

The Timber Rights Agreements will provide the Plan with the right to grow, cut and harvest timber from the underlying Property for 99 years, and will include a compensation formula in the event U.S. Steel, as owner of the underlying Property, interferes with the Plan's Timber Rights. Upon commencement of the Timber Rights Agreements, title to the timber will be held by a limited liability corporation (the Plan LLC). Such company through UCF, as Trustee, will be 100% owned by the Plan.

The Timber Agreement will convey to the Plan all rights and interests to timber, forest products, crops and vegetation, and includes the right to hunting, fishing, and other licensing activities derived from the Property. The Timber Agreement is for a term of 99 years, with U.S. Steel, as the owner of the Property, having a right of termination at the end of year 50, and again at the end of year 75.⁷ Early termination compensation by U.S. Steel prior to the 50th and 75th year will be at a premium of the then fair market value of the remaining term of the Timber Agreement. Such premium will be 115% in the 50th year and 107% in the 75th year. After year 50, U.S. Steel may terminate on any portion of the property sold to a bona fide third party purchaser at a 115% premium in years 50 through 74, and at 107% in years 75 through 99.

Throughout the 99 year term of the Timber Agreement, U.S. Steel will retain the right to terminate the Plan's Timber Rights, temporarily, if U.S. Steel's use of such timberland is for typical mining activities or lasts less than 15 years,⁸ does not pose a risk of contamination or nuisance, and U.S. Steel restores the surface land to its prior condition upon cessation of the mining activities. The Plan's compensation for said temporary termination will be the fair market rental value of the affected timberland surface plus the present fair market

value of the affected merchantable and pre-merchantable timber.

The remaining 35,000 acres of the Property on which the Plan's Timber Rights are based also will remain under U.S. Steel's ownership and governed under the USS Agreement for a period of 99 years. Under the USS Agreement, this acreage will be subject to future commercial development. For this reason, U.S. Steel will retain the right to terminate the USS Agreement on any portion of this acreage at any time. Should U.S. Steel not dispose of the Property before the current timber is cut, the Plan will continue to replant and U.S. Steel will be obligated to pay the greater of (a) The fair market value of such Property, as determined by a qualified, independent appraiser which has been selected by the Independent Fiduciary, (based upon the greater of the current market value for timber or the average price for the preceding 5 years) for such replanted trees or (b) the Plan's capital investment for the timber plus an 8% per annum, compounded annually from the later of the date of acquisition or the date of planting or establishment of the timber through the date of termination.

Throughout the 99 year term of the USS Agreement, U.S. Steel also will retain the right to terminate the Plan's Timber Rights, temporarily, if U.S. Steel's use of such timberland is for typical mining activities or lasts less than 15 years,⁹ does not pose a risk of contamination or nuisance, and U.S. Steel restores the surface land to its prior condition upon cessation of the mining activities. The Plan's compensation for such temporary termination will be the fair market rental value of the affected timberland surface plus the present fair market value of the affected merchantable and pre-merchantable timber.

8. To protect the Plan against economic loss related to the acceptance and holding of the Timber Rights, U.S. Steel has agreed to make the Plan whole for any economic loss sustained from the Timber Rights contribution. This "make whole" contribution will apply to the first five years of the Timber Agreements. On the fifth year, U.S. Steel will contribute to the Plan the value of the economic losses related to the Timber Rights contribution. These losses will represent an amount in cash calculated as follows: (a) The fair market value of the Timber Rights as of the date of the contribution, less (b) the sum of (i) the fair market value of the Timber Rights held by the Plan as of the date five years from the date of the

contribution, as determined by a qualified, independent appraiser, which has been selected by the Independent Fiduciary, plus (ii) the net cash distributed to the Plan LLC or the Plan related to all or any part of the Timber Rights (and/or the related timber) prior to such date; provided, however, that if a contribution is due and if, for the taxable year of U.S. Steel in which such contribution is to be made, such contribution (i) will not be deductible under section 404(a)(1) of the Code or (ii) will result in the imposition of an excise tax under section 4972 of the Code, such contribution will not be made until the next taxable year of U.S. Steel for which the contribution will be deductible under section 404(a)(1) of the Code and will not result in an excise tax under section 4972 of the Code.

9. Under the Timber Rights Agreements, the Plan will pay Alabama state property taxes for the portion of the Property attributable to the Timber Rights. However, U.S. Steel and its successors, as underlying Property owners, will remain liable for property taxes attributable to the underlying Property and the minerals derived therefrom. According to existing Alabama law, property taxes are assessed based on the value of the property's current use, as opposed to any potential use for the property that might have a higher value. Because the subject property will be used for timber growth, its value, for property tax purposes, will be based on the value of the timber. Therefore, the process for determining the value of the timber will require a discounted cash flow analysis that will consider such factors as the timber inventory, current stumpage prices, and planned harvest, to determine the Plan's Alabama property tax assessment.

10. In January 2003, UCF and The Campbell Group (TCG) of Portland, Oregon, which will serve on behalf of the Plan as the Independent Fiduciary with respect to the proposed transactions, retained the services of Larson & McGowin, Inc. (L&M), a qualified, independent appraisal firm based in Mobile, Alabama to procure a valuation of the Timber Rights, specifically the rights of the Plan to grow and harvest timber on the Property for 99 years under the terms of the Timber Rights Agreements. L&M specializes in forest timber management and related consulting. In particular, Messrs. Robert J. Foster and L. Alexander McCall, who are principals with L&M conducted the appraisal along with Mr. Edward F. Travis, an independent MAI appraiser. In a final appraisal report dated September 2,

⁷ Although initially, the Timber Agreement will be with U.S. Steel, in the event that the Property is subsequently conveyed to a third party purchaser, then the third party purchaser will succeed to the rights and obligations of U.S. Steel under such agreement.

⁸ Section 12.2 of the Timber Agreement states that the following types of existing and potential temporary uses by U.S. Steel related to surface or strip mining activities would cause a temporary termination of the Timber Rights Agreements in less than 15 years: Well sites for oil or gas or salt water disposal wells, roads, pipelines, power lines, telephone lines, power substations, non-commercial tower sites, dehydration facilities, tank batteries, transfer and pumping stations, conveyors, equipment yards, field offices, water disposal ponds, compressor sites, temporary sale stockpiles and temporary treatment or washing facilities.

⁹ *Id.*