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NORTH COUNTY OFFICE
935 E. PENNSYLVANIA, SUITE D
ESCONDIDO, CALIFORNIA 92025-3425
(619) 741-5719

1 5409
RECORDATION NO. File 1020

December 7, 1987

DEC 14 1987 - 10 52 AM

Interstate Commerce Commission
Office of Recordation
Room 2303
12th and Constitution Avenue, Northwest
Washington, D.C. 20423

INTERSTATE COMMERCE COMMISSION

Date 12-14-87
Fee \$ 10.00

ICC Washington, D. C.

ATTENTION: Ms. Mildred Lee

Dear Ms. Lee:

Pursuant to Title 49, U.S.C.A. Section 11303 (formerly Section 20(c) of the Interstate Commerce Act), I am enclosing several documents for your attention. I am requesting that the Management Agreement entered into by and between Fred J. Kidd, the owner of a refrigerator railroad car designated SLC 1042, and MFRX, Inc., a California corporation, dba D.L.C., Inc., be recorded with the Interstate Commerce Commission. As indicated in the Management Agreement, the owner, Fred J. Kidd, has an address for all notices located at 14151 Pleasant Street, Garden Grove, California 92643. All notices directed to the lessee, MFRX, Inc., should be sent to Thomas Fair Neblett, President, D.L.C., Inc., P. O. Box 470, Solana Beach, California 92075. Please note that the Management Agreement has been signed by Fred J. Kidd and Thomas F. Neblett, President of D.L.C., Inc. Both Mr. Neblett's signature and Mr. Kidd's signature have been notarized.

I am enclosing an original and two copies of the Management Agreement. In addition, I am enclosing two copies of this letter of transmittal. After recording the Management Agreement, please provide me with recorded copies. Please send the copies to me at my business address shown on this letter, 3596 Fifth Avenue, San Diego, California 92103. It is my understanding that there is a \$10.00 fee for recording this Agreement. I am enclosing a check made payable to the Interstate Commerce Commission for this service.

If any additional documentation is required in order to record this Agreement, please so advise me.

Yours very truly,


WILLIAM F. WOODS

WFW/kat
Enclosure

Interstate Commerce Commission
Washington, D.C. 20423

OFFICE OF THE SECRETARY

William F. Woods
3596 Fifth Avenue
San Diego, CA 92103

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 12/14/87 at 10:55AM, and assigned recordation number(s). 15409

Sincerely yours,

Noreta R. McGee
Secretary

Enclosure(s)

MANAGEMENT AGREEMENT

REGISTRATION NO. 5400

DEC 14 1987 - 10:56 AM

INTERSTATE COMMERCE COMMISSION

This Agreement is made and entered into by and between MFRX, Inc. a California Corporation, dba D.L.C., Inc. (hereinafter called DLC) and (hereinafter called "Owner").

FRED J. KIDD

WHEREAS, without the participation of DLC certain persons have purchased mechanical refrigerator railcars, (Car(s)) identified on the signature page.

WHEREAS, DLC desires to perform certain acts as recited herein under the terms and conditions recited herein.

NOW, THEREFORE, in consideration of the mutual promises made herein, DLC and Owner intending to be legally bound to each other alone by virtue of their execution and delivery of this Agreement, hereby agree as follows:

1. Engagement of DLC. Owner hereby agrees to engage DLC to perform those acts of management and control of the Car(s). By its execution hereof DLC agrees to be obligated to Owner for the performance of such acts on behalf of the Owner.

2. Term. Either party may terminate this Agreement on the second anniversary of the effective date hereof or upon any anniversary of such date thereafter by providing the other party with written notice of such termination ninety (90) days prior to the desired anniversary termination date.

3. Duties of DLC Related to Car Operations. In consideration of the compensation to be paid to DLC by Owner pursuant to Section 6 hereof. DLC shall provide and perform the services on behalf of Owner set forth below during the term of this Agreement.

- (a) Immediately upon execution, or as soon thereafter as reasonably practicable, take possession of the Car(s) for the purpose of managing and operating the Car(s), as herein provided.
- (b) Use its best efforts without discrimination to keep (Car(s)) covered by this Agreement in active use, entering into, as agent for Owners, lease agreements (provided, however, DLC may not without written consent from Owner, enter into a lease whose duration would preclude the Owner's right to claim Investment Tax Credit under the Internal Revenue Code of 1954, as amended), providing for the lease of the Car(s) to railroads or others on whatever terms and conditions DLC deems necessary to accomplish that purpose. Should such Car(s) be in surplus supply at certain times, for conditions beyond DLC control, DLC reserves the right to place such Car(s) in temporary storage until such time as demand increases for such Car(s), without regard for ownership of these Car(s) or any similar equipment under DLC's control. DLC, however, makes no guarantees as to the projected revenues or expenses of the Car(s).

- (c) Use its best efforts to collect all car rental, Mechanical Protective Service and detention charges due with respect to the Car(s), and account for and remit all sums due to Owner as hereinafter set forth in Section 6(d).
- (d) Use its best efforts to arrange to have the Car(s) maintained in good condition, which shall be equal to or greater than the higher of (1) any standard required or set forth for the Car(s) or cars of a similar class by the AAR, Department of Transportation, other regulatory agency, and (2) any standard set by any insurance policy under which the Car(s) or any of them shall from time to time be insured; and to arrange for all alterations, modifications, improvements or additions to the Car(s) to comply with applicable laws or regulations or which, in the discretion of DLC are necessary or advisable to improve the Car(s) or any of them provided that such modification shall not be made without the consent of Owner, which consent will be deemed to have been granted if Owner shall not have objected to the modifications or cost thereof, in writing within thirty (30) days after notice to Owner by DLC.
- (e) Use its best efforts to maintain complete records on all expenses and costs incurred in connection with the use and operation of the Car(s), including but not limited to those incurred in the transfer of the Car(s) to DLC's management, (including but not limited to repainting and whatever other start-up expenses involved in placing the Car(s) into service under this Agreement), general maintenance and repairs to both car structure and mechanical refrigeration unit and any alterations, modifications, improvements or additions necessary or required and account for all such charges due from Owner as hereinafter set forth.
- (f) Use its best efforts to pay at Owner's expense and on behalf of Owner's interest all personal property taxes and other taxes, charges, assessments or levies imposed upon or against the Car(s) of whatever kind or nature, of which DLC receives notice thereof.
- (g) Monitor and record movement of Car(s).
- (h) Maintain complete and accurate records of all transactions relating to the Car(s) and make such records available for inspection by Owners during reasonable business hours.
- (i) Paint the Car(s) such colors and with such designs and replace reporting marks or legends as shall be appropriate or necessary to comply with any lease agreements entered into by DLC for the Car(s) or to comply with any regulation imposed by the AAR.
- (j) Use its best efforts to collect all sums due Owner from railroad indemnity payments in the event of damage to, or loss or total destruction of a Car(s) during the terms of this Agreement and to remit all such sums due Owner as hereinafter provided. Provided, however, DLC shall not be required to bring or maintain suit to collect such sums, although DLC may elect to do so

at its option, but at the expense of Owner.

- (k) Furnish factual information reasonably requested by Owner in connection with federal or state tax returns; however, DLC shall not assume any responsibility for the preparation of such returns.
- (l) Perform for Owner such other services incidental to the foregoing as may from time to time be reasonably necessary in connection with the leasing and operation of the Car(s).

4. Limitations on Authority of DLC.

- (a) DLC shall not have any authority to make any alterations, modifications, improvements or additions to the Car(s) of the type referred to in Section 3(d) without the consent (either express or implied, as provided in Section 3(d)), of Owner.

5. Owner's Revenues, Expenses and Net Earnings.

- (a) The actual Gross Revenues (as hereinafter defined) derived from the operations of the Car(s) and the actual Operating Expenses (as hereinafter defined) shall be accounted for.
- (b) (i) As used in this Agreement, the term "Gross Revenues" shall mean all income to Owner (unreduced by any expenses or costs to the Car(s)) derived from the ownership, use and/or operation of the Car(s) including, but not limited to, car rental, Mechanical Protective Service and detention charges less any car rental allowances or other incentive discounts necessary to promote the utilization of the Car(s).
- (b) (ii) As used in this Agreement, the term "Operating Expenses" shall mean all expenses and costs incurred with the ownership, management, use and/or operations of the Car(s), including, not limited to those incurred in the transfer of the Car(s) to DLC's management; general maintenance and repairs to both car structure and mechanical refrigeration unit; any painting necessary; costs of any alterations, modifications, improvements or additions necessary and required as referred to in Section 3(d); charges, assessments or levies imposed upon or against Car(s) of whatever kind or nature; losses and claims from liabilities which are the responsibility of the Owner and Owner's pro rata share of that portion of ad valorem, gross receipts and other property taxes which are levied against all railcars "reporting marks" and determined by DLC to be attributable to the Car(s) (it being understood that it may not be possible to make an exact allocation of such taxes but DLC will use its best efforts to allocate to the Car(s) only such portion of the aggregate of such taxes as are attributable to such Car(s)).
- (b) (iii) Gross Revenues and/or Operating Expenses attributable to a

calendar month which are received or paid after such months shall be included in subsequent monthly distributions and accounted for as Gross Revenues or Operating Expenses of the month in which such revenues were received or expenses paid.

- (c) As used in this Agreement, the term "Net Earnings" shall mean Gross Revenues attributable to the Car(s) less the sum of (1) the amount of the Operating Expenses attributable to the Car(s); (2) all compensation or reimbursement due and payable to DLC hereunder not theretofore paid; (3) such reserves DLC shall determine necessary to provide for the efficient administration of this Agreement, for payment of accrued expenses not yet due, for the management of the Car(s), or for expenses relating to the Car(s) arising or payable after the termination or expiration of this Agreement, and (4) any storage and transit costs payable by Owner.
 - (d) The Gross Revenues derived from all Car(s) under DLC management of the same type will be placed in a pool and all Operating Expenses for all Car(s) of the same type will be charged against said pool. The remaining Net Earnings will be divided among Owners with Car(s) contributing Gross Revenues to the pool on a pro rata basis according to the number of Car(s) in the pool divided by the number of Car(s) each Owner has contributed Gross Revenues to the pool.
 - (e) It is not the purpose or the intention of this Agreement to create, and this Agreement shall not be interpreted or construed as creating, a joint venture, partnership or other relationship whereby any party shall be liable for the omission or commission of any acts of any other party.
6. 50% of the DLC pool's Net Earning shall be distributed by DLC to car owners.

7 Payment of Costs and Expenses Other Than Operating or Other Expenses Not Previously Covered.

- (a) Payment for Special Improvements. The cost of any alterations, modifications, improvements or additions not previously covered which, in the discretion of DLC, are necessary and advisable and are consented to by Owners shall be the sole responsibility of Owners. DLC shall have the right to require Owners to pay the approximate cost thereof to DLC, upon fifteen (15) days prior written notice to Owner. Upon completion, DLC shall notify Owner of the exact amount of such cost. If the amount already paid by Owner is more than the exact amount of such costs, DLC shall refund the difference to Owners. If the amount already paid is less than the exact amount, Owner shall pay DLC the amount of such difference.
- (b) Payment for Certain Property Damage. The cost of repair of damage to any Car(s) (other than the cost of repairs which

DLC determines constitute maintenance of such Car(s) the cost of which is included as "Operating Expenses" in Section 5(b) (ii) hereof) is the sole responsibility of Owner, except for those items of repair which are normally and customarily paid by railroads under handling line responsibility. Any payments including, without limitation, insurance benefits or railroad indemnity payments, received to cover the damage to such Car(s) shall be solely for the account and benefit of Owner, and shall not be included within the term "Gross Revenues". DLC shall have the right to require Owner to pay to DLC, upon fifteen (15) days prior written notice and demand thereof, the approximate cost of the repairs which are the responsibility of the Owner or, at DLC's election such portion of such costs as DLC believes will not be covered by any such payments which may be received by DLC, to cover the cost of such damage (it being understood that DLC may apply to such costs of repair any payments so received by DLC to cover the cost of damage to such Car(s)). Upon completion of such repairs and determination of the payments received by DLC and applied to payment at the cost of such damage, DLC shall notify Owner of the exact amount of such costs and payments, and in the event that Owner has already paid more than the amount of such costs not paid from such payments received and applied by DLC to such repair, DLC shall refund the difference to Owner. If the amount already paid by Owner is less than the amount of such costs not paid from such payments received and applied by DLC to such repairs, DLC shall cause the Owner promptly to pay DLC the amount of such difference.

- (c) Payment of Liability Losses. Losses from third party liability for bodily injury or property damage caused by any Car(s) (including attorney's fees) are the sole responsibility of Owner, provided, however, that if Owner carries liability insurance (which shall name DLC as additional insured) the Owner shall not be liable for any judgements, costs or attorney's fees unless and until said insurance coverage has been discharged in full and there are unpaid final judgements and costs. Within fifteen (15) days of receipt of notice and demand from DLC, Owner shall pay to DLC the amount of such liability.

8. Indemnification.

- (a) Owner agrees on its own behalf and on behalf of DLC to defend (if such defense is tendered to Owner, indemnify, release and hold DLC harmless from and against and does hereby release DLC from any and all claims, actions, damages, expenses (including reasonable attorney's fees), losses or liabilities incurred by or asserted against DLC arising out of or as a result of the use, operation, possession, control, maintenance, repair or storage of the Car(s), including, without limitation, all those arising out of the sole active negligence of DLC, claims for injury to or death of persons, loss of or damage to property (including the Car(s)) and economic loss due to the unavail-

ability for use or activity of the Car(s); provided, however, that Owner shall not defend, indemnify or hold DLC harmless from and against, and DLC shall not be exculpated from, any claim, action, damage, expense, loss or liability directly or indirectly caused by or arising from bad faith, recklessness, or willful misconduct of DLC. It is understood and provided that if any insurance is carried by any party involved in any such claims, actions, damages, expenses, losses or liabilities neither DLC or Owners shall be held responsible until said insurance coverage has been discharged in full and there are unapid final judgements and costs.

9. Reports and Net Earnings Payment. DLC shall provide Owner with quarterly reports on or before the last day of the month following the end of the previous quarter, as to the pool, the Gross Revenue and Operating Expense reported to be generated by the pool and received by or billed against the pool during the previous quarter (three month period). The Net Earnings for Car(s) in the pool, if any, for the previous quarter shall accompany such quarterly reports after retention by DLC of compensation due it. Should there be a net loss Owner shall promptly pay DLC the pro rata amount of such loss plus any compensation due DLC.

10. Subordination. This Agreement and DLC's authority and rights hereunder are subject to the lien upon, and security interest in, the Car(s) and revenues generated by the Car(s) held by any Lender to whom Owner or his representative has granted a security interest in the Car(s); provided, however, DLC warrants that all such liens and security interests are subject to any lease entered into during the term of this Agreement and DLC's right to collect Gross Revenues accruing during the term of this Agreement until such time as sum due DLC hereunder as of the later of the date of (i) default under the terms of any security agreement or (ii) repossession of the Car(s) pursuant to such security agreement, are paid.

11. Use of Car(s). DLC shall require of the Lessees under the Leases covering the Car(s), that said Car(s) will not be used predominantly outside the United States within the meaning of Section 48(a)(2)(2) of the Internal Revenue Code of 1954, as amended, or any successor provision thereof, and the regulations thereunder.

12. No Assignments. This Agreement is not assignable by either party except by written consent of the other; provided, however, the Agreement can be assigned by either party in connection with merger or consolidation of a party into another corporation, as part of the sale of substantially all of the assets of a party or to any wholly owned subsidiary of a party.

13. Notices. Any notice required or permitted hereunder shall be in writing and shall be valid and sufficient if delivered personally or dispatched in any post office of the United States by registered or certified mail, postage prepaid, addressed to the other party as follows:

If to DLC: Thomas Fair Neblett, President
D.L.C., Inc.
P.O. BOX 470
Solana Beach, California 92075

If to Owner: At the address given on the signature page of
this Agreement.

Any party may change such address by notice given to the other party in
the manner set forth above.

14. Insurance. DLC shall use its best efforts to place in Owner's name, and at Owner's expense, such insurance as shall be reasonably available to protect the interest of Owner in the Car(s) (with DLC and its agents or contractors in any capacity on behalf of Owner being named in each such policy of insurance as a co-insured or an additional insured), including, without limitation, insurance against (i) personal liability, including property damage and personal injury, (ii) loss of, or damage to the Car(s), and (iii) loss of revenues with respect to the Car(s); provided, however, that if DLC effects such insurance under a blanket insurance policy, or insurance policy covering Owner's Car(s) and other railcars of other owners, such insurance need not be placed in Owner's name so long as the Owner is named as an insured; and, provided, further, however, that if DLC, in its sole discretion, determines that the cost of the insurance described above is unreasonably high, or cannot be obtained, DLC need not place or acquire such insurance and shall promptly so notify Owner. If DLC determines that the cost of insurance described herein is unreasonably high, or it cannot be obtained, and Owner elects to purchase such insurance to the extent obtainable, the cost thereof shall be the sole responsibility of Owner. Within ten (10) days of receipt of notice and demand of DLC, Owner shall pay to DLC the cost of any such insurance placed or purchased by Owner through DLC.

15. Arbitration. Any claim, dispute, or controversy, arising out of, or in connection with, or relating to, this Agreement shall be resolved, determined and settled by arbitration in accordance with the Commercial Arbitration Rules then in effect of the American Arbitration Association, and judgements upon the award rendered by the arbitrator(s) may be entered in any court having jurisdiction thereof. Any such arbitration, and any hearings in connection therewith, shall be held and conducted in the County of San Diego, State of California.

16. Miscellaneous.

- (a) Governing Law. This Agreement shall be governed by and construed under the laws of the State of California.
- (b) Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.
- (c) Headings. Titles and headings of the sections and subsections of this Agreement are for the convenience of reference only and do not form a part of this Agreement and shall not in any way affect the interpretation hereof.

- (d) Amendment. No explanation or information by either of the parties hereto shall alter or affect the meaning or interpretation of this Agreement and no modification or amendment to this Agreement shall be valid unless in writing and executed by both parties hereto.
- (e) Successors and Assigns. The terms and conditions of this Agreement shall inure to the benefit of and be binding upon the respective successors and assigns of the parties hereto.
- (f) Force Majeure. Neither party hereto shall be deemed to be in breach or in violation from performing any of its obligations hereunder for any reason beyond its reasonable control including and without limitations acts of God, riots, strikes, fires, storms, public disturbances, or any regulation of any federal, state or local government or any agency thereof.
- (g) Other Customers of DLC. It is expressly understood and agreed that nothing herein contained shall be construed to prevent or prohibit DLC from providing the same or similar services to any person or organization not a party to this Agreement. Should the total of such cars (including the Car(s)) available exceed the demand for such cars, DLC reserves the right to place the Car(s) into storage until such time as the demand increases.
- (h) Waiver. The waiver of any breach of any term or condition hereof shall not be deemed a waiver of any other or subsequent breach, whether of like or difference nature.
- (i) Severability. If any term or provision of this Agreement or the performance thereof shall to any extent be deemed invalid or unenforceable, such invalidity or unenforceability shall not affect or render invalid or unenforceable any other provision of this Agreement, and this Agreement shall be valid and enforced to the fullest extent permitted by law.
- (j) Pool. It is understood that the Car(s) owned by DLC's principles are considered to be in a pool; shall be operated accordingly; and are accounted for as a pool without discrimination.
- (k) Initial Fee. Owner shall pay DLC \$200.00 on the execution of this Agreement.

SAFECO Stock No. CAL-0374 (Rev. 6-83) Ack. Corporation
Staple

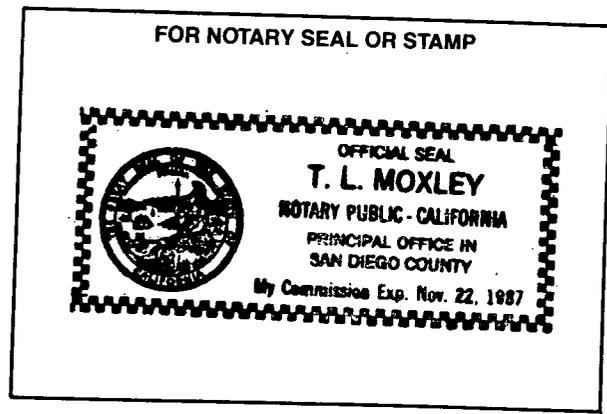
STATE OF CALIFORNIA
COUNTY OF SAN DIEGO } S.S.

On this the 30th day of SEPT 1987 before me,
the undersigned, a Notary Public in and for said County and State,
personally appeared THOMAS FAIR NEBLETT

_____, personally
~~known to me or~~ proved to me on the basis of satisfactory evidence to be
the _____ President, and _____

_____, personally
~~known to me or proved to me on the basis of satisfactory evidence to be~~
_____, Secretary of the corporation that executed the within
instrument on behalf of the corporation therein named, and acknow-
ledged to me that such corporation executed the within instrument
pursuant to its by-laws or a resolution of its board of directors.

Signature [Handwritten Signature]



IN WITNESS WHEREOF, the parties have executed this Agreement on
March 14, 1986

D.L.C., INC.

BY Thomas Fair Neblett
Thomas Fair Neblett, President

Fred J. Kidd
OWNER Fred J. Kidd

14151 Pleasant Street
ADDRESS

Garden Grove, California 92643

CITY

CA 92643

STATE ZIP

Social Security # or I.D. #

Car Identification. Cars covered by this Agreement are:

PREVIOUS MARKS:

CURRENT MARKS:

- 1. REMX 1042
- 2. _____
- 3. _____
- 4. _____
- 5. _____
- 6. _____

- 1. SLC 1042
- 2. _____
- 3. _____
- 4. _____
- 5. _____
- 6. _____



State of California)
County of Los Angeles) ss

On this the 20th day of October, 1987
before me, the undersigned, a Notary
Public, personally appeared Fred J. Kidd,
proved to me to be the person who
executed the above document.

Mary Louise Lopez
Mary Louise Lopez, Notary