

PADUCAH & LOUISVILLE RAILWAY, INC.

***FREIGHT CIRCULAR PAL 3-A
(Supercedes and cancels PAL FREIGHT CIRCULAR 3)***

RULES GOVERNING EXEMPT RATE QUOTATIONS

ISSUED BY THE

PADUCAH & LOUISVILLE RAILWAY, INC.

This Circular applies only when an Exempt Rate Quotation issued by this Railroad makes specific reference hereto.

This Circular shall apply on interstate or intrastate traffic.

The rules contained herein apply only to deregulated commodity shipments.

ISSUED February 7, 2003

EFFECTIVE March 1, 2003

Issued By:

***D. B. Goewert
AVP – MARKETING AND SALES
1500 Kentucky Avenue
Paducah, Kentucky 42003***

RULES AND OTHER GOVERNING PROVISIONS

ITEM	SUBJECT	APPLICATION
1	Applicability of Circular	Any party that utilizes an Exempt Rate Quotation issued by PAL that is subject to this Circular shall be bound by the terms and conditions contained herein unless otherwise provided in the Exempt Rate Quotation.
2	Other Governing Publications	All generally observed rules, regulations, accounting and operating procedures will, at all times, apply in connection with movements under Exempt Rate Quotations referring to this Circular; provided, however, that in the case of conflict with provisions of said documents, the provisions of this Circular shall supersede and govern.
3	Other Governing Publications	<p>In addition to the provisions set forth in Item 2, provisions contained in the following publications shall apply to any and all PAL Exempt Rate Quotations making reference to this Circular:</p> <ul style="list-style-type: none"> * STB UFC 6000-Series-Uniform Freight Classification Tariff with the exception of Rules 24 or 29 contained therein. * STB STCC 6001-Series-Standard Transportation Commodity Code Tariff. * STB OPSL 6000-Series-Official Railroad Station List Tariff. * STB PAL 8001-Series-PAL Switching and Miscellaneous Charges Tariff. * STB NSO 6100-Series-National Service Order Tariff. * STB PAL 9000-Series-PAL Demurrage and Storage Rules Tariff. * STB PAL 4000-Series-PAL Coal Rules Tariff.
4	Term of an Exempt Rate Quotation	Any PAL Exempt Rate Quotation referring to this Circular shall become effective on the date specified in the Exempt Rate Quotation and shall expire on the date specified in the Exempt Rate Quotation, except that any Railroad which is a party to a PAL Exempt Rate Quotation which is subject to this Circular, shall have the unilateral right to withdraw from said PAL Exempt Rate Quotation effective on one (1) days written notice to Customer utilizing said PAL Exempt Rate Quotation.

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5	Automatic Renewal of Exempt Rate Quotations/ Withdrawal from Exempt Rate Quotations	<p><i>PAL Exempt Rate Quotations containing an "Auto Renewal" provision shall be automatically extended for successive additional terms (said term being as defined in each individual PAL Exempt Rate Quotation), on each successive anniversary date of the Quotation; however, any Railroad Party to a PAL Exempt Rate Quotation which is subject to the terms of this Circular shall have the unilateral right to withdraw from said PAL Exempt Rate Quotation on one (1) days written notice to the Customer utilizing said PAL Exempt Rate Quotation.</i></p>
6	Escalation	<p><i>Prices in an individual PAL Exempt Rate Quotations will be held firm for the term specified if nothing is provided in the quotation to adjust the price upward or downward. Certain standard escalation provisions may apply when escalation is desired. These provisions, when utilized, are defined as follows:</i></p> <p><i><u>RCAF</u> - Will provide for a percentage increase or decrease in the price that matches the percentage increase or decrease in the RCAF(U), as published by the Association of American Railroads. This type of adjustment may be applied quarterly, semi-annually or annually as provided in the individual PAL Exempt Rate Quotations. The use of this escalator shall not allow the price in question to be reduced below the level of rate in effect on the initial effective date of the quotation.</i></p> <p><i><u>Set Escalator</u> - Will specify a ____% increase in price to be applied on the date specified in the individual PAL Exempt Rate Quotations.</i></p> <p><i>In applying any increase or reduction to a particular rate, the rate shall always be rounded to the nearest cent per cwt., gross ton, or net ton, or if priced on a per car basis, to the nearest dollar per car.</i></p>

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7	Railroad Liability	Shipments covered by a specific PAL Exempt Rate Quotations, making reference to this Circular, shall be subject to the contract terms of the Uniform Straight Bill of Lading which shall be issued by the originating railroad.
8	Transit Privileges or Services	Shipments moving under a PAL Exempt Rate Quotation which are subject to this Circular shall not be accorded transit privileges except track storage in transit privileges will be allowed where such privileges are published in a tariff provided by one of the Railroad's party to the tariff which is granting said privileges or services.
9	Diversion or Reconsignment in Transit	If a shipment subject to the terms of this Circular is diverted or reconsigned in transit while on the tracks of the Paducah & Louisville Railway, Inc., the provisions of Tariff STB PAL 8001-Series shall apply. If same shipment is diverted or reconsigned while on the track of one of the other Railroad's party to a PAL Exempt Rate Quotation, provisions published for their individual accounts, as the case may be, shall be applied.
10	Abbreviation	Where abbreviations of Railroad names, states or Provinces of Canada are used in a PAL Exempt Rate Quotation, subject to this Circular, such abbreviations are as explained in the Official List of Open and Prepay Stations STB OPSL 6000-Series.

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11	<i>Terms of Shipment and Credit</i>	<i>Shipments made under PAL Exempt Rate Quotations, subject to this Circular, may be shipped prepaid or collect. The PAL, when responsible for calculating freight charges and sending the bill to Customer shall observe the credit terms set forth in STB PAL Circular of Credit and Collection Terms 5.</i>
13	<i>No Mileage Rates</i>	<i>If a particular PAL Exempt Rate Quotation provides for No Mileage Rates applicable in privately-owned or leased equipment, then the Customer agrees to indemnify Railroads for any and all claims received from a car owner for mileage allowance.</i>

EXPLANATION OF ABBREVIATIONS

PAL	<i>The Paducah & Louisville Railway, Inc.</i>
STB	<i>The Surface Transportation Board of the U.S. Department of Transportaion</i>
BNLT	<i>But not less than</i>
CWT	<i>Per hundred weight</i>
NET TON	<i>A ton of 2000 lbs each</i>
GROSS TON	<i>A ton of 2,240 lbs. each</i>
RCAF(U)	<i>Rail cost adjustment factor - unadjusted for productivity</i>
CFR	<i>Code of Federal Regulations</i>

EXPLANATION OF TERMS

Other Railroads	<i>Any other RAILROAD who, by becoming a party to a PAL Exempt Rate Quotation, becomes a party to the provisions contained in this Circular.</i>
Customer	<i>Any shipper, receiver, consignor or consignee who, by becoming a party to a PAL Exempt Rate Quotation, and receives benefit of the terms contained therein. Becomes a party to the provisions contained in this Circular</i>