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**SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

**FORM 10-Q**

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2001
OR
TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____.
Commission File Number: 1-8944

**CLEVELAND-CLIFFS INC**
(Exact name of registrant as specified in its charter)

| Ohio | 34-1464672 |
|---|---|
| (State or other jurisdiction of incorporation) | (I.R.S. Employer Identification No.) |

1100 Superior Avenue, Cleveland, Ohio 44114-2589
(Address of principal executive offices) (Zip Code)
Registrant's telephone number, including area code: (216) 694-5700

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES __X__ NO _____

As of July 18, 2001, there were 10,143,113 Common Shares (par value $1.00 per share) outstanding.

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## CLEVELAND-CLIFFS INC AND CONSOLIDATED SUBSIDIARIES

## STATEMENT OF CONSOLIDATED OPERATIONS

| | (In Millions, Except Per Share Amounts) | | | |
|---|---|---|---|---|
| | Three Months Ended June 30 | | Six Months Ended June 30 | |
| | 2001 | 2000 | 2001 | 2000 |
| REVENUES | | | | |
| Product sales and services | | | | |
| Iron ore products | $ 83.1 | $ 120.5 | $ 104.0 | $ 145.6 |
| HBI products | 3.7 | | 3.7 | |
| Total | 86.8 | 120.5 | 107.7 | 145.6 |
| Royalties and management fees | 10.1 | 15.4 | 18.9 | 24.6 |
| Total Operating Revenues | 96.9 | 135.9 | 126.6 | 170.2 |
| Insurance recovery | | 15.0 | | 15.0 |
| Interest income | .9 | .4 | 2.0 | 1.4 |
| Other income | 2.2 | 1.1 | 4.6 | 2.1 |
| Total Revenues | 100.0 | 152.4 | 133.2 | 188.7 |
| COSTS AND EXPENSES | | | | |
| Cost of goods sold and operating expenses | | | | |
| Iron ore products | 104.2 | 116.3 | 140.2 | 147.4 |
| HBI products | 10.3 | | 10.3 | |
| Total | 114.5 | 116.3 | 150.5 | 147.4 |
| Administrative, selling and general expenses | 5.2 | 4.9 | 8.0 | 8.3 |
| Loss on long-term investment | | 9.1 | | 9.1 |
| Pre-operating loss of | | | | |
| Cliffs and Associates Limited | | 3.4 | 5.8 | 6.3 |
| Interest expense | 2.5 | 1.3 | 4.6 | 2.5 |
| Other expenses | 1.4 | 1.4 | 3.9 | 3.8 |
| Total Costs and Expenses | 123.6 | 136.4 | 172.8 | 177.4 |
| INCOME (LOSS) BEFORE INCOME TAXES AND MINORITY INTEREST | (23.6) | 16.0 | (39.6) | 11.3 |
| INCOME TAXES (CREDIT) | (7.1) | 5.0 | (12.3) | 3.8 |
| INCOME (LOSS) BEFORE MINORITY INTEREST | (16.5) | 11.0 | (27.3) | 7.5 |
| MINORITY INTEREST | 1.4 | | 2.6 | |
| NET INCOME (LOSS) | $ (15.1) | $ 11.0 | $ (24.7) | $ 7.5 |
| NET INCOME (LOSS) PER COMMON SHARE | | | | |
| Basic | $ (1.50) | $ 1.04 | $ (2.45) | $ .71 |
| Diluted | $ (1.50) | $ 1.04 | $ (2.45) | $ .71 |
| AVERAGE NUMBER OF SHARES (IN THOUSANDS) | | | | |
| Basic | 10,118 | 10,545 | 10,110 | 10,574 |
| Diluted | 10,118 | 10,593 | 10,110 | 10,617 |

**See notes to consolidated financial statements.**



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CLEVELAND-CLIFFS INC AND CONSOLIDATED SUBSIDIARIES

## STATEMENT OF CONSOLIDATED FINANCIAL POSITION

| | (In Millions) | |
|---|---|---|
| | June 30 | December 31 |

| | 2001 | 2000 |
|---|---|---|
| **ASSETS** | | |
| **CURRENT ASSETS** | | |
| Cash and cash equivalents | $ 55.5 | $ 29.9 |
| Trade accounts receivable — net | 32.4 | 46.3 |
| Receivables from associated companies | 13.6 | 18.5 |
| Inventories | | |
| Product | 152.0 | 90.8 |
| Supplies and other | 23.7 | 22.4 |
| | 175.7 | 113.2 |
| Other | 37.1 | 40.1 |
| TOTAL CURRENT ASSETS | 314.3 | 248.0 |
| **PROPERTIES** | 364.8 | 356.9 |
| Allowances for depreciation and depletion | (91.6) | (84.2) |
| TOTAL PROPERTIES | 273.2 | 272.7 |
| **INVESTMENTS IN ASSOCIATED COMPANIES** | 132.4 | 138.4 |
| **OTHER ASSETS** | | |
| Prepaid pensions | 38.3 | 38.1 |
| Miscellaneous | 23.0 | 30.6 |
| TOTAL OTHER ASSETS | 61.3 | 68.7 |
| TOTAL ASSETS | $ 781.2 | $ 727.8 |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | |
| **CURRENT LIABILITIES** | | |
| Short-term borrowings | $ 100.0 | $ |
| Accounts payable and accrued expenses | 84.4 | 102.2 |
| TOTAL CURRENT LIABILITIES | 184.4 | 102.2 |
| **LONG-TERM DEBT** | 70.0 | 70.0 |
| **POSTEMPLOYMENT BENEFIT LIABILITIES** | 65.2 | 71.7 |
| **OTHER LIABILITIES** | 58.2 | 58.0 |
| **MINORITY INTEREST** | 27.8 | 23.9 |
| **SHAREHOLDERS' EQUITY** | | |
| Preferred Stock | | |
| Class A — 500,000 shares authorized and unissued | | |
| Class B — 4,000,000 shares authorized and unissued | | |
| Common Shares — par value $1 a share | | |
| Authorized — 28,000,000 shares; | | |
| Issued — 16,827,941 shares | 16.8 | 16.8 |
| Capital in excess of par value of shares | 69.0 | 67.3 |
| Retained income | 476.9 | 503.7 |
| Cost of 6,679,002 Common Shares in treasury | | |
| (2000 — 6,708,539 shares) | (183.1) | (183.8) |
| Unearned compensation | (4.0) | (2.0) |
| TOTAL SHAREHOLDERS' EQUITY | 375.6 | 402.0 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | $ 781.2 | $ 727.8 |

**See notes to consolidated financial statements.**



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## CLEVELAND-CLIFFS INC AND CONSOLIDATED SUBSIDIARIES

## STATEMENT OF CONSOLIDATED CASH FLOWS

| | (In Millions, Brackets Indicate Cash Decrease) Six Months Ended June 30 | |
|---|---|---|
| | 2001 | 2000 |
| **OPERATING ACTIVITIES** | | |

| | | |
|---|---|---|
| **Net income (loss)** | **$ (24.7)** | **$ 7.5** |
| **Depreciation and amortization:** | | |
| **Consolidated** | **7.8** | **6.3** |
| **Share of associated companies** | **5.5** | **6.2** |
| **Equity loss in Cliffs and Associates Limited** | | **6.3** |
| **Loss on long-term investment** | | **9.1** |
| **Minority interest in Cliffs and Associates Limited** | **(2.6)** | |
| **Deferred income taxes** | **(6.0)** | **(3.2)** |
| **Gain on sale of assets** | **(2.5)** | |
| **Other** | **1.3** | **2.6** |
| **Total before changes in operating assets and liabilities** | **(21.2)** | **34.8** |
| **Changes in operating assets and liabilities** | **(50.6)** | **(52.8)** |
| **Net cash used by operating activities** | **(71.8)** | **(18.0)** |
| **INVESTING ACTIVITIES** | | |
| **Purchase of property, plant and equipment:** | | |
| **Consolidated** | | |
| **Cliffs and Associates Limited** | **(5.5)** | |
| **All other** | **(2.9)** | **(2.7)** |
| **Total** | **(8.4)** | **(2.7)** |
| **Share of associated companies** | **(.9)** | **(2.4)** |
| **Equity investment and advances in Cliffs and Associates Limited** | | **(7.5)** |
| **Proceeds from sale of assets** | **2.7** | |
| **Other** | **(.4)** | |
| **Net cash used by investing activities** | **(7.0)** | **(12.6)** |
| **FINANCING ACTIVITIES** | | |
| **Dividends** | **(2.1)** | **(8.0)** |
| **Short-term borrowings** | **100.0** | |
| **Contributions by minority shareholder in Cliffs and Associates Limited** | **6.5** | |
| **Repurchases of Common Shares** | | **(5.5)** |
| **Net cash from (used by) financing activities** | **104.4** | **(13.5)** |
| **INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** | **25.6** | **(44.1)** |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD** | **29.9** | **67.6** |
| **CASH AND CASH EQUIVALENTS AT END OF PERIOD** | **$ 55.5** | **$ 23.5** |

**See notes to consolidated financial statements.**



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CLEVELAND-CLIFFS INC AND CONSOLIDATED SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2001

NOTE A — BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and should be read in conjunction with the financial statement footnotes and other information in the Company's 2000 Annual Report on Form 10-K. In management's opinion, the quarterly unaudited consolidated financial statements present fairly the Company's financial position, results of operations and cash flows in accordance with generally accepted accounting principles.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

References to the "Company" mean Cleveland-Cliffs Inc and consolidated subsidiaries, unless otherwise indicated. Quarterly results historically are not representative of annual results due to seasonal and other factors. Certain prior year amounts have been reclassified to conform to current year classifications.

NOTE B — ACCOUNTING AND DISCLOSURE CHANGES

In June, 1998, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended in June, 2000 by SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities — an amendment of SFAS No. 133." These statements provide the accounting treatment for all derivatives activity and require the recognition of all derivatives as either assets or liabilities on the balance sheet and their measurement at fair value. Adoption of this standard in the first quarter of 2001 did not have a material effect on the Company's consolidated financial statements. At December 31, 2000, the Company's managed mines had in place forward contracts for the purchase of natural gas. The forward purchases are utilized to hedge against rising costs and ensure gas availability. At inception, the contracts were in quantities that were probable and expected to be used in the production process. However, due to an unanticipated significant reduction in usage requirements beyond the Company's control, it was necessary to sell a portion of the contracts during the first quarter resulting in the Company recognizing a $.7 million gain on the sale (included in cost of sales), and an additional fair value gain of



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$.2 million related to the increase in value of remaining contracts was settled in April, 2001. There were no sales made in the second quarter. Although circumstances beyond the Company's control required the sale of excess natural gas quantities in the first quarter, the Company's objective for entering into forward contracts is to hedge price fluctuations. Such contracts, when entered into, are in quantities expected to be used in the production process and, accordingly, are accounted for as normal purchases. At June 30, 2001, the remaining forward instruments had a notional value of $1.6 million (Company share), with an approximate market value of $.9 million.

In July, 2001, the FASB issued SFAS No. 141, "Business Combinations" and SFAS No. 142, "Goodwill and Other Intangible Assets." SFAS 141 prohibits the use of the pooling-of-interests method for business combinations and establishes criteria for the recognition of intangible assets separately from goodwill. The statement is effective June 30, 2001. SFAS 142 requires testing of goodwill and indefinite lived intangible assets for impairment rather than amortize them. The statement will be effective for fiscal years beginning after December 15, 2001. The Company has not yet determined the effect on its financial statements of this standard when adopted.

NOTE C — ENVIRONMENTAL RESERVES

At June 30, 2001, the Company had an environmental reserve, including its share of ventures, of $19.1 million, of which $3.2 million was classified as current. The reserve includes the Company's obligations related to Federal and State Superfund and Clean Water Act sites where the Company is named as a potentially responsible party, including Cliffs-Dow and Kipling sites in Michigan, the Summitville site in Colorado and the Rio Tinto mine site in Nevada, all of which sites are independent of the Company's iron ore mining operations. Reserves are based principally on Company estimates and engineering studies prepared by outside consultants engaged by the potentially responsible parties. The Company continues to evaluate the recommendations of the studies and other means for site clean-up. Significant site clean-up activities have taken place at Rio Tinto and Cliffs-Dow. Also included in the reserve are wholly-owned active and closed mining operations, and other sites, including former operations, for which reserves are based on the Company's estimated cost of investigation and remediation.

NOTE D — COMPREHENSIVE INCOME

| | (In Millions) | | | |
|---|---|---|---|---|
| | Second Quarter | | First Half | |
| | 2001 | 2000 | 2001 | 2000 |
| Net Income (Loss) | $ (15.1) | $ 11.0 | $(24.7) | $ 7.5 |
| Other Comprehensive Loss — | | | | |
| Unrealized Loss on Securities | | (.9) | | (1.2) |
| Reclassification Adjustment | | | | |
| for Loss Included in Net Income | | 6.4 | | 6.4 |
| Comprehensive Income (Loss) | $ (15.1) | $ 16.5 | $(24.7) | $12.7 |



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NOTE E — SEGMENT REPORTING

The Company has two reportable segments offering different iron products and services to the steel industry. Iron Ore is the Company's dominant segment. The Ferrous Metallics segment consists of the hot briquetted iron ("HBI") project in Trinidad and Tobago and other developmental activities. "Other" includes non-reportable segments, and unallocated corporate administrative expense and other income and expense.

(In Millions)

| | Iron Ore | Ferrous Metallics | Segments Total | Other | Consolidated Total |
|---|---|---|---|---|---|
| **Second Quarter 2001** | | | | | |
| Sales and services to external customers | $ 83.1 | $ 3.7 | $ 86.8 | $ | $ 86.8 |
| Royalties and management fees | 10.1 | | 10.1 | | 10.1 |
| Total operating revenues | 93.2 | 3.7 | 96.9 | | 96.9 |
| Loss before income taxes and minority interest | (10.5) | (6.7) | (17.2) | (6.4) | (23.6) |
| Investments in associated companies | 132.4 | | 132.4 | | 132.4 |
| Other identifiable assets | 479.7 | 139.3 | 619.0 | 29.8 | 648.8 |
| Total assets | 612.1 | 139.3 | 751.4 | 29.8 | 781.2 |
| **Second Quarter 2000** | | | | | |
| Sales and services to external customers | $120.5 | $ | $ 120.5 | $ | $ 120.5 |
| Royalties and management fees | 15.4 | | 15.4 | | 15.4 |
| Total operating revenues | 135.9 | | 135.9 | | 135.9 |
| Income (loss) before income taxes | 19.4 | (4.4) | 15.0 | 1.0 | 16.0 |
| Equity loss* | | (3.4) | (3.4) | | (3.4) |
| Investments in associated companies | 142.2 | 84.4 | 226.6 | | 226.6 |
| Other identifiable assets | 433.3 | 1.5 | 434.8 | 22.3 | 457.1 |
| Total assets | 575.5 | 85.9 | 661.4 | 22.3 | 683.7 |
| **First Six Months 2001** | | | | | |
| Sales and services to external customers | $104.0 | $ 3.7 | $ 107.7 | $ | $ 107.7 |
| Royalties and management fees | 18.9 | | 18.9 | | 18.9 |
| Total operating revenues | 122.9 | 3.7 | 126.6 | | 126.6 |
| Loss before income taxes and minority interest | (15.9) | (12.7) | (28.6) | (11.0) | (39.6) |
| **First Six Months 2000** | | | | | |
| Sales and services to external customers | $145.6 | $ | $ 145.6 | $ | $ 145.6 |
| Royalties and management fees | 24.6 | | 24.6 | | 24.6 |
| Total operating revenues | 170.2 | | 170.2 | | 170.2 |
| Income (loss) before income taxes | 22.4 | (8.1) | 14.3 | (3.0) | 11.3 |
| Equity loss* | | (6.3) | (6.3) | | (6.3) |

* Included in income (loss) before income taxes. Includes equity losses from Cliffs and Associates Limited. In November 2000, the Company acquired controlling interest and subsequent results were consolidated.



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## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### COMPARISON OF SECOND QUARTER AND FIRST SIX MONTHS — 2001 AND 2000

Net losses were $15.1 million, or $1.50 per share (all per share earnings are "diluted earnings per share" unless stated otherwise) in the second quarter, and $24.7 million, or $2.45 per share in the first six months. In 2000, second quarter earnings were $11.0 million, or $1.04 per share, and first six months earnings were $7.5 million, or $.71 per share.

Earnings in second quarter and first six months of 2000 included two special items, a $9.8 million after-tax recovery on an insurance claim related to lost 1999 sales, and a $6.4 million after-tax charge to recognize the decrease in value of the Company's investment in publicly-traded common stock.

Following is a summary of results:

| | (In Millions, Except Per Share) | | | |
|---|---|---|---|---|
| | Second Quarter | | First Six Months | |
| | 2001 | 2000 | 2001 | 2000 |
| Income (Loss) Before Special Items | $ (15.1) | $ 7.6 | $ (24.7) | $ 4.1 |
| Special Items | | 3.4 | | 3.4 |
| Net Income (Loss): | | | | |
| Amount | $ (15.1) | $ 11.0 | $ (24.7) | $ 7.5 |
| Per Share | $ (1.50) | $ 1.04 | $ (2.45) | $ .71 |

The pre-tax loss for second quarter 2001 was $22.2 million, an earnings decrease of $32.3 million from second quarter of 2000, excluding special items. The decrease in pre-tax earnings was mainly due to mine production curtailments, lower sales volume, higher mine operating costs and lower royalties and management fees, partially offset by a modest increase in average price realization. Included in cost of goods sold and operating expenses was approximately $21 million of costs related to production curtailments in the second quarter of 2001. Additionally, higher CAL losses, and increased interest expense contributed to the earnings decrease.

Pre-tax results for the first six months of 2001 were $42.4 million lower than the comparable 2000 period, excluding special items. The decrease in earnings was primarily due to:

- Pellet sales margin was a loss of $36.2 million in 2001 compared to a loss of $1.8 million in 2000, a margin decrease of $34.4 million summarized as follows:



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| | (In Millions) | | | |
|---|---|---|---|---|
| | | | Increase (Decrease) | |
| | 2001 | 2000 | Amount | Percent |
| Sales (Tons) | 2.8 | 4.1 | (1.3) | (32)% |
| Revenue from product sales and services | 140.2 | 147.4 | (7.2) | (5)% |
| Cost of goods sold and operating expenses | 140.2 | 147.4 | (7.2) | (5)% |
| Sales margin (loss) | $ (36.2) | $ (1.8) | $ (34.4) | N/M |

Higher operating costs and lower sales volume were partially offset by a modest increase in average price realization. Included in 2001 cost of goods sold and operating expenses was approximately $25 million of fixed costs related to production curtailments. Higher natural gas and diesel fuel costs also contributed to the increase in costs.

- Royalty and management fee revenue, including amounts paid by the Company as a participant in the mining ventures, decreased $5.7 million reflecting the production curtailments.

- The loss from Cliffs and Associates Limited (“CAL”) of $12.4 million, or $9.8 million net of minority interest, in the first half of 2001 compared to a loss of $6.3 million in the first half of 2000. The increased loss of $6.1 million, or $3.5 million net of minority interest, reflected the start-up and commissioning of the HBI venture in Trinidad and Tobago in mid-March of 2001 and the increased Company ownership, 82.2 percent in 2001 versus 46.5 percent in 2000.

- Interest expense was $2.1 million higher in 2001 reflecting interest on the $100 million borrowed under the Company’s $100 million revolving credit facility.

- Other income was $2.5 million higher in 2001 principally due to the sale of non-strategic lands.

- Other expenses reflect lower business development expense in 2001, offset by 2001 restructuring charges of $2.1 million related to a 25 percent reduction in corporate office staff, a 20 percent salaried workforce reduction at the Empire Mine, and a 17 percent salaried workforce reduction at the Hibbing Mine.

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**CASH FLOW AND LIQUIDITY**

At June 30, 2001, the Company had cash and cash equivalents of $55.5 million compared to $23.5 million at June 30, 2000. Since December 31, 2000, cash and cash equivalents increased $25.6 million, primarily due to the $100 million of short-term borrowings under the revolving credit facility, lower receivables, $18.8 million, and a $15.4 million income tax refund, partially offset by higher product inventories, $61.2 million, lower payables and accrued expenses, $22.8 million, and decreased cash flow from operations before changes in operating assets and liabilities, $21.2 million.

At the end of June, there were 5.3 million tons of pellets in inventory at a cost of $151 million, an increase of 2.1 million tons, or $60 million, from December 31, 2000. Pellet inventory at June 30, 2000 was 3.2 million tons, or $91 million. Cash flow from inventory liquidation is expected to be sufficient to permit repayment of all borrowings under the revolving credit facility by year-end.

**NORTH AMERICAN IRON ORE**

Iron ore pellet production at the Company's managed mines in the second quarter of 2001 was 6.5 million tons compared to 10.8 million tons in 2000. First-half production was 13.4 million tons, down from 20.6 million tons in 2000. The Company's share of 2001 production of 1.8 million tons in the second quarter and 4.6 million tons in the first half was 1.2 million tons lower in both periods than 2000. The 7.2 million ton decrease in total production was principally due to the permanent closure of LTV Steel Mining Company at the beginning of 2001 and production curtailments at the Empire, Hibbing, Northshore and Tilden Mines. The Tilden Mine expects to have one of its two pelletizing furnaces out of service for a period of about two months, starting in late July, due to a crack in the kiln shell. Further production curtailments are likely at Northshore in the fourth quarter, and production schedules at all mines for the remainder of 2001 are subject to change.

Given the plan to reduce inventory by December 31, 2001, production will be significantly below the Company's production capacity of 12.8 million tons for the year. With fixed costs representing approximately one-third of total production costs, the Company's financial results for the second half will continue to be adversely impacted by costs associated with production curtailments. A modest net loss is expected for the second half.

On April 23, 2001, Algoma Steel Inc., a 45 percent owner of Tilden Mine and a significant rail transportation customer of the Company, announced that it was initiating a financial restructuring, and as part of the process, had obtained an Order for protection under the Companies' Creditors Arrangement Act in the Ontario Superior Court of Justice. The Order protects Algoma from creditors during the restructuring process. At the time of the Order, the Company's exposure to Algoma was limited to $.7 million of transportation receivables, which was reserved. To date, Algoma has met its obligations at the Tilden Mine and for transportation subsequent to the Order.



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Pellet sales in the second quarter of 2001 were 2.2 million tons compared to 3.4 million tons in 2000. Pellet sales in the first half of 2001 were 2.8 million tons, a decrease of 1.3 million tons from the 4.1 million tons sold in the first six months of 2000. While there continues to be uncertainty regarding the pellet requirements of certain customers, sales volume for 2001 is expected to approximate 10 million tons. This estimate assumes LTV Corporation ("LTV") will continue to operate two blast furnaces in Cleveland and two furnaces in Chicago. Separately, LTV continues to meet its obligations as a 25 percent partner in the Empire Mine, but has neither affirmed nor rejected its ownership in Empire.

The Company's share of capital expenditures at the five mining ventures and supporting operations is expected to approximate $10 million in 2001, with $3.8 million occurring through June 30, 2001.

**FERROUS METALLICS**

Modifications to the CAL hot briquetted iron (HBI) plant in Trinidad were completed in March. The facility produced approximately 50,000 tonnes in the second quarter and 59,000 tonnes in the first half of commercial grade briquettes. CAL sold 42,000 tonnes in the second quarter. The loss from CAL was higher than last year primarily due to the Company's increased ownership of CAL. The Company increased its CAL ownership from 46.5 percent to approximately 82 percent as a result of the Company and Lurgi acquiring LTV Corporation's 46.5 percent share of CAL in November, 2000. While the current pricing for HBI is weak, the Company's share of losses from CAL in the second half are expected to be less than the first half pre-tax loss of $9.8 million.

**CAPITALIZATION**

Long-term debt of the Company consists of $70.0 million of senior unsecured notes, which bear a fixed interest rate of 7.0 percent and are scheduled to be repaid on December 15, 2005. The Company borrowed, on January 8, 2001, $65 million, at a fixed interest rate of 6.1 percent through July 8, 2001 (4.25 percent July 9, 2001 through October 9, 2001), and on May 10, 2001, an additional $35 million, at a fixed interest rate of 4.4 percent through November 13, 2001, on its $100 million revolving credit agreement. The loan interest rates are fixed for three to six month periods based on the LIBOR rate plus a premium. The Company was in compliance with all financial covenants and restrictions of the debt agreements.

The fair value of the Company's long-term debt (which had a carrying value of $70.0 million) at June 30, 2001, was estimated at $68.1 million based on a discounted cash flow analysis and estimates of current borrowing rates. The fair value of the outstanding debt on the revolving credit facility approximated the carrying value at June 30, 2001.



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Following is a summary of common shares outstanding:

| | 2001 | 2000 | 1999 |
|---|---|---|---|
| March 31 | 10,143,272 | 10,714,796 | 11,209,734 |
| June 30 | 10,148,939 | 10,502,367 | 11,211,376 |
| September 30 | | 10,292,356 | 11,053,349 |
| December 31 | | 10,119,402 | 10,647,199 |

**STRATEGIC INVESTMENTS**

The Company is seeking additional investment opportunities, domestically and internationally, to broaden its scope as a supplier of iron units to the steel industry, including investments in iron ore mines or ferrous metallics facilities. In the normal course of business, the Company examines opportunities to increase profitability and strengthen its business position by evaluating various investment opportunities consistent with its business strategy. In the event of any future acquisitions or joint venture opportunities, the Company may consider using available liquidity, incurring additional indebtedness, project financing, or other sources of funding to make investments.

**FORWARD-LOOKING STATEMENTS**

The preceding discussion and analysis of the Company's operations, financial performance and results, as well as material included elsewhere in this report, includes statements not limited to historical facts. Such statements are "forward-looking statements" (as defined in the Private Securities Litigation Reform Act of 1995) that are subject to risks and uncertainties that could cause future results to differ materially from expected results. Such statements are based on management's beliefs and assumptions made on information currently available to it. Factors that could cause the Company's actual results to be materially different from the Company's expectations include the following:

- Displacement of iron production by North American integrated steel producers due to electric furnace production or imports of semi-finished steel or pig iron;
- Loss of major iron ore sales contracts;
- Changes in the financial condition of the Company's partners and/or customers;
- Rejection of major contracts and/or venture agreements by customers and/or participants under provisions of the U.S. Bankruptcy Code or similar statutes of other countries;
- Substantial changes in imports of steel, iron ore, or ferrous metallic products;
- Displacement of steel by competing materials;



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- Unanticipated changes in the market value of steel, iron ore or ferrous metallics;
- Domestic or international economic and political conditions;
- Major equipment failure, availability, and magnitude and duration of repairs;
- Unanticipated geological conditions or ore processing changes;
- Process difficulties, including the failure of new technology to perform as anticipated;
- Availability and cost of the key components of production (e.g., labor, electric power, fuel, water);
- Weather conditions (e.g., extreme winter weather, availability of process water due to drought);
- Changes in tax laws;

- Changes in laws, regulations or enforcement practices governing remediation requirements at existing environmental sites, remediation technology advancements, the impact of inflation, the identification and financial condition of other responsible parties, and the number of sites and the extent of remediation activity;

- Changes in laws, regulations or enforcement practices governing compliance with safety, health and environmental standards at operating locations; and,

- Accounting principle or policy changes by the Financial Accounting Standards Board or the Securities and Exchange Commission.

Forward-looking statements speak as of the date they are made and may be superceded by subsequent events. The Company does not undertake any duty, except as required by law, to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.



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## PART II — OTHER INFORMATION

### Item 2. Changes in Securities and Use of Proceeds

On June 4, 2001, pursuant to the Cleveland-Cliffs Inc Voluntary Non-Qualified Deferred Compensation Plan ("VNQDC Plan"), the Company sold 186 shares of common stock, par value $1.00 per share, of Cleveland-Cliffs Inc ("Common Shares") for cash to the Trustee of the Trust maintained under the VNQDC Plan. This sale of Common Shares was made in reliance on Rule 506 of Regulation D under the Securities Act of 1933 pursuant to an election made by a managerial employee under the VNQDC Plan. The aggregate consideration received by the Company was $3,787.50.

### Item 4. Submission of Matters to Vote of Security Holders

The Company's Annual Meeting of Shareholders was held on May 8, 2001. At the meeting the Company's shareholders acted upon the election of Directors, a proposal to approve an amendment to the Cleveland-Cliffs Inc Nonemployee Directors' Compensation Plan, and a proposal to ratify the appointment of the Company's independent public accountants. In the election of Directors, all 9 nominees named in the Company's Proxy Statement, dated March 26, 2001, were elected to hold office until the next Annual Meeting of Shareholders and until their respective successors are elected. Each nominee received the number of votes set opposite his or her name:

| NOMINEES | FOR | WITHHELD |
|---|---|---|
| John S. Brinzo | 9,121,773 | 39,003 |
| Ronald C. Cambre | 9,126,337 | 34,439 |
| Ranko Cucuz | 9,125,752 | 35,024 |
| James D. Ireland III | 9,122,785 | 37,991 |
| Leslie L. Kanuk | 9,120,318 | 40,458 |
| Francis R. McAllister | 9,126,445 | 34,331 |
| John C. Morley | 9,123,552 | 37,224 |
| Stephen B. Oresman | 9,123,544 | 37,232 |
| Alan Schwartz | 9,123,059 | 37,717 |

Votes cast in person and by proxy at such meeting for and against the adoption of the proposal approving the Fourth Amendment to the Cleveland-Cliffs Inc Nonemployee Directors' Compensation Plan are as follows: 8,773,189 Common Shares were cast for the adoption of the proposal; 367,857 Common Shares were cast against the adoption of the proposal; and 19,730 Common Shares abstained from voting on the adoption of the proposal.

Votes cast in person and by proxy at such meeting for and against the adoption of the proposal ratifying the appointment of the firm of Ernst & Young LLP, independent public accountants, to examine the books of account and other records of the Company and its consolidated subsidiaries for the year 2001 were as follows: 9,089,515 Common Shares were cast for the adoption of the proposal; 50,560 Common Shares were cast against the adoption of the proposal, and 20,701 Common Shares abstained from voting on the adoption of the proposal.



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There were no broker non-votes with respect to the election of directors; the approval of the amendment to the Cleveland-Cliffs Inc Nonemployee Directors' Compensation Plan; or the ratification of the independent public accountants.

**Item 6. Exhibits and Reports on Form 8-K**

(a) List of Exhibits — Refer to Exhibit Index on page 16.

(b) During the quarter for which this 10-Q Report is filed, the Company filed Current Reports on Form 8-K, dated April 12, April 16, April 23, April 26, May 8, May 11, May 17 and May 21, 2001; covering information reported under *Item 9. Regulation FD Disclosure*. The Company also filed Current Reports on Form 8-K, dated July 10 and July 11, 2001, covering information reported under *Item 9. Regulation FD Disclosure.* There were no financial statements filed as part of the Current Reports on Form 8-K.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CLEVELAND-CLIFFS INC

Date July 27, 2001

By /s/ C. B. Bezik

C. B. Bezik
Senior Vice President-Finance and
Principal Financial Officer



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**EXHIBIT INDEX**

| Exhibit Number | Exhibit | |
|---|---|---|
| 10(a) | Indemnification Agreement dated as of April 16, 2001 by and between Cleveland-Cliffs Inc and David H. Gunning | Filed Herewith |
| 10(b) | Severance Agreement dated as of April 16, 2001 by and between Cleveland-Cliffs Inc and David H. Gunning | Filed Herewith |
| 10(c) | Cleveland-Cliffs Inc Supplemental Retirement Benefit Plan (as Amended and Restated effective as of January 1, 2001) | Filed Herewith |
| 10(d) | Amendment to Amended and Restated Cleveland- Cliffs Inc Retirement Plan For Non-Employee Directors dated as of January 1, 2001 | Filed Herewith |
| 99(a) | Cleveland-Cliffs Inc News Release published on July 25, 2001, with respect to 2001 second quarter results | Filed Herewith |
| 99(b) | Cleveland-Cliffs Inc News Release published on July 26, 2001, captioned Tilden Mine Experiences Equipment Outage | Filed Herewith |

# INDEMNIFICATION AGREEMENT

This Indemnification Agreement ("Agreement") is made as of April 16, 2001 by and between Cleveland-Cliffs Inc, an Ohio corporation (the "Company"), and David H. Gunning (the "Indemnitee"), an officer of the Company.

RECITALS:

A. The Indemnitee is presently serving as an officer of the Company and the Company desires the Indemnitee to continue in that capacity. The Indemnitee is willing, subject to certain conditions including without limitation the execution and performance of this Agreement by the Company, to continue in that capacity.

B. In addition to the indemnification to which the Indemnitee is entitled under the Regulations of the Company (the "Regulations"), the Company has obtained, at its sole expense, insurance protecting the Company and its officers and directors, including the Indemnitee, against certain losses arising out of actual or threatened actions, suits, or proceedings to which such persons may be made or threatened to be made parties.

Accordingly, and in order to induce the Indemnitee to continue to serve in his present capacity, the Company and the Indemnitee agree as follows:

1. Continued Service. The Indemnitee shall continue to serve at the will of the Company or in accordance with a separate contract, to the extent that such a contract is in effect at the time in question, as an officer of the Company so long as he is duly elected and qualified in accordance with the Regulations or until he resigns in writing in accordance with applicable law.

2. Initial Indemnity. (a) The Company shall indemnify the Indemnitee, if or when he is a party or is threatened to be made a party to any threatened, pending, or completed action, suit, or proceeding, whether civil, criminal, administrative, or investigative (other than an action by or in the right of the Company), by reason of the fact that he is or was an officer of the Company or is or was serving at the request of the Company as a director, trustee, officer, employee, member, manager or agent of another corporation, domestic or foreign, nonprofit or for profit, partnership, limited liability company, joint venture, trust, or other enterprise, or by reason of any action alleged to have been taken or omitted in any such capacity, against any and all costs, charges, expenses (including without limitation fees and expenses of attorneys and/or others; all such costs, charges and expenses being herein jointly referred to as "Expenses"), judgments, fines, and amounts paid in settlement, actually and reasonably incurred by the Indemnitee in connection therewith including any appeal of or from any judgment or decision, if the Indemnitee acted in good faith and in a manner that he reasonably believed to be in or not opposed to the best interests of the Company, and, with respect to any criminal action or proceeding, if the Indemnitee had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, or conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the Indemnitee did not satisfy the foregoing standard of conduct to the extent applicable thereto.

(b) The Company shall indemnify the Indemnitee, if or when he is a party or is threatened to be made a party to any threatened, pending, or completed action, suit, or proceeding by or in the right of the Company to procure a judgment in its favor, by reason of the fact that the Indemnitee is or was an officer of the Company or is or was serving at the request of the Company as a director, trustee, officer, employee, member, manager or agent of another corporation, domestic or foreign, nonprofit or for profit, partnership, limited liability company, joint venture, trust, or other enterprise, against any and all Expenses actually and reasonably incurred by the Indemnitee in connection with the defense or settlement thereof or any appeal of or from any judgment or decision, if the Indemnitee acted in good faith and in a manner that he reasonably believed to be in or not opposed to the best interests of the Company, except that no indemnification shall be made in respect of (i) any claim, issue, or matter as to which the Indemnitee is adjudged to be liable for negligence or misconduct in the performance of his duty to the Company unless, and only to the extent that, the court of common pleas or other court in which such action, suit, or proceeding was brought determines, notwithstanding any adjudication of liability, that in view of all the circumstances of the case the Indemnitee is fairly and reasonably entitled to indemnity for such expenses as such court of common pleas or other court shall deem proper, or (ii) any action or suit in which the only liability asserted against the Indemnitee is pursuant to Section 1701.95 of the Ohio Revised Code.

(c) Any indemnification under Section 2(a) or 2(b) (unless ordered by a court) shall be made by the Company only as authorized in the specific case upon a determination that indemnification of the Indemnitee is proper in the circumstances because he has met the applicable standard of conduct set forth in Section 2(a) or 2(b). Such authorization shall be made (i) by the Directors of the Company (the "Board") by a majority vote of a quorum consisting of Directors who were not and are not parties to or threatened with such action, suit, or proceeding or (ii) if such a quorum of disinterested Directors is not available or if a majority of such quorum so directs, in a written opinion by independent legal counsel (designated for such purpose by the Board) which shall not be an attorney, or a firm having associated with it an attorney, who has been retained by or who has performed services for the Company, or any person to be indemnified, within the five years preceding such determination, or (iii) by the shareholders of the Company (the "Shareholders"), or (iv) by the court in which such action, suit, or proceeding was brought.

(d) To the extent that the Indemnitee has been successful on the merits or otherwise, including without limitation the dismissal of an action without prejudice, in defense of any action, suit, or proceeding referred to in Section 2(a) or 2(b), or in defense of any claim, issue, or matter therein, he shall be indemnified against Expenses actually and reasonably incurred by him in connection therewith. Expenses actually and reasonably incurred by the Indemnitee in defending any such action, suit, or proceeding shall be paid by the Company as they are incurred in advance of the final disposition of such action, suit, or proceeding under the procedure set forth in Section 4(b) hereof.

(e) For purposes of this Agreement, references to "other enterprises" shall include employee benefit plans; references to "fines" shall include any excise taxes assessed on the Indemnitee with respect to any employee benefit plan; references to "serving at the request of the Company" shall include any service as a director, officer, employee or agent of the Company which imposes duties on, or involves services by, the Indemnitee with respect to an employee



benefit plan, its participants or beneficiaries; references to the masculine shall include the feminine; and references to the singular shall include the plural and vice versa; and with respect to conduct by the Indemnitee in his capacity as a trustee, administrator or other fiduciary of any employee benefit plan of the Company, if the Indemnitee acted in good faith and in a manner he reasonably believed to be in the interest of the participants or beneficiaries of such employee benefit plan, he shall be deemed to have acted in a manner "not opposed to the best interests of the Company" as referred to herein.

(f) No amendment to the Amended Articles of Incorporation of the Company, as amended (the "Articles"), or the Regulations shall deny, diminish, or encumber the Indemnitee's rights to indemnity pursuant to the Regulations, the Ohio Revised Code (the "ORC"), or any other applicable law as applied to any act or failure to act occurring in whole or in part prior to the date (the "Effective Date") upon which the amendment was approved by the Shareholders. In the event that the Company shall purport to adopt any amendment to its Articles or Regulations or take any other action the effect of which is to deny, diminish, or encumber the Indemnitee's rights to indemnity pursuant to the Articles, the Regulations, the ORC, or any such other law, such amendment shall apply only to acts or failures to act occurring entirely after the Effective Date thereof.

3. Additional Indemnification. Pursuant to Section 1701.13(E)(6) of the ORC, without limiting any right which the Indemnitee may have pursuant to Section 2 hereof or any other provision of this Agreement or the Articles, the Regulations, the ORC, any policy of insurance, or otherwise, but subject to any limitation on the maximum permissible indemnity which may exist under applicable law at the time of any request for indemnity hereunder and subject to the following provisions of this Section 3, the Company shall indemnify the Indemnitee against any amount which he is or becomes obligated to pay relating to or arising out of any claim made against him because of any act, failure to act, or neglect or breach of duty, including any actual or alleged error, misstatement, or misleading statement, which he commits, suffers, permits, or acquiesces in while acting in his capacity as an officer of the Company. The payments which the Company is obligated to make pursuant to this Section 3 shall include without limitation, judgments, fines, and amounts paid in settlement and any and all Expenses actually and reasonably incurred by the Indemnitee in connection therewith including any appeal of or from any judgment or decision; provided, however, that the Company shall not be obligated under this Section 3 to make any payment in connection with any claim against the Indemnitee:

(a) to the extent of any fine or similar governmental imposition which the Company is prohibited by applicable law from paying which results from a final, nonappealable order; or

(b) to the extent based upon or attributable to the Indemnitee

having actually realized a personal gain or profit to which he was not legally entitled, including without limitation profit from the purchase and sale by the Indemnitee of equity securities of the Company which are recoverable by the Company pursuant to Section 16(b) of the Securities Exchange Act of 1934, or profit arising from transactions in publicly traded securities of the Company which were effected by the Indemnitee in violation of Section 10(b) of the Securities Exchange Act of 1934, or Rule 10b-5 promulgated thereunder.



A determination as to whether the Indemnitee shall be entitled to indemnification under this Section 3 shall be made in accordance with Section 4(a) hereof. Expenses incurred by the Indemnitee in defending any claim to which this Section 3 applies shall be paid by the Company as they are actually and reasonably incurred in advance of the final disposition of such claim under the procedure set forth in Section 4(b) hereof.

4. Certain Procedures Relating to Indemnification. (a) For purposes of pursuing his rights to indemnification under Section 3 hereof, the Indemnitee shall (i) submit to the Board a sworn statement of request for indemnification substantially in the form of Exhibit 1 attached hereto and made a part hereof (the "Indemnification Statement") averring that he is entitled to indemnification hereunder; and (ii) present to the Company reasonable evidence of all amounts for which indemnification is requested. Submission of an Indemnification Statement to the Board shall create a presumption that the Indemnitee is entitled to indemnification hereunder, and the Company shall, within 60 calendar days after submission of the Indemnification Statement, make the payments requested in the Indemnification Statement to or for the benefit of the Indemnitee, unless (i) within such 60-calendar-day period the Board shall resolve by vote of a majority of the Directors at a meeting at which a quorum is present that the Indemnitee is not entitled to indemnification under Section 3 hereof, (ii) such vote shall be based upon clear and convincing evidence (sufficient to rebut the foregoing presumption), and (iii) the Indemnitee shall have received within such period notice in writing of such vote, which notice shall disclose with particularity the evidence upon which the vote is based. The foregoing notice shall be sworn to by all persons who participated in the vote and voted to deny indemnification. The provisions of this Section 4(a) are intended to be procedural only and shall not affect the right of Indemnitee to indemnification under Section 3 of this Agreement so long as Indemnitee follows the prescribed procedure and any determination by the Board that Indemnitee is not entitled to indemnification and any failure to make the payments requested in the Indemnification Statement shall be subject to judicial review by any court of competent jurisdiction.

(b) For purposes of obtaining payments of Expenses in advance of final disposition pursuant to the second sentence of Section 2(d) or the last sentence of Section 3 hereof, the Indemnitee shall submit to the Company a sworn request for advancement of Expenses substantially in the form of Exhibit 2 attached hereto and made a part hereof (the "Undertaking"), averring that he has reasonably incurred actual Expenses in defending an action, suit or proceeding referred to in Section 2(a) or 2(b) or any claim referred to in Section 3, or pursuant to Section 7 hereof. Unless at the time of the Indemnitee's act or omission at issue, the Articles of Incorporation or Regulations of the Company prohibit such advances by specific reference to ORC Section 1701.13(E)(5)(a) and unless the only liability asserted against the Indemnitee in the subject action, suit or proceeding is pursuant to ORC Section 1701.95, the Indemnitee shall be eligible to execute Part A of the Undertaking by which he undertakes to: (a) repay such amount if (1) with respect to any action, suit, proceeding or claim (other than an action by or in the right of the Company) brought against the Indemnitee by reason of the fact that the Indemnitee is or was an officer of the Company for which the Indemnitee has received advancement of Expenses, it is determined that the Indemnitee did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the Company or (2) with respect to any action, suit, proceeding or claim brought against the Indemnitee by or in the right of the Company for which the Indemnitee has received advancement of Expenses, the Indemnitee is adjudged to be liable for negligence or for



misconduct in the performance of his duty to the Company and the court has not determined that Indemnitee is entitled to indemnification; and (b) reasonably cooperate with the Company concerning the action, suit, proceeding or claim. In all cases, the Indemnitee shall be eligible to execute Part B of the Undertaking by which he undertakes to repay such amount if it ultimately is determined that he is not entitled to be indemnified by the Company under this Agreement or otherwise. In the event that the Indemnitee is eligible to and does execute both Part A and Part B of the Undertaking, the Expenses which are paid by the Company pursuant thereto shall be required to be repaid by the Indemnitee only if he is required to do so under the terms of both Part A and Part B of the Undertaking. Upon receipt of the Undertaking, the Company shall thereafter promptly pay such Expenses of the Indemnitee as are noticed to the Company in writing in

reasonable detail arising out of the matter described in the Undertaking. No security shall be required in connection with any Undertaking.

5. Limitation on Indemnity. Notwithstanding anything contained herein to the contrary, the Company shall not be required hereby to indemnify the Indemnitee with respect to any action, suit, or proceeding that was initiated by the Indemnitee unless (i) such action, suit, or proceeding was initiated by the Indemnitee to enforce any rights to indemnification arising hereunder and such person shall have been formally adjudged to be entitled to indemnity by reason hereof, (ii) authorized by another agreement to which the Company is a party whether heretofore or hereafter entered, or (iii) otherwise ordered by the court in which the suit was brought.

6. Subrogation; Duplication of Payments. (a) In the event of payment under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of Indemnitee, who shall execute all papers required and shall do everything that may be necessary to secure such rights, including the execution of such documents necessary to enable the Company effectively to bring suit to enforce such rights.

(b) The Company shall not be liable under this Agreement to make any payment in connection with any claim made against Indemnitee to the extent Indemnitee has actually received payment (under any insurance policy, the Regulations or otherwise) of the amounts otherwise payable hereunder.

7. Fees and Expenses of Enforcement. It is the intent of the Company that the Indemnitee not be required to incur the expenses associated with the enforcement of his rights under this Agreement by litigation or other legal action because the cost and expense thereof would substantially detract from the benefits intended to be extended to the Indemnitee hereunder. Accordingly, if it should appear to the Indemnitee that the Company has failed to comply with any of its obligations under this Agreement or in the event that the Company or any other person takes any action to declare this Agreement void or unenforceable, or institutes any action, suit or proceeding to deny or to recover from, the Indemnitee the benefits intended to be provided to the Indemnitee hereunder, the Company irrevocably authorizes the Indemnitee from time to time to retain counsel of his choice, at the expense of the Company as hereafter provided, to represent the Indemnitee in connection with the initiation or defense of any litigation or other legal action, whether by or against the Company or any director, officer, shareholder, or other person affiliated with the Company, in any jurisdiction. Regardless of the outcome thereof, the Company shall pay and be solely responsible for any and all costs, charges, and expenses,



including without limitation, fees and expenses of attorneys and others, reasonably incurred by the Indemnitee pursuant to this Section 7.

8. Merger or Consolidation. In the event that the Company shall be a constituent corporation in a consolidation, merger, or other reorganization, the Company, if it shall not be the surviving, resulting, or acquiring corporation therein, shall require as a condition thereto that the surviving, resulting, or acquiring corporation agree to assume all of the obligations of the Company hereunder and to indemnify the Indemnitee to the full extent provided herein. Whether or not the Company is the resulting, surviving, or acquiring corporation in any such transaction, the Indemnitee shall also stand in the same position under this Agreement with respect to the resulting, surviving, or acquiring corporation as he would have with respect to the Company if its separate existence had continued.

9. Nonexclusivity and Severability. (a) The rights to indemnification provided by this Agreement shall not be exclusive of any other rights of indemnification to which the Indemnitee may be entitled under the Articles, the Regulations, the ORC or any other statute, any insurance policy, agreement, or vote of shareholders or directors or otherwise, as to any actions or failures to act by the Indemnitee, and shall continue after he has ceased to be a Director, officer, employee, or agent of the Company or other entity for which his service gives rise to a right hereunder, and shall inure to the benefit of his heirs, executors and administrators. In the event of any payment under this Agreement, the Company shall be subrogated to the extent thereof to all rights of recovery previously vested in the Indemnitee, who shall execute all instruments and take all other actions as shall be reasonably necessary for the Company to enforce such right.

(b) If any provision of this Agreement or the application of any provision hereof to any person or circumstances is held invalid, unenforceable, or otherwise illegal, the remainder of this Agreement and the application of such provision to other persons or circumstances shall not be affected, and the provision so held to be invalid, unenforceable, or otherwise illegal shall be reformed to the extent (and only to the extent) necessary to make it enforceable, valid and legal.

(c) Except as provided in Section 9(a), the rights to

indemnification provided by this Agreement are personal to Indemnitee and are non-transferable by Indemnitee, and no party other than the Indemnitee is entitled to indemnification under this Agreement.

10. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Ohio, without giving effect to the principles of conflict of laws thereof.

11. Modification. This Agreement and the rights and duties of the Indemnitee and the Company hereunder may be modified only by an instrument in writing signed by both parties hereto.

12. Security. To ensure that the Company's obligations pursuant to this Agreement can be enforced by Indemnitee, the Company may, at its option, establish a trust pursuant to which the Company's obligations pursuant to this Agreement and other similar agreements can be funded.



IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the date first above written.

CLEVELAND-CLIFFS INC

By: /s/ J. S. Brinzo
---
Name: John S. Brinzo
Title: Chairman & Chief Executive Officer

/s/ David H. Gunning
---
[Signature of Indemnitee]

Exhibit 1

INDEMNIFICATION STATEMENT

STATE OF )
---)
) SS
COUNTY OF )
---)

I, _____, being first duly sworn, do depose and say as follows:

1. This Indemnification Statement is submitted pursuant to the Indemnification Agreement, dated _____, 2001, between Cleveland-Cliffs Inc (the "Company"), an Ohio corporation, and the undersigned.

2. I am requesting indemnification against costs, charges, expenses (which may include fees and expenses of attorneys and/or others), judgments, fines, and amounts paid in settlement (collectively, "Liabilities"), which have been actually and reasonably incurred by me in connection with a claim referred to in Section 3 of the aforesaid Indemnification Agreement.

3. With respect to all matters related to any such claim, I am entitled to be indemnified as herein contemplated pursuant to the aforesaid Indemnification Agreement.

4. Without limiting any other rights which I have or may have, I am requesting indemnification against Liabilities which have or may arise out of _____
_____
_____.

_____
[Signature of Indemnitee]

Subscribed and sworn to before me, a Notary Public in and for

said County and State, this _____ day of _____, 20__.

_____

[Seal]

My commission expires the _____ day of _____, 20__.

Exhibit 2

UNDERTAKING

STATE OF )
---------)
) SS
COUNTY OF )
---------)

I, _____, being first duly sworn do depose and say as follows:

1. This Undertaking is submitted pursuant to the Indemnification Agreement, dated _____, 2001 between Cleveland-Cliffs Inc (the "Company"), an Ohio corporation and the undersigned.

2. I am requesting payment of costs, charges, and expenses which I have reasonably incurred or will reasonably incur in defending an action, suit or proceeding, referred to in Section 2(a) or 2(b) or any claim referred to in Section 3, or pursuant to Section 7, of the aforesaid Indemnification Agreement.

3. The costs, charges, and expenses for which payment is requested are, in general, all expenses related to _____
_____
_____.

4. Part A
------

I hereby undertake to: (a) repay all amounts paid pursuant hereto if (i) with respect to any action, suit, proceeding or claim (other than an action by or in the right of the Company) brought against me by reason of the fact that I am or was an officer of the Company for which I have received advancement of Expenses, it is determined that I did not act in good faith or in a manner which I reasonably believed to be in or not opposed to the best interests of the Company or (ii) with respect to any action, suit, proceeding or claim brought against me by or in the right of the Company for which I have received advancement of Expenses, I am adjudged to be liable for negligence or misconduct in the performance of my duty to the Company and the court has not determined that I am entitled to indemnification; and (b) reasonably cooperate with the Company concerning the action, suit, proceeding or claim.

_____
[Signature of Indemnitee]

4. Part B
------

I hereby undertake to repay all amounts paid pursuant hereto if it ultimately is determined that I am not entitled to be indemnified by the Company under the aforesaid Indemnification Agreement or otherwise.

_____
[Signature of Indemnitee]

Subscribed and sworn to before me, a Notary Public in and for said County and State, this _____ day of _____, 20__.

_____

[Seal]

My commission expires the ____ day of _____, 20__.

Exhibit 10(b)

# SEVERANCE AGREEMENT

THIS SEVERANCE AGREEMENT (this "Agreement"), dated as of April 16, 2001 is made and entered by and between Cleveland-Cliffs Inc, an Ohio corporation (the "Company"), and David H. Gunning (the "Executive").

WITNESSETH:

WHEREAS, the Executive is a senior executive of the Company or one or more of its Subsidiaries and is expected to make major contributions to the short- and long-term profitability, growth and financial strength of the Company;

WHEREAS, the Company recognizes that, as is the case for most publicly held companies, the possibility of a Change in Control (as defined below) exists;

WHEREAS, the Company desires to assure itself of both present and future continuity of management and desires to establish certain minimum severance benefits for certain of its senior executives, including the Executive, applicable in the event of a Change in Control;

WHEREAS, the Company wishes to ensure that its senior executives are not practically disabled from discharging their duties in respect of a proposed or actual transaction involving a Change in Control; and

WHEREAS, the Company desires to provide additional inducement for the Executive to continue to remain in the employ of the Company.

NOW, THEREFORE, the Company and the Executive agree as follows:

1. CERTAIN DEFINED TERMS. In addition to terms defined elsewhere herein, the following terms have the following meanings when used in this Agreement with initial capital letters:

(a) "Base Pay" means the Executive's annual base salary rate as in effect from time to time.

(b) "Board" means the Board of Directors of the Company.

(c) "Cause" means that, prior to any termination pursuant to Section 3(b), the Executive shall have committed:

(i) and been convicted of a criminal violation involving fraud, embezzlement or theft in connection with his duties or in the course of his employment with the Company or any Subsidiary;

(ii) intentional wrongful damage to property of the Company or any Subsidiary;

(iii) intentional wrongful disclosure of secret processes or confidential information of the Company or any Subsidiary; or

(iv) intentional wrongful engagement in any Competitive Activity;

and any such act shall have been demonstrably and materially harmful to the Company. For purposes of this Agreement, no act or failure to act on the part of the Executive shall be deemed "intentional" if it was due primarily to an error in judgment or negligence, but shall be deemed "intentional" only if done or omitted to be done by the Executive not in good faith and without reasonable belief that the Executive's action or omission was in the best interest of the Company. Notwithstanding the foregoing, the Executive shall not be deemed to have been terminated for "Cause" hereunder unless and until there shall have been delivered to the Executive a copy of a resolution duly adopted by the affirmative vote of not less than three quarters of the Board then in office at a meeting of the Board called and held for such purpose, after reasonable notice to the Executive and an opportunity for the Executive, together with the Executive's counsel (if the Executive chooses to have counsel present at such meeting), to be heard before the Board, finding that, in the good faith opinion of the Board,

the Executive had committed an act constituting "Cause" as herein defined and specifying the particulars thereof in detail. Nothing herein will limit the right of the Executive or his beneficiaries to contest the validity or propriety of any such determination.

(d) "Change in Control" means the occurrence during the Term of any of the following events:

(i) The acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act) (a "Person") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 30% or more of the combined voting power of the then outstanding Voting Stock of the Company; provided, however, that for purposes of this Section 1(d)(i), the following acquisitions shall not constitute a Change in Control: (A) any issuance of Voting Stock of the Company directly from the Company that is approved by the Incumbent Board (as defined in Section 1(d)(ii), below), (B) any acquisition by the Company of Voting Stock of the Company, (C) any acquisition of Voting Stock of the Company by any employee benefit plan (or related trust) sponsored or maintained by the Company or any Subsidiary, or (D) any acquisition of Voting Stock of the Company by any Person pursuant to a Business Combination that complies with clauses (A), (B) and (C) of Section 1(d)(iii), below; or

(ii) individuals who, as of the date hereof, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a Director subsequent to the date hereof whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least a majority of the Directors then comprising the Incumbent Board (either by a specific vote or by approval of the proxy statement of the Company in which such person is named as a nominee for director, without objection to such nomination) shall be deemed to have been a member of the Incumbent Board, but excluding, for this



purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest (within the meaning of Rule 14a-11 of the Exchange Act) with respect to the election or removal of Directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or

(iii) consummation of a reorganization, merger or consolidation involving the Company, a sale or other disposition of all or substantially all of the assets of the Company, or any other transaction involving the Company (each, a "Business Combination"), unless, in each case, immediately following such Business Combination, (A) all or substantially all of the individuals and entities who were the beneficial owners of Voting Stock of the Company immediately prior to such Business Combination beneficially own, directly or indirectly, more than 55% of the combined voting power of the then outstanding shares of Voting Stock of the entity resulting from such Business Combination (including, without limitation, an entity which as a result of such transaction owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries) in substantially the same proportions relative to each other as their ownership, immediately prior to such Business Combination, of the Voting Stock of the Company, (B) no Person (other than the Company, such entity resulting from such Business Combination, or any employee benefit plan (or related trust) sponsored or maintained by the Company, any Subsidiary or such entity resulting from such Business Combination) beneficially owns, directly or indirectly, 30% or more of the combined voting power of the then outstanding shares of Voting Stock of the entity resulting from such Business Combination, and (C) at least a majority of the members of the Board of Directors of the entity resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement or of the action of the Board providing for such Business Combination; or

(iv) approval by the shareholders of the Company of a complete liquidation or dissolution of the Company, except pursuant to a Business Combination that complies with clauses (A), (B) and (C) of Section 1(d)(iii).

(e) "Competitive Activity" means the Executive's participation, without the written consent of an officer of the Company, in the management of any business enterprise if such enterprise engages in substantial and direct competition with the Company and such enterprise's sales of any product or service competitive with any product or service of the Company amounted to 10% of such enterprise's net sales for its most recently completed

fiscal year and if the Company's net sales of said product or service amounted to 10% of the Company's net sales for its most recently completed fiscal year. "Competitive Activity" will not include (i) the mere ownership of securities in any such enterprise and the exercise of rights appurtenant thereto or (ii) participation in the management of any such enterprise other than in connection with the competitive operations of such enterprise.

(f) "Employee Benefits" means the perquisites, benefits and service credit for benefits as provided under any and all employee retirement income and welfare benefit policies, plans, programs or arrangements in which Executive is entitled to participate, including without limitation any stock option, performance share, performance unit, stock purchase, stock appreciation, savings, pension, supplemental executive retirement, or other retirement income or



welfare benefit, deferred compensation, incentive compensation, group or other life, health, medical/hospital or other insurance (whether funded by actual insurance or self-insured by the Company or a Subsidiary), disability, salary continuation, expense reimbursement and other employee benefit policies, plans, programs or arrangements that may now exist or any equivalent successor policies, plans, programs or arrangements that may be adopted hereafter by the Company or a Subsidiary, providing perquisites, benefits and service credit for benefits at least as great in value in the aggregate as are payable thereunder prior to a Change in Control.

(g) "Exchange Act" means the Securities Exchange Act of 1934, as amended.

(h) "Incentive Pay" means an annual bonus, incentive or other payment of compensation, in addition to Base Pay, made or to be made in regard to services rendered in any year or other period pursuant to any bonus, incentive, profit-sharing, performance, discretionary pay or similar agreement, policy, plan, program or arrangement (whether or not funded) of the Company or a Subsidiary, or any successor thereto.

(i) "Industry Service" means professionally related service, prior to his employment by the Company or a Subsidiary, by the Executive as an employee within the iron, steel and mining industries or service within an industry to which such Executive's position with the Company relates. The Executive shall be given credit for one year of Industry Service for every two years of service with the Company, as designated in writing by, or in minutes of the actions of, the Compensation and Organization Committee of the Board, and such years of credited Industry Service shall be defined as "Credited Years of Industry Service."

(j) "Retirement Plans" means the retirement income, supplemental executive retirement, excess benefits and retiree medical, life and similar benefit plans providing retirement perquisites, benefits and service credit for benefits at least as great in value in the aggregate as are payable thereunder prior to a Change in Control.

(k) "Severance Period" means the period of time commencing on the date of the first occurrence of a Change in Control and continuing until the earlier of (i) the second anniversary of the occurrence of the Change in Control, or (ii) the Executive's death.

(l) "Subsidiary" means an entity in which the Company directly or indirectly beneficially owns 50% or more of the outstanding capital or profits interests or Voting Stock.

(m) "Supplemental Retirement Plan" or "SRP" means the Cleveland-Cliffs Inc Supplemental Retirement Benefit Plan (as Amended and Restated as of January 1, 2001), as it may be amended prior to a Change in Control, and modified as provided in Annex A, Paragraph (3).

(n) "Term" means the period commencing as of the date hereof and expiring as of the later of (i) the close of business on December 31, 2002, or (ii) the expiration of the Severance Period; PROVIDED, HOWEVER, that (A) commencing on January 1, 2002 and each January 1 thereafter, the term of this Agreement will automatically be extended for an additional year unless, not later than September 30 of the immediately preceding year, the Company or the Executive shall have given notice that it or the Executive, as the case may be, does not wish to have the Term extended and (B) subject to the last sentence of Section 9, if, prior to a Change in



Control, the Executive ceases for any reason to be an officer of the Company and any Subsidiary, thereupon without further action the Term shall be deemed to

have expired and this Agreement will immediately terminate and be of no further effect. For purposes of this Section 1(n), the Executive shall not be deemed to have ceased to be an employee of the Company and any Subsidiary by reason of the transfer of Executive's employment between the Company and any Subsidiary, or among any Subsidiaries.

(o) "Termination Date" means the date on which the Executive's employment is terminated pursuant to Section 3 (the effective date of which shall be the date of termination, or such other date that may be specified by the Executive if the termination is pursuant to Section 3(b)).

(p) "Voting Stock" means securities entitled to vote generally in the election of directors.

2. OPERATION OF AGREEMENT. This Agreement will be effective and binding immediately upon its execution, but, anything in this Agreement to the contrary notwithstanding, this Agreement will not be operative unless and until a Change in Control occurs. Upon the occurrence of a Change in Control at any time during the Term, without further action, this Agreement shall become immediately operative, including without limitation, the last sentence of Section 9 notwithstanding that the Term may have theretofore expired.

3. TERMINATION FOLLOWING A CHANGE IN CONTROL.(a) In the event of the occurrence of a Change in Control, the Executive's employment may be terminated by the Company or a Subsidiary during the Severance Period and the Executive shall be entitled to the benefits provided by Section 4 unless such termination is the result of the occurrence of one or more of the following events:

(i) The Executive's death;

(ii) If the Executive becomes permanently disabled within the meaning of, and begins actually to receive disability benefits pursuant to, the long-term disability plan in effect for, or applicable to, the Executive immediately prior to the Change in Control; or

(iii) Cause.

If, during the Severance Period, the Executive's employment is terminated by the Company or any Subsidiary other than pursuant to Section 3(a)(i), 3(a)(ii) or 3(a)(iii), the Executive will be entitled to the benefits provided by Section 4 hereof.

(b) In the event of the occurrence of a Change in Control, the Executive may terminate employment with the Company and any Subsidiary during the Severance Period with the right to severance compensation as provided in Section 4 upon the occurrence of one or more of the following events (regardless of whether any other reason, other than Cause as hereinabove provided, for such termination exists or has occurred, including without limitation other employment):



(i) Failure to elect or reelect or otherwise to maintain the Executive in the office or the position, or a substantially equivalent office or position, of or with the Company and/or a Subsidiary (or any successor thereto by operation of law or otherwise), as the case may be, which the Executive held immediately prior to a Change in Control, or the removal of the Executive as a Director of the Company and/or a Subsidiary (or any successor thereto) if the Executive shall have been a Director of the Company and/or a Subsidiary immediately prior to the Change in Control;

(ii) (A) A significant adverse change in the nature or scope of the authorities, powers, functions, responsibilities or duties attached to the position with the Company and any Subsidiary which the Executive held immediately prior to the Change in Control, (B) a reduction in the Executive's Base Pay, (C) a reduction in the Executive's opportunity to receive Incentive Pay from the Company and any Subsidiary, or (D) the termination or denial of the Executive's rights to Employee Benefits or a reduction in the scope or value thereof, any of which is not remedied by the Company within 10 calendar days after receipt by the Company of written notice from the Executive of such change, reduction or termination, as the case may be;

(iii) A determination by the Executive (which determination will be conclusive and binding upon the parties hereto provided it has been made in good faith and in all events will be presumed to have been made in good faith unless otherwise shown by the Company by clear and convincing evidence) that a change in circumstances has occurred following a Change in Control, including, without limitation, a change in the scope of the business or other activities for which the Executive was responsible immediately prior to

the Change in Control, which has rendered the Executive substantially unable to carry out, has substantially hindered Executive's performance of, or has caused Executive to suffer a substantial reduction in, any of the authorities, powers, functions, responsibilities or duties attached to the position held by the Executive immediately prior to the Change in Control, which situation is not remedied within 10 calendar days after written notice to the Company from the Executive of such determination;

(iv) The liquidation, dissolution, merger, consolidation or reorganization of the Company or transfer of all or substantially all of its business and/or assets, unless the successor or successors (by liquidation, merger, consolidation, reorganization, transfer or otherwise) to which all or substantially all of its business and/or assets have been transferred (by operation of law or otherwise) assumed all duties and obligations of the Company under this Agreement pursuant to Section 11(a);

(v) The Company relocates its principal executive offices (if such offices are the principal location of Executive's work), or requires the Executive to have his principal location of work changed, to any location that, in either case, is in excess of 25 miles from the location thereof immediately prior to the Change in Control, without his prior written consent; or

(vi) Without limiting the generality or effect of the foregoing, any material breach of this Agreement by the Company or any successor thereto which is not



remedied by the Company within 10 calendar days after receipt by the Company of written notice from the Executive of such breach.

(c) A termination by the Company pursuant to Section 3(a) or by the Executive pursuant to Section 3(b) will not affect any rights that the Executive may have pursuant to any agreement, policy, plan, program or arrangement of the Company or Subsidiary providing Employee Benefits, which rights shall be governed by the terms thereof, except for any rights to severance compensation to which the Executive may be entitled upon termination of employment under any severance pay policy, plan, program or arrangement of the Company, which rights shall, during the Severance Period, be superseded by this Agreement.

4. SEVERANCE COMPENSATION.(a) If, following the occurrence of a Change in Control, the Company or Subsidiary terminates the Executive's employment during the Severance Period other than pursuant to Section 3(a)(i), 3(a)(ii) or 3(a)(iii), or if the Executive terminates his employment pursuant to Section 3(b), the Company will pay to the Executive the amounts described in Annex A within ten business days after the Termination Date, or, if later, upon the expiration of the revocation period provided for in Exhibit A, and will continue to provide to the Executive the benefits described on Annex A for the periods described therein.

(b) Without limiting the rights of the Executive at law or in equity, if the Company fails to make any payment or provide any benefit required to be made or provided hereunder on a timely basis, the Company will pay interest on the amount or value thereof at an annualized rate of interest equal to the so-called composite "prime rate" as quoted from time to time during the relevant period in the Midwest Edition of THE WALL STREET JOURNAL, plus 2%. Such interest will be payable as it accrues on demand. Any change in such prime rate will be effective on and as of the date of such change.

(c) Notwithstanding any provision of this Agreement to the contrary, the parties' respective rights and obligations under this Section 4 and under Sections 5, 7, 8 and the last sentence of Section 9 and Paragraph (3) of Annex A will survive any termination or expiration of this Agreement or the termination of the Executive's employment following a Change in Control for any reason whatsoever.

(d) Unless otherwise expressly provided by the applicable policy, plan, program or agreement, after the occurrence of a Change in Control, the Company shall pay in cash to the Executive a lump sum amount equal to the value of any annual bonus or long-term incentive pay (including, without limitation, incentive-based annual cash bonuses and performance units, but not including any equity-based compensation or compensation provided under a qualified plan) earned or granted with respect to the Executive's service during the performance period or periods that includes the date on which the Change in Control occurred, disregarding any applicable vesting requirements; provided that such amount shall be calculated at the plan target rate, but prorated on the portion of the Executive's service that had elapsed during the applicable performance period. Such payment shall take into account service rendered through the payment date and shall be made at the earlier of (i) the date prescribed for payment pursuant to the applicable plan, program or agreement,

and (ii) within five business days after the Termination Date.



(e) Notwithstanding any provision to the contrary in any applicable policy, plan, program or agreement, upon the occurrence of a Change in Control, all equity incentive grants and awards held by the Executive shall become fully vested and all stock options held by the Executive shall become fully exercisable.

5. CERTAIN ADDITIONAL PAYMENTS BY THE COMPANY.(a) Anything in this Agreement to the contrary notwithstanding, in the event that this Agreement shall become operative and it shall be determined (as hereafter provided) that any payment (other than the Gross-Up payments provided for in this Section 5) or distribution by the Company or any of its affiliates to or for the benefit of the Executive, whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise pursuant to or by reason of any other agreement, policy, plan, program or arrangement, including without limitation any stock option, performance share, performance unit, stock appreciation right or similar right, or the lapse or termination of any restriction on or the vesting or exercisability of any of the foregoing (a "Payment"), would be subject to the excise tax imposed by Section 4999 of the Internal Revenue Code of 1986, as amended (the "Code") (or any successor provision thereto) by reason of being considered "contingent on a change in ownership or control" of the Company, within the meaning of Section 280G of the Code (or any successor provision thereto) or to any similar tax imposed by state or local law, or any interest or penalties with respect to such tax (such tax or taxes, together with any such interest and penalties, being hereafter collectively referred to as the "Excise Tax"), then the Executive shall be entitled to receive an additional payment or payments (collectively, a "Gross-Up Payment"); PROVIDED, HOWEVER, that no Gross-up Payment shall be made with respect to the Excise Tax, if any, attributable to (i) any incentive stock option, as defined by Section 422 of the Code ("ISO") granted prior to the execution of this Agreement, or (ii) any stock appreciation or similar right, whether or not limited, granted in tandem with any ISO described in clause (i). The Gross-Up Payment shall be in an amount such that, after payment by the Executive of all taxes (including any interest or penalties imposed with respect to such taxes), including any Excise Tax imposed upon the Gross-Up Payment, the Executive retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Payment.

(b) Subject to the provisions of Section 5(f), all determinations required to be made under this Section 5, including whether an Excise Tax is payable by the Executive and the amount of such Excise Tax and whether a Gross-Up Payment is required to be paid by the Company to the Executive and the amount of such Gross-Up Payment, if any, shall be made by a nationally recognized accounting firm (the "Accounting Firm") selected by the Executive in his sole discretion. The Executive shall direct the Accounting Firm to submit its determination and detailed supporting calculations to both the Company and the Executive within 30 calendar days after the Termination Date, if applicable, and any such other time or times as may be requested by the Company or the Executive. If the Accounting Firm determines that any Excise Tax is payable by the Executive, the Company shall pay the required Gross-Up Payment to the Executive within five business days after receipt of such determination and calculations with respect to any Payment to the Executive. If the Accounting Firm determines that no Excise Tax is payable by the Executive, it shall, at the same time as it makes such determination, furnish the Company and the Executive an opinion that the Executive has substantial authority not to report any Excise Tax on his federal, state or local income or other tax return. As a result of the uncertainty in the application of Section 4999 of the Code (or any successor provision thereto)



and the possibility of similar uncertainty regarding applicable state or local tax law at the time of any determination by the Accounting Firm hereunder, it is possible that Gross-Up Payments which will not have been made by the Company should have been made (an "Underpayment"), consistent with the calculations required to be made hereunder. In the event that the Company exhausts or fails to pursue its remedies pursuant to Section 5(f) and the Executive thereafter is required to make a payment of any Excise Tax, the Executive shall direct the Accounting Firm to determine the amount of the Underpayment that has occurred and to submit its determination and detailed supporting calculations to both the Company and the Executive as promptly as possible. Any such Underpayment shall be promptly paid by the Company to, or for the benefit of, the Executive within five business days after receipt of such determination and calculations.

(c) The Company and the Executive shall each provide the Accounting Firm access to and copies of any books, records and documents in the possession of the Company or the Executive, as the case may be, reasonably requested by the Accounting Firm, and otherwise cooperate with the Accounting Firm in connection with the preparation and issuance of the determinations and calculations contemplated by Section 5(b). Any determination by the Accounting

Firm as to the amount of the Gross-Up Payment shall be binding upon the Company and the Executive.

(d) The federal, state and local income or other tax returns filed by the Executive shall be prepared and filed on a consistent basis with the determination of the Accounting Firm with respect to the Excise Tax payable by the Executive. The Executive shall make proper payment of the amount of any Excise Payment, and at the request of the Company, provide to the Company true and correct copies (with any amendments) of his federal income tax return as filed with the Internal Revenue Service and corresponding state and local tax returns, if relevant, as filed with the applicable taxing authority, and such other documents reasonably requested by the Company, evidencing such payment. If prior to the filing of the Executive's federal income tax return, or corresponding state or local tax return, if relevant, the Accounting Firm determines that the amount of the Gross-Up Payment should be reduced, the Executive shall within five business days pay to the Company the amount of such reduction.

(e) The fees and expenses of the Accounting Firm for its services in connection with the determinations and calculations contemplated by Section 5(b) shall be borne by the Company. If such fees and expenses are initially paid by the Executive, the Company shall reimburse the Executive the full amount of such fees and expenses within five business days after receipt from the Executive of a statement therefor and reasonable evidence of his payment thereof.

(f) The Executive shall notify the Company in writing of any claim by the Internal Revenue Service or any other taxing authority that, if successful, would require the payment by the Company of a Gross-Up Payment. Such notification shall be given as promptly as practicable but no later than 10 business days after the Executive actually receives notice of such claim and the Executive shall further apprise the Company of the nature of such claim and the date on which such claim is requested to be paid (in each case, to the extent known by the Executive). The Executive shall not pay such claim prior to the earlier of (i) the expiration of the 30-calendar-day period following the date on which he gives such notice to the Company and (ii) the date that any payment of amount with respect to such claim is due. If the Company



notifies the Executive in writing prior to the expiration of such period that it desires to contest such claim, the Executive shall:

(i) provide the Company with any written records or documents in his possession relating to such claim reasonably requested by the Company;

(ii) take such action in connection with contesting such claim as the Company shall reasonably request in writing from time to time, including without limitation accepting legal representation with respect to such claim by an attorney competent in respect of the subject matter and reasonably selected by the Company;

(iii) cooperate with the Company in good faith in order effectively to contest such claim; and

(iv) permit the Company to participate in any proceedings relating to such claim;

PROVIDED, HOWEVER, that the Company shall bear and pay directly all costs and expenses (including interest and penalties) incurred in connection with such contest and shall indemnify and hold harmless the Executive, on an after-tax basis, for and against any Excise Tax or income tax, including interest and penalties with respect thereto, imposed as a result of such representation and payment of costs and expenses. Without limiting the foregoing provisions of this Section 5(f), the Company shall control all proceedings taken in connection with the contest of any claim contemplated by this Section 5(f) and, at its sole option, may pursue or forego any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim (provided, however, that the Executive may participate therein at his own cost and expense) and may, at its option, either direct the Executive to pay the tax claimed and sue for a refund or contest the claim in any permissible manner, and the Executive agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company shall determine; PROVIDED, HOWEVER, that if the Company directs the Executive to pay the tax claimed and sue for a refund, the Company shall advance the amount of such payment to the Executive on an interest-free basis and shall indemnify and hold the Executive harmless, on an after-tax basis, from any Excise Tax or income or other tax, including interest or penalties with respect thereto, imposed with respect to such advance; and PROVIDED FURTHER, HOWEVER, that any extension of the statute of limitations relating to payment of taxes for the taxable year of the Executive with respect to which the contested amount is claimed to be due is limited solely to such contested amount. Furthermore, the Company's control of any such contested claim

shall be limited to issues with respect to which a Gross-Up Payment would be payable hereunder and the Executive shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.

(g) If, after the receipt by the Executive of an amount advanced by the Company pursuant to Section 5(f), the Executive receives any refund with respect to such claim, the Executive shall (subject to the Company's complying with the requirements of Section 5(f)) promptly pay to the Company the amount of such refund (together with any interest paid or credited thereon after any taxes applicable thereto). If, after the receipt by the Executive of an



amount advanced by the Company pursuant to Section 5(f), a determination is made that the Executive shall not be entitled to any refund with respect to such claim and the Company does not notify the Executive in writing of its intent to contest such denial or refund prior to the expiration of 30 calendar days after such determination, then such advance shall be forgiven and shall not be required to be repaid and the amount of any such advance shall offset, to the extent thereof, the amount of Gross-Up Payment required to be paid by the Company to the Executive pursuant to this Section 5.

6. NO MITIGATION OBLIGATION. The Company hereby acknowledges that it will be difficult and may be impossible for the Executive to find reasonably comparable employment following the Termination Date and that the non-competition covenant contained in Section 8 will further limit the employment opportunities for the Executive. In addition, the Company acknowledges that its severance pay plans applicable in general to its salaried employees do not provide for mitigation, offset or reduction of any severance payment received thereunder. Accordingly, the payment of the severance compensation by the Company to the Executive in accordance with the terms of this Agreement is hereby acknowledged by the Company to be reasonable, and the Executive will not be required to mitigate the amount of any payment provided for in this Agreement by seeking other employment or otherwise, nor will any profits, income, earnings or other benefits from any source whatsoever create any mitigation, offset, reduction or any other obligation on the part of the Executive hereunder or otherwise, except as expressly provided in the last sentence of Paragraph (2) set forth on Annex A.

7. LEGAL FEES AND EXPENSES.(a) It is the intent of the Company that the Executive not be required to incur legal fees and the related expenses associated with the interpretation, enforcement or defense of Executive's rights under this Agreement by litigation or otherwise because the cost and expense thereof would substantially detract from the benefits intended to be extended to the Executive hereunder. Accordingly, if it should appear to the Executive that the Company has failed to comply with any of its obligations under this Agreement or in the event that the Company or any other person takes or threatens to take any action to declare this Agreement void or unenforceable, or institutes any litigation or other action or proceeding designed to deny, or to recover from, the Executive the benefits provided or intended to be provided to the Executive hereunder, the Company irrevocably authorizes the Executive from time to time to retain counsel of Executive's choice, at the expense of the Company as hereafter provided, to advise and represent the Executive in connection with any such interpretation, enforcement or defense, including without limitation the initiation or defense of any litigation or other legal action, whether by or against the Company or any Director, officer, stockholder or other person affiliated with the Company, in any jurisdiction. Notwithstanding any existing or prior attorney-client relationship between the Company and such counsel, the Company irrevocably consents to the Executive's entering into an attorney-client relationship with such counsel, and in that connection the Company and the Executive agree that a confidential relationship shall exist between the Executive and such counsel. Without respect to whether the Executive prevails, in whole or in part, in connection with any of the foregoing, the Company will pay and be solely financially responsible for any and all attorneys' and related fees and expenses incurred by the Executive in connection with any of the foregoing; provided that, in regard to such matters, the Executive has not acted in bad faith or with no colorable claim of success.



(b) To ensure that the provisions of this Agreement can be enforced by the Executive, certain trust arrangements ("Trusts") have been established between KeyTrust Company of Ohio, N.A., as Trustee ("Trustee"), and the Company. Each of Trust Agreement No. 1 (Amended and Restated Effective June 1, 1997, as amended) ("Trust Agreement No. 1"), Trust Agreement No. 2 (Amended and Restated Effective June 1, 1997, as amended) ("Trust Agreement No. 2"), and Trust Agreement No. 7 dated April 9, 1991, as amended ("Trust Agreement No. 7"), as it may be subsequently amended and/or restated, between the Trustee and the Company, sets forth the terms and conditions relating to payment from Trust Agreement No. 1 of compensation, pension benefits and other benefits pursuant to the Agreement owed by the Company, payment from Trust Agreement No. 2 for attorneys' fees and related fees and expenses pursuant to Section 7(a) hereof

owed by the Company, and payment from Trust Agreement No. 7 of pension benefits owed by the Company. Executive shall make demand on the Company for any payments due Executive pursuant to Section 7(a) hereof prior to making demand therefor on the Trustee under Trust Agreement No. 2.

(c) Upon the earlier to occur of (i) a Change in Control or (ii) a declaration by the Board that a Change Control is imminent, the Company shall promptly to the extent it has not previously done so, and in any event within five (5) business days:

(A) transfer to Trustee to be added to the principal of the Trust under Trust Agreement No. 1 a sum equal to (I) the present value on the date of the Change in Control (or on such fifth business day if the Board has declared a Change in Control to be imminent) of the payments to be made to Executive under the provisions of Annex A and Section 5 hereof, such present value to be computed using the assumptions set forth in Annex A hereof and the computations provided for in Section 5 hereof less (II) the balance in the Executive's accounts provided for in Trust Agreement No. 1 as of the most recent completed valuation thereof, as certified by the Trustee under Trust Agreement No. 1 less (III) the balance in the Executive's accounts provided for in Trust Agreement No. 7 as of the most recently completed valuation thereof, as certified by the Trustee under Trust Agreement No. 7; provided, however, that if the Trustee under Trust Agreement No. 1 and/or Trust Agreement No. 7 does not so certify by the end of the fourth (4th) business day after the earlier of such Change in Control or declaration, then the balance of such respective account shall be deemed to be zero. Any payments of compensation, pension or other benefits by the Trustee pursuant to Trust Agreement No. 1 or Trust Agreement No. 7 shall, to the extent thereof, discharge the Company's obligation to pay compensation, pension and other benefits hereunder, it being the intent of the Company that assets in such Trusts be held as security for the Company's obligation to pay compensation, pension and other benefits under this Agreement; and

(B) transfer to the Trustee to be added to the principal of the Trust under Trust Agreement No. 2 the sum of TWO HUNDRED FIFTY THOUSAND DOLLARS ($250,000) less any principal in such Trust on such fifth business day. Any payments of the Executive's attorneys' and related fees and expenses by the Trustee pursuant to Trust Agreement No. 2 shall, to the extent thereof, discharge the Company's obligation hereunder, it being the intent of the Company that assets in such Trust be held as security for the Company's obligation under Section 7(a) hereof. Executive understands and acknowledges that the entire corpus of the Trust under Trust Agreement



No. 2 will be $250,000 and that said amount will be available to discharge not only the obligations of the Company to Executive under Section 7(a) hereof, but also similar obligations of the Company to other executives and employees under similar provisions of other agreements and plans.

8. COMPETITIVE ACTIVITY; CONFIDENTIALITY; NONSOLICITATION.(a) (a) During the Term and for a period ending two years following the Termination Date, if the Executive shall have received or shall be receiving benefits under Section 4, and, if applicable, Section 5, the Executive shall not, without the prior written consent of the Company, which consent shall not be unreasonably withheld, engage in any Competitive Activity.

(b) During the Term, the Company agrees that it will disclose to Executive its confidential or proprietary information (as defined in this Section 8(b)) to the extent necessary for Executive to carry out his obligations to the Company. The Executive hereby covenants and agrees that he will not, without the prior written consent of the Company, during the Term or thereafter disclose to any person not employed by the Company, or use in connection with engaging in competition with the Company, any confidential or proprietary information of the Company. For purposes of this Agreement, the term "confidential or proprietary information" will include all information of any nature and in any form that is owned by the Company and that is not publicly available (other than by Executive's breach of this Section 8(b)) or generally known to persons engaged in businesses similar or related to those of the Company. Confidential or proprietary information will include, without limitation, the Company's financial matters, customers, employees, industry contracts, strategic business plans, product development (or other proprietary product data), marketing plans, and all other secrets and all other information of a confidential or proprietary nature. For purposes of the preceding two sentences, the term "Company" will also include any Subsidiary (collectively, the "Restricted Group"). The foregoing obligations imposed by this Section 8(b) will not apply (i) during the Term, in the course of the business of and for the benefit of the Company, (ii) if such confidential or proprietary information will have become, through no fault of the Executive, generally known to the public or (iii) if the Executive is required by law to make disclosure (after

giving the Company notice and an opportunity to contest such requirement).

(c) The Executive hereby covenants and agrees that during the Term and for two years thereafter Executive will not, without the prior written consent of the Company, which consent shall not unreasonably be withheld, on behalf of Executive or on behalf of any person, firm or company, directly or indirectly, attempt to influence, persuade or induce, or assist any other person in so persuading or inducing, any employee of the Restricted Group to give up, or to not commence, employment or a business relationship with the Restricted Group.

9. EMPLOYMENT RIGHTS. Nothing expressed or implied in this Agreement will create any right or duty on the part of the Company or the Executive to have the Executive remain in the employment of the Company or any Subsidiary prior to or following any Change in Control. Any termination of employment of the Executive or the removal of the Executive from the office or position in the Company or any Subsidiary that occurs (i) not more than 180 days prior to the date on which a Change in Control occurs, and (ii) following the commencement of any discussion with a third person that ultimately results in a Change in Control, shall be deemed



to be a termination or removal of the Executive after a Change in Control for purposes of this Agreement.

10. WITHHOLDING OF TAXES. The Company may withhold from any amounts payable under this Agreement all federal, state, city or other taxes as the Company is required to withhold pursuant to any applicable law, regulation or ruling.

11. SUCCESSORS AND BINDING AGREEMENT.(a) The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation, reorganization or otherwise) to all or substantially all of the business or assets of the Company, by agreement in form and substance reasonably satisfactory to the Executive, expressly to assume and agree to perform this Agreement in the same manner and to the same extent the Company would be required to perform if no such succession had taken place. This Agreement will be binding upon and inure to the benefit of the Company and any successor to the Company, including without limitation any persons acquiring directly or indirectly all or substantially all of the business or assets of the Company whether by purchase, merger, consolidation, reorganization or otherwise (and such successor shall thereafter be deemed the "Company" for the purposes of this Agreement), but will not otherwise be assignable, transferable or delegable by the Company.

(b) This Agreement will inure to the benefit of and be enforceable by the Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees and legatees.

(c) This Agreement is personal in nature and neither of the parties hereto shall, without the consent of the other, assign, transfer or delegate this Agreement or any rights or obligations hereunder except as expressly provided in Sections 11(a) and 11(b). Without limiting the generality or effect of the foregoing, the Executive's right to receive payments hereunder will not be assignable, transferable or delegable, whether by pledge, creation of a security interest, or otherwise, other than by a transfer by Executive's will or by the laws of descent and distribution and, in the event of any attempted assignment or transfer contrary to this Section 11(c), the Company shall have no liability to pay any amount so attempted to be assigned, transferred or delegated.

12. NOTICES. For all purposes of this Agreement, all communications, including without limitation notices, consents, requests or approvals, required or permitted to be given hereunder will be in writing and will be deemed to have been duly given when hand delivered or dispatched by electronic facsimile transmission (with receipt thereof orally confirmed), or five business days after having been mailed by United States registered or certified mail, return receipt requested, postage prepaid, or three business days after having been sent by a nationally recognized overnight courier service such as FedEx, UPS, or Purolator, addressed to the Company (to the attention of the Secretary of the Company) at its principal executive office and to the Executive at his principal residence, or to such other address as any party may have furnished to the other in writing and in accordance herewith, except that notices of changes of address shall be effective only upon receipt.

13. GOVERNING LAW. The validity, interpretation, construction and performance of this Agreement will be governed by and construed in accordance with the



substantive laws of the State of Ohio, without giving effect to the principles

of conflict of laws of such State.

14. VALIDITY. If any provision of this Agreement or the application of any provision hereof to any person or circumstances is held invalid, unenforceable or otherwise illegal, the remainder of this Agreement and the application of such provision to any other person or circumstances will not be affected, and the provision so held to be invalid, unenforceable or otherwise illegal will be reformed to the extent (and only to the extent) necessary to make it enforceable, valid or legal.

15. MISCELLANEOUS. No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing signed by the Executive and the Company. No waiver by either party hereto at any time of any breach by the other party hereto or compliance with any condition or provision of this Agreement to be performed by such other party will be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. No agreements or representations, oral or otherwise, expressed or implied with respect to the subject matter hereof have been made by either party which are not set forth expressly in this Agreement. References to Sections are to references to Sections of this Agreement.

16. CONSTRUCTION. The masculine gender, when used in this Agreement, shall be deemed to include the feminine gender and the singular number shall include the plural, unless the context clearly indicates to the contrary.

17. COUNTERPARTS. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same agreement.

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed and delivered as of the date first above written.

CLEVELAND-CLIFFS INC

By: /s/ J. S. Brinzo
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John S. Brinzo
Chairman & Chief Executive Officer

/s/ David H. Gunning
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David H. Gunning



ANNEX A

SEVERANCE COMPENSATION

(1) A lump sum payment in an amount equal to three (3) times the sum of (A) Base Pay (at the highest rate in effect for any period prior to the Termination Date), plus (B) Incentive Pay (in an amount equal to not less than the greater of (i) the target bonus and/or target award opportunity for the fiscal year immediately preceding the year in which the Change in Control occurred, or (ii) the target bonus and/or target award opportunity for the fiscal year in which the Termination Date occurs).

(2) For a period of thirty-six (36) months following the Termination Date (the "Continuation Period"), the Company will arrange to provide the Executive with Employee Benefits that are welfare benefits (but not stock option, performance share, performance unit, stock purchase, stock appreciation or similar compensatory benefits) substantially similar to those that the Executive was receiving or entitled to receive immediately prior to the Termination Date (or, if greater, immediately prior to the reduction, termination, or denial described in Section 3(b)(ii)). If and to the extent that any benefit described in this Paragraph 2 is not or cannot be paid or provided under any policy, plan, program or arrangement of the Company or any Subsidiary, as the case may be, then the Company will itself pay or provide for the payment to the Executive, his dependents and beneficiaries, of such Employee Benefits

along with, in the case of any benefit described in this Paragraph 2 which is subject to tax because it is not or cannot be paid or provided under any such policy, plan, program or arrangement of the Company or any Subsidiary, an additional amount such that after payment by the Executive, or his dependents or beneficiaries, as the case may be, of all taxes so imposed, the recipient retains an amount equal to such taxes. Notwithstanding the foregoing, or any other provision of the Agreement, for purposes of determining the period of continuation coverage to which the Executive or any of his dependents is entitled pursuant to Section 4980B of the Code (or any successor provision thereto) under the Company's medical, dental and other group health plans, or successor plans, the Executive's "qualifying event" shall be the termination of the Continuation Period and the Executive shall be considered to have remained actively employed on a full-time basis through that date. Without otherwise limiting the purposes or effect of Section 5, Employee Benefits otherwise receivable by the Executive pursuant to this Paragraph 2 will be reduced to the extent comparable welfare benefits are actually received by the Executive from another employer during the Continuation Period following the Executive's Termination Date, and any such benefits actually received by the Executive shall be reported by the Executive to the Company.

(3) A lump sum payment (the "SRP Payment") in an amount equal to the sum of the future pension benefits (converted to a lump sum of actuarial equivalence) which the Executive would have been entitled to receive three (3) years following the Termination Date under the SRP, and as modified by this Paragraph (3) (assuming Base Salary and Incentive Pay as determined in Paragraph (1), if the Executive had remained in the full-time employment of the Company until three (3) years following the Termination Date.



The calculation of the SRP Payment and its actuarial equivalence shall be made as of the Termination Date. The lump sum of actuarial equivalence shall be calculated as of three (3) years following the Termination Date using the assumptions and factors used in the SRP, and such sum shall be discounted to the date of payment using a discount rate prescribed for purposes of valuation computations under Section 280G of the Internal Revenue Code of 1986, as amended (the "Code") or any successor provision thereto, or if no rate is so prescribed, a rate equal to the then "applicable interest rate" under Section 417 (e)(3)(A)(ii)(II) of the Code for the month in which the Termination Date occurs.

The Company hereby waives the discretionary right, at any time subsequent to the date of a Change in Control, to amend or terminate the SRP as to the Executive as provided in paragraph 8 thereof or to terminate the rights of the Executive or his beneficiary under the SRP in the event Executive engages in a competitive business as provided in any plan or arrangement between the Company and the Executive or applicable to the Executive, including but not limited to, the provisions of paragraph 4 of the SRP, or any similar provisions of any such plan or arrangement or other plan or arrangement supplementing or superseding the same. This Paragraph (3) shall constitute a "Supplemental Agreement" as defined in Paragraph 1.J of the SRP. If the Company shall terminate the Executive's employment during the Severance Period, other than for Cause pursuant to Section 3(a)(i), 3(a)(ii) or 3(a)(iii) of the Agreement, or if the Executive shall terminate his employment pursuant to Section 3(b) of the Agreement, or if, following the end of the Severance Period, the Executive's employment is terminated for any reason, for the purposes of computing the Executive's period of continuous service and of calculating and paying his benefit under the SRP:

(A) At the time of his termination of employment with the Company (by death or otherwise), the Executive shall be credited with years of continuous service for benefit accrual and eligibility equal to the greater of (i) the number of his actual years of continuous service or (ii) the number of years of continuous service he would have had if he had continued his employment with the Company for three (3) years after the Termination Date, and had he attained the greater of (iii) his actual chronological age, (iv) sixty-five, or (v) his chronological age three (3) years after the Termination Date. In addition, the Executive shall be eligible for a 30-year pension benefit based upon his years of continuous service as computed under the preceding sentence. Such Executive shall be eligible to commence a 30-year pension benefit on the earlier of (vi) the date upon which the Executive would have otherwise reached 30 years of continuous service with the Company but for his termination of employment after the Change in Control at which time the Executive shall be deemed to be age 65, or (vii) the date upon which the sum of the Executive's years of continuous service (as computed in the first sentence of this subparagraph (A)) and the Executive's Credited Years of Industry Service is equal to 30 years of service, at which time the Executive shall be deemed to be age 65; and

(B) The Executive shall be a "Participant" in the SRP, notwithstanding any limitations therein. The terms of the Agreement and this Annex A shall take precedence to the extent they are contrary to provisions contained in the SRP.

Payment of the SRP Payment by the Company shall be deemed to be a satisfaction of all obligations of the Company to the Executive under the SRP.

(4) Base Salary through the Termination Date plus prorata Incentive Pay for the year in which the Termination Date occurs calculated at the greater of (i) the target bonus and/or target opportunity or (ii) actual performance, in each case for the fiscal year in which the Termination Date occurs.

(5) In lieu of the Executive's right to receive deferred compensation under the Voluntary Non-Qualified Deferred Compensation Plan or any other plan providing for deferral of income or amounts otherwise payable to the Executive, a lump sum payment in cash in an amount equal to 100% of the Executive's cash and stock account balances under such plans.

(6) Outplacement services by a firm selected by the Executive, at the expense of the Company in an amount up to 15% of the Executive's Base Pay.

(7) Post-retirement medical, hospital, surgical and prescription drug coverage for the lifetime of the Executive, his spouse and any eligible dependents equivalent to that which would have been furnished on the day prior to the Change in Control to an officer of the Company who retired on such date with full eligibility for such benefits.



CLEVELAND-CLIFFS INC
SEVERANCE AGREEMENT

EXHIBIT A

FORM OF RELEASE

WHEREAS, the Executive's employment has been terminated in accordance with Section 3 of the Severance Agreement (the "Agreement") dated as of [_____], 2001 between the Executive and Cleveland-Cliffs Inc; and

WHEREAS, the Executive is required to sign this Release in order to receive the Severance Compensation (as such term is defined in the Agreement) as described in Annex A of the Agreement and the other benefits described in the Agreement.

NOW THEREFORE, in consideration of the promises and agreements contained herein and other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, and intending to be legally bound, the Executive agrees as follows:

1. This Release is effective on the date hereof and will continue in effect as provided herein.

2. In consideration of the payments to be made and the benefits to be received by the Executive pursuant to the Agreement, which the Executive acknowledges are in addition to payments and benefits which the Executive would be entitled to receive absent the Agreement (other than severance pay and benefits under any other severance plan, policy, program or arrangement sponsored by Cleveland-Cliffs Inc), the Executive, for himself and his dependents, successors, assigns, heirs, executors and administrators (and his and their legal representatives of every kind), hereby releases, dismisses, remises and forever discharges Cleveland-Cliffs Inc, its predecessors, parents, subsidiaries, divisions, related or affiliated companies, officers, directors, stockholders, members, employees, heirs, successors, assigns, representatives, agents and counsel (the "Company") from any and all arbitrations, claims, including claims for attorney's fees, demands, damages, suits, proceedings, actions and/or causes of action of any kind and every description, whether known or unknown, which Executive now has or may have had for, upon, or by reason of any cause whatsoever ("claims"), against the Company, including but not limited to:

(a) any and all claims arising out of or relating to Executive's employment by or service with the Company and his termination from the Company;

(b) any and all claims of discrimination, including but not limited to claims of discrimination on the basis of sex, race, age, national origin, marital status, religion or handicap, including, specifically, but without limiting the generality of the foregoing, any claims under the Age Discrimination in Employment Act, as amended, Title VII of the Civil Rights Act of 1964, as amended, the Americans with Disabilities Act, Ohio Revised



Code Section 4101.17 and Ohio Revised Code Chapter 4112, including Sections 4112.02 and 4112.99 thereof; and

(c) any and all claims of wrongful or unjust discharge or breach of any contract or promise, express or implied.

3. Executive understands and acknowledges that the Company does not admit any violation of law, liability or invasion of any of his rights and that any such violation, liability or invasion is expressly denied. The consideration provided for this Release is made for the purpose of settling and extinguishing all claims and rights (and every other similar or dissimilar matter) that Executive ever had or now may have against the Company to the extent provided in this Release. Executive further agrees and acknowledges that no representations, promises or inducements have been made by the Company other than as appear in the Agreement.

4. Executive further agrees and acknowledges that:

(a) The release provided for herein releases claims to and including the date of this Release;

(b) He has been advised by the Company to consult with legal counsel prior to executing this Release, has had an opportunity to consult with and to be advised by legal counsel of his choice, fully understands the terms of this Release, and enters into this Release freely, voluntarily and intending to be bound;

(c) He has been given a period of 21 days to review and consider the terms of this Release, prior to its execution and that he may use as much of the 21 day period as he desires; and

(d) He may, within 7 days after execution, revoke this Release. Revocation shall be made by delivering a written notice of revocation to the Vice President Human Resources at the Company. For such revocation to be effective, written notice must be actually received by the Vice President Human Resources at the Company no later than the close of business on the 7th day after Executive executes this Release. If Executive does exercise his right to revoke this Release, all of the terms and conditions of the Release shall be of no force and effect and the Company shall not have any obligation to make payments or provide benefits to Executive as set forth in Sections 4, 5, and 7 of the Agreement.

5. Executive agrees that he will never file a lawsuit or other complaint asserting any claim that is released in this Release.

6. Executive waives and releases any claim that he has or may have to reemployment after _____.



IN WITNESS WHEREOF, the Executive has executed and delivered this Release on the date set forth below.

Dated:
---------- ----------
Executive

Exhibit 10(c)

# CLEVELAND-CLIFFS INC
# SUPPLEMENTAL RETIREMENT BENEFIT PLAN
## (as Amended and Restated Effective January 1, 2001)

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CLEVELAND-CLIFFS INC
SUPPLEMENTAL RETIREMENT BENEFIT PLAN
(as Amended and Restated Effective January 1, 2001)

WHEREAS, Cleveland-Cliffs Inc ("Cleveland-Cliffs") and its subsidiary corporations and affiliates have established, or may hereafter establish, one or more qualified retirement plans;

WHEREAS, the qualified retirement plans, pursuant to Sections 401(a) and 415 of the Internal Revenue Code of 1986, as amended, place certain limitations on the amount of contributions that would otherwise be made thereunder for certain participants;

WHEREAS, Cleveland-Cliffs now desires to provide for the contributions which would otherwise have been made for such participants under certain of its qualified retirement plans except for such limitations, in consideration of services performed and to be performed by each such participant for Cleveland-Cliffs and its subsidiaries and affiliates; and

WHEREAS, Cleveland-Cliffs has entered into, and Cleveland-Cliffs and its subsidiary corporations and affiliates may in the future enter into, agreements with certain executives providing for additional service credit and/or other features for purposes of computing retirement benefits, in consideration of services performed and to be performed by such executives for Cleveland-Cliffs and its subsidiaries and affiliates.

NOW, THEREFORE, Cleveland-Cliffs hereby amends and restates and publishes the Supplemental Retirement Benefit Plan heretofore established by it, which shall contain the following terms and conditions:

1. DEFINITIONS. A. The following words and phrases when used in this Plan with initial capital letters shall have the following respective meanings, unless the context clearly indicates otherwise. The masculine whenever used in this Plan shall include the feminine.

B. "AFFILIATE" shall mean any partnership or joint venture of which any member of the Controlled Group is a partner or venturer and which shall adopt this Plan pursuant to paragraph 6.

C. "BENEFICIARY" shall mean such person or persons (natural or otherwise) as may be designated by the Participant as his Beneficiary under this Plan. Such a designation may be made, and may be revoked or changed (without the consent of any previously designated Beneficiary), only by an instrument (in form acceptable to Cleveland-Cliffs) signed by the Participant and may be revoked or changed (without the consent of any previously designated Beneficiary), only by an instrument (in form acceptable to Cleveland-Cliffs) signed by the Participant and filed with Cleveland-Cliffs prior to the Participant's death. In the absence of such a designation and at any other time when there is no existing Beneficiary designated by the Participant to whom payment is to be made pursuant to his designation, his Beneficiary shall be his beneficiary under the Pension Plan. A person designated by a Participant as his Beneficiary who or which ceases to exist shall not be entitled to any part of any payment thereafter to be

made to the Participant's Beneficiary unless the Participant's designation specifically provided to the contrary. If two or more persons designated as a Participant's Beneficiary are in existence, the amount of any payment to the Beneficiary under this Plan shall be divided equally among such persons unless the Participant's designation specifically provided to the contrary. Notwithstanding the foregoing, the Beneficiary of a Participant who elects the form of benefit elected by the Participant under the Pension Plan shall be the same beneficiary designated by him or her thereunder.

D. "CODE" shall mean the Internal Revenue Code of 1986, as it has been and may be amended from time to time.

E. "CODE LIMITATIONS" shall mean the limitations imposed by Sections 401(a) and 415 of the Code, or any successor thereto, on the amount of the benefits which may be payable to a Participant from the Pension Plan.

F. "CONTROLLED GROUP" shall mean Cleveland-Cliffs and any corporation in an unbroken chain of corporations beginning with Cleveland-Cliffs, if each of the corporations other than the last corporation in the chain owns or controls, directly or indirectly, stock possessing not less than fifty percent of the total combined voting power of all classes of stock in one of the other corporations.

G. "EMPLOYER(S)" shall mean Cleveland-Cliffs and any other member of the Controlled Group and any Affiliate which shall adopt this Plan pursuant to paragraph 5.

H. "PARTICIPANT" shall mean each person (i) who is a participant in the Pension Plan, (ii) who is a senior corporate officer of Cleveland-Cliffs or a full-time salaried employee of an Employer who has a Management Performance Incentive Plan Salary Grade of EX-28 or above, and (iii) who as a result of participation in this Plan is entitled to a Supplemental Benefit under this Plan. Each person who is as a Participant under this Plan shall be notified in writing of such fact by his Employer, which shall also cause a copy of the Plan to be delivered to such person.

I. "PENSION PLAN" shall mean, with respect to any Participant, the defined benefit plan specified on Exhibit A hereto in which he participates.

J. "SUPPLEMENTAL AGREEMENT" shall mean, with respect to any Participant, an agreement between the Participant and an Employer, and approved by Cleveland-Cliffs if it is not the Employer, which provides for additional service credit and/or other features for purposes of computing retirement benefits.

K. "SUPPLEMENTAL BENEFIT" or "SUPPLEMENTAL PENSION PLAN BENEFIT" shall mean a retirement benefit determined as provided in paragraph 2.

L. "SUPPLEMENTAL RETIREMENT BENEFIT PLAN" or "PLAN" shall mean this Plan, as the same may hereafter be amended or restated from time to time.

2. DETERMINATION OF THE SUPPLEMENTAL PENSION PLAN BENEFIT. Each Participant or Beneficiary of a deceased Participant whose benefits under the Pension Plan payable or accrued



on or after January l, 1995 are reduced (a) due to the Code Limitations, or (b) due to deferrals of compensation by such Participant under the Cleveland-Cliffs Inc Voluntary Non-Qualified Deferred Compensation Plan (the "Deferred Compensation Plan"), and each Participant who has entered into a Supplemental Agreement with his Employer (and, where applicable a Beneficiary of a deceased Participant), shall be entitled to a Supplemental Pension Plan Benefit, which shall be determined as hereinafter provided. The Supplemental Pension Plan Benefit at December 31, 2000 shall be a monthly retirement benefit equal to the difference between (i) the amount of the monthly benefit payable or accrued to the Participant or his Beneficiary under the Pension Plan, determined under the Pension Plan as in effect on December 31, 2000, but calculated without regard to any reduction in the Participant's compensation pursuant to the Deferred Compensation Plan, and as if the Pension Plan did not contain a provision (including any phase-in or extended wear away provision) implementing the Code Limitations, and after giving effect to the provisions of any Supplemental Agreement, and (ii) the amount of the monthly benefit in fact payable or accrued to the Participant or his Beneficiary under the Pension Plan. On the last day of each calendar year commencing on December 31, 2001, the Supplemental Pension Plan Benefit shall be an incremental monthly retirement benefit equal to the difference between (x) the amount of the monthly benefit accrued to the Participant or his Beneficiary under the Pension Plan, determined under the Pension Plan as in effect on the last day of such calendar year, but calculated without regard to any reduction in the Participant's compensation pursuant to the Deferred Compensation Plan, and as if the Pension Plan did not contain a provision (including any phase-in or extended wear away provision) implementing the Code Limitations, and after giving effect to the provisions of any Supplemental Agreement, and (y) the sum of (a) the amount of the monthly benefit in fact accrued to the Participant or his Beneficiary under the Pension Plan through the end of such calendar year, and (b) the sum of the Supplemental Pension Plan Benefits previously paid to the Participant pursuant to paragraph 3. For any Participant whose benefits become payable under the Pension Plan on or after January 1, 1995, the Supplemental Pension Plan Benefit includes any

"Retirement Plan Augmentation Benefit" which the Participant shall have accrued under the Deferred Compensation Plan prior to the amendment of such Plan as of January l, 1991 to delete such Benefit. The acceptance by the Participant or his Beneficiary of any Supplemental Pension Plan Benefit pursuant to paragraph 3 shall constitute payment of the Retirement Plan Augmentation Benefit included therein for purposes of the Deferred Compensation Plan prior to such amendment.

3. PAYMENT OF THE SUPPLEMENTAL PENSION PLAN BENEFIT.

A. A Participant's (or his Beneficiary's) Supplemental Pension Plan Benefit (calculated as provided in paragraph 2) shall be converted, at the end of each calendar year into a lump sum of equivalent actuarial value. The equivalent actuarial value at the end of each calendar year shall be determined by the actuary selected by Cleveland-Cliffs based on the 1971 TPF&C Forecast Mortality Table set back one year, the Pension Benefit Guaranty Corporation interest rate for immediate annuities in effect for December of such year (the "PBGC Rate"), and other factors then in effect for purposes of the Pension Plan.

B. A Participant's unpaid Supplemental Pension Plan Benefit accrued at December 30, 2000 shall be distributed to him as soon as practicable following such date. A Participant's incremental Supplemental Pension Plan Benefit accrued for each calendar year



commencing with 2001 shall be distributed to him as soon as practicable following the end of such year.

4. General.

A. (1) (1) The entire cost of this Supplemental Retirement Benefit Plan shall be paid from the general assets of one or more of the Employers. It is the intent of the Employers to so pay benefits under the Plan as they become due; provided, however, that Cleveland-Cliffs may, in its sole discretion, establish or cause to be established a trust account for any or each Participant pursuant to an agreement, or agreements, with a bank and direct that some or all of a Participant's benefits under the Plan be paid from the general assets of his Employer which are transferred to the custody of such bank to be held by it in such trust account as property of the Employer subject to the claims of the Employer's creditors until such time as benefit payments pursuant to the Plan are made from such assets in accordance with such agreement; and until any such payment is made, neither the Plan nor any Participant or Beneficiary shall have any preferred claim on, or any beneficial ownership interest in, such assets. No liability for the payment of benefits under the Plan shall be imposed upon any officer, director, employee, or stockholder of Cleveland-Cliffs or other Employer.

(2) Notwithstanding the provisions of paragraph 4.A.(1), upon the earlier to occur of (a) a Change in Control of Cleveland-Cliffs (for purposes of the Plan the term "Change in Control" shall have the meaning set forth in the Cleveland-Cliffs Inc Voluntary Non-Qualified Deferred Compensation Plan (as amended and restated as of January 1, 2000) or any successor thereto) or (b) a declaration by the Board of Directors of Cleveland-Cliffs (the "Board") that a Change in Control is imminent, Cleveland-Cliffs shall promptly, to the extent it has not previously done so, and in any event within five (5) business days, transfer to KeyTrust Company of Ohio, N.A., as trustee ("Trustee") of Trust Agreement No. 7 ("Trust Agreement No. 7") dated April 9, 1991, as amended, between the Trustee and Cleveland-Cliffs, a sum equal to (aa) the present value on the date of the Change in Control (or on such fifth (5th) business day if the Board has declared a Change in Control to be imminent) of the payments to be made to the Participants under this Plan, such present value to be computed using the assumptions and factors used in the Plan, less (bb) the (balance in the Participant's account provided for in Section 7(b) of Trust Agreement No. 7) as of the most recent completed valuation thereof, as certified by the Trustee under Trust Agreement No. 7; provided, however, that if the Trustee does not so certify by the end of the fourth (4th) business day after the earlier of such Change in Control or declaration, then the balance of such account shall be deemed to be zero. Any payments of benefits by the Trustee pursuant to Trust Agreement No. 7 shall, to the extent thereof, discharge Cleveland-Cliffs' obligation to pay benefits hereunder, it being the intent of Cleveland-Cliffs that assets in such Trust be held as security for Cleveland-Cliffs' obligation to pay benefits under this Plan.

B. No right or interest of a Participant or his Beneficiary under this Supplemental Retirement Benefit Plan shall be anticipated, assigned (either at law or in equity) or alienated by the Participant or his Beneficiary, nor shall any such right or interest be subject to attachment, garnishment, levy, execution or other legal or equitable process or in any manner be liable for or subject to the debts of any Participant or Beneficiary. If any Participant or Beneficiary shall attempt to or shall alienate, sell, transfer, assign, pledge or otherwise encumber

his benefits under the Plan or any part thereof, or if by reason of his bankruptcy or other event happening at any time such benefits would devolve upon anyone else or would not be enjoyed by him, then Cleveland-Cliffs may terminate his interest in any such benefit and hold or apply it to or for his benefit or the benefit of his spouse, children or other person or persons in fact dependent upon him, or any of them, in such a manner as Cleveland-Cliffs may deem proper; provided, however, that the provisions of this sentence shall not be applicable to the surviving spouse of any deceased Participant if Cleveland-Cliffs consent: to such inapplicability, which consent shall not unreasonably be withheld.

C. Employment rights shall not be enlarged or affected hereby. The Employers shall continue to have the right to discharge or retire a Participant, with or without cause.

D. Notwithstanding any other provisions of this Plan to the contrary, if Cleveland-Cliffs determines that any Participant may not qualify as a "management or highly compensated employee" within the meaning of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), or regulations thereunder, Cleveland-Cliffs may determine, in its sole discretion, that such Participant shall cease to be eligible to participate in this Plan. Upon such determination, the Employer shall make an immediate lump sum payment to the Participant equal to his then vested Supplemental Benefit. Upon such payment, no benefits shall thereafter be payable under this Plan either to the Participant or any Beneficiary of the Participant, and all of the Participant's elections as to the time and manner of payment of his Supplemental Benefit shall be deemed to be canceled.

5. ADOPTION OF SUPPLEMENTAL RETIREMENT BENEFIT PLAN. Any member of the Controlled Group or any Affiliate which is an employer under the Pension Plan may become an Employer hereunder with the written consent of Cleveland-Cliffs if such member or such Affiliate executes an instrument evidencing its adoption of the Supplemental Retirement Benefit Plan and files a copy thereof with Cleveland-Cliffs. Such instrument of adoption may be subject to such terms and conditions as Cleveland-Cliffs requires or approves.

6. MISCELLANEOUS. A. A. The Plan shall be administered by the plan administrator (the "Administrator"). The Administrator shall have the sole and absolute discretion to interpret the provisions of the Plan (including, without limitation, by supplying omissions from, correcting deficiencies in, or resolving inconsistencies or ambiguities in, the language of the Plan), to make factual findings with respect to any issue arising under the Plan, to determine the rights and status under the Plan of Participants and other persons, to decide disputes arising under the Plan and to make any determinations and findings (including factual findings) with respect to the benefits payable thereunder and the persons entitled thereto as may be required for the purposes of the Plan. In furtherance thereof, but without limiting the foregoing, the Administrator is hereby granted the following specific authorities, which it shall discharge in its sole and absolute discretion in accordance with the terms of the Plan (as interpreted, to the extent necessary, by the Administrator):

(1) To resolve all questions (including factual questions) arising under the provisions of the Plan as to any individual's entitlement to become a Participant;



(2) to determine the amount of benefits, if any, payable to any person under the Plan (including to the extent necessary, making factual findings with respect thereto); and

(3) to conduct the review procedures specified in paragraph 6.D.

All decisions of the Administrator as to the facts of any case, and the application thereof to any case, as to the interpretation of any provision of the Plan or its application to any case, and as to any other interpretative matter or other determination or question under the Plan shall be final and binding on all parties affected thereby. The Administrator may, from time to time, employ agents and delegate to them such administrative duties as it sees fit, and may from time to time consult with legal counsel who may be counsel to Cleveland-Cliffs. The Administrator shall have no power to add to, subtract from or modify any of the terms of the Plan, or to change or add to any benefits provided under the Plan, or to waive or fail to apply any requirements of eligibility for a benefit under the Plan. No member of the Administrator shall act in respect of his own benefits. All elections, notices and directions under the Plan by a Participant shall be made on such forms as the Administrator shall prescribe.

B. Cleveland-Cliffs shall be the "Administrator" and the "Plan Sponsor" under the Plan for purposes of ERISA.

C. Except to the extent federal law controls, all questions

pertaining to the construction, validity and effect of the provisions hereof shall be determined in accordance with the laws of the State of Ohio.

D. Whenever there is denied, whether in whole or in part, a claim for benefits under the Plan filed by any person (herein referred to as the "Claimant"), the Administrator shall transmit a written notice of such decision to the Claimant, which notice shall be written in a manner calculated to be understood by the Claimant and shall contain a statement of the specific reasons for the denial of the claim and statement advising the Claimant that, within 60 days of the date on which he receives such notice, he may obtain review of such decision in accordance with the procedures hereinafter set forth. Within such 60-day period, the Claimant or his authorized representative may request that the claim denial be reviewed by filing with the Administrator a written request therefor, which request shall contain the following information:

(1) the date on which the Claimant's request was filed with the Administrator; provided, however, that the date on which the Claimant's request for review was in fact filed with the Administrator shall control in the event that the date of the actual filing is later than the date stated by the Claimant pursuant to this paragraph;

(2) the specific portions of the denial of his claim which the Claimant requests the Administrator to review;

(3) a statement by the Claimant setting forth the basis upon which he believes the Administrator should reverse the previous denial of his claim for benefits and accept his claim as made; and



(4) any written material (offered as exhibits) which the Claimant desires the Administrator to examine in its consideration of his position as stated pursuant to clause (3) above.

Within 60 days of the date determined pursuant to clause (1) above, the Administrator shall conduct a full and fair review of the decision denying the Claimant's claim for benefits. Within 60 days of the date of such hearing, the Administrator shall render its written decision on review, written in a manner calculated to be understood by the Claimant, specifying the reasons and Plan provisions upon which its decision was based.

E. Supplemental Pension Plan Benefits shall be subject to applicable withholding and such other deductions as shall at the time of payment be required or appropriate under any Federal, State or Local law. In addition, Cleveland-Cliffs may withhold from a Participant's "other income" (as hereinafter defined) any amount required or appropriate to be currently withheld from such Participant's other income pursuant to any Federal, State or Local law. For purposes of this subparagraph E, "other income" shall mean any remuneration currently paid to a Participant by an Employer.

7. AMENDMENT AND TERMINATION. A. A. Cleveland-Cliffs has reserved and does hereby reserve the right to amend, at any time, any or all of the provisions of the Supplemental Retirement Benefit Plan for all Employers, without the consent of any other Employer or any Participant, Beneficiary or any other person. Any such amendment shall be expressed in an instrument executed by Cleveland-Cliffs and shall become effective as of the date designated in such instrument or, if no such date is specified, on the date of its execution.

B. Cleveland-Cliffs has reserved, and does hereby reserve, the right to terminate the Supplemental Retirement Benefit Plan at any time for all Employers, without the consent of any other Employer or of any Participant, Beneficiary or any other person. Such termination shall be expressed in an instrument executed by Cleveland-Cliffs and shall become effective as of the date designated in such instrument, or if no date is specified, on the date of its execution. Any other Employer which shall have adopted the Plan may, with the written consent of Cleveland-Cliffs, elect separately to withdraw from the Plan and such withdrawal shall constitute a termination of the Plan as to it, but it shall continue to be an Employer for the purposes hereof as to Participants or Beneficiaries to whom it owes obligations hereunder. Any such withdrawal and termination shall be expressed in an instrument executed by the terminating Employer and shall become effective as of the date designated in such instrument or, if no date is specified, on the date of its execution.

C. Notwithstanding the foregoing provisions hereof, no amendment or termination of the Supplemental Retirement Benefit Plan shall, without the consent of the Participant, adversely affect the accrued benefit under the Plan of such Participant. Upon any termination of the Plan, each affected Participant's Supplemental Benefit shall be determined and distributed to him or, in the case of his death, to his Beneficiary as provided in paragraph 3 above. Anything in this Plan to the contrary notwithstanding, upon termination of the Plan the value of a Participant's unpaid Supplemental Pension Plan

Benefit shall be distributed in a lump sum to such Participant as soon as practicable following such Termination, conditioned upon the



execution and delivery by such Participant to the Company of a receipt and release satisfactory to the Company.

8. EFFECTIVE DATE. The amended and restated Supplemental Retirement Benefit Plan shall be effective as of January 1, 2001.

IN WITNESS WHEREOF, Cleveland-Cliffs Inc, pursuant to the order of its Board of Directors, has executed this amended and restated Supplemental Retirement Benefit Plan at Cleveland, Ohio, as of the first day of January, 2001.

CLEVELAND-CLIFFS INC

By: /s/ R. L. Kummer
---
Vice President - Human Resources



EXHIBIT A
---

PENSION PLANS
- ---

Pension Plan for Salaried Employees of Cleveland-Cliffs Inc

Pension Plan for Salaried Employees of the Cleveland-Cliffs Iron Company and its Associated Employers

Retirement Plan for Salaried Employees of Northshore Mining Company and Silver Bay Power Company

Exhibit 10 (d)

AMENDMENT TO AMENDED AND RESTATED
CLEVELAND-CLIFFS INC RETIREMENT PLAN
FOR NON-EMPLOYEE DIRECTORS

The Amended and Restated Cleveland-Cliffs Inc Retirement Plan for Non-Employee Directors, as amended and restated as of July 1, 1995, is hereby amended by adding a new paragraph to the end of Section 3.1 to read as follows:

> "Notwithstanding the preceding provisions of this Section 3.1, a Participant who has not attained the normal retirement age for Directors, but who has at least five years of continuous service as a Director, may commence the receipt of his benefit computed under this Section 3.1 on or after attaining the age of 65 (treating the date that he commences as his "Commencement Date"); PROVIDED, HOWEVER, that such benefit shall be actuarially reduced, using assumptions and factors designated by an actuary selected by the Company, to reflect the commencement of such benefit prior to the normal retirement age for Directors."

IN WITNESS WHEREOF, this Amendment has been adopted by the Company as of January 1, 2001.

CLEVELAND-CLIFFS

By: /s/ J. S. Bringo
---
Chairman and Chief Executive Officer

Exhibit 99(a)

NEWS RELEASE

Cleveland-Cliffs Inc
1100 Superior Avenue
Cleveland, Ohio 44114-2589

# CLEVELAND-CLIFFS REPORTS SECOND QUARTER 2001 RESULTS

Cleveland, OH -- July 25, 2001-- Cleveland-Cliffs Inc (NYSE:CLF) today reported a net loss of $15.1 million, or $1.50 per diluted share, for the second quarter of 2001, and a net loss of $24.7 million, or $2.45 per diluted share, for the first half of 2001. In the second quarter of 2000, Cliffs recorded net income of $11.0 million, or $1.04 per diluted share, and first half 2000 net income was $7.5 million, or $.71 per diluted share.

Following is a summary of results:

NET INCOME (LOSS)
(IN MILLIONS, EXCEPT PER SHARE)

| | SECOND QUARTER | | FIRST HALF | |
|---|---|---|---|---|
| | 2001 | 2000 | 2001 | 2000 |
| Net Income (Loss) Excluding Special Items | $ (15.1) | $ 7.6 | $ (24.7) | $ 4.1 |
| Special Items | -- | 3.4 | -- | 3.4 |
| Net Income (Loss) Amount | (15.1) | 11.0 | (24.7) | 7.5 |
| Net Income (Loss) Per Share | (1.50) | 1.04 | (2.45) | .71 |

Excluding special items, second quarter 2001 results were $22.7 million below 2000, and first half 2001 results were $28.8 million below 2000. The lower results in 2001 were primarily due to production curtailments, lower pellet sales volume, higher mine costs, a decrease in royalties and management fees, a greater loss from Cliffs and Associates Limited (CAL) and higher interest expense, partly offset by a modest increase in the average price realization on pellet sales. Higher energy costs contributed to the increase in mine costs. Second quarter and first half 2001 results benefited from the sale of non-strategic lands, and first half 2001 results included a $2.1 million pre-tax charge for restructuring activities.



John S. Brinzo, Cliffs' Chairman and Chief Executive Officer, said, "Soft markets and excessive inventories caused most domestic steel mills to operate at low levels in the first six months of 2001. As a result, Cliffs' iron ore pellet sales in the first half of 2001 were 2.8 million tons versus 4.1 million tons in 2000." Second quarter sales were 2.3 million tons compared to 3.4 million tons in 2000.

## OPERATIONS

Iron ore pellet production at Cliffs-managed mines was 6.5 million tons in the second quarter of 2001 versus 10.8 million tons in 2000. First-half production was 13.4 million tons compared to 20.6 million tons in 2000. Cliffs' share of production in the second quarter and first half of 2001 was 1.2 million tons below 2000. Following is a summary of production tonnages by mine for the first half of 2001 and 2000:

(TONS IN MILLIONS)

| TOTAL | CLIFFS' SHARE |
|---|---|

| | 2001 | 2000 | 2001 | 2000 |
|---|---|---|---|---|
| Empire | 3.3 | 3.8 | 1.0 | .8 |
| Hibbing | 2.8 | 4.0 | .1 | .6 |
| LTV Steel Mining | -- | 3.8 | -- | -- |
| Northshore | 1.7 | 2.2 | 1.7 | 2.2 |
| Tilden | 2.7 | 3.8 | 1.1 | 1.5 |
| Wabush | 2.9 | 3.0 | .7 | .7 |
| Total | 13.4 | 20.6 | 4.6 | 5.8 |

The 7.2 million ton decrease in total production was principally due to the permanent closure of LTV Steel Mining Company at the beginning of 2001 and production curtailments at the Empire, Hibbing, Northshore and Tilden Mines. The following table summarizes the production curtailments that have been implemented:

| | PERIOD OF CURTAILMENT |
|---|---|
| EMPIRE | June 3 - July 15 |
| HIBBING | January 28 - March 11 |
| | June 17 - August 5 |
| TILDEN | May 13 - June 23 |
| NORTHSHORE | Only operating 2 of 3 pelletizing lines |

Further production curtailments are planned at Northshore in the fourth quarter, and production schedules at all mines for the remainder of 2001 are subject to change.

The CAL hot-briquetted iron (HBI) plant in Trinidad has made progress during the ramp-up of operations that started in mid-March. As of June 30, the plant had produced 59,000 tons of commercial grade Circal(TM) briquettes, and shipments through June 30 totaled 42,000 tons. The first half loss from CAL was higher than last year primarily due



to Cliffs' increased ownership of CAL. Cliffs increased its CAL ownership from 46.5 percent to approximately 82 percent as a result of the Company and Lurgi acquiring LTV Corporation's 46.5 percent share of CAL in November 2000.

## SPECIAL ITEMS IN 2000

Earnings for the second quarter and first half of 2000 included $3.4 million of income attributable to two special items. Cliffs recorded a $15.0 million ($9.8 million after-tax) recovery on a business interruption insurance claim related to the loss of pellet sales to Rouge Industries in 1999, that was partly offset by a $9.1 million charge ($6.4 million after-tax) to recognize the reduction in the market value of LTV Corporation shares then owned by the Company.

## LIQUIDITY

At June 30, 2001, Cliffs had cash and cash equivalents of $56 million. In May 2001, the Company borrowed the remaining $35 million available under its $100 million unsecured revolving credit facility to fund pellet inventories and other working capital requirements. At the end of June, there were 5.3 million tons of pellets in inventory at a cost of $151 million, a decrease of .4 million tons since March 31, 2001. Pellet inventory at June 30, 2000 was 3.2 million tons, or $91 million. Cash flow from inventory liquidation is expected to permit repayment of all of borrowings under the revolving credit facility by year-end.

## OUTLOOK

A sharp decline in steel demand caused North American steelmakers to operate at less than 80 percent of capacity in the first half of 2001. Conditions are expected to improve late this year, and into 2002, due to a decrease in imports and reduction of inventories, but the recovery will likely be restrained by the worst downturn in manufacturing since the Gulf War recession.

Brinzo said, "We continue to have considerable uncertainty regarding the pellet requirements of certain customers, and our sales forecast for the full year 2001 has been reduced to approximately 10 million tons. This estimate assumes LTV Corporation will continue to operate two blast furnaces in Cleveland and two furnaces in Chicago." Separately, LTV continues to meet its obligations as a 25 percent partner in the Empire Mine, but has neither affirmed nor

rejected its ownership in Empire.

Given the weak sales forecast for the second half of 2001, the high level of inventory at June 30 and the plan to significantly reduce inventory by the end of the year, full year production will be significantly below Cliffs' production capacity of 12.8 million tons. Production curtailments have been implemented in Minnesota and Michigan in the first half and additional curtailments are expected. With fixed costs representing approximately one-third of total production costs, Cliffs' financial results for the second half will continue to be adversely impacted by costs associated with the curtailments. A modest loss is expected in the second half.



Brinzo said, "We are managing our iron ore business with the expectation that integrated steel and iron ore production capacity will shrink and foreign competition will remain intense. With most steel companies interested in exiting their iron ore ownership positions, there is a unique opportunity for Cliffs to be a bigger, more powerful force in a consolidating industry. Cliffs should be and will be the leader in remaking the iron ore business in the United States. We have been in the business for 154 years and we're good at what we do.

Having said that, we also recognize that we must make major changes in how we operate and staff our mines if they are going to be world class competitive. We must be relentless in pursuing increased productivity and cost reduction. Cliffs' mines must deliver pellets to North American steel producers at a cost that encourages steelmakers to use their blast furnaces rather than import foreign made semi-finished steel slabs.

We know we can only achieve success if we reject the status quo and think in new terms. We have put new programs in place in recent months, and others are under development that will allow us to achieve our objectives. Every employee throughout the organization is expected to become part of the solution for a better tomorrow. We will prevail in our mission to better serve a "new" steel industry and restore Cliffs' shareholder value."

* * * * * * * * * * * * * * * * * * * *

Cleveland-Cliffs is the largest supplier of iron ore products to the North American steel industry and is developing a significant ferrous metallics business. Subsidiaries of the Company manage and hold equity interests in five iron ore mines in Michigan, Minnesota and Eastern Canada. Cliffs has a major iron ore reserve position in the United States and is a substantial iron ore merchant. References in this news release to "Cliffs" and "Company" include subsidiaries and affiliates as appropriate in the context.

This news release contains predictive statements that are intended to be made as "forward-looking" within the safe harbor protections of the Private Securities Litigation Reform Act of 1995. Although the Company believes that its forward-looking statements are based on reasonable assumptions, such statements are subject to risks and uncertainties.

Actual results may differ materially from such statements for a variety of factors; such as displacement of iron production by North American integrated steel producers due to electric furnace production or imports of semi-finished steel or pig iron; changes in the financial condition of the Company's partners and/or customers; rejection of major contracts and/or venture agreements by customers and/or participants under provisions of the U.S. Bankruptcy Code or similar statutes in other countries; changes in imports of steel, iron ore, or ferrous metallic products; changes due to the ability of Cliffs and Associates Limited to forecast revenue rates, costs and production levels; domestic or international economic and political conditions; major equipment failure, availability and magnitude and duration or repairs; process difficulties; and availability and cost of key components of production (e.g., labor, electric power, fuel, water).



Reference is made to the detailed explanation of the many factors and risks that may cause such predictive statements to turn out differently, as set forth in the Company's Annual Report for 2000 and Reports on Form 10-K and 10-Q and previous news releases filed with the Securities and Exchange Commission, which are available publicly on Cliffs' web site. The information contained in this document speaks as of the date of this news release and may be superceded by subsequent events.

Cliffs will host its second quarter 2001 earnings conference call tomorrow, July 26, at 10:00 a.m. EDT. The call will be broadcast live on Cliffs' website at http://www.cleveland-cliffs.com. A replay of the call will be available on the website for 30 days.

Contacts:

- ---------
Media: Ralph S. Berge, (216) 694-4870
Financial Community: Fred B. Rice, (800) 214-0739 or (216) 694-5459

News releases and other information on the Company are available on the Internet at http://www.cleveland-cliffs.com



CLEVELAND-CLIFFS INC

STATEMENT OF CONSOLIDATED OPERATIONS

<TABLE>
<CAPTION>

| (In Millions Except Per Share Amounts) | Three Months Ended June 30, 2001 | Three Months Ended June 30, 2000 | Six Months Ended June 30, 2001 | Six Months Ended June 30, 2000 |
|---|---|---|---|---|
| <S> | <C> | <C> | <C> | <C> |
| REVENUES | | | | |
| Product sales and services | | | | |
| Iron ore products | $ 83.1 | $ 120.5 | $ 104.0 | $ 145.6 |
| HBI products | 3.7 | | 3.7 | |
| Total | 86.8 | 120.5 | 107.7 | 145.6 |
| Royalties and management fees | 10.1 | 15.4 | 18.9 | 24.6 |
| Total Operating Revenues | 96.9 | 135.9 | 126.6 | 170.2 |
| Insurance recovery | | 15.0 | | 15.0 |
| Interest income | .9 | .4 | 2.0 | 1.4 |
| Other income | 2.2 | 1.1 | 4.6 | 2.1 |
| TOTAL REVENUES | 100.0 | 152.4 | 133.2 | 188.7 |
| COSTS AND EXPENSES | | | | |
| Cost of goods sold and operating expenses | | | | |
| Iron ore products | 104.2 | 116.3 | 140.2 | 147.4 |
| HBI products | 10.3 | | 10.3 | |
| Total | 114.5 | 116.3 | 150.5 | 147.4 |
| Administrative, selling and general expenses | 5.2 | 4.9 | 8.0 | 8.3 |
| Loss on long-term investment | | 9.1 | | 9.1 |
| Pre-operating loss in Cliffs and Associates Limited | | 3.4 | 5.8 | 6.3 |
| Interest expense | 2.5 | 1.3 | 4.6 | 2.5 |
| Other expenses | 1.4 | 1.4 | 3.9 | 3.8 |
| TOTAL COSTS AND EXPENSES | 123.6 | 136.4 | 172.8 | 177.4 |
| INCOME (LOSS) BEFORE INCOME TAXES AND MINORITY INTEREST | (23.6) | 16.0 | (39.6) | 11.3 |
| INCOME TAXES (CREDIT) | (7.1) | 5.0 | (12.3) | 3.8 |
| INCOME (LOSS) BEFORE MINORITY INTEREST | (16.5) | 11.0 | (27.3) | 7.5 |
| MINORITY INTEREST | 1.4 | | 2.6 | |
| NET INCOME (LOSS) | $ (15.1) | $ 11.0 | $ (24.7) | $ 7.5 |
| NET INCOME (LOSS) PER COMMON SHARE | | | | |
| Basic | $ (1.50) | $ 1.04 | $ (2.45) | $ .71 |
| Diluted | $ (1.50) | $ 1.04 | $ (2.45) | $ .71 |
| AVERAGE NUMBER OF SHARES | | | | |
| Basic | 10.1 | 10.5 | 10.1 | 10.6 |

| | | | | |
|---|---|---|---|---|
| Diluted | 10.1 | 10.6 | 10.1 | 10.6 |

CLEVELAND-CLIFFS INC

STATEMENT OF CONSOLIDATED CASH FLOWS

| (In Millions, Brackets Indicate Decrease in Cash) | Three Months Ended June 30, 2001 | Three Months Ended June 30, 2000 | Six Months Ended June 30, 2001 | Six Months Ended June 30, 2000 |
|---|---|---|---|---|
| OPERATING ACTIVITIES | | | | |
| Net income (loss) | $(15.1) | $ 11.0 | $(24.7) | $ 7.5 |
| Depreciation and amortization: | | | | |
| Consolidated | 4.0 | 3.2 | 7.8 | 6.3 |
| Share of associated companies | 2.4 | 3.0 | 5.5 | 6.2 |
| Equity loss in Cliffs and Associates Limited | | 3.4 | | 6.3 |
| Loss on long-term investment | | 9.1 | | 9.1 |
| Minority interest in Cliffs and Associates Limited | (1.4) | | (2.6) | |
| Deferred income taxes | (4.5) | (3.2) | (6.0) | (3.2) |
| Gain on sale of assets | (1.1) | | (2.5) | |
| Other | .2 | 3.2 | 1.3 | 2.6 |
| Total before changes in operating assets and liabilities | (15.5) | 29.7 | (21.2) | 34.8 |
| Changes in operating assets and liabilities | (19.4) | (24.9) | (50.6) | (52.8) |
| Net cash from (used by) operating activities | (34.9) | 4.8 | (71.8) | (18.0) |
| INVESTING ACTIVITIES | | | | |
| Purchase of property, plant and equipment: | | | | |
| Consolidated: | | | | |
| Cliffs and Associates Limited | (.1) | | (5.5) | |
| All other | (.8) | (1.9) | (2.9) | (2.7) |
| Total | (.9) | (1.9) | (8.4) | (2.7) |
| Share of associated companies | (.6) | (1.8) | (.9) | (2.4) |
| Equity investment and advances in Cliffs and Associates Limited | | (3.4) | | (7.5) |
| Proceeds from sale of assets | 1.2 | | 2.7 | |
| Other | | | (.4) | |
| Net cash used by investing activities | (.3) | (7.1) | (7.0) | (12.6) |
| FINANCING ACTIVITIES | | | | |
| Dividends | (1.1) | (4.0) | (2.1) | (8.0) |
| Short-term borrowings | 35.0 | | 100.0 | |
| Contributions by minority shareholder in Cliffs and Associates Limited | 1.3 | | 6.5 | |
| Repurchases of Common Shares | | (5.5) | | (5.5) |
| Net cash from (used by) financing activities | 35.2 | (9.5) | 104.4 | (13.5) |
| INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | $ | $(11.8) | $ 25.6 | $(44.1) |

CLEVELAND-CLIFFS INC

STATEMENT OF CONSOLIDATED FINANCIAL POSITION

| | (In Millions) | | |
|---|---|---|---|
| | June 30, 2001 | Dec. 31, 2000 | June 30, 2000 |
| <S> | <C> | <C> | <C> |

| | | | | |
|---|---|---|---|---|
| | ASSETS | | | |
| CURRENT ASSETS | | | | |
| Cash and cash equivalents | | $ 55.5 | $ 29.9 | $ 23.5 |
| Trade accounts receivable - net | | 32.4 | 46.3 | 46.6 |
| Receivables from associated companies | | 13.6 | 18.5 | 20.5 |
| Inventories | | | | |
| Product | | 152.0 | 90.8 | 91.3 |
| Supplies and other | | 23.7 | 22.4 | 15.1 |
| | | 175.7 | 113.2 | 106.4 |
| Other | | 37.1 | 40.1 | 31.7 |
| | TOTAL CURRENT ASSETS | 314.3 | 248.0 | 228.7 |
| PROPERTIES - NET | | 273.2 | 272.7 | 150.0 |
| INVESTMENTS IN ASSOCIATED COMPANIES | | 132.4 | 138.4 | 226.6 |
| OTHER ASSETS | | 61.3 | 68.7 | 78.4 |
| | TOTAL ASSETS | $ 781.2 | $ 727.8 | $ 683.7 |
| | LIABILITIES AND SHAREHOLDERS' EQUITY | | | |
| CURRENT LIABILITIES | | | | |
| Short-term borrowings | | $ 100.0 | $ | $ |
| Accounts payable and accrued expenses | | 84.4 | 102.2 | 79.9 |
| | TOTAL CURRENT LIABILITIES | 184.4 | 102.2 | 79.9 |
| LONG-TERM DEBT | | 70.0 | 70.0 | 70.0 |
| POSTEMPLOYMENT BENEFIT LIABILITIES | | 65.2 | 71.7 | 67.2 |
| OTHER LIABILITIES | | 58.2 | 58.0 | 59.5 |
| MINORITY INTEREST | | 27.8 | 23.9 | |
| SHAREHOLDERS' EQUITY | | 375.6 | 402.0 | 407.1 |
| | TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | $ 781.2 | $ 727.8 | $ 683.7 |

</TABLE>

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UNAUDITED FINANCIAL STATEMENTS

In management's opinion, the unaudited financial statements present fairly the company's financial position and results. All supplementary information required by generally accepted accounting principles for complete financial statements has not been included. For further information, please refer to the

Company's latest Annual Report.

Exhibit 99(b)

NEWS RELEASE

Cleveland-Cliffs
Inc
1100 Superior Avenue

TILDEN MINE EXPERIENCES EQUIPMENT OUTAGE

CLEVELAND, OH --- (JULY 26, 2001) --- Cleveland-Cliffs Inc (NYSE:CLF) reported today that the Tilden Mine, managed and 40 percent owned by a subsidiary of Cleveland-Cliffs, expects to have one of the mine's two pelletizing kilns out of service for repairs due to a weld fatigue fracture. Based on a preliminary assessment, the kiln is expected to be out of service for about six weeks. During the repairs, the mine will be operating at approximately 60 percent capacity.

The Tilden Mine, located in Michigan's Upper Peninsula, has an annual production capacity of 7.8 million tons of iron ore pellets. The mine was scheduled to produce 6.8 million tons this year after a second quarter, six week shutdown to adjust production according to owners requirements. Production lost during the repair period is not expected to be made up during the remainder of the year. However, it is anticipated that all 2001 commercial requirements will be satisfied from current inventories and production for the balance of the year. The mine is implementing plans to minimize the impact of the kiln shutdown on both the operation and its costs.

Tilden Mining Company L.C. is owned by subsidiaries of Algoma Steel, Inc., 45 percent, Stelco, Inc. 15 percent and Cliffs, 40 percent.

Cleveland-Cliffs is the largest supplier of iron ore products to the North American steel industry and is developing a significant ferrous metallics business. Subsidiaries of the Company manage and hold equity interests in five iron ore mines in Michigan, Minnesota, and Eastern Canada. Cliffs has a major iron ore reserve position in the United States and is a substantial iron ore merchant. References in this news release to "Cliffs" and "Company" include subsidiaries and affiliates as appropriate in the context.

This news release contains predictive statements that are intended to be made as "forward-looking" within the safe harbor protections of the Private Securities Litigation Reform Act of 1995. Although the Company believes that its forward-looking statements are based on reasonable assumptions, such statements are subject to risks and uncertainties.

Actual results may differ materially from such statements for a variety of factors, such as: major equipment failure including the Tilden Mine kiln outage, availability and magnitude and duration or repairs; process difficulties; displacement of iron production by North American integrated steel producers due to electric furnace production or imports of semi-finished steel or pig iron; changes in the financial condition of the Company's partners and/or customers; rejection of major contracts and/or venture agreements by customers and/or participants under provisions of the U.S. Bankruptcy



Code or similar statutes in other countries; changes in imports of steel, iron ore, or ferrous metallic products.

Reference is made to the detailed explanation of the many factors and risks that may cause such predictive statements to turn out differently, as set forth in the Company's Annual Report for 2000 and Reports on Form 10-K and 10-Q and previous news releases filed with the Securities and Exchange Commission, which are available publicly on Cliffs' web site. The information contained in this document speaks as of the date of this news release and may be superceded by subsequent events.

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News releases and other information on the Company are available on the Internet at http://www.cleveland-cliffs.com