's gross revenue for each of lease years 16-20 inclusive; and 5% (five percent) of Lessee's gross revenue for each of lease years 21-25 inclusive.

Lessee shall make an advance payment to Lessor of \$3,500 upon the execution of this lease which shall be applied to any amounts found to be due to the Lessor under the above formula. The amount of actual rent shall be determined by the Lessor based on its examination of the statements, books and papers and operations of Lessee within 90 days after the end of each lease year. If the amount so found has not been approved and certified to by an independent certified public accountant hired at the joint expense of the parties, lessee may request within 30 days the joint hiring of such a person, and in either event the determination of such person shall be final and binding on the parties. If Lessee should fail to timely request the hiring of such a person, Lessor's determination, however made, shall be final and binding.

In the event that the aforesaid advance payment of \$3,500 is insufficient to cover the rent as finally determined, Lessee shall pay the difference to Lessor within 10 days after such determination. In the event the \$3,500 exceeds the rent actually determined, the excess shall be refunded to Lessee after submission of an appropriate voucher therefor.

On or before the commencement of each lease year after the first, Lessee shall make a similar advance payment of \$3,500 (subject to increase as hereinafter set forth) which shall be applied to the rental for that year in the same manner and which ; said rental shall be determined as and under the conditions above; set forth. Provided, however, that if the rent for the year i immediately preceding is finally determined to be in excess of \$3,500, Lessee, within 30 days after such determination, shall pay to Lessor the amount of such excess so that the total amount | paid to Lessor as an advance payment shall be at least the preceding year's rent, or \$3,500, whichever is greater.

The term "gross revenue" as used in this agreement, shall mean any income derived from the lease of the property including, but not limited to, train operations including train fares and freight charges, gift shops on the trains or elsewhere, dining income to the Lessee from dining cars, and any revenues from concessions. The term "gross revenue" shall not include grants from any government or governmental agency nor income that is derived from activities not related to train operations on the leased premises, and there shall be deducted from Lessee's gross revenue, for the purpose of accounting to Lessor, the amount of actual capital investments made by Lessee.

Within 30 days after the end of each year commencing on the 1st. day of June and ending the 31st day of May during the term of this lease , Lessee shall furnish Lessor with a statement certified as correct by Lessee or an officer authorized to so certify, which shall set forth the gross revenue of Lessee and any authorized deductions for capital investments.

Lessee shall keep full, complete and proper books, records and accounts of its gross revenue. The books, records and accounts including any records that Lessee may be required to furnish to any government or governmental agency, shall at all reasonable times be open to the inspection of Lessor, Lessor's auditor, or other authorized representative or agent.

#### RESTRICTION AGAINST MECHANIC'S LIENS

Lessee shall pay and settle all expenses and liabilities arising out of or in any way connected with any installation, repairs, alterations, rehabilitation, maintenance or upkeep of the premises and shall keep the same free and clear from all liens of mechanics or materialmen, and all liens of a similar character arising out of or growing out of the aforesaid activities.

Neither. Lessee nor anyone claiming through, by or under Lessee shall have any right to file or place any mechanic's lien of any kind or character whatsoever upon the premises, and notice is hereby given that no contractor, subcontractor or anyone else who may furnish any material, services or labor for any of the foregoing installation, repairs, alterations, rehabilitation, maintenance or upkeep at any time shall become entitled to any lien thereon whatsoever. For the further security of Lessor, Lessee shall give actual

notice of this restriction in advance to any and all contractors, subcontractors or other persons, firms, or corporations that may furnish any such materials, services or labor.

#### PROPERTY GUARANTY

Any property of the County damaged or destroyed by the Lessee incident to the exercise of the privileges herein granted shall be promptly repaired or replaced by the Lessee to the satisfaction of the Commissioner of Public Works after consultation with the Railroad Advisory Committee. This obligation shall be in addition to that of normal rehabilitation and upkeep as hereinabove provided.

#### LEASE SUBJECT TO EXISTING LICENSES AND AGREEMENTS

This lease shall be subject to a license to the Catskill Rail Committee to use and operate trains on that portion of the railroad extending from 150 yards east of the east switch at Highmount to the Delaware County line, and grants, leases or agreements heretofore or hereafter made between the County and Kingston Associates, National Micronetics, and Consolidated Rail Corporation, or others.

#### RIGHT OF ENTRY

Lessor, its agents, servants or employees may enter upon and over the premises at any time in accordance with the procedures and safety practices of "Conway Safety Rules." In addition, the Superintendent of Operations, manager on duty or designee of the Lessee must be notified to protect said persons from any possible danger or conflict with on-going rail operations. In any event, lessee may not unreasonably deny access to the premises for any and all purposes as may be reasonably necessary or required in the Lessor's judgment. No track-mounted equipment may be used without a prior written train order signed by the Superintendent of the Lessee.

The County reserves the right to grant to third persons the right of private crossings, for right-of-way access, ingress over; and upon the leased premises, so long as such crossings do not prevent safe train operations. Prior to such grant, the Lessee shall be given the opportunity to review and approve such proposal. In addition, Lessee has the right to post the leased

premises to prevent trespass by unauthorized users of the leased premises. The Lessee shall allow the public to use the right of way for walking cross country skiing and fishing provided such activity does not interfere with its operations.

#### WORKER'S COMPENSATION INSURANCE

Lessee shall take out and maintain during the life of this lease, Worker's Compensation insurance and Employer's liability insurance for all of his employees employed at the site of the project, and in case any work is sublet, Lessee shall require his subcontractors similarly to provide Worker's Compensation for all subcontractor's employees unless such employees are covered by protection afforded by Lessee.

In case any class of employees engaged in hazardous work under this lease is not protected under the Worker's Compensation statute, the Lessee shall provide other, and shall cause each of his subcontractors to provide other adequate insurance for protection of his employees not otherwise protected in compliance with the Worker's Compensation Law of the State of New York.

#### GENERAL LIABILITY INSURANCE

The Lessee shall take out and maintain during the life of the lease, such bodily injury liability and property damage liability insurance as shall protect the Lessee and Lessor from claims for damages for personal injury including accidental death, as well as from claims for property damage which may arise from the premises and operations under this lease, whether such operations be by the Lessee or by any of Lessee's subcontractors or by anyone directly or indirectly employed by either of them. It shall be the responsibility of the Lessee to maintain such insurance in full force and effect and in amounts sufficient to fully protect the Lessee and the Lessor, but in no instance shall the amounts be less than those set forth below. The amounts are specified only to establish the minimum coverage acceptable.

Lessee shall take out and maintain during the term of this lease a premises and operations general liability policy which covers both the leased premises and operations thereon in an amount of not less than \$2,000,000.00 (two million

dollars).

#### CONDITIONS APPLICABLE TO GENERAL LIABILITY INSURANCE

Bodily injury liability and property damage liability insurance to be obtained by the Lessee shall include the following:

1. Comprehensive General Liability cover form.
2. Broad form comprehensive general liability endorsement.
3. Include employees and volunteers in definition of persons insured.
4. 45 (forty-five) days notice of cancellation.
5. County of Ulster to be included as named insured.
6. Coverage afforded named insured County of Ulster shall be primary, as such coverage pertains to the leased premises, as well as operations thereon.
7. Include coverage for independent contractors, if any.
8. Include coverage for products and completed operations, if any.
9. Include coverage for personal injury liability.

#### OWNERS PROTECTIVE LIABILITY INSURANCE

Lessee shall provide the Lessor with owners protective liability coverage with the County of Ulster as named insured and the Lessee as contractor. The following minimum limits will apply:

Bodily injury and property damage combined single limit \$1,000,000 (One Million Dollars).

#### CONDITIONS APPLICABLE TO OWNERS PROTECTIVE LIABILITY POLICY

The owners protective liability limit shall apply separately from the liability limits in the comprehensive general liability coverage part.

#### OTHER CONDITIONS OF INSURANCE

1. Lessee shall provide Lessor's insurance officer with complete copies of all insurance policies prior to renewal of the lease and each year thereafter immediately subsequent to renewal of all insurance policies.



2. Lessee agrees that no additional individual or entity may be added to any insurance policy as "additional insured" or "named insured" during the life of the lease without the expressed consent of the Lessor.

3. If the insurance policies provided by the Lessee contain a per claim deductible or self-insured retention, the Lessee will be responsible for the payment of the entire per claim deductible and the entire self-insured retention for each and every claim presented for payment as it pertains to the leased premises and/or operations thereon.

4. Lessee shall renegotiate insurance specifications, limits of liability, and conditions with the Lessor each year at least 90 (ninety) days prior to renewal of Lessee's insurance policies for the life of the lease.

5. If legal defense costs for any claim against the parties to this lease agreement are not provided by the Lessee's insurance policies, the Lessee will pay for any and all legal defense costs of each claim, as it pertains to the leased premises and/or operations thereon.

6. Notwithstanding anything to the contrary contained in this lease, Lessee shall have no right to keep, maintain or otherwise use and occupy the leased premises in any manner during any period or periods when insurance as required above (in all respects) is not in force. In such event Lessor may obtain injunctive relief from any court of competent jurisdiction to include a temporary restraining order granted without notice, in addition to any and all other remedies which may be available to lessor.

#### INDEMNIFICATION

The Lessee shall protect, defend, indemnify and hold the County of Ulster and its officers, employees and agents free and harmless from and against any and all losses, penalties, damages, settlements, cost, charges, professional fees or other expenses or liabilities of every kind and character arising out of or relating to any and all claims, liens, demands, obligations, with or arising directly or indirectly out of the lease agreement and/or the performance hereof. Without limiting the generality of the foregoing, any and all such claims, etc. relating to personal injury, death, damage

to property, defects in materials or workmanship, actual or alleged infringement of any patent, trademark, copywrite (or application of any thereof) or any other tangible or intangible personal or property right or any actual or alleged violation of any applicable statute, ordinance, administrative order, rule or regulation, or decree of any court, shall be included in the indemnity hereunder. The Lessee shall further agree to investigate, handle, respond to, provide defense for and defend any such claims, etc. at its sole expense and agrees to bear all other costs and expenses related thereto, even if it (claims, etc.) is groundless, false or fraudulent. In any case in which indemnification would violate Section 5-322.1 of New York General Obligation Law, or any other applicable legal prohibition, the foregoing provisions concerning indemnification shall not be construed to indemnify the County for damage arising out of bodily injury to persons or damage to property caused by or resulting from the sole negligence of the County, its officers, employees or agents, as it pertains to the leased premises and/or operations thereon.

Lessee is prohibited from entering into any agreement with a third party, whereby Lessee would indemnify, hold harmless, or otherwise assume liability under a contract with such third party.

#### FAILURE TO PERFORM

This lease is subject to the Lessee's performance of the covenants and conditions set forth in this lease. If Lessee defaults in performance of any of the covenants or conditions, and the breach continues for more than 30 days after Lessee receives written notice, Lessor may, at its option:

1. Pursue any legal remedy to recover for the breach, and continue the lease in force.

2. Declare the lease forfeited, reenter the demised premises, and remove all persons and Lessee's property from the premises. Lessee specifically waives service of written notice of intention to reenter.

#### PERMITS, LICENSES AND APPROVALS

Lessee shall be responsible for and shall obtain any and all other and further permits, licenses and approvals of any agency or person, governmental or otherwise, having jurisdiction of or interest in the operations contemplated hereunder, and the Lessee shall comply with all laws, ordinances, rules or regulations of any kind which may apply thereto. Lessee shall coordinate its activities with all townships and localities wherein operations are conducted.

#### RECORDS AND REPORTS

Lessee shall submit to the Railroad Advisory Committee a quarterly report of progress and activities with respect to the leased premises. In addition, any unusual occurrence or any accident shall immediately be communicated to the Chairman of the Railroad Advisory Board or his designee, and shall be followed by a detailed written description of such occurrence or accident within 48 hours.

Lessee shall submit to the Committee an annual track inspection statement prior to commencement of operations, prepared by an independent, Federal Railroad Administration certified inspector who is approved by the Commissioner of Public Works after consultation with the Railroad Advisory Committee. Such statement shall specify that the track, bridges and equipment are in a safe condition for the intended purpose, whether such purpose is passenger service or equipment transport, or otherwise.

Any request made by lessee for change or approval requiring the consent of the County Legislature, the Department of Public Works, or others, shall be made to the Chairman of the Railroad Advisory Committee, or his designee, who shall respond to such request within ten (10) business days.

#### TAXES

Lessee shall be responsible for the payment of any and all taxes that may hereafter become due on the leased premises or as a result of Lessee's operations on the leased premises.

LESSEE'S PROPOSAL FOR USE

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Lessee shall prepare and submit an Environmental Assessment Form to the County Legislature in conjunction with this lease, an Environmental Impact Statement, if the same shall be required, shall comply in all respects at all times with the requirements of the State Environmental Quality Review Act and regulations promulgated thereunder, and hold Lessor harmless with respect thereto.

ASSIGNMENT

Lessor hereby consents to the assignment of this lease to the Catskill Mountain Railroad, Inc. under the condition that said assignee shall in writing agree to assume all of the rights, duties and liabilities of the Lessee hereunder and shall make any and all payments required and comply with all the terms and conditions of this lease. In the event of such assignment, the Lessee shall be relieved of its obligations hereunder. Lessee may add any other or additional conditions to any such assignment as will be to its benefit and that of the Lessor.

STRICT PERFORMANCE

The failure of the Lessor to insist upon strict performance of any of the covenants or conditions of this lease or to exercise any option herein conferred in any one or more instances, shall not be construed as a waiver or relinquishment for the future of any such covenants, conditions or options, but the same shall be and remain in full force and effect.

IN WITNESS WHEREOF, the parties hereto have executed this lease the 29th day of May, 1991.

Richard B. Mathews, Chairman

COUNTY OF ULSTER

:

Richard B. Mathews  
Ulster County Legislature

ULSTER COUNTY INDUSTRIAL DEVELOPMENT  
AGENCY-^

By:

Alfred if.' Ford, ^Chairman:.,. .-