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

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**FORM 10-K**

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For fiscal year ended December 31, 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**  
**(State or other jurisdiction of incorporation)**

**34-1464672**  
**(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

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**SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:**

Title of Each Class	Name of Each Exchange on Which Registered
Common Shares — par value \$1.00 per share	New York Stock Exchange and Chicago Stock Exchange

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT: NONE

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  NO

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of the Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

As of January 31, 2002, the aggregate market value of the voting and non-voting stock held by non-affiliates of the registrant, based on the closing price of \$17.40 per share as reported on the New York Stock Exchange — Composite Index was \$168,020,821 (excluded from this figure is the voting stock beneficially owned by the registrant's officers and directors).

The number of shares outstanding of the registrant's \$1.00 par value common stock was 10,152,423 as of January 31, 2002.

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**DOCUMENTS INCORPORATED BY REFERENCE**

1. Portions of registrant's Proxy Statement for the Annual Meeting of Shareholders scheduled to be held May 14, 2002 are incorporated by reference into Part III.
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## PART I

### ITEMS 1 AND 2. BUSINESS AND PROPERTIES.

#### INTRODUCTION

Cleveland-Cliffs Inc (including its consolidated subsidiaries, the "Company") is the successor to business enterprises whose beginnings can be traced to earlier than 1850. The Company's headquarters are at 1100 Superior Avenue, Cleveland, Ohio 44114-2589, and its telephone number is (216) 694-5700.

#### BUSINESS

The Company has two business segments offering differing iron products and services to the steel industry, with iron ore being the Company's dominant segment and ferrous metallics being the other segment. The ferrous metallics segment consists of a hot briquetted iron venture project located in Trinidad and Tobago and other developmental activities. The Company is pursuing additional investment opportunities to broaden its scope as a supplier of iron products to the steel industry.

#### Iron Ore

The Company owns, directly or indirectly, three major iron ore operating subsidiaries, The Cleveland-Cliffs Iron Company ("CCIC"), Cliffs Mining Company ("CMC") and Northshore Mining Company ("Northshore"). CCIC and CMC hold interests in various iron ore mining ventures ("mining ventures") and act as managing agents. The operations of Northshore are entirely owned by the Company. Collectively, CCIC, CMC and Northshore manage and own interests in North American mines; sell iron ore pellets in North America and Europe; control, develop, and lease reserves to mine owners; and provide ancillary services to the mines. The operations of each mine are independent of the other mines.

For information on the iron ore business, including royalties and management fees for the years 1999-2001, see Note 2 in the Notes to the Company's Consolidated Financial Statements for the year ended December 31, 2001.

For information concerning operations of the Company, see material under the heading "Summary of Financial and Other Statistical Data" for the year ended December 31, 2001 in Item 6.

CCIC owns or holds long-term leasehold interests in active Michigan properties containing an estimated 1.3 billion tons of crude iron ore reserves (approximately 433 million tons of equivalent standard iron ore pellets). CCIC, CMC and Northshore manage and own equity interests in five active mines in North America with a total rated annual capacity of 32.4 million tons as of December 31, 2001 (see Table on page 4).

CCIC, CMC and Northshore's United States properties include two active open-pit mines and pellet plants on the Marquette Range of the Upper Peninsula of Michigan, and two active open-pit mines and pellet plants on the Mesabi Range in Minnesota. Two railroads, one of which is wholly-owned by a subsidiary of the Company, link the Marquette Range with Lake Michigan at the loading port of Escanaba and with Lake Superior at the loading port of Marquette. From the Mesabi Range, pellets are transported by rail to a shiploading port at Superior, Wisconsin. At Northshore, crude ore is shipped by rail from the mine to processing facilities at Silver Bay, Minnesota, also the upper lakes port of shipment. In addition, in Canada, there is an open-pit mine and concentrator at Wabush, Labrador, Newfoundland and a pellet plant and dock facility at Pointe Noire, Quebec. At Wabush Mines, concentrates are shipped by rail from the Scully Mine at Wabush to Pointe Noire where they are pelletized for shipment via vessel to Canada, United States and Europe or shipped as concentrates for sinter feed to Europe.

CCIC leases or subleases its reserves to certain mining ventures which pay royalties to CCIC on such reserves based on the tonnage and the iron content of iron ore produced. The royalty rates on

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leased or subleased reserves are subject to periodic adjustments based on changes in the Bureau of Labor Statistics producer price index for all commodities or on certain iron ore and steel price indices. The mining ventures, include as participants CCIC or CMC and steel producers (who are "participants" either directly or through subsidiaries).

CCIC and CMC, pursuant to management agreements with the participants having operating interests in the mining ventures, manage the operation of iron ore mines and concentrating and pelletizing plants to produce iron ore pellets for steel producers. CCIC and CMC are reimbursed by the participants of the mining ventures for substantially all expenses incurred by CCIC and CMC in operating the mines and mining ventures. In addition, CCIC and CMC are paid management fees based on the tonnage of iron ore produced. A substantial portion of such fees is subject to escalation adjustments in a manner similar to the royalty adjustments.

With respect to the active mines in which CCIC and CMC have an equity interest, such interests range from 15% to 40% as of December 31, 2001 (see Table on page 4). Pursuant to certain operating agreements at each mine, each participant is generally obligated to take its share of production for its own use. CCIC and CMC's share of production is resold to steel manufacturers pursuant to multi-year contracts, usually with price adjustment provisions, or one-year contracts. Pursuant to operating agreements at each mine, each participant is entitled to nominate the amount of iron ore which will be produced for its account for that year. During the year, such nomination generally may be increased (subject to capacity availability) or decreased (subject to certain minimum production levels) by a specified amount.

Cliffs Minnesota Minerals Company, a subsidiary of the Company, owns an iron ore operation (Northshore) and power plant (Silver Bay Power Company) in Minnesota with 4.3 million annual tons of active capacity for production of standard and flux pellets (equivalent to 4.8 million tons of standard pellet capacity), supported by a 115 megawatt power generation plant, and an estimated 1.1 billion tons of magnetite crude iron ore reserves (approximately 344 million tons of iron ore pellets) leased mainly from the Mesabi Trust.

During 2001, the North American mines produced 25.4 million tons of pellets compared to 41 million tons in 2000, of which the Company's share was 7.8 million tons versus 11.8 million tons in 2000. The decrease in 2001 reflects lower Company sales volume. The Company expects production at its five active mines in 2002 to be significantly below the combined 32.4 million capacity. Production decreases could be undertaken in 2002 to further address the Company's sales volume uncertainty, a reduction of the Company's 3 million ton pellet inventory at December 31, 2001, and potential steel company participants' pellet requirements.

### Bankruptcies of Mine Partners and Customers

For information on the bankruptcies of mine venture participants and the Company's customers, see information contained in the Management Discussion and Analysis of Financial Condition and Results of Operations on pages 19 to 20, and in Note 4 in the Notes to the Company's Consolidated Financial Statements for year ended December 31, 2001.

### LTV Steel Mining Company ("LTVSMC") Transaction

In October, 2001, subsidiaries of the Company and Minnesota Power, a business of Allete, Inc., acquired the LTV Steel Company, Inc. assets of LTVSMC in Minnesota for \$25 million (Company share \$12.5 million) and assumed environmental and certain facility closure obligations. Minnesota Power acquired the 225 megawatt electric generating facility at Taconite Harbor, transmission facilities, and non-mining property and made a \$62.5 million payment to the Company. In addition, the Company received all of the iron ore mining and processing facilities of LTVSMC, including its 74-mile mainline railroad and dock operation at Taconite Harbor, Minnesota, on the north shore of Lake Superior and assumed certain environmental and closure obligations of the facility. The Company does not intend to operate the mining assets for the production of iron ore pellets, but is investigating other options

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including non-ferrous metals development and providing transportation support services to other Minnesota mining operations. The Company has entered into an option agreement with Minnesota Iron Range Resources and Rehabilitation Board (“IRRRB”) for the purchase by IRRRB of mining lands for future development.

Mine Production, Capacity and Mineral Reserves

Following is a table of production, current defined capacity, and mineral reserves for the iron ore mines currently managed or owned by CCIC, CMC and Northshore. The estimated mineral reserves and full production rates could be affected by, among other things, future industry conditions, geological conditions, and ongoing mine planning. Maintenance of effective production capacity or the mineral reserves could require increases in capital and development expenditures. Alternatively, changes in economic conditions or in the expected quality of ore reserves could decrease capacity or mineral reserves. Technological progress could alleviate such factors or increase capacity or mineral reserves.

Name and Location	Type of Ore	Company's Current Operating Interest	Tons in Millions (1)					
			Current Pellet Production			Current Annual Capacity	Mineral Reserves(2)	Operating Continuously Since
			1999	2000	2001			
<b>Mining Ventures</b>								
Michigan								
Marquette Range								
•Empire Iron Mining Partnership (3)	Magnetite	35.00%(4)	7.1	7.6	5.7	6.3(5)	116	1963
•Tilden Mining Company L.C.(3)	Hematite and Magnetite	40.00%(6)	6.2	7.2	6.4	7.8(6)	317	1974
Minnesota								
Mesabi Range								
•Hibbing Taconite Joint Venture (7)	Magnetite	15.00%	6.8	8.2	6.1	8.0	222	1976
•LTV Steel Mining Company (7) (8)	Magnetite	0.00%	7.0	7.8	—	—	—	—
Canada								
•Wabush Mines (Newfoundland and Quebec) (7)	Specular Hematite	22.78%	5.2	5.9	4.4	6.0	244	1965
Wholly-Owned Entities								
Minnesota								
Mesabi Range								
•Northshore Mining Company	Magnetite	100.00%	3.9	4.3	2.8	4.3(9)	344	1989
<b>TOTAL</b>			<b>36.2</b>	<b>41.0</b>	<b>25.4</b>	<b>32.4</b>	<b>1,243</b>	

- (1) Tons are long tons of 2,240 pounds.
- (2) Estimated standard equivalent pellets including both proven and probable reserves.
- (3) CCIC receives royalties and management fees.
- (4) In 2000, the Company acquired Wheeling-Pittsburgh Steel Corporation’s 12.4375% indirect interest in the Empire Iron Mining Partnership (See referenced discussion under Bankruptcies of Mine Partners and Customers on page 3).
- (5) In November, 2001, the annual capacity of the Empire Mine was optimized from the prior 8.0 million tons to 6.3 million tons.
- (6) On January 31, 2002 the Company acquired Cannelton Iron Ore Company’s (a wholly-owned subsidiary of Algoma Steel, Inc.) 45% interest in Tilden for assumption of Cannelton’s share of Tilden liabilities at time of closing, with the result that the Company owns 85% of Tilden.
- (7) CMC receives no royalty payments with respect to such Mines, but does receive management fees.
- (8) On January 5, 2001, LTV Steel Company, Inc., the owner of LTV Steel Mining Company Mine, permanently shutdown the Mine and all operations. On October 30, 2001, the Company acquired the iron ore Mine and related assets of LTV Steel Mining Company (See referenced discussion under Bankruptcies of Mine Partners and Customers on page 3).
- (9) Northshore can produce 4.8 million tons of standard pellets.

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With respect to the Empire Mine, CCIC owns directly approximately one-half of the remaining mineral reserves and leases the balance of the reserves from their owners; with respect to the Tilden Mine, CCIC owns all of the mineral reserves; with respect to the Hibbing Mine, Wabush Mines and Northshore Mine, all mineral reserves are owned by others and leased or subleased directly to those mines.

Each of the mines contains crushing, concentrating, and pelletizing facilities. The Empire Iron Mining Partnership facilities were constructed beginning in 1962 and expanded in 1966, 1974 and 1980 with a total cost of approximately \$367 million; the Tilden Mine facilities were constructed beginning in 1972, expanded in 1979 and modified in 1988 with a total cost of approximately \$523 million; the Hibbing Taconite Joint Venture facilities were constructed beginning in 1973 and expanded in 1979 with a total cost of approximately \$302 million; the Northshore Mining Company facilities were constructed beginning in 1951, expanded in 1963 and significantly modified in 1979 with a total cost estimated in excess of \$500 million; and the Wabush Mines facilities were constructed beginning in 1962 with a total cost of approximately \$103 million. The Company believes the facilities at each site are in satisfactory condition. However, the facilities require capital and maintenance expenditures on an ongoing basis.

Production and Sales Information. The Company's sales are subject to, or influenced by, seasonal factors in the first quarter of the year, as the shipments and sale of iron ore are restricted by weather conditions.

The Company's managed capacity is approximately 32.4 million tons, or 40% of total pellet capacity in North America, and the Company's annual North American pellet sales capacity in 2001 was 12.8 million tons. In 2001, the Company produced 7.8 million tons of pellets in North America for its own account.

In 2001, the Company produced 17.6 million tons of iron ore in the United States and Canada for participants other than the Company. The share of participants having the five largest amounts, Algoma Steel Company, Bethlehem Steel Corporation, Ispat Inland Inc., LTV Steel Company and Stelco Inc., aggregated 15.9 million tons, or 90%. The largest such participant accounted for 27% of such production.

During 2001, the Company made sales of iron ore and pellets, which were produced for its own account or purchased from others, to 13 U.S., Canadian and European iron and steel manufacturing companies. No major multi-year sales contracts are due to expire before December 31, 2002. In 2001, Weirton Steel Company, AK Steel Company, and LTV Steel Company, directly and indirectly accounted for 21%, 13%, and 10%, respectively, of total revenues.

In May 2000, the Company negotiated a ten-year pellet sales agreement with LTV to supply LTV with the majority of its pellet requirements. Sales under the contract were less than .2 million tons in 2000; and were 1.0 million tons under an interim arrangement in 2001. No further sales are expected to be made under this contract.

On February 1, 2002, the Company and Algoma entered into a fifteen-year pellet sales agreement that provides that the Company will be the sole supplier of iron ore pellets purchased by Algoma. Pellet sales under this contract are expected to approximate 3 million tons per year.

Rail Transportation. The Company indirectly owns the Lake Superior & Ishpeming Railroad Company, which operates approximately 49 miles of track in the Upper Peninsula of Michigan, principally to haul iron ore from the Empire and Tilden Mines to Lake Superior at Marquette, Michigan, where the railroad has an ore loading dock, or to interchange points with another railroad. In 2001, 81% of the railroad's revenues were derived from hauling iron ore and pellets and other services in connection with

mining operations managed by CCIC. The railroad's rates are subject to regulation by the Surface Transportation Board of the Department of Transportation.

### **Ferrous Metallics**

In 2001, Cliffs and Associates Limited ("CAL"), a venture in Trinidad and Tobago, completed modifications to its plant, including replacement of the discharge system, and produced and sold in excess of 130,000 metric tons of commercial grade Circored® hot briquetted iron ("HBI"). However, in December 2001, CAL suspended operations for an indefinite period due to a weak market for HBI and other ferrous metallics products.

On November 20, 2000, a subsidiary of the Company and Lurgi Metallurgie GmbH ("Lurgi") completed the acquisition of LTV's 46.5 percent interest in CAL for \$2 million (Company share \$1.7 million) and additional future payments, that could total \$30 million through 2020 depending on CAL's production, sales volume and price realizations. Upon acquisition, the Company's ownership in CAL increased to 86.9 percent (previously 46.5 percent). Subsequently, the Company and Lurgi have made contributions to CAL to support operations, capital and working capital needs, totaling almost \$45 million (of which the Company's share was \$33 million) with the result that the Company's ownership in CAL decreased to 82.4% as of December 31, 2001.

The primary business risk faced by the Company in ferrous metallics is the ability of the Trinidad facility to produce and sustain a quantity of commercial grade HBI at a cost level necessary to achieve profitable operations given the adverse market for HBI. The Company has determined its investment in CAL is not impaired based upon expected resumption of operations and future cash flows.

### **CREDIT AGREEMENT AND SENIOR NOTES**

For information on the Company's Credit Agreement and Senior Notes, see information contained in the Management Discussion and Analysis of Financial Condition and Results of Operations under "Capitalization" on page 18, and in Note 8 in the Notes to the Company's Consolidated Financial Statement for year ended December 31, 2001.

### **COMPETITION**

The iron ore mines, which the Company's subsidiaries operate in North America and Canada, produce various grades of iron ore which are marketed in the United States, Canada, and Europe. In North America, the Company is in competition with several iron ore producers, including Iron Ore Company of Canada, Quebec Cartier Mining Company, and Evtac Mining Company, as well as other steel companies which own interests in iron ore mines and/or have excess iron ore purchase commitments. Significant amounts of iron ore have, since the early 1980s, been shipped to the United States from Brazil and Venezuela in competition with iron ore produced by the Company.

Other competitive forces have effectively become large factors in the iron ore business. With respect to a significant portion of steelmaking in North America, electric furnaces built by "minimills" have replaced the use of iron ore pellets with scrap metal in the steelmaking process. Imported steel slabs also replace the use of iron ore pellets in producing finished steel products. Imported steel produced from iron ore supplied by international competitors also effectively competes with the Company's iron ore pellets. Imported steel, and particularly imported slabs, had a significant impact on steelmaking in the United States, which has adversely affected the demand for iron ore pellets.

The HBI from the CAL venture in Trinidad, and Tobago, in which the Company has a controlling interest, is in competition with other direct reduced iron products (produced both domestically and internationally), other scrap substitutes, premium grade scrap and pig iron.

Competition among the sellers of iron products is predicated upon the usual competitive factors of price, availability of supply, product performance, service and cost to the consumer.

## **ENVIRONMENT, EMPLOYEES, ENERGY, AND RESEARCH AND DEVELOPMENT**

Environment. In the construction of the Company's facilities and in its operating arrangements, substantial costs have been incurred and will be incurred to avoid undue effect on the environment. The Company's commitment to environmental preservation resulted in North American capital expenditures of \$5.6 million in 2000 and \$.8 million in 2001. It is estimated that approximately \$1.1 million will be spent in 2002 for environmental control facilities.

The Company received notice in 1983 from the U.S. Environmental Protection Agency ("U.S. EPA") that the Company is a potentially responsible party with respect to the Cliffs-Dow Superfund Site in Michigan, which is not related to the Company's iron ore mining business. The Company and other potentially responsible parties have completed remedial action satisfactory to the U.S. EPA at an approximate cost of \$8 million, of which the Company's share was \$1.7 million. The Cliffs-Dow site was delisted by the U.S. EPA from the Superfund Site list in the latter part of year 2000. Settlement of U.S. EPA's oversight cost recovery claim of \$.4 million was finalized in 2001, of which the Company's share was less than \$.1 million.

Generally, various legislative bodies and federal and state agencies are continually promulgating numerous new laws and regulations affecting the Company, its customers, and its suppliers in many areas, including waste discharge and disposal; hazardous classification of materials, products, and ingredients; air and water discharges; and many other matters. Although the Company believes that its environmental policies and practices are sound and does not expect a material adverse effect of any current laws or regulations, it cannot predict the collective adverse impact of the rapidly expanding body of laws and regulations. For additional information on the Company's environmental matters, see Note 7 in the Notes to the Company's Consolidated Financial Statements for the year ended December 31, 2001.

Employees. As of December 31, 2001, CCIC and CMC and the North American independent mining ventures had 3,376 employees, of which 2,796 were hourly employees. Hourly employees are represented by the United Steelworkers of America ("United Steelworkers") under collective bargaining agreements. In August 1999, five-year labor agreements were ratified between the Hibbing Taconite, Tilden and Empire Mines and the United Steelworkers covering the period to August 1, 2004. Also, in 1999, an agreement was entered into with the United Steelworkers covering the employees of Wabush Mines, which agreement expires on March 1, 2004.

As of December 31, 2001, Northshore had 504 salaried employees, none of whom are represented by a union; Cliffs Reduced Iron Management Company had 2 salaried employees and CAL had 75 salaried employees; Cleveland-Cliffs Inc and its wholly-owned subsidiary, Cliffs Mining Services Company, had 181 salaried executive, managerial, administrative and technical employees; and the Lake Superior & Ishpeming Railroad had 160 employees.

Energy. The Empire and Tilden Mines have electric power supply contracts with Wisconsin Electric Power Company which are effective through 2007. The power supply contracts include an energy price cap and certain power curtailment features.

Electric power for Hibbing Taconite is supplied by Minnesota Power, Inc., under an agreement which continues to December, 2008. The Agreement includes certain take-or-pay commitments and an energy price cap.



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Silver Bay Power Company, an indirect subsidiary of the Company, provides the majority of Northshore's energy requirements, has an interconnection agreement with Minnesota Power, Inc. for backup power and sells 40 megawatts of excess power capacity to Northern States Power Company. The contract with Northern States Power extends to 2011.

Wabush Mines owns a portion of the Twin Falls Hydro Generation facility which provides power for Wabush's mining operations in Newfoundland. A twenty year agreement with Newfoundland Power, which agreement continues until December 31, 2014, allows an interchange of water rights in return for the power needs for Wabush's mining operations. The Wabush pelletizing operations in Quebec are served by Quebec Hydro on an annual contract.

The Company has contracts providing for the transport of natural gas for its United States iron ore operations. The Empire and Tilden Mines have the capability of burning natural gas, coal, or, to a lesser extent, oil. Wabush Mines has the capability of burning oil and coke breeze. Hibbing Taconite and Northshore have the capability of burning natural gas and oil. During 2001, the U.S. mines burned natural gas as their primary fuel; however, with high natural gas prices, the pelletizing operations utilized alternate fuels when practicable. Wabush Mines used oil, supplemented with coke breeze.

Any substantial unmitigated interruption of energy supply could be materially adverse to the Company.

Research and Development. The Company maintains a strong commitment to research and development with engineering staffs that are engaged in full-time research and development of new iron-bearing products and improvement of existing products at a research facility located in Ishpeming, Michigan.

### **ITEM 3. LEGAL PROCEEDINGS.**

The Company and certain of its subsidiaries are involved in various claims and ordinary routine litigation incidental to their businesses, including claims relating to the exposure of asbestos and silica to seamen who sailed on the Great Lakes vessels formerly owned and operated by subsidiaries of the Company. The full impact of these claims and proceedings in the aggregate continues to be unknown. The Company continues to monitor its claims and litigation expense, but believes that resolution of currently pending claims and proceedings are unlikely in the aggregate to have a material adverse effect on the Company's financial position.

As reported in the Company's Form 10-K for Year ended December 31, 2000, in April, 2000, Northshore, an indirect wholly-owned subsidiary of the Company, received a notice of violation from the Minnesota Pollution Control Agency ("MPCA") alleging violations of Northshore's 1996 National Pollutant Discharge Elimination System/State Disposal System Permit concerning its disposal practices relating to ash and fines from its power plant. As Northshore was in the process of resolving these issues with the MPCA, on October 22, 2000, there was a rupture in Northshore's tailings pipeline as a consequence of which approximately 14,000 tons or 10,200 cubic yards of tailings were spilled, which required significant environmental cleanup activities. After the spill, the MPCA indicated that it desired to resolve the previous permit concerns and the tailings spill in one settlement document. As a result, on December 11, 2001, Northshore and the MPCA entered into a Stipulation Agreement, which is a settlement agreement that resolves past alleged violations associated with the above-mentioned environmental matters. Under the terms of the Stipulation Agreement, Northshore is required to pay a civil penalty in the amount of \$200,000 and to, among other things, implement an Environmental Management System at Northshore's facilities which must cost at least \$240,000. Northshore is in the process of complying with the terms of the Stipulation Agreement and the Company considers the above environmental matters to be resolved with the MPCA.

**ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.**

None.

**EXECUTIVE OFFICERS OF THE REGISTRANT**

Name	Position with the Company as of February 5, 2002	Age
J. S. Brinzo	Chairman and Chief Executive Officer	60
D. H. Gunning	Vice Chairman	59
T. J. O'Neil	President and Chief Operating Officer	61
W. R. Calfee	Executive Vice President-Commercial	55
C. B. Bezik	Senior Vice President-Finance	48
E. C. Dowling	Senior Vice President-Operations	46
J. A. Trethewey	Senior Vice President-Business Development	57

There is no family relationship between any of the executive officers of the Company, or between any of such executive officers and any of the Directors of the Company. Officers are elected to serve until successors have been elected. All of the above-named executive officers of the Company were elected effective on the effective dates listed below for each such officer.

The business experience of the persons named above for the last five years is as follows:

J. S. Brinzo	Executive Vice President-Finance, Company, October 1, 1995 to June 30, 1997. Executive Vice President-Finance and Planning, Company, July 1, 1997 to November 9, 1997. President and Chief Executive Officer, Company, November 10, 1997 to December 31, 1999. Chairman and Chief Executive Officer, Company, January 1, 2000 to date.
D. H. Gunning	Chairman, President and Chief Executive Officer, Capitol American Financial Corporation, 1993 to March, 1997. President, Parkwood Corporation, July, 1997 to December, 1997. Consultant and Private Investor December, 1997 to April, 2001. Vice Chairman, Company, April 16, 2001 to date.
T. J. O'Neil	Executive Vice President-Operations, Company, October 1, 1995 to December 31, 1999. President and Chief Operating Officer, Company, January 1, 2000 to date.
W. R. Calfee	Executive Vice President-Commercial, Company, October 1, 1995 to date.

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C. B. Bezik	Vice President and Treasurer, Company, October 1, 1995 to November 9, 1997. Senior Vice President-Finance, Company, November 10, 1997 to date.
E. C. Dowling	Senior Vice President-Director Process Management and Engineering, Cyprus Amax Minerals Company, September, 1996 to April, 1998. Senior Vice President-Operations, Company, April 15, 1998 to date.
J. A. Trethewey	Vice President-Operations Liaison, Company, October 1, 1995 to June 30, 1997. Vice President-Operations Services, Company, July 1, 1997 to May 31, 1999. Senior Vice President-Operations Services, Company, June 1, 1999 to March 15, 2001. Senior Vice President-Business Development, Company, March 16, 2001 to date.

**PART II****ITEM 5. MARKET FOR REGISTRANTS' COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.****Stock Exchange Information**

Stock Exchange Information for Cleveland-Cliffs Inc common shares (ticker symbol CLF) is the New York Stock Exchange. The shares are also listed on the Chicago Stock Exchange.

**Common Share Price Performance And Dividends**

	Price Performance				Dividends	
	2001		2000		2001	2000
	High	Low	High	Low		
First Quarter	<b>\$22.38</b>	<b>\$13.69</b>	\$31.38	\$22.00	<b>\$.10</b>	\$.375
Second Quarter	<b>22.45</b>	<b>16.36</b>	26.25	21.94	<b>.10</b>	.375
Third Quarter	<b>18.85</b>	<b>14.00</b>	27.25	22.56	<b>.10</b>	.375
Fourth Quarter	<b>18.35</b>	<b>13.65</b>	23.19	19.69	<b>.10</b>	.375
Year	<b>22.45</b>	<b>13.65</b>	31.38	19.69	<b>\$.40</b>	\$1.50

At December 31, 2001, the Company had 2,439 shareholders of record.

**Sales of Unregistered Securities**

During the year 2001, pursuant to the Cleveland-Cliffs Inc Voluntary Non-Qualified Deferred Compensation Plan ("VNQDC Plan"), the Company sold a total of 1,663 shares of common stock, par value \$1.00 per share, of Cleveland-Cliffs Inc ("Common Shares"), for an aggregate consideration of \$29,226.25, to the Trustee of the Trust maintained under the VNQDC Plan, of which 12 shares were sold in the fourth quarter of 2001 and 1,651 shares were sold previously during the year and reported on the Company's Quarterly Reports on Form 10-Q for the periods ending March 31, June 30, and September 30, 2001. These sales were made in reliance on Rule 506 of Regulation D under the Securities Act of 1933 ("1933 Act") pursuant to elections made by one officer and one managerial employee under the VNQDC Plan.

**ITEM 6. SELECTED FINANCIAL DATA.**

**Summary of Financial and Other Statistical Data  
Cleveland-Cliffs Inc and Consolidated Subsidiaries**

	2001	2000	1999	1998	1997
<b>Financial Data (In Millions, Except Per Share Amounts) For The Year</b>					
<b>Operating Earnings</b>					
Operating Revenues — Product Sales and Services	\$330.4	\$379.4	\$316.1	\$465.7	\$406.1
— Royalties and Management Fees	43.2	50.7	48.5	49.7	47.5
— Total	373.6	430.1	364.6	515.4	453.6
Cost of Goods Sold and Operating Expenses and AS&G Expenses	417.0	398.9	345.4	438.3	386.7
Operating Earnings (Loss)	(43.4)	31.2	19.2	77.1	66.9
Net Income (Loss) Before Cumulative Effect of Accounting Change	(32.2)	18.1	4.8	57.4	54.9
Cumulative Effect of Accounting Change (a)	9.3				
Net Income (Loss) (b)	(22.9)	18.1	4.8	57.4	54.9
<b>Net Income (Loss) Per Common Share — Basic</b>					
Before Cumulative Effect of Accounting Change	(3.19)	1.74	0.43	5.10	4.83
Cumulative Effect of Accounting Change	0.92				
Net Income (Loss) (b)	(2.27)	1.74	0.43	5.10	4.83
<b>Net Income (Loss) Per Common Share — Diluted</b>					
Before Cumulative Effect of Accounting Change	(3.19)	1.73	0.43	5.06	4.80
Cumulative Effect of Accounting Change	0.92				
Net Income (Loss) (b)	(2.27)	1.73	0.43	5.06	4.80
Total Assets	825.0	727.8	679.7	723.8	694.3
Debt Obligations Effectively Serviced (c)	173.9	74.0	74.7	75.4	74.9
Net Cash from Operating Activities	6.8	27.7	3.6	92.1	42.3
<b>Distributions to Common Shareholders</b>					
Cash Dividends — Per Share	0.40	1.50	1.50	1.45	1.30
— Total	4.1	15.7	16.7	16.3	14.8
Repurchases of Common Shares		15.6	17.2	11.5	4.9
<b>Pro Forma Results Assuming Accounting Change Made Retroactively</b>					
Net Income	(22.9)	19.9	6.8	58.9	56.9
Per Share					
Basic	(2.27)	1.91	0.61	5.23	5.01
Diluted	(2.27)	1.90	0.61	5.19	4.97
<b>Iron Ore Production and Sales Statistics (Millions of Gross Tons)</b>					
Production From Iron Ore Mines Managed By The Company	25.4	41.0	36.2	40.3	39.6
Company's Share of Iron Ore Production	7.8	11.8	8.8	11.4	10.9
HBI Production	0.1				
<b>Company's Sales Tons From</b>					
Iron Ore	8.4	10.4	8.9	12.1	10.4
HBI	0.1				
<b>Other Information</b>					
Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) (d)	(16.8)	44.2	27.9	87.1	87.8
Earnings Before Interest and Taxes (EBIT) (d)	(43.0)	18.6	5.4	66.8	68.9
Common Shares Outstanding (Millions) — Average For Year	10.1	10.4	11.1	11.3	11.4
— At Year-End	10.1	10.1	10.6	11.2	11.3
Employees at Year-End (e)	4,302	5,645	5,947	6,029	5,951

- (a) Effective January 1, 2001 the Company changed its method of accounting for investment gains and losses on pension assets for the recognition of pension expense. Unrealized and realized gains and losses are now recognized immediately. Previously these gains and losses were amortized over five years.
- (b) Results for 2000 include an after-tax \$9.9 million recovery on an insurance claim, \$5.2 million federal income tax credit, and a \$7.1 million charge relating to a common stock investment (combined \$.77 per share income); 1999 includes a \$4.4 million (\$.39 per share) recovery relating primarily to prior years' state tax refunds; in 1998, federal income tax credit \$3.5 million (\$.31 per share); and in 1997 after-tax credits of \$8.8 million (\$.77 per share).
- (c) Includes the Company's share of ventures and equipment acquired on capital leases; includes short-term portion.
- (d) EBITDA and EBIT are not presented as substitute measures of operating results or cash flow from operations, but because they are widely accepted indicators of a company's ability to acquire and service debt.
- (e) Includes employees of managed mining ventures.

**ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.**

In 2001, Cleveland-Cliffs Inc ("Company") had a net loss of \$22.9 million, or \$2.27 per share (references to per share earnings are "diluted earnings per share") versus net income for the year 2000 of \$18.1 million, or \$1.73 per share. Following is a summary of results:

	(In millions, except per share amounts)		
	2001	2000	1999
Net income (loss) before special items and cumulative effect of accounting change	\$ (32.2)	\$ 10.1	\$ .4
Special items		8.0	4.4
Cumulative effect of accounting change	9.3		
Net income (loss)			
- Amount	\$ (22.9)	\$ 18.1	\$ 4.8
- Per share (basic)	\$ (2.27)	\$ 1.74	\$ .43
- Per share (diluted)	\$ (2.27)	\$ 1.73	\$ .43
Average number of shares (in thousands)			
- Basic	10,073	10,393	11,076
- Diluted	10,073	10,439	11,124

**2001 versus 2000**

Net loss for the year 2001 was \$22.9 million, or \$2.27 per share, including \$9.3 million net income from a change in accounting principle. The cumulative effect of \$9.3 million results from a change in the method of accounting for investment gains and losses on pension assets for the calculation of net periodic pension costs. Previously, the Company utilized a method that deferred and amortized realized and unrealized gains and losses over five years for most pension plans. The new method recognizes these changes immediately. The accounting change reduced 2001 pension expense by \$.1 million. Excluding the accounting change effect, the net loss was \$32.2 million, or \$3.19 per share.

Net income for the year 2000 of \$18.1 million, or \$1.73 per share, included three special items:

- \$9.9 million after-tax recovery on an insurance claim related to lost 1999 sales;
- \$5.2 million tax credit reflecting a reassessment of income tax obligations based on current audits of prior years' federal tax returns; and
- \$7.1 million after-tax charge to recognize the decrease in value of the Company's investment in LTV common stock.

Excluding the cumulative effect of a change in accounting principle and special items, the 2001 loss of \$32.2 million represented an earnings decrease of \$42.3 million from 2000. The decrease reflected a higher loss before income taxes, \$60.7 million, partially offset by lower income taxes, \$18.4 million. The \$60.7 million decrease in pre-tax results was primarily due to:

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ITEM 7. (Continued)

- A decrease in pellet sales margin of \$52.0 million. Following is a summary comparison of sales margin for 2001 and 2000:

	(In Millions)			
	2001	2000	Increase (Decrease)	
			Amount	Percent
Sales (Tons)	8.4	10.4	(2.0)	(19)%
Revenue from product sales and services	\$319.3	\$379.4	\$(60.1)	(16)%
Cost of goods sold and operating expenses	372.1	380.2	(8.1)	(2)%
Sales margin (loss)	\$ (52.8)	\$ (.8)	\$(52.0)	N/M

Revenue from product sales and services decreased \$60.1 million primarily due to the 2.0 million ton sales volume decrease partly offset by a modest increase in average price realization. Included in 2001 cost of goods sold and operating expenses was approximately \$48 million of idle expense related to production curtailments at the Company's mining ventures and higher employment costs, primarily related to benefits.

- Royalty and management fee revenue, including amounts paid by the Company as a participant in mining ventures, decreased \$7.5 million, reflecting the production curtailments.
- The loss from Cliffs and Associates Limited ("CAL"), net of minority interest, was \$19.3 million in 2001, compared to a loss of \$13.3 million in 2000. The increased loss of \$6.0 million reflected the start-up and commissioning of the HBI venture in Trinidad and Tobago in mid-March of 2001 and the increased Company ownership, 82.4 percent in 2001 versus 46.5 percent for most of 2000 (See Ferrous Metallics).
- Interest expense was \$4.4 million higher in 2001 reflecting interest on borrowings under the Company's \$100 million revolving credit facility. Interest expense was partially offset by \$.9 million of increased interest income reflecting higher cash balances.
- Other expenses reflect lower business development expense in 2001, largely offset by 2001 restructuring charges of \$4.8 million, primarily relating to headcount reductions at the Michigan mines, corporate office, and central service functions.
- Other income was \$3.1 million higher in 2001 primarily due to gains on the sale of non-strategic assets, principally non-mining lands.
- Administrative, selling and general expenses decreased about 20 percent, \$3.5 million, reflecting employee reductions and other cost saving initiatives.

**2000 versus 1999**

Net income for the year 2000 of \$18.1 million, or \$1.73 per share, included special items discussed previously. Year 1999 net income of \$4.8 million, or \$.43 per share included favorable after-tax income adjustments of \$4.4 million that related primarily to prior years' state tax refunds. Excluding special items in both years, net income in 2000 of \$10.1 million was \$9.7 million higher than 1999 net income of \$.4



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**ITEM 7. (Continued)**

million. The \$9.7 million improvement in 2000 net income before special items reflected higher income before income taxes, \$14.4 million, partially offset by higher income taxes, \$4.7 million. The increase in pre-tax income before special items was primarily due to:

- An improvement of \$19.2 million in pellet sales margin from the 1999 negative margin of \$20.0 million. Following is a summary comparison of sales margin for 2000 and 1999:

	(In Millions)			
	2000	1999	Increase (Decrease)	
			Amount	Percent
Sales (Tons)	10.4	8.9	1.5	17%
Revenue from product sales and services	\$379.4	\$316.1	\$ 63.3	20%
Cost of goods sold and operating expenses	380.2	336.1	44.1	13%
Sales margin (loss)	\$ (.8)	\$ (20.0)	\$ 19.2	96%

Revenue from product sales and services increased \$63.3 million primarily due to the 1.5 million ton sales volume increase along with a modest improvement in average sales price realization. The increase in cost of goods sold and operating expenses reflected the increase in volume, production curtailments in 1999 and significant increases in energy rates, which added almost \$14 million to cost in 2000.

- Royalty and management fees, including amounts paid by the Company as a participant in the mining ventures, of \$50.7 million in 2000 versus \$48.5 million in 1999, an increase of \$2.2 million, primarily due to increased production at Tilden Mine.
- Higher other income, \$3.3 million, including insurance company demutualization proceeds, favorable settlement of a legal dispute, and gains from sales of non-strategic lands.

Partially offsetting were:

- Higher CAL pre-operating losses, \$4.5 million, reflecting continuing plant start-up difficulties, holding costs during plant modifications, and the Company's increased ownership in the venture as of November 20, 2000.
- Increased administrative, selling and general expense, \$2.6 million, due to higher active and retiree medical costs and pensions, and increased management incentive compensation expense.
- Higher other expenses, \$2.0 million, largely reflecting the reserving of certain amounts related to administrative services and management fees due from a subsidiary of LTV Corporation ("LTV") at the time that LTV filed for protection under Chapter 11 of the U.S. Bankruptcy Code.
- Higher interest expense, \$1.2 million, resulting from the cessation of interest capitalization in April, 1999 on the construction of CAL's hot briquetted iron ("HBI") facility in Trinidad and Tobago.

The \$4.7 million increase in income taxes before special items was principally due to higher pre-tax income.

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## ITEM 7. (Continued)

**Cash Flow and Liquidity**

At December 31, 2001, the Company had cash and cash equivalents of \$183.8 million. Following is a summary of 2001 cash flow activity:

	(In Millions)
Net cash flow from operations	\$ 6.8
Borrowings under revolving credit facility	100.0
Proceeds from LTV Steel Mining Company transaction	50.0
Proceeds from sale of assets	11.0
Capital expenditures	(13.2)
Dividends	(4.1)
Contributions to CAL by minority shareholder	7.1
Other	(3.7)
<b>Increase in cash and cash equivalents</b>	<b>\$ 153.9</b>

Following is a summary of key liquidity measures:

	At December 31 (In Millions)		
	2001	2000	1999
Cash and cash equivalents	<b>\$183.8</b>	\$ 29.9	\$ 67.6
Available bank credit	—	100.0	100.0
<b>Total liquidity</b>	<b>\$183.8</b>	<b>\$129.9</b>	<b>\$167.6</b>
Working capital	<b>\$172.9</b>	\$145.8	\$143.4
Ratio of current assets to current liabilities	<b>1.9:1</b>	2.4:1	3.0:1

In October, the Company and Minnesota Power, a business of Allete, Inc., acquired the LTV Steel Mining Company ("LTVSMC") assets. As a result, the Company received \$50 million in cash and assumed certain remediation and closure obligations at LTVSMC. For further discussion, see LTVSMC transaction.

The Company received a refund of \$15.4 million of current and prior years' federal tax payments in 2001 associated with the Company's adjustment of its tax basis of CAL properties. The Company expects to receive a tax refund in 2002 of approximately \$4 million.

The Company anticipates that its share of capital expenditures related to the iron ore business, which was \$7.2 million in 2001, will be less than \$15 million in 2002. The estimate for 2002 capital expenditures is highly uncertain, and will depend on production levels at the Company-managed mines and the financial position of the mine owners. Additionally, the Company invested \$3.0 million in 2001 (with an additional commitment to invest \$7.4 million in 2002) in a new joint venture to acquire certain power-related assets in a purchase-leaseback arrangement. The Company expects to fund its share of capital and venture expenditures from available cash and current operations.

**ITEM 7. (Continued)**

**Capitalization**

Long-term debt of the Company consists of \$70 million of senior unsecured notes, with a fixed interest rate of 7.0 percent, which are scheduled to be repaid on December 15, 2005. In addition, the Company has a \$100 million revolving credit agreement, which expires on May 31, 2003. On January 8, 2001, the Company borrowed \$65 million and on May 10, 2001, an additional \$35 million was borrowed on the facility. The loan interest rate, based on the LIBOR rate plus a premium, is fixed through the middle of June, 2002 at an average rate of 2.4 percent. Loan repayment timing is flexible; however, the Company expects to repay the loan before December 31, 2002. The note and revolving credit agreements require the Company to meet certain covenants related to net worth, leverage and other provisions. The Company was in compliance with the debt covenants at December 31, 2001, exceeding the requirements by more than \$17 million at December 31, 2001 for the most restrictive covenant (net worth) in the revolving credit facility and \$153 million in the senior unsecured notes. Given the severe economic environment confronting the Company's steel company partners and customers, the company expects its business fundamentals will continue to be difficult. Continued adverse earnings performance in 2002 would result in the Company being unable to comply with the net worth covenant in the revolving credit facility. In that event, the Company would attempt to amend the existing revolving credit facility or seek alternative financing. The Company had capital lease obligations at December 31, 2001 of \$3.9 million, including its share of mining ventures, which are largely non-recourse to the Company.

On January 8, 2002, the Company announced suspension of its \$.10 per Common Share quarterly dividend which will save approximately \$4 million in cash annually.

**Iron Ore**

North American steel industry fundamentals, which deteriorated significantly in the second half of 2000, continued to decline throughout 2001. Weak steel order books and price decreases attributable to slowing economies in the United States and Canada, and high volumes of steel imports, have caused crisis conditions in the North American iron and steel industry. (See Bankruptcies of Mine Partners and Customers.) The Company is supporting steel industry efforts to combat unfair imports. Given the current conditions in the industry, significant uncertainty exists concerning the Company's sales and production at its mines in 2002.

Iron ore pellet production at the Company's managed mines in 2001 was 25.4 million tons compared to 41.0 million tons in 2000. The 15.6 million ton decrease was principally due to the permanent closure of LTVSMC in early 2001 and production curtailments at all mines. The Company preliminarily expects 2002 production to approximate 2001 levels.

The Company's share of 2001 production was 7.8 million tons, which was 4.0 million tons below production for 2000. The Company ended the year 2001 with 3.0 million tons of iron ore pellet inventory, a decrease of .3 million tons from 2000. The decrease was mainly due to production curtailments which were undertaken to address lower sales volume in 2001 and to reduce inventory.

The Company's iron ore pellet sales were 8.4 million tons in 2001 versus 10.4 million tons in 2000. The decrease in iron ore pellet sales in 2001 was due to lower demand by the integrated steel industry resulting from a broad based weakening in the North American economy, along with the cessation of LTV operations. The Company expects pellet sales of 11.5 to 12.0 million tons in 2002 to approximate production, after the Company completes the sales contract with Algoma Steel Inc. ("Algoma") and acquires its 45 percent interest in the Tilden Mine. (See Bankruptcies of Mine Partners and Customers.) The Company's sales volume is largely committed under multi-year sales contracts, which are subject to changes in customer requirements. International iron ore pellet price changes impact certain of the Company's multi-year sales contracts, which use international prices as price adjustment factors. Other

**ITEM 7. (Continued)**

factors impacting the Company's average price realization under various sales contracts include mine operating costs, energy costs, and steel prices.

Five-year labor agreements between the United Steelworkers of America ("USWA") and the Empire, Hibbing, and Tilden mines were ratified in August 1999. The agreements, which were patterned after agreements negotiated by major steel companies, provide employees with improvements in pensions, wages, and other benefits. The agreements also commit the mines and the union jointly to seek operating cost improvements. The Wabush Mine in Canada also settled on a five-year contract in July, 1999.

**Bankruptcies of Mine Partners and Customers**

In late 2001, LTV, which had filed for protection under Chapter 11 of the U.S. Bankruptcy Code on December 29, 2000, ceased integrated steelmaking operations and agreed to maintain operations on "hot idle" through February 28, 2002 for potential sale of the steel operations. Up to that time, 1.4 million tons had been produced for LTV's account at Empire in 2001. As a result, Empire operations were idled for an indefinite period commencing in mid-November while the remaining partners (Ispat Inland, 40 percent, and the Company, 35 percent) in Empire assess their alternatives. Through mid-November, 2001, the Company sold LTV approximately 1.0 million tons (.2 million tons in 2000). The Company had no trade receivables exposure related to these sales.

On April 23, 2001, Algoma, a 45 percent owner of Tilden Mine and a significant rail transportation customer of the Company, initiated a financial restructuring, and as part of the process obtained an Order for protection under the Companies' Creditors Arrangement Act in the Ontario Superior Court of Justice. At the time of the Order, the Company's exposure to Algoma was limited to \$.7 million of transportation receivables, which was reserved. Algoma has met its cash funding obligations at the Tilden Mine and for transportation subsequent to the Order. On November 2, 2001, the Company announced a planned acquisition of Algoma's 45 percent interest in the Tilden Mine for the assumption of Algoma's share of Tilden liabilities, which are expected to be between \$15 million and \$20 million. The acquisition, expected in the first quarter of 2002, will increase the Company's ownership in the mine to 85 percent, and increase its share of the mine's annual production capacity by 3.5 million tons to 6.6 million tons. The Company and Algoma have also agreed to terms for a sales agreement that will make the Company the sole supplier of iron ore pellets purchased by Algoma for a 15-year period. Sales to Algoma under this new contract are expected to approximate 3 million tons in 2002.

On October 15, 2001, Bethlehem Steel Corporation ("Bethlehem"), a 70.3 percent owner in the Hibbing Mine and a customer of the Company, filed for protection under Chapter 11 of the U.S. Bankruptcy Code. Bethlehem has continued to fund its Hibbing obligations and take iron ore from the mine. At the time of the filing, the Company had a trade receivable of approximately \$1.0 million, which has been reserved.

In 1998, Acme Metals Incorporated and its wholly-owned subsidiary Acme Steel Company (collectively "Acme"), a 15.1 percent owner in Wabush and an iron ore customer, filed for bankruptcy protection. On August 26, 2001, Acme ceased funding its cash requirements for its obligation at Wabush. As a result, production at Wabush was curtailed in the fourth quarter by about .4 million tons. Sales to Acme in 2001 were less than .2 million tons. The Company had no trade receivable exposure to Acme.

Prior to Wheeling-Pittsburgh Steel Corporation's ("Wheeling-Pittsburgh") filing for protection under Chapter 11 of the U.S. Bankruptcy Code in November, 2000, the Company exercised its rights under agreements with Wheeling-Pittsburgh to acquire Wheeling-Pittsburgh's 12.4375 percent indirect interest in Empire, increasing its ownership share to 35 percent. At the time of the filing, the Company did not have a term sales contract with Wheeling-Pittsburgh, and there was no trade receivable exposure.

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### **ITEM 7. (Continued)**

The major business risk faced by the Company in iron ore is lower customer or venture partner consumption of iron ore from the Company's managed mines which may result from competition from other iron ore suppliers; use of iron ore substitutes, including imported semi-finished steel; steel industry consolidation, rationalization or financial failure; or decreased North American steel production, resulting from increased imports or lower steel consumption. Loss of sales and/or royalty and management fee income on any such unmitigated loss of business would have a significantly greater impact on operating results and cash flow than revenue, due to the high level of fixed costs in the iron mining business and the high cost to idle or close mines. In the event of a venture participant's failure to perform, remaining solvent venturers, including the Company, may be required to assume and record additional material obligations.

### **LTVSMC Transaction**

In October, 2001, subsidiaries of the Company and Minnesota Power, a business of Allete, Inc. acquired LTV's assets of LTVSMC in Minnesota for \$25 million (Company share \$12.5 million) and the assumption of environmental and certain facility closure obligations. Minnesota Power acquired the 225 megawatt electric generating facility at Taconite Harbor, transmission facilities, and non-mining property and made a \$62.5 million payment to the Company. In addition, the Company received all of the iron ore mining and processing facilities of LTVSMC, including its 74-mile mainline railroad and dock operation at Taconite Harbor and assumed certain environmental and closure obligations of the facility.

The Company does not intend to operate the mining assets for the production of iron ore pellets, but is investigating other options including non-ferrous metals development and providing transportation support services to other Minnesota mining operations. The Company has entered into an option agreement with Minnesota Iron Range Resources and Rehabilitation Board ("IRRRB") for the sale to IRRRB of mining lands for future development.

### **Ferrous Metallics**

The Company's strategy includes extending its business scope to produce and supply ferrous metallic products to an expanded customer base, including electric arc furnace steelmakers.

In November, 2000, a subsidiary of the Company and Lurgi Metallurgie GmbH ("Lurgi") acquired LTV's 46.5 percent interest in CAL for \$2 million (Company's share \$1.7 million) and additional future contingent payments that could total \$30 million through 2020 dependent on CAL's production, sales volume and price realizations.

In December, 2001, the owners of CAL (Company ownership 82.4 percent) suspended operations at the HBI facility in Trinidad and Tobago for an indefinite period due to a weak market for ferrous metallics products. Prior to the suspension of operations, CAL had produced and sold in excess of 130,000 tonnes of commercial grade Circa<sup>TM</sup> briquettes once plant modifications were completed in March, 2001. If plant operations were to remain suspended for 2002, CAL idle costs before depreciation are not expected to exceed \$6 million.

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### ITEM 7. (Continued)

The Company's pre-tax loss from CAL in 2001 was \$19.3 million, net of minority interest. At December 31, 2001 and 2000, the Company's consolidated financial statements included the following amounts related to CAL:

	(Millions)	
	December 31	
	2001	2000
Property, plant and equipment (including capitalized interest)	\$122.9	\$119.1
Working capital deficit	(3.7)	(3.0)
Minority interest	(25.9)	(23.9)
Total	\$ 93.3	\$ 92.2

The primary business risk faced by the Company in ferrous metallics is the ability of the Trinidad facility to produce and sustain a quantity of commercial grade HBI at a cost level necessary to achieve profitable operations given the adverse market for HBI. The Company has determined its CAL investment at December 31, 2001 is not impaired based on expected resumption of operations and future cash flows.

### Strategic Investments

The Company is pursuing investment opportunities to broaden its scope as a supplier of iron products to the steel industry. In the normal course of business, the Company examines opportunities to strengthen its position by evaluating various investment opportunities consistent with its 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.

### Actuarial Assumptions

As a result of a decrease in long-term interest rates, the Company has decreased the discount rate used to determine its pension and other postretirement benefit ("OPEB") obligations to 7.50 percent at December 31, 2001 from 7.75 percent at December 31, 2000. The decrease in the discount rate is projected to increase pension and OPEB expense for 2002 by \$.1 million.

The Company assumes a 9 percent annual return on pension plan investments. Adverse investment performance in 2001 will result in higher pension expense of \$.8 million in 2002.

The Company makes contributions to the pension plans within income tax deductibility restrictions in accordance with statutory requirements. The Company, including its share of ventures funding, contributed \$.4 million and \$1.7 million in 2001 and 2000, respectively, compared to \$4.4 million and \$5.9 million for pension expense for the same periods.

### Environmental and Closure Obligations

At December 31, 2001, the Company had environmental and closure obligations, including its share of the obligations of ventures, of \$70.6 million (\$27.0 million at December 31, 2000), of which \$9.1 million is current. Payments in 2001 were \$5.6 million (2000 — \$1.9 million). The obligations include certain responsibilities for environmental and closure of LTVSMC, which were assumed in the LTVSMC asset acquisition.

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### ITEM 7. (Continued)

#### **Market Risk**

The Company is subject to a variety of market risks, including those caused by changes in commodity prices, foreign currency exchange rates and interest rates. The Company has established policies and procedures to manage such risks; however, certain risks are beyond the control of the Company.

The Company's investment policy relating to its short-term investments (classified as cash equivalents) is to preserve principal and liquidity while maximizing the return through investment of available funds. The carrying value of these investments approximates fair value on the reporting dates.

The Company's mining ventures enter into forward contracts for certain commodities, primarily natural gas, as a hedge against price volatility. Such contracts, which are in quantities expected to be delivered and used in the production process, are a means to limit exposure to price fluctuations. At December 31, 2001, the notional amounts of the outstanding forward contracts were \$11.4 million (Company share — \$5.4 million), with an unrecognized fair value loss of \$1.4 million (Company share — \$.7 million) based on December 31, 2001 forward rates. The contracts mature at various times through November, 2002. If the forward rates were to change 10 percent from the year-end rate, the value and potential cash flow effect on the contracts would be approximately \$1.0 million (Company share — \$.5 million).

The Company has \$70 million of long-term debt outstanding at a fixed interest rate of 7 percent due in December, 2005. Additionally, the Company has \$100 million outstanding on its revolving credit facility with an average fixed interest rate of 2.4 percent through the middle of June, 2002. A hypothetical increase or decrease of 10 percent from 2001 year-end interest rates would change the fair value of the senior unsecured notes and the revolving credit facility by \$.8 million and \$.1 million, respectively.

A portion of the Company's operating costs related to Wabush Mines are subject to change in the value of the Canadian dollar; however, the Company does not hedge its exposure to changes in the Canadian dollar.

#### **Financial Reporting and Disclosure**

The Company annually reviews its financial reporting and disclosure practices and accounting policies to ensure that its financial reporting and disclosure system provides accurate and transparent information relative to the current economic and business environment. As part of the process, the Company has reviewed its selection, application and communication of critical accounting policies and financial disclosures. Areas most critical to the Company consist of disclosures regarding business risk, including the limited number and distressed financial condition of its iron ore partners and customers, the fixed costs, legacy costs and restructuring costs associated with its mining operations, and the market volatility of HBI; and the limited flexibility under its revolving credit facility. In light of the difficult business climate affecting the Company's operations, the Company has reviewed the estimates and assumptions used in supporting the carrying value of its assets, especially long-lived assets, and the recognition and disclosure of its obligations. At December 31, 2001, the Company believes its financial statements are fairly presented and its disclosures are balanced and responsive. The Company believes that its business plans and actions are addressing its current business risks and challenges; however, future events could result in financial statement adjustments and/or additional disclosures.

#### **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

**ITEM 7. (Continued)**

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, but are not limited to 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, or failure of customers to perform under existing 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 in other countries;
- Substantial changes in imports of steel, iron ore, or ferrous metallic products;
- Lower domestic demand for steel and iron ore;
- Unanticipated changes in the market value of steel, iron ore or ferrous metallics;
- Premature closing or impairment of operations due to changes in product demand, production costs, ore characteristics or availability, or owner actions;
- 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 financial markets, such as interest rates and availability of credit;
- Changes in laws, regulations or enforcement practices governing environmental, closure and safety obligations; and
- Changes in domestic or international economic and political conditions.

The Company is under no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.



**ITEM 7.A. QUALITATIVE AND QUANTITATIVE DISCLOSURES ABOUT MARKET RISK.**

(Information regarding Market Risk of the Company is presented under the caption “Market Risk” which is included in Item 7 and is incorporated by reference and made a part hereof.)

**ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.****Statement of Consolidated Financial Position**

Cleveland-Cliffs Inc and Consolidated Subsidiaries

	(In Millions) December 31	
	2001	2000
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	<b>\$183.8</b>	\$ 29.9
Trade accounts receivable – net	<b>19.9</b>	46.3
Receivables from associated companies	<b>12.1</b>	18.5
Inventories Product	<b>84.8</b>	90.8
Supplies and other	<b>29.0</b>	22.4
Deferred and refundable income taxes	<b>20.8</b>	27.3
Other	<b>12.3</b>	12.8
	<hr/>	<hr/>
TOTAL CURRENT ASSETS	<b>362.7</b>	248.0
<b>PROPERTIES</b>		
Plant and equipment	<b>339.4</b>	337.7
Minerals	<b>18.6</b>	19.2
	<hr/>	<hr/>
	<b>358.0</b>	356.9
Allowances for depreciation and depletion	<b>(97.7)</b>	(84.2)
	<hr/>	<hr/>
TOTAL PROPERTIES	<b>260.3</b>	272.7
INVESTMENTS IN ASSOCIATED COMPANIES	<b>135.0</b>	138.4
<b>OTHER ASSETS</b>		
Prepaid pensions	<b>46.1</b>	38.1
Miscellaneous	<b>20.9</b>	30.6
	<hr/>	<hr/>
TOTAL OTHER ASSETS	<b>67.0</b>	68.7
	<hr/>	<hr/>
TOTAL ASSETS	<b>\$825.0</b>	\$727.8

ITEM 8. (Continued)

Statement of Consolidated Financial Position  
Cleveland-Cliffs Inc and Consolidated Subsidiaries

	(In Millions) December 31	
	2001	2000
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Borrowings under revolving credit facility	<b>\$ 100.0</b>	\$
Trade accounts payable	14.1	12.4
Payables to associated companies	16.0	22.7
Accrued expenses	38.7	39.6
Taxes payable	8.1	16.1
Environmental and closure	9.1	8.3
Other	3.8	3.1
	<hr/>	<hr/>
TOTAL CURRENT LIABILITIES	189.8	102.2
LONG-TERM DEBT	70.0	70.0
POSTEMPLOYMENT BENEFIT LIABILITIES	69.2	71.7
ENVIRONMENTAL AND CLOSURE OBLIGATIONS	59.2	16.4
OTHER LIABILITIES	36.7	41.6
	<hr/>	<hr/>
TOTAL LIABILITIES	424.9	301.9
MINORITY INTEREST IN CLIFFS AND ASSOCIATES LIMITED	25.9	23.9
<b>SHAREHOLDERS' EQUITY</b>		
Preferred Stock – no par value		
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	66.2	67.3
Retained income	476.7	503.7
Cost of 6,685,988 Common Shares in Treasury (2000 – 6,708,539 shares)	(183.3)	(183.8)
Accumulated other comprehensive loss, net of tax	(1.0)	
Unearned compensation	(1.2)	(2.0)
	<hr/>	<hr/>
TOTAL SHAREHOLDERS' EQUITY	374.2	402.0
	<hr/>	<hr/>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<b>\$ 825.0</b>	<b>\$ 727.8</b>

See notes to consolidated financial statements.

ITEM 8. (Continued)

Statement of Consolidated Operations

Cleveland-Cliffs Inc and Consolidated Subsidiaries

	(In Millions, Except Per Share Amounts) Year Ended December 31		
	2001	2000	1999
<b>REVENUES</b>			
Product sales and services			
Iron ore	<b>\$319.3</b>	\$379.4	\$316.1
Hot briquetted iron	<b>11.1</b>	—	—
	<b>330.4</b>	379.4	316.1
Royalties and management fees	<b>43.2</b>	50.7	48.5
	<b>373.6</b>	430.1	364.6
Total Operating Revenues	<b>373.6</b>	430.1	364.6
Insurance recovery	<b>.4</b>	15.3	—
Interest income	<b>3.8</b>	2.9	3.0
Other income	<b>9.8</b>	6.7	3.4
	<b>387.6</b>	455.0	371.0
Total Revenues	<b>387.6</b>	455.0	371.0
<b>COSTS AND EXPENSES</b>			
Cost of goods sold and operating expenses			
Iron ore	<b>372.1</b>	380.2	329.3
Hot briquetted iron	<b>29.7</b>	—	—
	<b>401.8</b>	380.2	329.3
Administrative, selling and general expenses	<b>15.2</b>	18.7	16.1
Pre-operating loss of Cliffs and Associates Limited	<b>5.8</b>	13.7	8.8
Interest expense	<b>9.3</b>	4.9	3.7
Loss on common stock investment	<b>—</b>	10.9	—
Other expenses	<b>9.1</b>	10.4	8.4
	<b>441.2</b>	438.8	366.3
Total Costs and Expenses	<b>441.2</b>	438.8	366.3
INCOME (LOSS) BEFORE INCOME TAXES, MINORITY INTEREST AND CUMULATIVE EFFECT OF ACCOUNTING CHANGE	<b>(53.6)</b>	16.2	4.7
INCOME TAXES (CREDIT)	<b>(16.3)</b>	(1.5)	(1)
INCOME (LOSS) BEFORE MINORITY INTEREST AND CUMULATIVE EFFECT OF ACCOUNTING CHANGE	<b>(37.3)</b>	17.7	4.8
MINORITY INTEREST	<b>5.1</b>	4	—
INCOME (LOSS) BEFORE CUMULATIVE EFFECT OF ACCOUNTING CHANGE CUMULATIVE EFFECT OF ACCOUNTING CHANGE - NET OF \$5.0 TAX	<b>(32.2)</b>	18.1	4.8
	<b>9.3</b>	—	—
NET INCOME (LOSS)	<b>\$ (22.9)</b>	\$ 18.1	\$ 4.8
NET INCOME (LOSS) PER COMMON SHARE – BASIC			
Before cumulative effect of accounting change	<b>\$ (3.19)</b>	\$ 1.74	\$ .43
Cumulative effect of accounting change – net of tax	<b>.92</b>	—	—
NET INCOME (LOSS)	<b>\$ (2.27)</b>	\$ 1.74	\$ .43
NET INCOME (LOSS) PER COMMON SHARE – DILUTED			
Before cumulative effect of accounting change	<b>\$ (3.19)</b>	\$ 1.73	\$ .43
Cumulative effect of accounting change – net of tax	<b>.92</b>	—	—
NET INCOME (LOSS)	<b>\$ (2.27)</b>	\$ 1.73	\$ .43
AVERAGE NUMBER OF SHARES			
Basic	<b>10.1</b>	10.4	11.1
Diluted	<b>10.1</b>	10.4	11.1

See notes to consolidated financial statements.

ITEM 8. (Continued)

Statement of Consolidated Cash Flows

Cleveland-Cliffs Inc and Consolidated Subsidiaries

	(In Millions, Brackets Indicate Cash Decrease) Year Ended December 31		
	2001	2000	1999
<b>OPERATING ACTIVITIES</b>			
Net income (loss)	\$ (22.9)	\$ 18.1	\$ 4.8
Adjustments to reconcile net income (loss) to net cash (used by) from operations:			
Depreciation and amortization:			
Consolidated	15.4	12.9	10.5
Share of associated companies	10.8	12.7	12.0
Cumulative effect of accounting change – net of \$5.0 tax	(9.3)		
Deferred income taxes	(12.8)	9.6	(2)
Gain on sale of assets	(5.6)	(7)	(4)
Tax credit		(5.2)	
Minority interest in Cliffs and Associates Limited	(5.1)	(4)	
Equity loss in Cliffs and Associates Limited		13.7	8.8
Loss on common stock investment		10.9	
Other	3.8	5.0	(3)
Total before changes in operating assets and liabilities	(25.7)	76.6	35.2
Changes in operating assets and liabilities:			
Inventories and prepaid expenses	(1)	(60.3)	6.4
Receivables	32.8	18.8	(23.5)
Payables and accrued expenses	(2)	(7.4)	(14.5)
Total changes in operating assets and liabilities	32.5	(48.9)	(31.6)
Net cash from operating activities	6.8	27.7	3.6
<b>INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment:			
Consolidated			
Cliffs and Associates Limited	(6.0)	(5.1)	
Other	(3.2)	(12.7)	(15.4)
Share of associated companies	(4.0)	(5.6)	(5.4)
Equity Investment and advances in Cliffs and Associates Limited		(13.8)	(12.5)
Purchase of additional interest in Cliffs and Associates Limited		(1.7)	
Proceeds from sale of assets	11.0	.9	.9
Other	(3.7)	(3)	
Net cash (used by) investing activities	(5.9)	(38.3)	(32.4)
<b>FINANCING ACTIVITIES</b>			
Dividends	(4.1)	(15.7)	(16.7)
Repurchases of Common Shares		(15.6)	(17.2)
Borrowings under revolving credit facility	100.0		
Proceeds from LTV Steel Mining Company transaction	50.0		
Contributions to Cliffs and Associates Limited of minority shareholder	7.1	4.2	
Net cash (used by) from financing activities	153.0	(27.1)	(33.9)
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>153.9</b>	<b>(37.7)</b>	<b>(62.7)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>29.9</b>	<b>67.6</b>	<b>130.3</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>\$ 183.8</b>	<b>\$ 29.9</b>	<b>\$ 67.6</b>
Taxes paid on income	\$ 6.2	\$ 1.0	\$ 6.9
Interest paid on debt obligations	\$ 9.0	\$ 4.9	\$ 4.9

See notes to consolidated financial statements.

ITEM 8. (Continued)

Statement of Consolidated Shareholders' Equity  
Cleveland-Cliffs Inc and Consolidated Subsidiaries

(In Millions)

	Common Shares	Capital In Excess of Par Value Of Shares	Retained Income	Common Shares in Treasury	Other Compre- hensive Income (Loss)	Other	Total
January 1, 1999	\$ 16.8	\$ 70.9	\$513.2	\$(155.9)	\$ (4.3)	\$(3.1)	\$437.6
Comprehensive income							
Net income			4.8				4.8
Other comprehensive income							
Unrealized losses on securities					(.9)		(.9)
Total comprehensive income							3.9
Cash dividends — \$1.50 a share			(16.7)				(16.7)
Stock options and other incentive plans		(3.9)		1.7		2.0	(.2)
Repurchases of Common Shares				(17.2)			(17.2)
Other		.1		(.1)		(.1)	(.1)
December 31, 1999	16.8	67.1	501.3	(171.5)	(5.2)	(1.2)	407.3
Comprehensive income							
Net income			18.1				18.1
Other comprehensive income							
Unrealized losses on securities					(1.2)		(1.2)
Reclassification adjustment-loss					6.4		6.4
Total comprehensive income							23.3
Cash dividends — \$1.50 a share			(15.7)				(15.7)
Stock options and other incentive plans		.1		3.1		(.8)	2.4
Repurchases of Common Shares				(15.6)			(15.6)
Other		.1		.2			.3
December 31, 2000	16.8	67.3	503.7	(183.8)		(2.0)	402.0
Comprehensive loss							
Net loss			(22.9)				(22.9)
Other comprehensive loss							
Minimum pension liability					(1.0)		(1.0)
Total comprehensive loss							(23.9)
Cash dividends — \$.40 a share			(4.1)				(4.1)
Stock options and other incentive plans		(.9)		.5		.8	.4
Other		(.2)					(.2)
December 31, 2001	\$ 16.8	\$ 66.2	\$476.7	\$(183.3)	\$ (1.0)	\$(1.2)	\$374.2

See notes to consolidated financial statements.

**ITEM 8. (Continued)**

**Notes to Consolidated Financial Statements**

Cleveland-Cliffs Inc and Consolidated Subsidiaries

**Accounting Policies**

**Basis of Consolidation:** The consolidated financial statements include the accounts of the Company and its majority-owned subsidiaries (“Company”), including Cliffs and Associates Limited (“CAL”) since November 20, 2000, when the Company obtained majority control of CAL (see note 5). Intercompany accounts are eliminated in consolidation. “Investments in Associated Companies” are comprised of partnerships and unconsolidated companies (“ventures”) which the Company does not control, and are accounted for by the equity method. The Company’s share of earnings of mining ventures from which the Company purchases iron ore is credited to “Cost of Goods Sold and Operating Expenses” upon sale of the product. CAL results through the first quarter 2001, prior to becoming operational, are reflected as “Pre-Operating Loss of Cliffs and Associates Limited.”

**Business:** The Company’s dominant business is the production and sale of iron ore pellets to integrated steel companies. The Company manages and owns interests in North American mines; sells iron ore in North America and Europe, controls, develops, and leases reserves to mine owners; and owns ancillary companies providing transportation and other services to the mines. The three largest steel company customer and partner contributions to the Company’s revenues were 21 percent, 13 percent and 10 percent in 2001; 17 percent, 14 percent and 13 percent in 2000; and 19 percent, 19 percent and 10 percent in 1999.

The Company is developing a ferrous metallics business, with its initial entry being the investment in CAL, located in Trinidad and Tobago, to produce and market hot briquetted iron (“HBI”). See Note 5 — Ferrous Metallics.

**Revenue Recognition:** Revenue is recognized on sales of products when title has transferred, and on services when performed. Revenue from product sales includes reimbursement for freight charges (\$17.8 million – 2001; \$15.5 million – 2000; \$10.4 million – 1999) paid on behalf of customers. Royalty revenue from the Company’s share of ventures’ production is recognized when the product is sold. Royalty revenue from the ventures’ other participants is recognized on production.

**Business Risk:** The major business risk faced by the Company in iron ore is lower customer or venture partner consumption of iron ore from the Company’s owned and managed mines which may result from competition from other iron ore suppliers; use of iron ore substitutes, including imported semi-finished steel; steel industry consolidation, rationalization or financial failure; or decreased North American steel production, resulting from increased imports or lower steel consumption. Loss of sales and/or royalty and management fee income on any such unmitigated loss of business would have a greater impact on operating results and cash flow than revenue, due to the high level of fixed costs in the iron mining business and the high cost to idle or close mines. In the event of a venture participant’s failure to perform, remaining solvent venturers, including the Company, may be required to assume and record additional material obligations. See Note 4 — Bankruptcies of Mine Partners and Customers.

The primary business risk faced by the Company in ferrous metallics is the ability of the Trinidad facility to produce at a cost level capable of achieving profitable operations given the current adverse market for HBI.

**Use of Estimates:** The preparation of financial statements, in conformity with accounting principles generally accepted in the United States, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at

**ITEM 8. (Continued)**

**Notes to Consolidated Financial Statements**

Cleveland-Cliffs Inc and Consolidated Subsidiaries

the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from estimates.

**Cash Equivalents:** The Company considers investments in highly liquid debt instruments with an initial maturity of three months or less to be cash equivalents.

**Derivative Financial Instruments:** In the normal course of business, the Company enters into forward contracts for the purchase of commodities, primarily natural gas, which are used in its operations. Such contracts are in quantities expected to be delivered and used in the production process and are not intended for re-sale or speculative purposes. See Note 1 – Accounting and Disclosure Changes.

**Inventories:** Product inventories are stated at the lower of cost or market. Cost of iron ore inventories is determined using the last-in, first-out (“LIFO”) method. The excess of current cost over LIFO cost of iron ore inventories was \$7.8 million and \$7.3 million at December 31, 2001 and 2000, respectively. Supplies and other inventories reflect the average cost method.

**Repairs and Maintenance:** The cost of power plant major overhauls is amortized over the estimated useful life, which is generally the period until the next scheduled overhaul. All other planned and unplanned repairs and maintenance costs are expensed during the year incurred.

**Properties:** Properties are stated at cost. Depreciation of plant and equipment is computed principally by straight-line methods based on estimated useful lives, not to exceed the life of the operating unit. Depreciation is provided over the following estimated useful lives:

Buildings	45 Years
Mining Equipment	10 to 20 Years
Processing Equipment	15 to 45 Years
Information Technology	2 to 7 Years

In iron ore, depreciation is not reduced when operating units are temporarily idled. At CAL, depreciation rates range from 25 percent to 125 percent of straight line amounts based on production.

**Asset Impairment:** The Company monitors conditions that may affect the carrying value of its long-lived and intangible assets when events and circumstances indicate that the carrying value of the assets may be impaired. If projected undiscounted cash flows are less than the carrying value of the asset, the assets are adjusted to their fair value.

**Income Taxes:** Income taxes are based on income (loss) for financial reporting purposes and reflect a current tax liability (asset) for the estimated taxes payable (recoverable) in the current year tax return and changes in deferred taxes. Deferred tax assets or liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities and are measured using enacted tax laws and rates. A valuation allowance is provided on deferred tax assets if it is determined that it is more likely than not that the asset will not be realized.

**Environmental Remediation Costs:** The Company has a formal code of environmental protection and restoration. The Company’s obligations for known environmental problems at active and closed mining operations, and other sites have been recognized based on estimates of the cost of investigation and remediation at each site. If the cost can only be estimated as a range of possible amounts with no specific amount being most likely, the minimum of the range is accrued. Costs of future expenditures are



**ITEM 8. (Continued)**

**Notes to Consolidated Financial Statements**

Cleveland-Cliffs Inc and Consolidated Subsidiaries

not discounted to their present value. Potential insurance recoveries have not been reflected in the determination of the liabilities.

**Stock Compensation:** In accordance with the provisions of Financial Accounting Standard Board's ("FASB") Statement 123, "Accounting for Stock-Based Compensation," the Company has elected to continue applying the provisions of Accounting Principles Board Opinion No. 25 ("APB 25") and related interpretations in accounting for its stock-based compensation plans. Accordingly, the Company does not recognize compensation expense for stock options when the stock option price at the grant date is equal to or greater than the fair market value of the stock at that date. The market value of restricted stock awards and performance shares is charged to expense over the vesting period.

**Exploration, Research and Development Costs:** Exploration, research and development costs are charged to operations as incurred.

**Income Per Common Share:** Basic income per common share is calculated on the average number of common shares outstanding during each period. Diluted income per common share is based on the average number of common shares outstanding during each period, adjusted for the effect of outstanding stock options, restricted stock and performance shares.

**Reclassifications:** Certain prior year amounts have been reclassified to conform to current year classifications.

**ITEM 8. (Continued)****Notes to Consolidated Financial Statements**

Cleveland-Cliffs Inc and Consolidated Subsidiaries

**Note 1 – Accounting and Disclosure Changes**

Effective January 1, 2001, the Company changed its method of accounting for investment gains and losses on pension assets for the calculation of net periodic pension cost. Previously, the Company utilized a method that deferred and amortized realized and unrealized gains and losses over five years for most pension plans. Under the new accounting method, the market value of plan assets reflects realized and unrealized gains and losses immediately. The Company believes the new method results in improved financial reporting because the method more closely reflects the fair value of its pension assets at the date of reporting. The cumulative effect of this accounting change related to prior years was a one-time non-cash credit to income of \$9.3 million (\$14.3 million pre-tax) recognized as of January 1, 2001. The effect of the change in accounting had only a modest effect (\$.1 million of income) on year 2001 results. The pro forma effect of this change, as if it had been made for 2000 and 1999, would be to increase net income as follows:

	2000	1999
<b>Pro Forma (In Millions)</b>		
Net income as reported	\$18.1	\$4.8
Effect of accounting change	1.8	2.0
Net income	\$19.9	\$6.8
<b>Per Share (Diluted)</b>		
As reported	\$1.73	\$.43
Effect of accounting change	.17	.18
Total	\$1.90	\$.61

In June, 1998, the 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 affect the Company’s consolidated financial statements. The Company’s objective for entering into forward contracts is to hedge price fluctuations of natural gas. Such contracts, when entered into, are in quantities expected to be used in the production process and, accordingly, are accounted for as normal purchases.

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. This statement was effective June 30, 2001. SFAS 142 requires testing of goodwill and intangible assets with indefinite lives for impairment rather than amortizing them. This statement is effective for fiscal years beginning after December 15, 2001. The Company adopted SFAS 141 on June 30, 2001 and will adopt SFAS 142 on January 1, 2002. The adoption of SFAS 141 did not have an impact on the Company’s consolidated financial statements. The adoption of SFAS 142 in the first of 2002 is not expected to have a significant impact on the Company’s financial results.

In July, 2001, the FASB issued SFAS No. 143, “Accounting for Asset Retirement Obligations,” which addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the related asset retirement costs. The statement requires that the fair value of a

ITEM 8. (Continued)

**Notes to Consolidated Financial Statements**

Cleveland-Cliffs Inc and Consolidated Subsidiaries

liability for an asset retirement obligation be recognized in the period in which it is incurred and capitalized as part of the carrying amount of the long-lived asset. The statement is effective for fiscal years beginning after June 15, 2002. The Company has not yet determined the effect on its consolidated financial statements of adopting this standard.

In October, 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" which supersedes SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of." The statement, which is effective for fiscal years beginning after December 15, 2001, provides a single accounting model for long-lived assets to be disposed of. The Company does not expect that this standard when adopted will have a significant impact on its current asset impairment policy.

**Note 2 – Investments in Associated Companies**

The Company's investments in mining ventures at December 31 consist of its 40 percent interest in Tilden Mining Company L.C. ("Tilden"), 35 percent (22.5625 percent in 1999) interest in Empire Iron Mining Partnership ("Empire"), 22.78 percent interest in Wabush Mines ("Wabush"), and 15 percent interest in Hibbing Taconite Company ("Hibbing"). The remaining interests in the ventures are owned by U.S. and Canadian integrated steel companies.

Following is a summary of combined financial information of the mining ventures:

	(In Millions)		
	2001	2000	1999
<b>Income</b>			
Gross revenue	\$ 843.3	\$ 1,062.1	\$ 922.3
Income (loss)	\$ (12.1)	\$ 70.1	\$ 65.8
<b>Financial Position at December 31</b>			
Current assets	\$ 192.6	\$ 174.5	\$ 196.5
Properties – net	599.2	636.1	660.1
Other long-term assets	71.6	33.5	30.7
Current liabilities	(142.9)	(131.2)	(145.7)
Long-term liabilities	(186.1)	(115.0)	(106.5)
Net assets	\$ 534.4	\$ 597.9	\$ 635.1
Company's equity in underlying net assets	\$ 170.3	\$ 193.3	\$ 184.8
Company's investment	\$ 131.6	\$ 138.4	\$ 149.3

The Company manages all of the ventures and leases or subleases mineral rights to Empire and Tilden. Payments by the Company, as a participant in the ventures, are reflected in royalties and management fees revenue and cost of goods sold upon sale of the product. Following is a summary of royalties and management fees earned by the Company and the Company's share as a participant in the ventures:

**ITEM 8. (Continued)****Notes to Consolidated Financial Statements**

Cleveland-Cliffs Inc and Consolidated Subsidiaries

	(In Millions)		
	2001	2000	1999
Other venture partners' share	\$29.8	\$ 36.5	\$40.9
Company's share as a participant	13.4	14.2	7.6
Total royalties and management fees	\$43.2	\$ 50.7	\$48.5

In addition, the Company is required to purchase its applicable current share, as defined, of the ventures' production. The Company purchased \$191.6 million in 2001 (2000-\$273.6 million; 1999-\$174.7 million) of iron ore pellets from the ventures. Costs and expenses incurred by the Company, on behalf of the ventures, are charged to the ventures in accordance with management and operating agreements. The Company's share of equity loss in the ventures of \$14.0 million in 2001 and income of \$19.3 million and \$4.0 million in 2000 and 1999, respectively, is credited to cost of goods sold.

The Company's investment in ventures also reflects the assumption of interests from former participants in the ventures, acquisitions and reorganizations at values below the ventures net assets. The differences, which have been allocated to specific assets, are recorded in the Company's share of associated companies depreciation and amortization.

Additionally in 2001, the Company invested \$3.0 million in a new joint venture to acquire certain power-related assets in a purchase-leaseback arrangement.

**Note 3 – LTV Steel Mining Company Transaction**

In October, 2001, subsidiaries of the Company and Minnesota Power, a business of Allete, Inc. acquired LTV Corporation's ("LTV") assets of LTV Steel Mining Company ("LTVSMC") in Minnesota for \$25 million (Company share \$12.5 million) and the assumption of environmental and certain facility closure obligations. Minnesota Power acquired the 225 megawatt electric generating facility at Taconite Harbor, transmission facilities, and non-mining property and made a \$62.5 million payment to the Company. In addition, the Company received all of the iron ore mining and processing facilities of LTVSMC, including its 74-mile mainline railroad and dock operation at Taconite Harbor and assumed certain environmental and closure obligations of the facility, for which a liability of \$50.0 million was recorded. The Company does not intend to operate the mining assets for the production of iron ore pellets, but is investigating other options including non-ferrous metals development and providing transportation support services to other Minnesota mining operations. The Company has entered into an option agreement with Minnesota Iron Range Resources and Rehabilitation Board ("IRRRB") for the purchase by IRRRB of mining lands for future development.

**Note 4 – Bankruptcies of Mine Partners and Customers**

In late 2001, LTV, which had filed for protection under Chapter 11 of the U.S. Bankruptcy Code on December 29, 2000, ceased integrated steelmaking operations and agreed to maintain operations on "hot idle" through February 28, 2002 for potential sale of the steel operations. Up to that time, 1.4 million tons had been produced for LTV's account at Empire in 2001. As a result, Empire operations were idled for an indefinite period commencing in mid-November while the remaining partners (Ispat Inland, 40 percent and the Company 35 percent) in Empire assess their alternatives. Through mid-November, 2001, the

**ITEM 8. (Continued)**

**Notes to Consolidated Financial Statements**

Cleveland-Cliffs Inc and Consolidated Subsidiaries

Company sold LTV approximately 1.0 million tons (.2 million tons in 2000). The Company had no trade receivables exposure related to these sales.

On April 23, 2001, Algoma Steel Inc. ("Algoma"), a 45 percent owner of Tilden Mine and a significant rail transportation customer of the Company, initiated a financial restructuring, and as part of the process obtained an Order for protection under the Companies' Creditors Arrangement Act in the Ontario Superior Court of Justice. At the time of the Order, the Company's exposure to Algoma was limited to \$.7 million of transportation receivables, which was reserved. Algoma has met its cash funding obligations at the Tilden Mine and for transportation subsequent to the Order. On November 2, 2001, the Company announced a planned acquisition of Algoma's 45 percent interest in the Tilden Mine for the assumption of Algoma's share of Tilden liabilities, which are expected to be between \$15 million and \$20 million. The acquisition, expected in the first quarter of 2002, will increase the Company's ownership in the mine to 85 percent, and increase its share of the mine's annual production capacity by 3.5 million tons to 6.6 million tons. The Company and Algoma have also agreed to terms for a sales agreement that will make the Company the sole supplier of iron ore pellets purchased by Algoma for a 15-year period. Sales to Algoma under this new contract are expected to approximate 3 million tons in 2002.

On October 15, 2001, Bethlehem Steel Corporation ("Bethlehem"), a 70.3 percent owner in the Hibbing Mine and a customer of the Company, filed for protection under Chapter 11 of the U.S. Bankruptcy Code. Bethlehem has continued to fund its Hibbing obligations and take iron ore from the mine. At the time of the filing, the Company had a trade receivable of approximately \$1.0 million which has been reserved.

In 1998, Acme Metals Incorporated and its wholly-owned subsidiary Acme Steel Company (collectively "Acme"), a 15.1 percent partner in Wabush and an iron ore customer, filed for Chapter 11 bankruptcy protection. On August 26, 2001, Acme ceased funding its cash requirements for its obligation at Wabush. As a result, production at Wabush was reduced in the fourth quarter by about .4 million tons. Sales to Acme in 2001 represented less than .2 million tons. The Company had no trade receivable exposure to Acme.

Prior to Wheeling-Pittsburgh Steel Corporation's ("Wheeling-Pittsburgh") filing for protection under Chapter 11 of the U.S. Bankruptcy Code in November, 2000, the Company exercised its rights under agreements with Wheeling-Pittsburgh to acquire Wheeling-Pittsburgh's 12.4375 percent indirect interest in Empire. The acquisition of Wheeling-Pittsburgh's interest in Empire increased the Company's ownership share to 35 percent. At the time of the filing, the Company did not have a term sales contract with Wheeling-Pittsburgh, and there was no trade receivable exposure.

**Note 5 – Ferrous Metallics**

In December, 2001, the Company suspended operations at its 82.4 percent owned CAL HBI facility in Trinidad and Tobago for an extended period due to a weak market for ferrous metallics products. Prior to the suspension of operations, CAL had produced and sold in excess of 130,000 tonnes of commercial grade Circal™ briquettes once plant modifications were completed in March, 2001. The plant modifications included the replacement of the discharge system to improve material flow and obtain consistent feed to the briquetting machines. In November, 2000, a subsidiary of the Company and Lurgi Metallurgie GmbH ("Lurgi") acquired LTV's 46.5 percent interest in CAL for \$2 million (Company's share \$1.7 million) and additional future contingent payments that could total \$30 million through 2020 dependent on CAL's production, sales volume and price realizations. The Company's pre-tax loss from CAL in 2001 was \$19.3 million, net of minority interest. At December 31, 2001 and 2000, the Company's consolidated financial statements included the following amounts related to CAL:

ITEM 8. (Continued)

Notes to Consolidated Financial Statements  
Cleveland-Cliffs Inc and Consolidated Subsidiaries

	(Millions)	
	December 31	
	2001	2000
Property, plant and equipment (including capitalized interest)	\$122.9	\$119.1
Working capital deficit	(3.7)	(3.0)
Minority interest	(25.9)	(23.9)
Total	\$ 93.3	\$ 92.2

The Company has determined its CAL investment at December 31, 2001 is not impaired based on expected resumption of operations and future cash flows.

ITEM 8. (Continued)

Notes to Consolidated Financial Statements

Cleveland-Cliffs Inc and Consolidated Subsidiaries

Note 6 – 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 HBI project in Trinidad and Tobago and other developmental activities. "Other" includes unallocated corporate administrative expense, other income and expense, and the insurance claim recovery and loss on common stock investment, both of which occurred in 2000.

	(In Millions)				
	Iron Ore	Ferrous Metallics	Segments Total	Other	Consolidated Total
<b>2001</b>					
Sales and services to external customers	\$319.3	\$ 11.1	\$330.4	\$	\$ 330.4
Royalties and management fees(1)	43.2	—	43.2	—	43.2
	<u>362.5</u>	<u>11.1</u>	<u>373.6</u>	<u>—</u>	<u>373.6</u>
Loss before taxes, minority interest and cumulative effect adjustment	(8.4)	(24.9)	(33.3)	(20.3)	(53.6)
Depreciation and amortization(2)	23.4	2.8	26.2	—	26.2
Investments in associated companies	134.7	.3	135.0	—	135.0
Other identifiable assets	527.1	133.5	660.6	29.4	690.0
	<u>661.8</u>	<u>133.8</u>	<u>795.6</u>	<u>29.4</u>	<u>825.0</u>
Property expenditures(2)	7.2	6.0	13.2	—	13.2
<b>2000</b>					
Sales and services to external customers	\$379.4	\$	\$379.4	\$	\$ 379.4
Royalties and management fees(1)	50.7	—	50.7	—	50.7
	<u>430.1</u>	<u>—</u>	<u>430.1</u>	<u>—</u>	<u>430.1</u>
Income (loss) before taxes and minority interest	46.2	(16.8)	29.4	(13.2)	16.2
Depreciation and amortization(2)	25.6	—	25.6	—	25.6
Pre-operating loss of CAL(3)	—	(13.3)	(13.3)	—	(13.3)
Investments in associated companies	138.4	—	138.4	—	138.4
Other identifiable assets	428.8	128.3	557.1	32.3	589.4
	<u>567.2</u>	<u>128.3</u>	<u>695.5</u>	<u>32.3</u>	<u>727.8</u>
Property expenditures(2)	18.3	5.1	23.4	—	23.4
<b>1999</b>					
Sales and services to external customers	\$316.1	\$	\$316.1	\$	\$ 316.1
Royalties and management fees(1)	48.5	—	48.5	—	48.5
	<u>364.6</u>	<u>—</u>	<u>364.6</u>	<u>—</u>	<u>364.6</u>
Income (loss) before taxes	31.7	(11.7)	20.0	(15.3)	4.7
Depreciation and amortization(2)	22.5	—	22.5	—	22.5
Pre-operating loss of CAL(3)	—	(8.8)	(8.8)	—	(8.8)
Investments in associated companies	149.3	84.1	233.4	—	233.4
Other identifiable assets	423.3	1.5	424.8	21.5	446.3
	<u>572.6</u>	<u>85.6</u>	<u>658.2</u>	<u>21.5</u>	<u>679.7</u>
Property expenditures(2)	20.8	11.2	32.0	—	32.0

(1) Includes revenue from the Company's share of ventures' production that is recognized when the product is sold.

(2) Includes Company's share of associated companies.

(3) Includes equity losses from CAL through November 20, 2000 and consolidated losses, net of minority interest, thereafter. Included in income (loss) before taxes.

## ITEM 8. (Continued)

## Notes to Consolidated Financial Statements

Cleveland-Cliffs Inc and Consolidated Subsidiaries

Included in the consolidated financial statements are the following amounts relating to geographic locations:

	(In Millions)		
	2001	2000	1999
Revenue(1)			
United States	\$353.2	\$ 380.8	\$321.0
Canada	14.1	38.7	36.4
Other Countries	6.3	10.6	7.2
	<u>\$373.6</u>	<u>\$ 430.1</u>	<u>\$364.6</u>
Long-Lived Assets(2)			
United States	\$272.9	\$ 296.5	\$295.9
Canada	15.5	15.0	16.0
Trinidad and Tobago	122.9	119.1	76.8
	<u>\$411.3</u>	<u>\$ 430.6</u>	<u>\$388.7</u>

(1) Revenue is attributed to countries based on the location of the customer.

(2) Net properties include Company's share of associated companies.

**Note 7 – Environmental and Closure Obligation**

At December 31, 2001, the Company had an environmental and closure liability, including its share of ventures, of \$70.6 million (\$27.0 million at December 31, 2000), of which \$9.1 million was classified as current. Payments in 2001 were \$5.6 million (2000 — \$1.9 million and 1999 — \$1.0 million). The liability includes obligations for wholly-owned active and closed mining operations, and other sites, including former operations, for which obligations are based on the Company's estimated cost of investigation, remediation and mine closure, including the responsibilities assumed in the October, 2001 LTVSMC transaction. See Note 3 – LTV Steel Mining Company Transaction. The liability also includes the Company's environmental obligations related to two Federal and State Superfund and Clean Water Act sites where the Company is named as a potentially responsible party, the Kipling site in Michigan, and the Rio Tinto mine site in Nevada, which sites are independent of the Company's iron mining operations. Obligations are based 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.

**Note 8 – Debt**

Long-term debt of the Company consists of \$70 million of senior unsecured notes due in December, 2005, with a fixed interest rate of 7 percent. The Company has a \$100 million revolving credit agreement which expires on May 31, 2003. On January 8, 2001, the Company borrowed \$65 million and on May 10, 2001, an additional \$35 million was borrowed under the revolving credit agreement. The loan interest rate, based on the LIBOR rate plus a premium, is fixed through the middle of June, 2002 at an average rate of 2.4 percent. Loan repayment timing is flexible; however, the Company expects to repay the loan before December 31, 2002. The note and revolving credit agreements require the Company to meet certain covenants related to net worth, leverage, and other provisions. The Company was in compliance



**ITEM 8. (Continued)****Notes to Consolidated Financial Statements**

Cleveland-Cliffs Inc and Consolidated Subsidiaries

with the debt covenants at December 31, 2001, exceeding the requirements by more than \$17 million at December 31, 2001 for the most restrictive covenant (net worth) in the revolving credit facility and \$153 million in the senior unsecured notes. The Company also had unsecured letters of credit of \$5.6 million outstanding at December 31, 2001.

**Note 9 – Lease Obligations**

The Company and its ventures lease certain mining, production, data processing and other equipment under operating leases. The Company's operating lease expense, including its share of ventures, was \$13.1 million in 2001, \$12.9 million in 2000 and \$10.0 million in 1999.

Assets acquired under capital leases by the Company, including its share of ventures, were \$10.1 million and \$10.5 million, respectively, at December 31, 2001 and 2000. Corresponding accumulated amortization of capital leases included in respective allowances for depreciation was \$5.0 million and \$5.9 million at December 31, 2001 and 2000, respectively.

Future minimum payments under capital leases and noncancellable operating leases, including the Company's share of ventures, at December 31, 2001 were:

Year Ending December 31	(In Millions)	
	Capital Leases	Operating Leases
2002	\$ 1.9	\$ 12.1
2003	1.3	12.0
2004	.8	9.5
2005	.2	6.8
2006	.1	5.5
2007 and thereafter	—	9.5
Total minimum lease payments	4.3	\$ 55.4
Amounts representing interest	.4	—
Present value of net minimum lease payments	\$ 3.9	—

The \$59.7 million of total minimum lease payments is comprised of the Company's direct obligation of \$13.3 million and the Company's share of ventures' obligations of \$46.4 million, which are largely non-recourse to the Company.

**Note 10 – Pensions and Other Postretirement Benefits**

The Company and its ventures sponsor defined benefit pension plans covering substantially all employees. The plans are largely noncontributory, and benefits are generally based on employees' years of service and average earnings for a defined period prior to retirement. In addition, the Company and its ventures currently provide retirement health care and life insurance benefits ("Other Benefits") to most full-time employees who meet certain length of service and age requirements (a portion of which are pursuant to collective bargaining agreements). Other Benefits are provided through programs administered by insurance companies whose charges are based on benefits paid. The following table

ITEM 8. (Continued)

Notes to Consolidated Financial Statements  
Cleveland-Cliffs Inc and Consolidated Subsidiaries

presents a reconciliation of funded status of the Company's plans, including its proportionate share of plans of its ventures, at December 31, 2001 and 2000:

	(In Millions)			
	Pension Benefits		Other Benefits	
	2001	2000	2001	2000
<b>Change in plan assets</b>				
Fair value of plan assets at beginning of year	\$352.7	\$335.9	\$ 24.5	\$ 21.5
Actual return on plan assets	(15.8)	17.3	(1.1)	1.2
Contributions	.4	1.7	1.8	1.4
Effect of change in Empire ownership		18.0		2.7
Benefits paid	(19.4)	(20.2)	(2.0)	(2.3)
Fair value of plan assets at end of year	317.9	352.7	23.2	24.5
<b>Change in benefit obligation</b>				
Benefit obligation at beginning of year	303.5	249.3	142.0	84.6
Service cost	6.1	5.9	2.1	1.7
Interest cost	23.2	22.6	12.0	9.1
Amendments				.2
Actuarial losses	6.3	25.0	28.4	47.1
Effect of change in Empire ownership		20.9		7.1
Effect of curtailment and special termination benefits	(.6)		(.9)	
Benefits paid	(19.4)	(20.2)	(7.9)	(7.8)
Benefit obligation at end of year	319.1	303.5	175.7	142.0
Funded status of the plan (underfunded)	(1.2)	49.2	(152.5)	(117.5)
Unrecognized prior service cost	24.7	28.4	.6	1.5
Unrecognized net actuarial (gain) loss	25.5	(36.1)	65.1	37.8
Unrecognized net asset at date of adoption	(12.5)	(15.2)		
Prepaid (accrued) benefit cost – net	\$ 36.5	\$ 26.3	\$ (86.8)	\$ (78.2)
Amounts recognized in the consolidated statements of financial position including Company's share of Associated companies consists of:				
Prepaid benefit cost	\$ 36.5	\$ 26.3		
Additional minimum liability	(5.4)	(1.4)		
Intangible asset	3.8	1.4		
Accumulated other comprehensive loss	1.6			
Net amount recognized	\$ 36.5	\$ 26.3		
<b>Assumptions as of December 31</b>				
Discount rate	7.50%	7.75%	7.50%	7.75%
Expected long-term return on plan assets	9.00%	9.00%	8.78%	8.26%
Rate of compensation increase – average	4.25%	4.26%		

	(In Millions)					
	Pension Benefits			Other Benefits		
	2001	2000	1999	2001	2000	1999
<b>Components of net periodic benefit cost</b>						
Service cost	\$ 6.1	\$ 5.9	\$ 4.6	\$ 2.1	\$ 1.7	\$ 1.8
Interest cost	23.2	22.6	17.2	12.0	9.1	6.3
Expected return on plan assets	(31.0)	(29.0)	(24.9)	(2.1)	(2.1)	(1.5)
Amortization and other	6.1	6.4	6.2	3.8	1.2	.1
Net periodic benefit cost	\$ 4.4	\$ 5.9	\$ 3.1	\$15.8	\$ 9.9	\$ 6.7

Annual contributions to the pension plans are made within income tax deductibility restrictions in accordance with statutory regulations. In the event of plan termination, the plan sponsors could be required to fund shutdown and early retirement obligations which are not included in the pension benefit obligations.

ITEM 8. (Continued)

**Notes to Consolidated Financial Statements**

Cleveland-Cliffs Inc and Consolidated Subsidiaries

Assets for Other Benefits include deposits relating to insurance contracts and Voluntary Employee Benefit Association (“VEBA”) Trusts for certain mining ventures that are available to fund retired employees’ life insurance obligations and medical benefits. The Company’s estimated annual contribution to the VEBAs will approximate \$1.5 million based on its share of tons produced.

The Company’s assumed annual rate of increase in the per capita cost of covered health care benefits was 7.5 percent for 2002 (8.0 percent in 2001), decreasing .25 to .5 percent per year to an annual rate of 5.0 percent for 2008 and annually thereafter. A one percentage point change in this assumption would have the following effects:

	(In Millions)	
	Increase	Decrease
Effect on total service and interest cost components in 2001	\$ 1.7	\$ (1.4)
Effect on Other Benefits obligation as of December 31, 2001	18.4	(15.5)

**Note 11 – Income Taxes**

Significant components of the Company’s deferred tax assets and liabilities as of December 31, 2001 and 2000 are as follows:

	(In Millions)	
	2001	2000
Deferred tax assets:		
Postretirement benefits other than pensions	<b>\$22.5</b>	\$21.7
Loss carryforward	<b>32.8</b>	17.6
Alternative minimum tax credit carryforwards	<b>2.1</b>	5.2
Product inventories	<b>10.2</b>	6.3
Other liabilities	<b>9.6</b>	12.9
Other	<b>9.3</b>	13.9
Total deferred tax assets	<b>86.5</b>	77.6
Deferred tax liabilities:		
CAL properties	<b>30.4</b>	30.4
Investment in ventures	<b>18.2</b>	17.0
Properties	<b>10.6</b>	21.8
Pensions	<b>4.0</b>	2.5
Other	<b>18.7</b>	9.7
Total deferred tax liabilities	<b>81.9</b>	81.4
Net deferred tax assets (liability)	<b>\$ 4.6</b>	\$ (3.8)

The deferred amounts are classified as current or long-term in accordance with the asset or liability to which they relate. The Company expects, deferred tax assets will be realized.

## ITEM 8. (Continued)

## Notes to Consolidated Financial Statements

Cleveland-Cliffs Inc and Consolidated Subsidiaries

“Deferred and refundable income taxes” include an expected refund of approximately \$4 million at December 31, 2001 (\$14 million at December 31, 2000) of current and prior years’ federal tax payments associated with the Company’s adjustment of its tax basis of CAL properties in 2000. Loss carryforwards totaling \$95.2 million (\$41.2 million – capital) are available to offset future taxable income. The capital loss carryforwards begin to expire in 2005, with the expiration of the ordinary loss carryforwards commencing in 2019.

The components and allocation of the Company’s income taxes are as follows:

	(In Millions)		
	2001	2000	1999
Income taxes from operations:			
Current	\$ (3.5)	\$(5.9)	\$ .1
Deferred	(12.8)	4.4	(.2)
	(16.3)	(1.5)	(.1)
Cumulative effect of accounting change	5.0		
Income tax expense (credit)	(11.3)	(1.5)	(.1)
Other comprehensive loss	(.6)		
Total	\$(11.9)	\$(1.5)	\$(.1)

In the fourth quarter of 2000, a favorable tax adjustment of \$5.2 million was recorded reflecting the Company’s continuing assessment of its tax obligations, relating to the outcome of federal audit issues for tax years 1995 and 1996. Tax and interest payments of approximately \$6 million related to the audit were made in 2001.

Reconciliation of the Company’s income tax to the tax at the United States statutory rate follows:

	(In Millions)		
	2001	2000	1999
Tax at statutory rate of 35 percent	\$(12.0)	\$ 5.8	\$ 1.7
Increase (decrease) due to:			
Percentage depletion in excess of cost depletion	(1.4)	(2.6)	(1.8)
Non-deductible expense	1.7	.5	
Effect of foreign taxes	.5	(.2)	.2
Prior years’ tax adjustments	.1	(4.9)	(.3)
Other items – net	(.2)	(.1)	.1
Income tax expense (credit)	\$(11.3)	\$(1.5)	\$ (.1)

**ITEM 8. (Continued)****Notes to Consolidated Financial Statements**

Cleveland-Cliffs Inc and Consolidated Subsidiaries

**Note 12 – Fair Value of Financial Instruments**

The carrying amount and fair value of the Company's financial instruments at December 31, 2001 and 2000 were as follows:

	(In Millions)			
	2001		2000	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and cash equivalents	<b>\$183.8</b>	<b>\$183.8</b>	\$29.9	\$29.9
Long-term debt	<b>70.0</b>	<b>66.1</b>	70.0	70.0
Revolving credit facility	<b>100.0</b>	<b>98.7</b>		

The fair value of the Company's long-term debt and revolving credit facility was determined based on a discounted cash flow analysis and estimated current borrowing rates.

At December 31, 2001 and 2000, the Company's managed mines had in place forward contracts for the purchase of natural gas in the notional amount of \$11.4 million (Company share — \$5.4 million) and \$16.1 million (Company share — \$5.4 million) respectively. The unrecognized fair value loss on the contracts at December 31, 2001, which mature at various times through November, 2002, was estimated to be \$1.4 million (Company share — \$.7 million) based on December 31, 2001 forward rates.

**Note 13 – Stock Plans**

The 1992 Incentive Equity Plan, as amended in 1999, authorizes the Company to issue up to 1,700,000 Common Shares upon the exercise of Options Rights, as Restricted Shares, in payment of Performance Shares or Performance Units that have been earned, as Deferred Shares, or in payment of dividend equivalents paid on awards made under the Plan. Such shares may be shares of original issuance, treasury shares, or a combination of both. Stock options may be granted at a price not less than the fair market value of the stock on the date the option is granted, generally are not subject to re-pricing, and must be exercisable not later than ten years and one day after the date of grant. Stock appreciation rights may be granted either at or after the time of a stock option grant. Common Shares may be awarded or sold to certain employees with disposition restrictions over specified periods. The 1996 Nonemployee Directors' Compensation Plan authorizes the Company to issue up to 50,000 Common Shares to nonemployee Directors. The Plan was amended effective in 1999 to provide for the grant of 2,000 Restricted Shares to nonemployee Directors first elected on or after January 1, 1999, and also provides that nonemployee Directors must take at least 40 percent of their annual retainer in Common Shares. The Restricted Shares vest five years from the date of award. The Company recorded expense of \$.1 million in 2001, \$.9 million in 2000, and a credit of \$.3 million in 1999 relating to other stock-based compensation, primarily the Performance Share program.

## ITEM 8. (Continued)

## Notes to Consolidated Financial Statements

Cleveland-Cliffs Inc and Consolidated Subsidiaries

FASB Statement 123 requires pro forma disclosure of net income and earnings per share as if the fair value method for valuing stock options had been applied. The Company's pro forma information follows:

	2001	2000	1999
Net (loss) income (millions)	<b>\$(23.8)</b>	\$17.3	\$3.1
Earnings per share:			
Basic	<b>\$(2.36)</b>	\$1.67	\$.28
Diluted	<b>\$(2.36)</b>	\$1.66	\$.28

The fair value of these options was estimated at the date of grant using a Black-Scholes option pricing model with the following weighted-average assumptions for 2001, 2000 and 1999:

	2001	2000	1999
Risk-free interest rate	<b>4.95%</b>	6.67%	4.79%
Dividend yield	<b>3.88%</b>	4.04%	3.42%
Volatility factor – market price of Company's common stock	<b>.277</b>	.241	.223
Expected life of options – years	<b>4.81</b>	4.31	6.15
Weighted-average fair value of options granted during the year	<b>\$3.77</b>	\$5.93	\$5.52

Compensation costs included in the pro forma information reflect fair values associated with options granted after January 1, 1995. Pro forma information may not be indicative of future pro forma information applicable to future outstanding awards.

ITEM 8. (Continued)

Notes to Consolidated Financial Statements

Cleveland-Cliffs Inc and Consolidated Subsidiaries

Stock option, restricted stock award, deferred stock allocation, and performance share activities under the Company's Incentive Equity Plans, and the Nonemployee Directors' Compensation Plan are summarized as follows:

	2001		2000		1999	
	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price
<b>Stock options:</b>						
Options outstanding at Beginning of year	872,697	\$ 48.81	774,242	\$ 51.59	346,742	\$ 41.04
Granted during the year	25,000	17.88	171,950	29.56	454,150	58.88
Exercised			(28,375)	20.12	(6,750)	21.98
Cancelled or expired	(87,668)	45.25	(45,120)	41.27	(19,900)	43.98
Options outstanding at end of year	810,029	48.24	872,697	48.81	774,242	51.59
Options exercisable at end of year	369,591	41.91	285,333	43.69	221,126	39.90
<b>Restricted awards:</b>						
Awarded and restricted at beginning of year	59,987		53,223		52,296	
Awarded during the year	9,400				4,000	
Vested	(30,350)		(19,287)		(3,073)	
Cancelled	(2,000)					
Issued as performance shares			26,051			
Awarded and restricted at end of year	37,037		59,987		53,223	
<b>Deferred stock awards:</b>						
Awarded at beginning of year	29,427					
Issued as performance shares			22,315			
Awarded during the year	421		7,112			
Cancelled	(297)					
Awarded at end of year	29,551		29,427			
<b>Performance shares:</b>						
Allocated at beginning of year	212,450		174,950		176,050	
Allocated during the year	126,600		85,866		69,472	
Issued	(17,788)		(48,366)		(59,672)	
Forfeited/cancelled	(43,062)				(10,900)	
Allocated at end of year	278,200		212,450		174,950	
<b>Required retainer and voluntary shares:</b>						
Awarded at beginning of year	9,394		9,980		6,649	
Awarded during the year	10,867		9,394		10,255	
Issued	(9,790)		(9,980)		(6,924)	
Awarded at end of year	10,471		9,394		9,980	
Reserved for future grants or awards at end of year	339,764		329,025		563,627	

Exercise prices for options outstanding as of December 31, 2001 ranged from \$17.88 to \$75.80, with 78 percent of options outstanding having exercise prices greater than \$43.00. The weighted-average remaining contractual life of options outstanding is 6.6 years at December 31, 2001.

**ITEM 8. (Continued)****Notes to Consolidated Financial Statements**

Cleveland-Cliffs Inc and Consolidated Subsidiaries

**Note 14 – Shareholders' Equity**

Under the Company's share purchase rights ("Rights") plan, a Right is attached to each of the Company's Common Shares outstanding or subsequently issued, which entitles the holder to buy from the Company one-hundredth of one (.01) Common Share at an exercise price per whole share of \$160. The Rights expire on September 19, 2007 and are not exercisable until the occurrence of certain triggering events, which include the acquisition of, or tender or exchange offer for, 20 percent or more of the Company's Common Shares. There are approximately 168,000 Common Shares reserved for these Rights. The Company is entitled to redeem the Rights at one cent per Right upon the occurrence of certain events.

**Note 15 – Earnings Per Share**

The following table summarizes the computation of basic and diluted earnings per share.

	(In Millions, Except Per Share)		
	2001	2000	1999
Net income (loss)	<b>\$(22.9)</b>	\$18.1	\$ 4.8
Basic weighted-average shares	<b>10.1</b>	10.4	11.1
Basic earnings (loss) per share	<b>\$(2.27)</b>	\$1.74	\$ .43
	—	—	—
Diluted weighted-average shares	<b>10.1</b>	10.4	11.1
Diluted earnings (loss) per share	<b>\$(2.27)</b>	\$1.73	\$ .43
	—	—	—

**Note 16 – Non-Recurring Special Items**

In 1999, the Company lost more than one million tons of iron ore pellet sales to Rouge Industries as a result of the extended shutdown of two blast furnaces following an explosion at the power plant that supplies Rouge. In 2000, the Company recorded a pre-tax insurance recovery and received proceeds on the claim of \$15.3 million (\$9.9 million after-tax). The Company received an additional \$.4 million (\$.2 million after-tax) in 2001 and continues to pursue modest additional recoveries, but given the complexity of the insurance issues, any additional amounts will not be recorded until all outstanding matters are resolved.

The Company held 842,000 shares of LTV common stock, which were originally valued at \$11.5 million, or \$13.65 per share. As of June 30, 2000, the investment was reclassified to "trading" and accordingly changes in market value were recognized in earnings as they occurred. The Company recognized a reduction to 2000 earnings of \$10.9 million pre-tax (\$7.1 million after-tax) related to the investment. In August, 2000, the Company commenced a program to reduce its investment in the LTV common stock and through December 31, had sold 300,000 shares, with the balance sold in January, 2001.



**ITEM 8. (Continued)**

**Notes to Consolidated Financial Statements**

Cleveland-Cliffs Inc and Consolidated Subsidiaries

**Note 17 – Commitments and Contingencies**

The Company and its ventures are periodically involved in litigation incidental to their operations. Management believes that any pending litigation will not result in a material liability in relation to the Company's consolidated financial statements.

ITEM 8. (Continued)

**Quarterly Results of Operations – (Unaudited)**

(In Millions, Except Per Share Amounts)

	2001				
	Quarters				
	First	Second	Third	Fourth	Year
Total revenues	\$33.2	\$100.0	\$130.8	\$123.6	\$387.6
Gross profit (loss)	(6.3)	(17.6)	(1.0)	(3.3)	(28.2)
Net income (loss)					
Amount	(.3)	(15.1)	(1.7)	(5.8)	(22.9)
Per common share					
Basic	(.03)	(1.50)	(.16)	(.58)	(2.27)
Diluted	(.03)	(1.50)	(.16)	(.58)	(2.27)
Average number of shares					
Basic	10.1	10.1	10.1	10.1	10.1
Diluted	10.1	10.1	10.1	10.1	10.1

Quarterly results included approximately \$1 million, \$24 million, \$10 million and \$13 million, respectively, of pre-tax fixed costs related to production curtailments. First quarter results have been restated to include \$9.3 million, or \$.92 per share (after-tax), for the cumulative effect of an accounting change.

	2000				
	Quarters				
	First	Second	Third	Fourth	Year
Total revenues	\$36.3	\$152.4	\$152.5	\$113.8	\$455.0
Gross profit	3.2	19.6	16.8	10.3	49.9
Net income (loss)					
Amount	(3.5)	11.0	6.3	4.3	18.1
Per common share					
Basic	(.32)	1.03	.60	.43	1.74
Diluted	(.32)	1.03	.60	.42	1.73
Average number of shares					
Basic	10.7	10.5	10.4	10.1	10.4
Diluted	10.7	10.6	10.4	10.1	10.4

Annual results include the pre-tax effects of a \$15.3 million (\$15.0 million in the second quarter) recovery of an insurance claim, a \$5.2 million fourth quarter tax credit reflecting a reassessment of income tax obligations from audits of prior years' federal tax returns, and a \$10.9 million pre-tax (\$9.1 million in the second quarter) charge to recognize the decrease in value of the Company's investment in LTV common stock.

**Common Share Price Performance And Dividends**

	Price Performance				Dividends	
	2001		2000		2001	2000
	High	Low	High	Low		
First Quarter	<b>\$22.38</b>	<b>\$13.69</b>	\$31.38	\$22.00	<b>\$.10</b>	\$.375
Second Quarter	<b>22.45</b>	<b>16.36</b>	26.25	21.94	<b>.10</b>	.375
Third Quarter	<b>18.85</b>	<b>14.00</b>	27.25	22.56	<b>.10</b>	.375
Fourth Quarter	<b>18.35</b>	<b>13.65</b>	23.19	19.69	<b>.10</b>	.375
Year	<b>22.45</b>	<b>13.65</b>	31.38	19.69	<b>\$.40</b>	\$1.50

ITEM 8. (Continued)

Report of Independent Auditors

Shareholders and Board of Directors  
Cleveland-Cliffs Inc

We have audited the accompanying statement of consolidated financial position of Cleveland-Cliffs Inc and consolidated subsidiaries as of December 31, 2001 and 2000, and the related statements of consolidated operations, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2001 listed in the index at Item 14(a). Our audits also included the financial statement schedule listed in the index at Item 14(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Cleveland-Cliffs Inc and consolidated subsidiaries at December 31, 2001 and 2000, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2001, in conformity with accounting principles generally accepted in the United States. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

As discussed in Note 1 to the financial statements, in 2001 the Company changed its method of accounting for investment gains and losses on pension assets for the calculation of net periodic pension cost.

/s/ Ernst & Young LLP

Cleveland, Ohio  
January 23, 2002

**ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.**

None.

**PART III**

**ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.**

The information regarding Directors required to be furnished by this Item will be set forth in the Company's definitive Proxy Statement to Security Holders, to be filed with the Securities and Exchange Commission on or about March 25, 2002, and is incorporated herein by reference and made a part hereof from the Proxy Statement. The information regarding executive officers required by this item is set forth in Part I hereof under the heading "Executive Officers of the Registrant", which information is incorporated herein by reference.

**ITEM 11. EXECUTIVE COMPENSATION.**

The information required to be furnished by this Item will be set forth in the Company's definitive Proxy Statement to Security Holders, to be filed with the Securities and Exchange Commission on or about March 25, 2002, and is incorporated herein by reference and made a part hereof from the Proxy Statement.

**ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.**

The information required to be furnished by this Item will be set forth in the Company's definitive Proxy Statement to Security Holders, to be filed with the Securities and Exchange Commission on or about March 25, 2002, and is incorporated herein by reference and made a part hereof from the Proxy Statement.

**ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.**

The information, if any, required to be furnished by this Item will be set forth in the Company's definitive Proxy Statement to Security Holders, to be filed with the Securities and Exchange Commission on or about March 25, 2002, and is incorporated herein by reference and made a part hereof from the Proxy Statement.

**PART IV**

**ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K.**

- (a) (1) and (2)-List of Financial Statements and Financial Statement Schedules.

The following consolidated financial statements of the Company are included at Item 8 above:

Statement of Consolidated Financial Position — December 31, 2001 and 2000

Statement of Consolidated Operations — Years ended December 31, 2001, 2000 and 1999

Statement of Consolidated Cash Flows — Years ended December 31, 2001, 2000 and 1999

Statement of Consolidated Shareholders' Equity — Years ended December 31, 2001, 2000 and 1999

Notes to Consolidated Financial Statements

The following consolidated financial statement schedule of the Company is included herein in Item 14(d) and attached as Exhibit 99(a).

Schedule II — Valuation and Qualifying Accounts

All other schedules for which provision is made in the applicable accounting regulation of the Securities and Exchange Commission are not required under the related instructions or are inapplicable, and therefore have been omitted.

- (3) List of Exhibits — Refer to Exhibit Index on pages 54-61 which is incorporated herein by reference.
- (b) During the fourth quarter of 2001, the Company filed eight Current Reports on Form 8-K, dated October 11, October 16, October 31, November 5, November 14, November 15, November 28, and December 11, 2001, respectively, covering information reported under Item 9. Regulation FD Disclosure. The Company also filed a Current Report on Form 8-K, dated January 8, 2002, 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.
- (c) Exhibits listed in Item 14(a)(3) above are incorporated herein by reference.
- (d) The schedule listed above in Item 14(a)(1) and (2) is attached as Exhibit 99(a) and incorporated herein by reference.

**SIGNATURES**

Pursuant to the requirements of Section 13 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**

By: /s/ Cynthia B. Bezik  
Cynthia B. Bezik  
Senior Vice President — Finance  
Date: February 5, 2002

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Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

<u>Signatures</u>	<u>Title</u>	<u>Date</u>
J. S. Brinzo	Chairman and Chief Executive Officer and Principal Executive Officer and Director	February 5, 2002
C. B. Bezik	Senior Vice President- Finance and Principal Financial Officer	February 5, 2002
R. J. Leroux	Vice President and Controller and Principal Accounting Officer	February 5, 2002
R. C. Cambre	Director	February 5, 2002
R. Cucuz	Director	February 5, 2002
D. H. Gunning	Vice Chairman and Director	February 5, 2002
J. D. Ireland III	Director	February 5, 2002
L. L. Kanuk	Director	February 5, 2002
F. R. McAllister	Director	February 5, 2002
J. C. Morley	Director	February 5, 2002
S. B. Oresman	Director	February 5, 2002
A. Schwartz	Director	February 5, 2002

By: /s/ Cynthia B. Bezik

(Cynthia B. Bezik, as Attorney-in-Fact)

Original powers of attorney authorizing John S. Brinzo, Cynthia B. Bezik, and John E. Lenhard and each of them, to sign this Annual Report on Form 10-K and amendments thereto on behalf of the above-named officers and Directors of the Registrant have been filed with the Securities and Exchange Commission.

## EXHIBIT INDEX

Exhibit Number		Pagination by Sequential Numbering System
<b><u>Articles of Incorporation and By-Laws of Cleveland-Cliffs Inc</u></b>		
3(a)	Amended Articles of Incorporation of Cleveland-Cliffs Inc (filed as Exhibit 3 (a) to Form 10-K of Cleveland-Cliffs Inc filed on February 2, 2001 and incorporated by reference)	Not Applicable
3(b)	Regulations of Cleveland-Cliffs Inc (filed as Exhibit 3 (b) to Form 10-K of Cleveland-Cliffs Inc filed on February 2, 2001 and incorporated by reference)	Not Applicable
<b><u>Instruments defining rights of security holders, including indentures</u></b>		
4(a)	Form of Common Stock Certificate (filed as Exhibit 4(a) to Form 10-K of Cleveland-Cliffs Inc filed on March 25, 1998 and incorporated by reference)	Not Applicable
4(b)	Rights Agreement, dated September 19, 1997, by and between Cleveland-Cliffs Inc and First Chicago Trust Company of New York, as Rights Agent	Filed Herewith
4 (c)	Amendment No. 1, effective as of November 15, 2001, to Rights Agreement by and between Cleveland-Cliffs Inc and First Chicago Trust Company of New York, as Rights Agent (filed as Exhibit 4.1 to Amendment No. 1 to Form 8-A of Cleveland-Cliffs Inc filed on December 14, 2001 and incorporated by reference)	Not Applicable
4(d)	Credit Agreement, dated as of March 1, 1995, among Cleveland-Cliffs Inc, the Banks named therein and Chase Manhattan Bank (successor to Chemical Bank), as Agent (filed as Exhibit 4(c) to Form 10-K of Cleveland-Cliffs Inc filed on March 16, 2000 and incorporated by reference)	Not Applicable
4(e)	Amendment dated as of July 19, 1996, to the Credit Agreement dated as of March 1, 1995, among Cleveland-Cliffs Inc, the Banks named therein and Chase Manhattan Bank, as Agent (filed as Exhibit 4 (d) to Form 10-K of Cleveland-Cliffs Inc filed on February 2, 2001 and incorporated by reference)	Not Applicable

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4(f)	Amendment dated as of June 1, 1997, to the Credit Agreement dated as of March 1, 1995, as amended, among Cleveland-Cliffs Inc, the Banks named therein and Chase Manhattan Bank, as Agent	Filed Herewith
4(g)	Amendment dated as of June 1, 1998, to the Credit Agreement dated as of March 1, 1995, as amended, among Cleveland-Cliffs Inc, the financial institutions named therein and the Chase Manhattan Bank, as Agent (filed as Exhibit 4(a) to Form 10-Q of Cleveland-Cliffs Inc filed on August 12, 1998 and incorporated by reference)	Not Applicable
4(h)	Note Agreement, dated as of December 15, 1995, among Cleveland-Cliffs Inc and each of the Purchasers named in Schedule I thereto (filed as Exhibit 4 (g) to Form 10-K of Cleveland-Cliffs Inc filed on February 2, 2001 and incorporated by reference)	Not Applicable

**Material Contracts**

10(a)	* Cleveland-Cliffs Inc Supplemental Retirement Benefit Plan (as Amended and Restated, effective January 1, 2001) (filed as Exhibit 10 (c) to Form 10-Q of Cleveland-Cliffs Inc filed on July 27, 2001 and incorporated by reference)	Not Applicable
10 (b)	* Amendment No. 1 to the Cleveland-Cliffs Inc Supplemental Retirement Benefit Plan (as Amended and Restated Effective January 1, 2001), dated as of November 13, 2001	Filed Herewith
10(c)	* Severance Agreements by and between Cleveland-Cliffs Inc and certain executive officers, dated as of January 1, 2000 (filed as Exhibit 10(b) to Form 10-K of Cleveland-Cliffs Inc filed on March 16, 2000 and incorporated by reference)	Not Applicable
10(d)	* Severance Agreement dated as of April 16, 2001 by and between Cleveland-Cliffs Inc and David H. Gunning (filed as Exhibit 10 (b) to Form 10-Q of Cleveland-Cliffs Inc filed on July 27, 2001, and incorporated by reference)	Not Applicable
10(e)	* Consulting and Non-Competition Agreement, effective January 1, 2000, by and between Cleveland-Cliffs Inc and A. Stanley West (Summary Description) (filed as Exhibit 10(d) to Form 10-K of Cleveland-Cliffs Inc filed on March 16, 2000 and incorporated by reference)	Not Applicable
10(f)	* Cleveland-Cliffs Inc and Subsidiaries Management Performance Incentive Plan, dated as of January 1, 2000 (Summary Description) (filed as Exhibit 10(c) to Form 10-Q of Cleveland-Cliffs Inc filed on July 27, 2000 and incorporated by reference)	Not Applicable

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\* Reflects management contract or other compensatory arrangement required to be filed as an Exhibit pursuant to Item 14(c) of this Report.



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10(g)	Form of indemnification agreement with Directors (filed as Exhibit 10 (f) to Form 10-K of Cleveland-Cliffs Inc filed on February 2, 2001 and incorporated by reference)	Not Applicable
10(h)	Director and Officer Indemnification Agreement dated as of July 10, 2001 by and between Cleveland-Cliffs Inc and David H. Gunning (filed as Exhibit 10(a) to Form 10-Q filed on October 25, 2001 and incorporated by reference)	Not Applicable
10(i)	* Cleveland-Cliffs Inc 1992 Incentive Equity Plan (as Amended and Restated as of May 13, 1997), effective as of May 13, 1997	Filed Herewith
10(j)	* Amendment to the Cleveland-Cliffs Inc 1992 Incentive Equity Plan (As Amended and Restated as of May 13, 1997), effective May 11, 1999 (filed as Appendix A to Proxy Statement of Cleveland-Cliffs Inc filed on March 22, 1999 and incorporated by reference)	Not Applicable
10(k)	* Form of Nonqualified Stock Option Agreement for Nonemployee Directors (filed as Exhibit 10(i) to Form 10-K of Cleveland-Cliffs Inc filed on March 25, 1998 and incorporated by reference)	Not Applicable
10(l)	* Form of Instrument of Amendment of Nonqualified Stock Option Agreements for Nonemployee Directors, dated as of March 17, 1997	Filed Herewith
10(m)	* Amended and Restated Cleveland-Cliffs Inc Retirement Plan for Non-Employee Directors effective as of July 1, 1995 (filed as Exhibit 10 (l) to Form 10-K of Cleveland-Cliffs Inc filed on February 2, 2001 and incorporated by reference)	Not Applicable
10 (n)	* Amendment to Amended and Restated Cleveland-Cliffs Inc Retirement Plan for Non-Employee Directors dated as of January 1, 2001 (filed as Exhibit 10 (d) to Form 10-Q of Cleveland-Cliffs Inc filed on July 27, 2001 and incorporated by reference)	Not Applicable
10(o)	* Trust Agreement No. 1 (Amended and Restated effective June 1, 1997), dated June 12, 1997, by and between Cleveland-Cliffs Inc and Key Trust Company of Ohio, N.A., Trustee, with respect to the Cleveland-Cliffs Inc Supplemental Retirement Benefit Plan and certain employment agreements	Filed Herewith
10(p)	* Amendment to Trust Agreement No. 1, effective as of January 1, 2000, by and between Cleveland-Cliffs Inc and Key Trust Company of Ohio, N.A., as Trustee (filed as Exhibit 10(n) to Form 10-K of Cleveland-Cliffs Inc filed on March 16, 2000 and incorporated by reference)	Not Applicable

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\* Reflects management contract or other compensatory arrangement required to be filed as an Exhibit pursuant to Item 14(c) of this Report.

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10(q)	* Trust Agreement No. 2 (Amended and Restated effective June 1, 1997), dated June 12, 1997, by and between Cleveland-Cliffs Inc and Key Trust Company of Ohio, N.A., Trustee, with respect to the Severance Pay Plan for Key Employees of Cleveland-Cliffs Inc, the Cleveland-Cliffs Inc Retention Plan for Salaried Employees, and certain employment agreements	Filed Herewith
10(r)	* First Amendment to Trust Agreement No. 2 (Amended and Restated effective June 1, 1997), dated July 15, 1997, by and between Cleveland-Cliffs Inc and Key Trust Company of Ohio, N.A., Trustee	Filed Herewith
10(s)	* Amendment to Trust Agreement No. 2, effective as of January 1, 2000, by and between Cleveland-Cliffs Inc and Key Trust Company of Ohio, N.A., as Trustee (filed as Exhibit 10(q) to Form 10-K of Cleveland-Cliffs Inc filed on March 16, 2000 and incorporated by reference)	Not Applicable
10(t)	* Trust Agreement No. 4, dated as of October 28, 1987, by and between Cleveland-Cliffs Inc and Key Trust Company of Ohio, N.A., Trustee, with respect to the Plan for Deferred Payment of Directors' Fees (filed as Exhibit 10 (r) to Form 10-K of Cleveland-Cliffs Inc filed on February 2, 2001 and incorporated by reference)	Not Applicable
10(u)	* First Amendment to Trust Agreement No. 4, dated as of April 9, 1991, by and between Cleveland-Cliffs Inc and Key Trust Company of Ohio, N.A., Trustee (filed as Exhibit 10 (s) to Form 10-K of Cleveland-Cliffs Inc filed on February 2, 2001 and incorporated by reference)	Not Applicable
10(v)	* Second Amendment to Trust Agreement No. 4, dated as of March 9, 1992, by and between Cleveland-Cliffs Inc and Key Trust Company of Ohio, N.A., Trustee (filed as Exhibit 10 (t) to Form 10-K of Cleveland-Cliffs Inc filed on February 2, 2001 and incorporated by reference)	Not Applicable
10(w)	* Third Amendment to Trust Agreement No. 4, dated June 12, 1997, by and between Cleveland-Cliffs Inc and Key Trust Company of Ohio, N.A., Trustee	Filed Herewith
10(x)	* Trust Agreement No. 5, dated as of October 28, 1987, by and between Cleveland-Cliffs Inc and Key Trust Company of Ohio, N.A., Trustee, with respect to the Cleveland-Cliffs Inc Voluntary Non-Qualified Deferred Compensation Plan (filed as Exhibit 10 (v) to Form 10-K of Cleveland-Cliffs Inc filed on February 2, 2001 and incorporated by reference)	Not Applicable

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\* Reflects management contract or other compensatory arrangement required to be filed as an Exhibit pursuant to Item 14(c) of this Report.

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10(y)	* First Amendment to Trust Agreement No. 5, dated as of May 12, 1989, by and between Cleveland-Cliffs Inc and Key Trust Company of Ohio, N.A., Trustee (filed as Exhibit 10 (x) to Form 10-K of Cleveland-Cliffs Inc filed on February 2, 2001 and incorporated by reference)	Not Applicable
10(z)	* Second Amendment to Trust Agreement No. 5, dated as of April 9, 1991, by and between Cleveland-Cliffs Inc and Key Trust Company of Ohio, N.A., Trustee (filed as Exhibit 10 (y) to Form 10-K of Cleveland-Cliffs Inc filed on February 2, 2001 and incorporated by reference)	Not Applicable
10(aa)	* Third Amendment to Trust Agreement No. 5, dated as of March 9, 1992, by and between Cleveland-Cliffs Inc and Key Trust Company of Ohio, N.A., Trustee (filed as Exhibit 10 (z) to Form 10-K of Cleveland-Cliffs Inc filed on February 2, 2001 and incorporated by reference)	Not Applicable
10(bb)	* Fourth Amendment to Trust Agreement No. 5, dated November 18, 1994, by and between Cleveland-Cliffs Inc and Key Trust Company of Ohio, N.A., Trustee (filed as Exhibit 10(w) to Form 10-K of Cleveland-Cliffs Inc filed on March 16, 2000 and incorporated by reference)	Not Applicable
10(cc)	* Fifth Amendment to Trust Agreement No. 5, dated May 23, 1997, by and between Cleveland-Cliffs Inc and Key Trust Company of Ohio, N.A., Trustee	Filed Herewith
10(dd)	* Amended and Restated Trust Agreement No. 6, dated as of March 9, 1992, by and between Cleveland-Cliffs Inc and Key Trust Company of Ohio, N.A., Trustee, with respect to indemnification agreements with directors (filed as Exhibit 10 (cc) to Form 10-K of Cleveland-Cliffs Inc filed on February 2, 2001 and incorporated by reference)	Not Applicable
10(ee)	* First Amendment to Amended and Restated Trust Agreement No. 6, dated June 12, 1997, by and between Cleveland-Cliffs Inc and Key Trust Company of Ohio, N.A., Trustee	Filed Herewith
10(ff)	* Trust Agreement No. 7, dated as of April 9, 1991, by and between Cleveland-Cliffs Inc and Key Trust Company of Ohio, N.A., Trustee, with respect to the Cleveland-Cliffs Inc Supplemental Retirement Benefit Plan (filed as Exhibit 10 (ee) to Form 10-K of Cleveland-Cliffs Inc filed on February 2, 2001 and incorporated by reference)	Not Applicable

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\* Reflects management contract or other compensatory arrangement required to be filed as an Exhibit pursuant to Item 14(c) of this Report.

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10(gg)	* First Amendment to Trust Agreement No. 7, by and between Cleveland-Cliffs Inc and Key Trust Company of Ohio, N.A., Trustee, dated as of March 9, 1992 (filed as Exhibit 10 (ff) to Form 10-K of Cleveland-Cliffs Inc filed on February 2, 2001 and incorporated by reference)	Not Applicable
10(hh)	* Second Amendment to Trust Agreement No. 7, dated November 18, 1994, by and between Cleveland-Cliffs Inc and Key Trust Company of Ohio, N.A., Trustee (filed as Exhibit 10(bb) to Form 10-K of Cleveland-Cliffs Inc filed on March 16, 2000 and incorporated by reference)	Not Applicable
10(ii)	* Third Amendment to Trust Agreement No. 7, dated May 23, 1997, by and between Cleveland-Cliffs Inc and Key Trust Company of Ohio, N.A., Trustee	Filed Herewith
10(jj)	* Fourth Amendment to Trust Agreement No. 7, dated July 15, 1997, by and between Cleveland-Cliffs Inc and Key Trust Company of Ohio, N.A., Trustee	Filed Herewith
10(kk)	* Amendment to Trust Agreement No. 7, effective as of January 1, 2000, by and between Cleveland-Cliffs Inc and Key Trust Company of Ohio, N.A., as Trustee (filed as Exhibit 10(ee) to Form 10-K of Cleveland-Cliffs Inc filed on March 16, 2000 and incorporated by reference)	Not Applicable
10(ll)	* Trust Agreement No. 8, dated as of April 9, 1991, by and between Cleveland-Cliffs Inc and Key Trust Company of Ohio, N.A., Trustee, with respect to the Cleveland-Cliffs Inc Retirement Plan for Non-Employee Directors (filed as Exhibit 10 (kk) to Form 10-K of Cleveland-Cliffs Inc filed on February 2, 2001 and incorporated by reference)	Not Applicable
10(mm)	* First Amendment to Trust Agreement No. 8, dated as of March 9, 1992, by and between Cleveland-Cliffs Inc and Key Trust Company of Ohio, N.A., Trustee (filed as Exhibit 10 (ll) to Form 10-K of Cleveland-Cliffs Inc filed on February 2, 2001 and incorporated by reference)	Not Applicable
10(nn)	* Second Amendment to Trust Agreement No. 8, dated June 12, 1997, by and between Cleveland-Cliffs Inc and Key Trust Company of Ohio, N.A., Trustee	Filed Herewith
10(oo)	* Trust Agreement No. 9, dated as of November 20, 1996, by and between Cleveland-Cliffs Inc and Key Trust Company of Ohio, N.A., Trustee, with respect to the Cleveland-Cliffs Inc Nonemployee Directors' Supplemental Compensation Plan	Filed Herewith

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\* Reflects management contract or other compensatory arrangement required to be filed as an Exhibit pursuant to Item 14(c) of this Report.

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10(pp)	* Trust Agreement No. 10, dated as of November 20, 1996, by and between Cleveland-Cliffs Inc and Key Trust Company of Ohio, N.A., Trustee, with respect to the Cleveland-Cliffs Inc Nonemployee Directors' Compensation Plan	Filed Herewith
10(qq)	* Cleveland-Cliffs Inc Change in Control Severance Pay Plan, effective as of January 1, 2000 (filed as Exhibit 10(jj) to Form 10-K of Cleveland-Cliffs Inc filed on March 16, 2000 and incorporated by reference)	Not Applicable
10(rr)	* Cleveland-Cliffs Inc Voluntary Non-Qualified Deferred Compensation Plan (Amended and Restated as of January 1, 2000) (filed as Exhibit 10(a) to Form 10-Q of Cleveland-Cliffs Inc filed on July 27, 2000 and incorporated by reference)	Not Applicable
10(ss)	* Cleveland-Cliffs Inc Long-Term Incentive Program, effective as of May 8, 2000 (filed as Exhibit 10 (rr) to Form 10-K of Cleveland-Cliffs Inc filed on February 2, 2001 and incorporated by reference)	Not Applicable
10(tt)	* Cleveland-Cliffs Inc 2000 Retention Unit Plan, effective as of May 8, 2000 (filed as Exhibit 10 (ss) to Form 10-K of Cleveland-Cliffs Inc filed on February 2, 2001 and incorporated by reference)	Not Applicable
10 (uu)	* Cleveland-Cliffs Inc Executive Retention Plan, effective as of January 1, 2001 (filed as Exhibit 10 (b) to Form 10-Q of Cleveland-Cliffs Inc filed on October 25, 2001)	Not Applicable
10(vv)	* Cleveland-Cliffs Inc Nonemployee Directors' Supplemental Compensation Plan, effective as of July 1, 1995 (filed as Exhibit 10 (tt) to Form 10-K of Cleveland-Cliffs Inc filed on February 2, 2001 and incorporated by reference)	Not Applicable
10(ww)	* First Amendment to Cleveland-Cliffs Inc Nonemployee Directors' Supplemental Compensation Plan, effective as of January 1, 1999 (filed as Exhibit 10(mm) to Form 10-K of Cleveland-Cliffs Inc filed on March 25, 1999 and incorporated by reference)	Not Applicable
10(xx)	* Cleveland-Cliffs Inc Nonemployee Directors' Compensation Plan, effective as of July 1, 1996 (filed as Exhibit 10 (vv) to Form 10-K of Cleveland-Cliffs Inc filed on February 2, 2001 and incorporated by reference)	Not Applicable
10(yy)	* First Amendment to Cleveland-Cliffs Inc Nonemployee Directors' Compensation Plan, effective as of November 12, 1996	Filed Herewith
10(zz)	* Second Amendment to Cleveland-Cliffs Inc Nonemployee Directors' Compensation Plan, effective as of May 13, 1997	Filed Herewith

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\* Reflects management contract or other compensatory arrangement required to be filed as an Exhibit pursuant to Item 14(c) of this Report.

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10(aaa)	* Third Amendment to Cleveland-Cliffs Inc Nonemployee Directors' Compensation Plan, effective as of January 1, 1999 (filed as Exhibit 10(qq) to Form 10-K of Cleveland-Cliffs Inc filed on March 25, 1999 and incorporated by reference)	Not Applicable
10(bbb)	Pellet Sale and Purchase Agreement, dated as of May 15, 2000, by and between The Cleveland-Cliffs Iron Company, Cliffs Mining Company, Northshore Mining Company, and LTV Steel Company (filed as Exhibit 10(b) to Form 10-Q of Cleveland-Cliffs Inc filed on July 27, 2000 and incorporated by reference)	Not Applicable
21	Subsidiaries of the registrant	Filed Herewith (Page 62-63)
23	Consent of independent auditors	Filed Herewith (Page 64)
24	Power of Attorney	Filed Herewith (Page 65)
99	Additional Exhibits	
99(a)	Schedule II – Valuation and Qualifying Accounts	Filed Herewith (Page 66)

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\* Reflects management contract or other compensatory arrangement required to be filed as an Exhibit pursuant to Item 14(c) of this Report.

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CLEVELAND-CLIFFS INC  
and  
FIRST CHICAGO TRUST COMPANY OF NEW YORK  
RIGHTS AGREEMENT  
Dated as of September 19, 1997

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Rights Agreement, dated as of September 19, 1997, (this "Agreement"), between Cleveland-Cliffs Inc, an Ohio corporation (the "Company"), and First Chicago Trust Company of New York (the "Rights Agent").

RECITALS  
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On September 9, 1997, the Directors of the Company authorized and declared a dividend consisting of one right ("Right") for each Common Share, \$1.00 par value, of the Company (each, a "Common Share") outstanding as of the Close of business on September 19, 1997 (the "Record Date"), each Right initially representing the right to purchase one-hundredth of one Common Share on the terms and subject to the conditions herein set forth, and have further authorized and directed the issuance of one Right (subject to adjustment as provided herein) with respect to each Common Share issued or delivered by the Company (whether originally issued or delivered from the Company's treasury) after the Record Date but prior to the earlier of the Distribution Date (in the case of Common Shares issued upon conversion of the Company's convertible securities, prior to the tenth day after the Distribution Date), and the Expiration Date (each as hereinafter defined), or as provided in Section 27. Notwithstanding anything in this Agreement to the contrary, this Agreement will not be effective until the opening of business on September 19, 1997.

Accordingly, in consideration of the premises and the mutual agreements herein set forth, the parties hereto hereby agree as follows:



Section 1. CERTAIN DEFINITIONS. For purposes of this Agreement, the following terms have the meanings indicated:

(a) "Acquiring Person" shall mean any Person (other than the Company or any Subsidiary or any employee benefit or stock ownership plan of the Company or of any Subsidiary or any entity holding Common Shares for or pursuant to any such plan) who or that, together with all Affiliates and Associates of such Person, shall be the Beneficial Owner of 20% or more of the Common Shares then outstanding, PROVIDED, HOWEVER, that a Person will not be deemed to have become an Acquiring Person solely as a result of a reduction in the number of Common Shares outstanding unless and until (i) such time as such Person or any Affiliate or Associate of such Person shall thereafter become the Beneficial Owner of any additional Common Shares, other than as a result of a stock dividend, stock split or similar transaction effected by the Company in which all holders of Common Shares are treated equally, or (ii) any other Person who is the Beneficial Owner of any Common Shares shall thereafter become an Affiliate or Associate of such Person. Notwithstanding the foregoing, if the Directors of the Company determine in good faith that a Person who would otherwise be an "Acquiring Person," as defined pursuant to the foregoing provisions of this paragraph (a), has become such inadvertently, and such Person divests as promptly as practicable a sufficient number of Common Shares so that such Person would no longer be an Acquiring Person as

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defined pursuant to the foregoing provisions of this paragraph (a), then such Person shall not be deemed to be an "Acquiring Person" for any purposes of this Agreement.

(b) "Affiliate" and "Associate" shall have the respective meanings ascribed to such terms in Rule 12b-2 of the General Rules and Regulations under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as in effect on the date hereof.

(c) A Person shall be deemed the "Beneficial Owner" of, and to "beneficially own," any securities:

(i) the beneficial ownership of which such Person or any of such Person's Affiliates or Associates, directly or indirectly, has the right to acquire (whether such right is exercisable immediately or only after the passage of time) pursuant to any agreement, arrangement or understanding (whether or not in writing), or upon the exercise of conversion rights, exchange rights, rights, warrants or options, or otherwise (in each case, other than upon exercise or exchange of the Rights); PROVIDED, HOWEVER, that a Person shall not be deemed the Beneficial Owner of, or to beneficially own, securities tendered pursuant to an offer to purchase or a tender or exchange offer made by or on behalf of such Person or any of such Person's Affiliates or Associates until such tendered securities are accepted for purchase or exchange; or

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(ii) which such Person or any of such Person's Affiliates or Associates, directly or indirectly, has or shares the right to vote or dispose of, including pursuant to any agreement, arrangement or understanding (whether or not in writing); or

(iii) of which any other Person is the Beneficial Owner, if such Person or any of such Person's Affiliates or Associates has any agreement, arrangement or understanding (whether or not in writing) with such other Person (or any of such other Person's Affiliates or Associates) with respect to acquiring, holding, voting or disposing of any securities of the Company;

PROVIDED, HOWEVER, that a Person shall not be deemed the Beneficial Owner of, or to beneficially own, any security (A) if such Person has the right to vote such security pursuant to an agreement, arrangement or understanding (whether or not in writing) which (1) arises solely from a revocable proxy given to such Person in response to a public proxy or consent solicitation made pursuant to, and in accordance with, the applicable rules and regulations of the Exchange Act and (2) is not also

then reportable on Schedule 13D under the Exchange Act (or any comparable or successor report), or (B) if such beneficial ownership arises solely as a result of such Person's status as a "clearing agency," as defined in Section 3(a)(23) of the Exchange Act; and PROVIDED, FURTHER, that nothing in this paragraph (c) shall cause a Person engaged in business as an underwriter of

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securities to be the Beneficial Owner of, or to beneficially own, any securities acquired through such Person's participation in good faith in an underwriting syndicate until the expiration of 40 calendar days after the date of such acquisition, or such later date as the Directors of the Company may determine in any specific case.

(d) "Business Day" shall mean any day other than a Saturday, Sunday, or a day on which banking institutions in the States of Ohio or New York (or such other state in which the principal office of the Rights Agent is located) are authorized or obligated by law or executive order to close.

(e) "Close of business" on any given date shall mean 5:00 P.M., Cleveland, Ohio time, on such date; PROVIDED, HOWEVER, that if such date is not a Business Day it shall mean 5:00 P.M., Cleveland, Ohio time, on the next succeeding Business Day.

(f) "Common Shares" when used with reference to the Company shall mean the Common Shares, par value, \$1.00 per share, of the Company; PROVIDED that, if the Company is the continuing or surviving corporation in a transaction described in Section 11(d)(ii) hereof, "Common Shares" when used with reference to the Company shall mean the capital stock with the greatest aggregate voting power of the Company, or, if the Company is a subsidiary of another corporation or business trust, the corporation or business trust which ultimately controls the Company. "Common Shares" when used with reference to any corporation or

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business trust, other than the Company, shall mean the capital stock with the greatest aggregate voting power of such corporation or business trust, or, if such corporation or business trust is a subsidiary of another corporation or business trust, the corporation or business trust which ultimately controls such first-mentioned corporation or business trust.

(g) "Distribution Date" shall mean the earlier of: (i) the close of business on the tenth calendar day following the Share Acquisition Date, or (ii) the close of business on the tenth Business Day (or, unless the Distribution Date shall have previously occurred, such later date as may be specified by the Directors of the Company) after the date of the commencement of a tender or exchange offer by any Person (other than the Company or any Subsidiary or any employee benefit or stock ownership plan of the Company or of any Subsidiary or any entity holding Common Shares for or pursuant to the terms of any such plan), if upon the consummation thereof such Person would be the Beneficial Owner of 20% or more of the then-outstanding Common Shares.

(h) "Expiration Date" shall mean the earliest of (i) the close of business on the Final Expiration Date, (ii) the time at which the Rights are redeemed as provided in Section 23 hereof, and (iii) the time at which all exercisable Rights are exchanged as provided in Section 27 hereof.

(i) "Final Expiration Date" shall mean the tenth anniversary of the Record Date.

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(j) "Flip-in Event" shall mean any event described in clauses (A), (B) or (C) of Section 11(a)(ii) hereof.

(k) "Flip-over Event" shall mean any event described in clauses (i), (ii) or (iii) of Section 11(d) hereof.

(l) "Person" shall mean any individual, firm, corporation or other entity, and shall include any successor (by merger or otherwise) of such entity.

(m) "Share Acquisition Date" shall mean the first date of public announcement by the Company (by press release, filing made with the Securities and Exchange Commission or otherwise) that an Acquiring Person has become such.

(n) "Subsidiary" shall mean any corporation or other entity of which a majority of the voting power of the voting equity securities or equity interests is owned, directly or indirectly, by the Company.

(o) "Triggering Event" shall mean any Flip-in Event or Flip-over Event.

Section 2. APPOINTMENT OF RIGHTS AGENT. The Company hereby appoints the Rights Agent to act as agent for the Company and the holders of the Rights (who, in accordance with Section 3 hereof, shall also be, prior to the Distribution Date, the holders of the Common Shares) in accordance with the terms and conditions hereof, and the Rights Agent hereby accepts such appointment and hereby certifies that it complies with the requirements of the New York Stock Exchange governing transfer agents and registrars. The Company may from time to time act as Co-Rights Agent or appoint such Co-Rights Agents as it may deem

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necessary or desirable. Any actions which may be taken by the Rights Agent pursuant to the terms of this Agreement may be taken by any such Co-Rights Agent. To the extent that any Co-Rights Agent takes any action pursuant to this Agreement, such Co-Rights Agent shall be entitled to all of the rights and protections of, and subject to all of the applicable duties and obligations imposed upon, the Rights Agent pursuant to the terms of this Agreement.

Section 3. ISSUE OF RIGHT CERTIFICATES. (a) Until the Distribution Date (x) the Rights will be evidenced (subject to the provisions of paragraph (b) of this Section 3) by the certificates for Common Shares registered in the names of the record holders thereof (which certificates for Common Shares shall also be deemed to be Right Certificates) and not by separate Right Certificates, and (y) the Rights will be transferable only in connection with the transfer of Common Shares in the stock transfer books of the Company maintained by the Company or its appointed transfer agent. As soon as practicable after the Distribution Date, the Rights Agent will send, by first-class, insured, postage prepaid mail, to each record holder of Common Shares as of the close of business on the Distribution Date, at the address of such holder shown on the records of the Company, a Right Certificate, in substantially the form of Exhibit A hereto, evidencing one Right for each Common Share so held, subject to adjustment, together with a notice setting forth the Purchase Price (as defined in Section 4 hereof) as in effect on the Distribution Date. As of the Distribution

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Date, the Rights will be evidenced solely by such Right Certificates.

Any Right Certificate issued pursuant to this Section 3 that represents Rights beneficially owned by an Acquiring Person or any Associate or Affiliate thereof and any Right Certificate issued at any time upon the transfer of any Rights to an Acquiring Person or any Associate or Affiliate thereof or to any nominee of such Acquiring Person, Associate or Affiliate, and any Right Certificate issued pursuant to Sections 6 or 11 hereof upon transfer, exchange, replacement or adjustment of any other Right Certificate referred to in this sentence, shall be subject to and contain the following legend or such similar legend as the Company may deem appropriate and as is not inconsistent with the provisions of this Agreement, or as may be required to comply with any applicable law or with any rule or regulation made pursuant thereto or with any rule or regulation of any stock exchange on which the Rights may from time to time be listed, or to conform to usage:

The Rights represented by this Right Certificate are or were beneficially owned by a Person who was an Acquiring Person or an Affiliate or an Associate of an Acquiring Person (as such terms are defined in the Rights Agreement). This Right Certificate and the Rights represented hereby may become null and void in the circumstances specified in Section 11(a)(ii) or Section 11(d) of the Rights Agreement.

(b) On the Record Date or as soon as practicable thereafter, the Company will send a copy of a Summary of Rights to Purchase Common Shares, in substantially the form attached hereto as Exhibit B (the "Summary of Rights"), by first-class, postage prepaid mail, to each record holder of Common shares as

of the close of business on the Record Date, at the address of such holder shown on the records of the Company as of such date. With respect to certificates for Common Shares outstanding as of the Record Date, until the Distribution Date, the Rights will be evidenced by such certificates for Common Shares registered in the names of the holders thereof. Until the earlier of the Distribution Date and the Expiration Date, the surrender for transfer of any certificate for Common Shares outstanding on the Record Date shall also constitute the surrender for transfer of the Rights associated with the Common Shares represented thereby.

(c) Certificates for Common Shares issued (including, without limitation, any certificates for Common Shares issued upon conversion of the Company's convertible securities or upon exercise of stock options) or surrendered for transfer or exchange after the Record Date but prior to the earlier of the Distribution Date or the Expiration Date, shall have stamped on, impressed on, printed on, written on or otherwise affixed to them the following legend or such similar legend as the Company may deem appropriate and as is not inconsistent with the provisions of this Agreement, or as may be required to comply with any applicable law or with any rule or regulation made pursuant thereto or with any rule or regulation of any stock exchange on which the Common Shares or the Rights may from time to time be listed, or to conform to usage:

This Certificate also evidences and entitles the holder hereof to certain Rights as set forth in a Rights Agreement between Cleveland-Cliffs Inc and First Chicago Trust Company of New York, dated as of September 19, 1997 (the "Rights Agreement"), the terms of which are hereby incorporated herein

by reference and a copy of which is on file at the principal executive offices of Cleveland-Cliffs Inc. The Rights are not exercisable prior to the occurrence of certain events specified in the Rights Agreement. Under certain circumstances, as set forth in the Rights Agreement, such Rights may be redeemed, may be exchanged, may expire, may be amended, or may be evidenced by separate certificates and will no longer be evidenced by this Certificate. Cleveland-Cliffs Inc will mail to the holder of this Certificate a copy of the Rights Agreement without charge promptly after receipt of a written request therefor. Under certain circumstances, Rights that are or were beneficially owned by an Acquiring Person or any Affiliate or Associate thereof (as such terms are defined in the Rights Agreement) and any subsequent holder of such Rights may become null and void.

With respect to certificates containing the legend described above, until the Distribution Date, the Rights associated with the Common Shares represented by such certificates shall be evidenced by such certificates alone, and the surrender for transfer of any such certificate shall also constitute the surrender for transfer of the Rights associated with the Common Shares represented thereby.

Section 4. FORM OF RIGHT CERTIFICATES. The Right Certificates (and the forms of election to purchase shares and of assignment to be printed on the reverse thereof) shall be substantially the same as Exhibit A hereto with such changes, marks of identification or designation and such legends, summaries or endorsements printed thereon as the Company may deem appropriate and as are not inconsistent with the provisions of this Agreement, or as may be required to comply with any applicable law or with any rule or regulation made pursuant thereto or with any exchange on which the Rights may from time to

time be listed, or to conform to usage. Subject to the provisions of Section 11 and 22 hereof, the Right Certificates, whenever issued, shall be dated as of the Record Date, and on their face shall entitle the holders thereof to purchase such number of Common Shares as shall be set forth therein at the price per whole share set forth therein (the "Purchase Price"), but the Purchase Price and the number and kind of securities issuable upon exercise of each Right and the number of Rights outstanding shall be subject to adjustment as provided herein.

Section 5. COUNTERSIGNATURE AND REGISTRATION. The Right Certificates shall be executed on behalf of the Company by its Chairman, President or any Vice President, either manually or by facsimile signature, and have affixed thereto the Company's seal or a facsimile thereof which shall be attested by the Secretary or an Assistant Secretary of the Company, either manually or by facsimile signature. The Right Certificates shall be manually countersigned by the Rights Agent and shall not be valid for any purpose unless so countersigned. In case any officer of the Company who shall have signed any of the Right

Certificates shall cease to be such officer of the Company before countersignature by the Rights Agent and issuance and delivery by the Company, such Right Certificates, nevertheless, may be countersigned by the Rights Agent, and issued and delivered by the Company with the same force and effect as though the person who signed such Right Certificates had not ceased to be such officer of the Company; and any Right Certificate may be signed on behalf of the Company by any person who, at the actual date of

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the execution of such Right Certificate, shall be a proper officer of the company to sign such Right Certificate, although at the date of the execution of this Rights Agreement any such person was not such an officer.

Following the Distribution Date, the Rights Agent will keep or cause to be kept, at the principal office of the Rights Agent designated for such purpose and at such other offices as may be required to comply with any applicable law or with any rule or regulations made pursuant thereto or with any rule or regulation of any stock exchange or on which the Rights may be listed, books for registration and transfer of the Right Certificates issued hereunder. Such books shall show the names and addresses of the respective holders of the Right Certificates, the number of Rights evidenced on its face by each of the Right Certificates and the date of each of the Right Certificates.

Section 6. TRANSFER, SPLIT UP, COMBINATION AND EXCHANGE OF RIGHT CERTIFICATES; MUTILATED, DESTROYED, LOST OR STOLEN RIGHT CERTIFICATES. Subject to the provisions of Sections 7(e) and 14 hereof, at any time after the close of business on the Distribution Date, and at or prior to the close of business on the Expiration Date, any Right Certificate or Certificates representing exercisable rights may be transferred, split up, combined or exchanged for another Right Certificate or Right Certificates, entitling the registered holder to purchase a like number of Common Shares (or other securities, as the case may be) as the Right Certificate or Right Certificates surrendered then

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entitled such holder (or former holder in the case of a transfer) to purchase. Any registered holder desiring to transfer, split up, combine or exchange any Right Certificate, shall make such request in writing delivered to the Rights Agent, and shall surrender the Right Certificate or Right Certificates to be transferred, split up, combined or exchanged at the principal office of the Rights Agent designated for such purpose. Thereupon or as promptly as practicable thereafter, subject to the provisions of Section 11 and Section 14 hereof, the Company will prepare, execute and deliver to the Rights Agent, and the Rights Agent will countersign and deliver, a Right Certificate or Rights Certificates, as the case may be, as so requested. The Company may require payment of a sum sufficient to cover any tax or governmental charge that may be imposed in connection with any transfer, split up, combination or exchange of Right Certificates.

Upon receipt by the Company and the Rights Agent of evidence reasonably satisfactory to them of the loss, theft, destruction or mutilation of a Right Certificate, and, in case of loss, theft or destruction, of indemnity or security reasonably satisfactory to them, and, if requested by the Company, reimbursement to the Company and the Rights Agent of all reasonable expenses incidental thereto, and upon surrender to the Rights Agent, and cancellation of the Right Certificate if mutilated, the Company will prepare, execute and deliver a new Right Certificate of like tenor to the Rights Agent and the Rights Agent shall countersign and deliver such new Right

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Certificate to the registered holder in lieu of the Right Certificate so lost, stolen, destroyed or mutilated.

Section 7. EXERCISE OF RIGHTS; PURCHASE PRICE; EXPIRATION DATE OF RIGHTS. (a) The registered holder of any Right Certificate may exercise the Rights evidenced thereby (except as otherwise provided herein) in whole or in part at any time after the Distribution Date and prior to the Expiration Date, upon surrender of the Right Certificate, with the form of election to purchase on the reverse side thereof duly executed, to the Rights Agent at the principal office or offices of the Rights Agent designated for such purpose, together with payment in cash, in lawful money of the United States of America by certified check or bank draft payable to the order of the Company, equal to the sum of (i) the exercise price for the total number of securities as to which such surrendered Rights are exercised and (ii) an amount equal to any applicable transfer tax required to be paid by the holder of such Right Certificate in accordance with the provisions of Section 9 hereof.

(b) The Purchase Price shall initially be \$160 (equivalent to \$1.60

for each one-hundredth of a Common Share), and shall be subject to adjustment from time to time as provided in Section 11 hereof and shall be payable in lawful money of the United States of America in accordance with paragraph (c) below.

(c) Upon receipt of a Right Certificate representing exercisable Rights, with the form of election to purchase duly executed, accompanied by payment of the Purchase Price for the shares to be purchased and an amount equal to any applicable

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transfer tax in cash, or by certified check or bank draft payable to the order of the Rights Agent, the Rights Agent shall thereupon promptly (i) requisition from any transfer agent of the Common Shares (or make available, if the Rights Agent is the transfer agent) certificates for the number of whole Common Shares to be purchased and the Company hereby irrevocably authorizes and directs its transfer agent to comply with all such requests, (ii) when appropriate, requisition from the Company the amount of cash to be paid or depository receipts to be issued in lieu of the issuance of fractional shares in accordance with Section 14 hereof or the amount of cash to be paid in lieu of the issuance of Common Shares in accordance with Sections 11(a)(iii) or 11(d) hereof, (iii) promptly after receipt of such certificates (or depository receipts, when appropriate), cause the same to be delivered to or upon the order of the registered holder of such Right Certificate, registered in such name or names as may be designated by such holder and (iv) when appropriate, after receipt promptly deliver such cash to or upon the order of the registered holder of such Right Certificate.

(d) In case the registered holder of any Right Certificate shall exercise less than all the Rights evidenced thereby, a new Right Certificate evidencing Rights equivalent to the Rights remaining unexercised shall be issued by the Rights Agent to the registered holder of such Right Certificate or to his duly authorized assigns, subject to the provisions of Section 14 hereof.

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(e) Notwithstanding anything in this Agreement to the contrary, neither the Rights Agent nor the Company shall be obligated to undertake any action with respect to any purported transfer, split up, combination or exchange of any Right Certificate pursuant to Section 6 hereof or the exercise of a Right Certificate as set forth in this Section 7 unless the registered holder of such Right Certificate shall have (i) completed and signed the certificate following the form of assignment or form of election to purchase, as applicable, set forth on the reverse side of the Right Certificate surrendered for such transfer, split up, combination, exchange or exercise, and (ii) provided such additional evidence of the identity of the Beneficial Owner (or former Beneficial Owner) or Affiliates or Associates thereof as the Company shall have reasonably requested.

Section 8. CANCELLATION AND DESTRUCTION OF RIGHT CERTIFICATES. All Right Certificates surrendered for the purpose of exercise, transfer, split up, combination or exchange shall, if surrendered to the Company or to any of its stock transfer agents, be delivered to the Rights Agent for cancellation or in cancelled form, or, if surrendered to the Rights Agent, shall be cancelled by it, and no Right Certificates shall be issued in lieu thereof except as expressly permitted by any of the provisions of this Agreement. The Company shall deliver to the Rights Agent for cancellation and retirement, and the Rights Agent shall so cancel and retire, any other Right Certificate purchased or acquired by the Company otherwise than upon the

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exercise thereof. The Rights Agent shall deliver all cancelled Right Certificates to the Company, or shall, at the written request of the Company, destroy such cancelled Right Certificates, and in such case shall deliver a certificate of destruction thereof to the Company.

Section 9. RESERVATION AND AVAILABILITY OF COMMON SHARES. The Company covenants and agrees that it will cause to be reserved and kept available out of its authorized and unissued Common Shares or any authorized and issued Common Shares held in its treasury, the number of Common Shares that will be sufficient to permit the exercise pursuant to Section 7 hereof of all outstanding Rights; such number of Common Shares reserved and kept available shall be adjusted from time to time, if and to the extent required, upon the occurrence of any of the events described in Section 11 hereof.

So long as the Company's Common Shares are listed on a national securities exchange, the Company shall endeavor to cause, from and after such time as the Rights become exercisable, all Common Shares reserved for issuance upon exercise of the Rights to be listed on such exchange upon official notice of issuance.

The Company covenants and agrees that it will take all such action as

may be necessary to ensure that all Common Shares delivered upon exercise of Rights shall be, at the time of delivery of the certificates for such shares (subject to payment of the Purchase Price), duly and validly authorized and issued, fully paid, nonassessable and freely tradeable shares, free and

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clear of any liens, encumbrances and other adverse claims and not subject to any rights of call or first refusal.

The Company further covenants and agrees that it will pay when due and payable any and all federal and state transfer taxes and charges which may be payable in respect of the issuance or delivery of the Right Certificates or of any Common Shares upon the exercise of Rights. The Company shall not, however, be required to pay any transfer tax which may be payable in respect of any transfer or delivery of Right Certificates to a person other than, or the issuance or delivery of certificates for the Common Shares in a name other than that of, the registered holder of the Right Certificates evidencing Rights surrendered for exercise, or to issue or deliver any certificates for Common Shares upon the exercise of any Rights until any such tax shall have been paid (any such tax being payable by the holder of such Right Certificate at the time of surrender) or until it has been established to the Company's satisfaction that no such tax is due.

The Company also shall use its best efforts (i) to file on an appropriate form, as soon as practicable following the later of the first occurrence of a Triggering Event or the Distribution Date, a registration statement under the Securities Act of 1933, as amended (the "Securities Act"), with respect to the securities issuable upon exercise of the Rights, (ii) to cause such registration statement to become effective as soon as practicable after such filing, and (iii) to cause such registration statement to remain effective (with a prospectus at

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all times meeting the requirements of the Securities Act) until the earlier of (A) the date as of which the Rights are no longer exercisable for such securities and (B) the Expiration Date. The Company shall also take such action as may be appropriate under, or to ensure compliance with, the securities or "blue sky" laws of the various states in connection with the exercisability of the Rights. The Company may temporarily suspend, for a period of time after the date set forth in clause (i) of the first sentence of this paragraph, the exercisability of the Rights in order to prepare and file such registration statement and to permit it to become effective. Upon any such suspension, the Company shall issue a public announcement stating that the exercisability of the Rights has been temporarily suspended, as well as a public announcement at such time as the suspension is no longer in effect. In addition, if the Company shall determine that a registration statement should be filed under the Securities Act or any state securities laws following the Distribution Date, the Company may temporarily suspend the exercisability of the Rights in each relevant jurisdiction until such time as a registration statement has been declared effective and, upon any such suspension, the Company shall issue a public announcement stating that the exercisability of the Rights has been temporarily suspended, as well as a public announcement at such time as the suspension is no longer in effect. Notwithstanding anything in this Agreement to the contrary, the Rights shall not be exercisable in any jurisdiction if the requisite registration or qualification in such jurisdiction shall not have been effected

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or the exercise of the Rights shall not be permitted under applicable law.

Notwithstanding anything in this Agreement to the contrary, after the later of the Distribution Date and the first occurrence of a Triggering Event, the Company shall not, except as permitted by Section 23 or Section 26 hereof, take (or permit any Subsidiary to take) any action if at the time such action is taken it is reasonably foreseeable that such action will eliminate or otherwise diminish the benefits intended to be afforded by the Rights.

In the event that the Company is obligated to pay cash pursuant to Sections 11 or 14 hereof, it shall make all arrangements necessary so that such cash is available for distribution by the Rights Agent, if and when appropriate.

Section 10. COMMON SHARES RECORD DATE. Each person in whose name any certificate for Common Shares is issued upon the exercise of Rights shall for all purposes be deemed to have become the holder of record of the Common Shares represented thereby on, and such certificate shall be dated, the date upon which the Right Certificate evidencing such Rights was duly surrendered and payment of the Purchase Price (and any applicable transfer taxes) was made; PROVIDED, HOWEVER, that if the date of such surrender and payment is a date upon which the Common Shares transfer books of the Company are closed, such person shall be

deemed to have become the record holder of such shares on, and such certificate shall be dated, the next succeeding Business Day on which the Common Shares transfer books of the Company are

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open. Prior to the exercise of the Rights evidenced thereby, the holder of a Right Certificate shall not be entitled to any rights of a shareholder of the Company with respect to shares for which the Rights shall be exercisable, including, without limitation, the right to vote, to receive dividends or other distributions or to exercise any preemptive rights, and shall not be entitled to receive any notice of any proceedings of the Company, except as provided herein.

Section 11. ADJUSTMENT OF PURCHASE PRICE, NUMBER AND TYPE OF SHARES OR NUMBER OF RIGHTS. The Purchase Price, the number and type of shares covered by each Right and the number of Rights outstanding are subject to adjustment from time to time as provided in this Section 11.

(a) (i) In the event that the Company shall at any time after the date of this Agreement (A) declare a dividend on the Common Shares payable in Common Shares, (B) subdivide the outstanding Common Shares, (C) combine the outstanding Common Shares into a smaller number of shares or (D) issue any shares of its capital stock in a reclassification of the Common Shares (including any such reclassification in connection with a consolidation or merger in which the Company is the continuing or surviving corporation), except as otherwise provided in this Section 11(a) or in Section 11(d) hereof, the Purchase Price in effect at the time of the record date for such dividend or of the effective date of such subdivision, combination or reclassification, and the number and type of shares of capital stock issuable on such date, shall be proportionately adjusted so

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that the holder of any Right exercised after such time shall be entitled to receive the aggregate number and kind of shares of capital stock which, if such Right had been exercised immediately prior to such date and at a time when the Common Shares transfer books of the Company were open, he would have owned upon such exercise and been entitled to receive by virtue of such dividend, subdivision, combination or reclassification. If an event occurs which would require an adjustment under both this Section 11(a) (i) and Section 11(a) (ii) hereof or Section 11(d) hereof, the adjustment provided for in this Section 11(a) (i) shall be in addition to, and shall be made prior to, any adjustment required pursuant to Section 11(a) (ii) or Section 11(d) hereof.

(ii) In the event that

(A) any Person becomes an Acquiring Person; or

(B) any Acquiring Person or any Associate or Affiliate of any Acquiring Person, at any time after the date of this Agreement, directly or indirectly, shall (1) merge into the Company or otherwise combine with the Company and the Company shall be the continuing or surviving corporation of such merger or combination, other than in a transaction subject to Section 11(d) (ii) hereof, (2) merge or otherwise combine with any Subsidiary, (3) in one or more transactions, transfer any assets to the Company or any Subsidiary in exchange (in whole or in part) for shares of any class of capital stock of the Company or any Subsidiary or for securities exercisable for or convertible into shares of any class of capital stock of the Company or any

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Subsidiary, or otherwise obtain from the Company or any Subsidiary, with or without consideration, any additional shares of any class of capital stock of the Company or any Subsidiary or securities exercisable for or convertible into shares of any class of capital stock of the Company or any Subsidiary (other than as part of a pro rata distribution to all holders of such shares of any class of capital stock of the Company or any subsidiary), (4) sell, purchase, lease, exchange, mortgage, pledge, transfer or otherwise dispose (in one or more transactions), to, from or with, as the case may be, the Company or any Subsidiary, other than in a transaction subject to Section 11(d) hereof, assets on terms and conditions less favorable to the Company than the Company would be able to obtain in arm's-length negotiation with an unaffiliated third party, (5) receive any compensation from the Company or any Subsidiary other than compensation for full-time employment as a regular employee at rates in accordance with the Company's (or its Subsidiaries') past practices, or (6) receive the benefit, directly or indirectly (except proportionately as a shareholder), of any loans, advances, guarantees, pledges or other financial assistance or any tax credits or other tax advantage provided by the Company or any Subsidiaries; or

(C) during such time as there is an Acquiring Person, there shall be any reclassification of securities (including any reverse stock split), or



recapitalization of the Company, or any merger or consolidation of the Company with

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any Subsidiary or any other transaction or series of transactions (whether or not with or into or otherwise involving an Acquiring Person), other than a transaction subject to Section 11(d) hereof, which has the effect, directly or indirectly, of increasing by more than 1% the proportionate share of the outstanding shares of any class of equity securities or of securities exercisable for or convertible into equity securities of the Company or any Subsidiary which is directly or indirectly beneficially owned by any Acquiring Person or any Associate or Affiliate of any Acquiring Person;

then, and in each such case, proper provision shall be made so that from and after the latest of the Share Acquisition Date, the Distribution Date and the date of the occurrence of such Flip-in Event each holder of a Right, except as provided below, shall thereafter have a right to receive, upon exercise thereof in accordance with the terms of this Agreement at an exercise price per Right equal to the product of one hundred (100) times the then-current Purchase Price multiplied by the number of Common Shares for which a Right was exercisable immediately prior to the first occurrence of a Triggering Event, such number of Common Shares as shall equal the result obtained by (x) multiplying the product of one hundred (100) times the then-current Purchase Price by the number of Common Shares for which a Right was exercisable immediately prior to the first occurrence of a Triggering Event, and dividing that product by (y) 50% of the current per share market price of the Common Shares (determined

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pursuant to Section 11(e) hereof) on the date of the first occurrence of a Triggering Event. Notwithstanding anything in this Agreement to the contrary, from and after the later of the Distribution Date and the first occurrence of a Flip-in Event, (1) any Rights that are or were acquired or beneficially owned by any Acquiring Person (or any Affiliate or Associate of such Acquiring Person) shall be void and any holder of such Rights shall thereafter have no right to exercise such Rights under any provision of this Agreement, (2) no Right Certificate shall be issued pursuant to this Agreement that represents Rights beneficially owned by an Acquiring person or any Affiliate or Associate thereof, (3) no Right Certificate shall be issued at any time upon the transfer of any Rights to an Acquiring Person or any Affiliate or Associate thereof or to any nominee of such Acquiring Person or Affiliate thereof, and (4) any Right Certificate delivered to the Rights Agent for transfer to an Acquiring Person or any Affiliate or Associate thereof shall be cancelled.

(iii) Upon the occurrence of a Flip-In event, if there shall not be sufficient authorized but unissued Common Shares or authorized and issued Common Shares held in treasury to permit the exercise in full of the Rights in accordance with the foregoing subparagraph (ii), the Directors of the Company shall use their best efforts promptly to authorize additional Common Shares for issuance upon exercise of the Rights; PROVIDED, HOWEVER, that if at any time after 90 calendar days after the first occurrence of a Flip-In Event, there shall not be

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sufficient Common Shares available for issuance upon the exercise of a Right, then the Company shall deliver, upon the surrender of such Right and without requiring payment of the Purchase Price, Common Shares (to the extent available), and then cash (to the extent permitted by applicable law and any agreements or instruments to which the Company is a party in effect immediately prior to the first occurrence of any Flip-In Event), which Common Shares and cash shall have an aggregate value equal to the excess of (1) the aggregate current per share market price of all the Common Shares (determined pursuant to Section 11(e) hereof) issuable in accordance with subsection (ii) of this Section 11(a) upon the exercise of a Right over (2) the product of one hundred (100) times the then-current Purchase Price multiplied by the number of Common Shares for which a Right was exercisable immediately prior to the first occurrence of a Triggering Event. To the extent that any legal or contractual restrictions prevent the Company from paying the full amount of cash payable in accordance with the foregoing sentence, the Company shall pay to holders of the Rights as to which such payments are being made all amounts which are not then restricted on a pro rata basis. The Company shall continue to make payments on a pro rata basis as funds become available until such payments have been paid in full.

(b) In the event that the Company shall fix a record date for the issuance of rights, options or warrants to all holders of Common Shares entitling them (for a period expiring within 45 calendar days after such record date) to

subscribe for or purchase Common Shares (or shares having the same rights, privileges and preferences as the Common Shares ("equivalent common shares")) or securities convertible into Common Shares or equivalent common shares at a price per Common Share or equivalent common share (or having a conversion price per share, if a security convertible into Common Shares or equivalent common shares) less than the current per share market price of the Common Shares (as determined pursuant to Section 11(e) hereof) on such record date, the Purchase Price to be in effect after such record date shall be determined by multiplying the Purchase Price in effect immediately prior to such record date by a fraction, the numerator of which shall be the number of Common Shares outstanding on such record date plus the number of Common Shares which the aggregate offering price of the total number of Common Shares and/or equivalent common shares so to be offered (and/or the aggregate initial conversion price of the convertible securities so to be offered) would purchase at such current market price and the denominator of which shall be the number of Common Shares outstanding on such record date plus the number of additional Common Shares and/or equivalent common shares to be offered for subscription or purchase (or into which the convertible securities so to be offered are initially convertible). In case such subscription price may be paid in a consideration part or all of which shall be in a form other than cash, the value of such consideration shall be as determined in good faith by the Directors of the Company, whose determination shall be described in a statement filed with the Rights Agent and

shall be conclusive for all purposes. Common Shares owned by or held for the account of the Company shall not be deemed outstanding for the purpose of any such computation. Such adjustment shall be made successively whenever such a record date is fixed; and in the event that such rights, options or warrants are not so issued, the Purchase Price shall be adjusted to be the Purchase Price which would then be in effect if such record date had not been fixed.

(c) In the event that the Company shall fix a record date for the making of a distribution to all holders of Common Shares (including any such distribution made in connection with a consolidation or merger in which the Company is the continuing or surviving corporation) of evidences of indebtedness, cash (other than a regular periodic cash dividend at a rate not in excess of 125% of the rate of the last cash dividend theretofore paid), assets, stock (other than a dividend payable in Common Shares) or subscription rights, options or warrants (excluding those referred to in Section 11(b) hereof), the Purchase Price to be in effect after such record date shall be determined by multiplying the Purchase Price in effect immediately prior to such record date by a fraction, the numerator of which shall be the current per share market price of the Common Shares (as determined pursuant to Section 11(e) hereof) on such record date, less the fair market value (as determined in good faith by the Directors of the Company, whose determination shall be described in a statement filed with the Rights Agent and shall be conclusive for all purposes) of the

portion of the cash, assets, stock or evidences of indebtedness so to be distributed (in the case of regular periodic cash dividends at a rate in excess of 125% of the rate of the last cash dividend theretofore paid, only that portion in excess of 125% of such rate) or of such subscription rights, options or warrants applicable to one Common Share, and the denominator of which shall be such current per share market price of the Common Shares. Such adjustments shall be made successively whenever such a record date is fixed; and in the event that such distribution is not so made, the Purchase Price shall again be adjusted to be the Purchase Price which would then be in effect if such record date had not been fixed.

(d) In the event that, following the Share Acquisition Date, directly or indirectly:

(i) the Company shall consolidate with, or merge with or into, any other Person and the Company shall not be the continuing or surviving corporation of such consolidation or merger; or

(ii) any Person shall consolidate with the Company, or merge with or into the Company and the Company shall be the continuing or surviving corporation of such merger or consolidation and, in connection with such merger or consolidation, all or part of the Common Shares shall be changed into or exchanged for stock or other securities of any other Person or cash or any other property; or

(iii) the Company shall sell or otherwise transfer (or one or more

Subsidiaries shall sell or otherwise transfer), in one or more transactions, assets or earning power (including, without limitation, securities creating any obligation on the part of the Company and/or any Subsidiaries) representing in the aggregate more than 50% of the assets or earning power of the Company and the Subsidiaries (taken as a whole) to any Person or Persons,

then, and in each such case, proper provision shall be made so that (A) except as provided below, each holder of a Right shall thereafter have the right to receive, upon the exercise thereof in accordance with the terms of this Agreement at an exercise price per Right equal to the product of one hundred (100) times the then-current Purchase Price multiplied by the number of Common Shares for which a Right was exercisable immediately prior to the first occurrence of a Triggering Event, such number of validly authorized and issued, fully paid, nonassessable and freely tradeable Common Shares of such surviving, resulting or acquiring Person (including the Company as the continuing or surviving corporation of a transaction described in clause (ii) above), as the case may be, free and clear of any liens, encumbrances and other adverse claims and not subject to any rights of call or first refusal, as shall be equal to the result obtained by (x) multiplying the product of one hundred (100) times the then-current Purchase Price by the number of Common Shares for which a Right was exercisable immediately prior to the

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first occurrence of a Triggering Event and dividing that product by (y) 50% of the current per share market price of the Common Shares of such Person (determined pursuant to Section 11(e) hereof) on the date of consummation of such Flip-over Event; (B) the issuer of such Common Shares shall thereafter be liable for, and shall assume, by virtue of the consummation of such Flip-over Event, all the obligations and duties of the Company pursuant to this Agreement; (C) the term "Company" shall thereafter be deemed to refer to such issuer; and (D) such issuer shall take such steps (including, but not limited to, the reservation of a sufficient number of its Common Shares in accordance with Section 9 hereof) in connection with such consummation as may be necessary to assure that the provisions hereof shall thereafter be applicable, as nearly as reasonably may be possible, in relation to its Common Shares thereafter deliverable upon the exercise of the Rights. Notwithstanding the foregoing, if the surviving, resulting or acquiring Person in any Flip-over Event, is not a corporation or business trust, then, and in each such case, if such surviving, resulting or acquiring Person is directly or indirectly wholly owned by a corporation or business trust, then all references to Common Shares of such surviving, resulting or acquiring Person in this Section 11(d) shall be deemed to be references to the Common Shares of the corporation or business trust which ultimately controls such Person, and if there is no such corporation or business trust, (Y) proper provision shall be made so that such surviving, resulting or acquiring Person shall create or otherwise make available for

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purposes of the exercise of the Rights in accordance with the terms of this Agreement, a type or types of security or securities having a fair market value at least equal to the economic value of the Common Shares which each holder of a Right would have been entitled to receive if such surviving, resulting or acquiring Person had been a corporation or a business trust; and (Z) all other provisions of this Section 11(d) shall apply to the issuer of such securities as if such securities were Common Shares. The Company shall not consummate any Flip-over Event, unless the issuer of the Common Shares or other securities, as the case may be, shall have a sufficient number of authorized Common Shares or other securities which have not been issued or reserved for issuance to permit the exercise in full of the Rights in accordance with this Section 11(d) and unless prior to such consummation the Company and such issuer shall have executed and delivered to the Rights Agent a supplemental agreement providing for the terms set forth in this Section 11 and further providing that as promptly as practicable after the consummation of any Flip-over Event, the issuer shall:

(I) prepare and file a registration statement under the Securities Act, with respect to the Rights and the securities issuable upon exercise of the Rights on an appropriate form, and shall use its best efforts to cause such registration statement to (A) become effective as soon as practicable after such filing and (B) remain effective (with a prospectus at all times

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meeting the requirements of the Securities Act) until the Expiration Date;

(II) take all such action as may be appropriate under, or to ensure compliance with, the securities or "blue sky" laws of the various states in connection with the exercisability of the Rights; and

(III) deliver to holders of the Rights historical financial statements for such issuer and each of its Affiliates which comply in all respects with the requirements for registration on Form 10 under the Exchange Act.

Notwithstanding the foregoing, upon the occurrence of any Flip-over Event, any Rights that are or were at any time beneficially owned by any Acquiring Person or any Associate or Affiliate of such Acquiring Person (which Acquiring Person, Associate or Affiliate is, directly or indirectly, causing such Flip-over Event to occur) after the date upon which such Acquiring Person became such shall become void and any holder of such Rights shall thereafter have no right to exercise such Rights under any provision of this Agreement. The provisions of this Section 11(d) shall similarly apply to successive mergers or consolidations or sales or other transfers. In the event that a Flip-over Event occurs at any time after the occurrence of a Flip-in Event, the Rights which have not therefore been exercised shall thereafter become exercisable in the manner described in this Section 11(d).

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(e) For the purpose of any computation hereunder, the "current per share market price" of Common Shares on any date shall be deemed to be the average of the daily closing prices per share of such Common Shares for the 30 consecutive Trading Days (as such term is hereinafter defined) immediately prior to such date; PROVIDED, HOWEVER, that in the event that the current per share market price of the Common Shares is determined during a period following the announcement by the issuer of such Common Shares (i) of a dividend or distribution on such Common Shares payable in such Common Shares or securities convertible into such Common Shares or (ii) any subdivision, combination or reclassification of such Common Shares, and prior to the expiration of 30 Trading Days after the ex-dividend date for such dividend or distribution or the record date for such subdivision, combination or reclassification, then, and in each such case, the "current market price" shall be appropriately adjusted to take into account ex-dividend trading or to reflect the current market price per Common Share equivalent. The closing price for each day shall be the last sale price, regular way, or, in case no such sale takes place on such day, the average of the closing bid and asked prices, regular way, in either case as reported in the principal consolidated transaction reporting system with respect to securities listed or admitted to trading on the New York Stock Exchange or, if the Common Shares are not listed or admitted to trading on the New York Stock Exchange, as reported in the principal consolidated transaction reporting system with respect to securities listed on the principal national securities

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exchange on which the Common Shares are listed or admitted to trading or, if the Common Shares are not listed or admitted to trading on any national securities exchange, the last quoted price or, if not so quoted, the average of the high bid and low asked prices in the over-the-counter market, as reported by the National Association of Securities Dealers, Inc. Automated Quotation System ("NASDAQ") or such other system then in use, or, if on any such date the Common Shares are not quoted by any such organization, the average of the closing bid and asked prices as furnished by a professional market maker making a market in the Common Shares selected by the Directors of the Company. The term "Trading Day" shall mean any day on which the principal national securities exchange on which the Common Shares are listed or admitted to trading is open for the transaction of business or, if the Common Shares are not listed or admitted to trading on any national securities exchange, a Monday, Tuesday, Wednesday, Thursday or Friday on which banking institutions in the State of New York are not authorized or obligated by law or executive order to close. If the Common Shares are not publicly held or not so listed or traded, or not the subject of available bid and asked quotes, "current per share market price" shall mean the fair value per share as determined in good faith by the Directors of the Company, whose determination shall be described in a statement filed with the Rights Agent and shall be conclusive for all purposes.

(f) Except as set forth below, no adjustment in the Purchase Price shall be required unless such adjustment would

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require an increase or decrease of at least 1% in such price; PROVIDED, HOWEVER, that any adjustments which by reason of this Section 11(f) are not required to be made shall be carried forward and taken into account in any subsequent adjustment. All calculations under this Section 11 shall be made to the nearest cent or to the nearest thousandth of a share as the case may be. Notwithstanding the first sentence of this Section 11(f), any adjustment required by this Section 11 shall be made no later than the earlier of (i) three years from the date of the transaction which requires such adjustment and (ii) the Expiration Date.

(g) If as a result of an adjustment made pursuant to Section 11(a) hereof, the holder of any Right thereafter exercised shall become entitled to receive any shares of capital stock of the Company other than Common Shares, thereafter the number of such other shares so receivable upon exercise of any Right shall be subject to adjustment from time to time in a manner and on terms as nearly equivalent as practicable to the provisions with respect to the shares contained in this Section 11 and the provisions of Sections 7, 9, 10 and 14 hereof with respect to the Common Shares shall apply on like terms to any such other shares.

(h) All Rights originally issued by the Company subsequent to any adjustment made to the Purchase Price hereunder shall evidence the right to purchase, at the adjusted Purchase Price, the number of Common Shares purchasable from time to time

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hereunder upon exercise of the Rights, all subject to further adjustment as provided herein.

(i) Unless the Company shall have exercised its election as provided in Section 11(j) hereof, upon each adjustment of the Purchase Price as a result of the calculations made in Sections 11(b) and (c) hereof, each Right outstanding immediately prior to the making of such adjustment shall thereafter evidence the right to purchase, at the adjusted Purchase Price, that number of shares (calculated to the nearest thousandth) obtained by (i) multiplying (x) the number of shares covered by a Right immediately prior to this adjustment by (y) the Purchase Price in effect immediately prior to such adjustment of the Purchase Price and (ii) dividing the product so obtained by the Purchase Price in effect immediately after such adjustment of the Purchase Price.

(j) The Company may elect, on or after the date of any adjustment of the Purchase Price, to adjust the number of Rights in substitution for any adjustment in the number of Common Shares purchasable upon the exercise of a Right. Each of the Rights outstanding after such adjustment of the number of Rights shall be exercisable for the number of Common Shares for which a Right was exercisable immediately prior to such adjustment. Each Right held of record prior to such adjustment of the number of Rights shall become that number of Rights (calculated to the nearest thousandth) obtained by dividing the Purchase Price in effect immediately prior to adjustment of the Purchase Price by the Purchase Price in effect immediately after adjustment of the

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Purchase Price. The Company shall make a public announcement of its election to adjust the number of Rights, indicating the record date for the adjustment, and, if known at the time, the amount of the adjustment to be made. This record date may be the date on which the Purchase Price is adjusted or any day thereafter, but, if the Right Certificates have been issued, shall be at least 10 calendar days later than the date of the public announcement. If Right Certificates have been issued, upon each adjustment of the number of Rights pursuant to this Section 11(j), the Company shall, as promptly as practicable, cause to be distributed to holders of record of Right Certificates on such record date Right Certificates evidencing, subject to Section 14 hereof, the additional Rights to which such holders shall be entitled as a result of such adjustment, or, at the option of the Company, shall cause to be distributed to such holders of record in substitution and replacement for the Right Certificates held by such holders prior to the date of adjustment, and upon surrender thereof, if required by the Company, new Right Certificates evidencing all the Rights to which such holders shall be entitled after such adjustment. Right Certificates so to be distributed shall be issued, executed and countersigned in the manner provided for herein (and may bear, at the option of the Company, the adjusted Purchase Price) and shall be registered in the names of the holders of record of Right Certificates on the record date specified in the public announcement.

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(k) Irrespective of any adjustment or change in the Purchase Price or the number or type of shares issuable upon the exercise of the Rights, the Right Certificates theretofore and thereafter issued may continue to express the Purchase Price per share and the number of shares which were expressed in the initial Right Certificate issued hereunder.

(l) Before taking any action that would cause an adjustment reducing the Purchase Price below the then par value, if any, of the Common Shares issuable upon exercise of the Rights, the Company shall take any corporate action which may, in the opinion of its counsel, be necessary in order that the Company may validly and legally issue fully paid and nonassessable Common Shares at such adjusted Purchase Price.

(m) In any case in which this Section 11 shall require that an adjustment in the Purchase Price be made effective as of a record date for a

specified event, the Company may elect to defer until the occurrence of such event the issuing to the holder of any Right exercised after such record date the Common Shares and other capital stock or securities of the Company, if any, issuable upon such exercise over and above the Common Shares and other capital stock or securities of the Company, if any, issuable upon such exercise on the basis of the Purchase Price in effect prior to such adjustment; PROVIDED, HOWEVER, that the Company shall deliver to such holder a due bill or other appropriate instrument evidencing such holder's right to receive such additional shares upon the occurrence of the event requiring such adjustment.

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(n) Anything in Sections 11 (a) through (m), inclusive, hereof to the contrary notwithstanding, the Company shall be entitled to make such reductions in the Purchase Price, in addition to those adjustments expressly required by this Section 11, as and to the extent that it in its sole discretion shall determine to be advisable in order that any consolidation or subdivision of the Common Shares, issuance wholly for cash of any of the Common Shares at less than the current market price, issuance wholly for cash of Common Shares or securities which by their terms are convertible into or exchangeable for Common Shares, stock dividends or issuance of rights, options or warrants referred to hereinabove in this Section 11, hereafter made by the Company to holders of its Common Shares shall not be taxable to such shareholders.

(o) Notwithstanding any other provision of this Agreement, no adjustment to the Purchase Price, the number of shares of Common Stock (or fractions of a share) for which a Right is exercisable or the number or Rights outstanding shall be made or be effective if such adjustment would have the effect of reducing or limiting the benefits the holders of the Rights would have had absent such adjustment, including, without limitation, the benefits under Sections 11(a)(ii) and 11(d) hereof, unless the terms of this Agreement are amended so as to preserve such benefits.

Section 12. CERTIFICATE OF ADJUSTED PURCHASE PRICE OR NUMBER OF SHARES. Whenever an adjustment is made as provided in Section 11 hereof, the Company shall promptly prepare a

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certificate setting forth such adjustment, (including a description of any Rights which have become void as a result thereof), and a brief statement of the facts accounting for such adjustment and promptly file with the Rights Agent and with each transfer agent for the Common Shares a copy of such certificate.

Section 13. NOTICE OF ADJUSTED PURCHASE PRICE OR NUMBER OR TYPE OF SHARES TO HOLDERS OF RIGHTS. Whenever an adjustment is made as provided in Section 11 hereof after the Distribution Date, the Company shall mail a brief summary of such adjustment to each holder of a Right Certificate in accordance with Section 25 hereof.

Section 14. FRACTIONAL RIGHTS AND FRACTIONAL SHARES. (a) The Company shall not be required to issue fractions of Rights or to distribute Right Certificates which evidence fractional Rights. In lieu of such fractional Rights, there shall be paid as promptly as practicable to the registered holders of the Right Certificates with regard to which such fractional Rights would otherwise be issuable, an amount in cash equal to the same fraction of the current market value of a whole Right. For the purposes of this Section 14(a), the current market value of a whole Right shall be the closing price of the Rights for the Trading Day immediately prior to the date on which such fractional Rights would have been otherwise issuable. The closing price for any day shall be the last sale price, regular way, or, in case no such sale takes place on such day, the average of the closing bid and asked prices, regular way, in either case as reported in the principal consolidated transaction

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reporting system with respect to securities listed or admitted to trading on the New York Stock Exchange or, if the Rights are not listed or admitted to trading on the New York Stock Exchange, as reported in the principal consolidated transaction reporting system with respect to securities listed on the principal national securities exchange on which the Rights are listed or admitted to trading or, if the Rights are not listed or admitted to trading on any national securities exchange, the last quoted price or, if not so quoted, the average of the high bid and low asked prices in the over-the-counter market, as reported by NASDAQ or such other system then in use or, if on any such date the Rights are not quoted by any such organization, the average of the closing bid and asked prices as furnished by a professional market maker making a market in the Rights selected by the Directors of the Company. If on any such date no such market maker is making a market in the Rights the fair value of the Rights on such date as determined in good faith by the Directors of the Company shall be used and shall be conclusive for all purposes.

(b) The Company shall not be required to issue fractions of shares upon exercise of the Rights or to distribute certificates which evidence fractional shares. Fractions of Common Shares may, at the election of the Company, be evidenced by depositary receipts, pursuant to an appropriate agreement between the Company and a depositary selected by it, provided that such agreement shall provide that the holders of such depositary receipts shall have all the rights, privileges and

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preferences to which they are entitled as beneficial owners of Common Shares. In lieu of fractional shares, the Company may pay to the registered holders of Right Certificates at the time such Rights are exercised as herein provided an amount in cash equal to the same fraction of the current market value of one Common Share. For purposes of this Section 14(b), the current market value of a Common Share shall be the closing price of a Common Share (as determined pursuant to the second sentence of Section 11(e) hereof) for the Trading Day immediately prior to the date of such exercise or exchange.

(c) The holder of a Right by the acceptance of the Rights expressly waives his right to receive any fractional Rights or any fractional shares upon exercise or exchange of a Right.

Section 15. RIGHTS OF ACTION. All rights of action in respect of this Agreement, excepting the rights of action given to the Rights Agent under Section 18, are vested in the respective registered holders of the Right Certificates (and, prior to the Distribution Date, the registered holders of the Common Shares); and any registered holder of any Right Certificate (or, prior to the Distribution Date, of the Common Shares), without the consent of the Rights Agent or of the holder of any other Rights Certificate (or, prior to the Distribution Date, of the Common Shares), may, in his own behalf and for his own benefit, enforce, and may institute and maintain any suit, action or proceeding against the Company to enforce, or otherwise act in respect of, his right to exercise the Rights evidenced by

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such Right Certificate in the manner provided in such Right Certificate and in this Agreement. Without limiting the foregoing or any remedies available to the holders of Rights, it is specifically acknowledged that the holders of Rights would not have an adequate remedy at law for any breach of this Agreement and will be entitled to specific performance of the obligations under this Agreement, and injunctive relief against actual or threatened violations of the obligations of any Person subject to this Agreement.

Section 16. AGREEMENT OF RIGHTS HOLDERS. Every holder of a Right by accepting the same consents and agrees with the Company and the Rights Agent and with every other holder of a Right that:

(a) prior to the Distribution Date, the Rights will be transferable only in connection with the transfer of the Common Shares;

(b) after the Distribution Date, the Right Certificates are transferable only on the registry books of the Rights Agent if surrendered at the principal office of the Rights Agent designated for such purpose, duly endorsed or accompanied by a proper instrument of transfer;

(c) the Company and the Rights Agent may deem and treat the person in whose name the Right Certificate (or, prior to the Distribution Date, the associated Common Share certificate) is registered as the absolute owner thereof and of the Rights evidenced thereby (notwithstanding any notations of ownership or writing on the Right Certificate or the associated

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Common Share certificate made by anyone other than the Company or the Rights Agent) for all purposes whatsoever, and neither the Company nor the Rights Agent shall be affected by any notice to the contrary;

(d) Such holder expressly waives any right to receive fractional Rights and any fractional securities upon exercise or exchange of a Right, except as otherwise provided in Section 14; and

(e) Notwithstanding anything in this Agreement to the contrary, neither the Company nor the Rights Agent shall have any liability to any holder of a Right or other Person as a result of its inability to perform any of its obligations under this Agreement by reason of any preliminary or permanent injunction or other order, decree or ruling issued by a court of competent jurisdiction or by a governmental, regulatory or administrative agency or commission, or any statute, rule, regulation or executive order promulgated or enacted by any governmental authority, prohibiting or otherwise restraining performance of such obligation; PROVIDED, HOWEVER, that the Company shall use

its best efforts to have any such order, decree or ruling lifted or otherwise overturned as soon as possible.

Section 17. RIGHT CERTIFICATE HOLDER NOT DEEMED A SHAREHOLDER. No holder, as such, of any Right Certificate shall be entitled to vote, receive dividends or be deemed for any purpose the holder of the Common Shares or any other securities of the Company which may at any time be issuable on the exercise of the Rights represented thereby, nor shall anything contained

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herein or in any Right Certificate be construed to confer upon the holder of any Right Certificate, as such, any of the rights of a shareholder of the Company or any right to vote for the election of directors or upon any matter submitted to shareholders at any meeting thereof, or to give or withhold consent to any corporate action, or to receive notice of meetings or other actions affecting shareholders (except as provided in Section 24 hereof), or to receive dividends or subscription rights, or otherwise, until the Right or Rights evidenced by such Right Certificate shall have been exercised in accordance with the provisions hereof or exchanged pursuant to the provisions of Section 27 hereof.

Section 18. CONCERNING THE RIGHTS AGENT. The Company agrees to pay to the Rights Agent reasonable compensation for all services rendered by it hereunder and, from time to time, on demand of the Rights Agent, its reasonable expenses and counsel fees and other disbursements incurred in the administration and execution of this Agreement and the exercise and performance of its duties hereunder. The Company also agrees to indemnify the Rights Agent for, and to hold it harmless against, any loss, liability, suit, action, proceeding or expense, incurred without negligence, bad faith or willful misconduct on the part of the Rights Agent, for anything done or omitted by the Rights Agent in connection with the acceptance and administration of this Agreement, including the costs and expenses of defending against any claim of liability.

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The Rights Agent shall be protected and shall incur no liability for or in respect of any action taken, suffered or omitted by it in connection with its administration of this Agreement in reliance upon any Right Certificate or certificate for Common Shares or for other securities of the Company, instrument of assignment or transfer, power of attorney, endorsement, affidavit, letter, notice, direction, consent, certificate, statement, or other paper or document believed by it to be genuine and to be signed, executed and, where necessary, verified or acknowledged, by the proper Person or Persons.

Section 19. MERGER OR CONSOLIDATION OR CHANGE OF NAME OF RIGHTS AGENT. Any corporation into which the Rights Agent or any successor Rights Agent may be merged or with which it may be consolidated, or any corporation resulting from any merger or consolidation to which the Rights Agent or any successor Rights Agent shall be a party, or any corporation succeeding to the corporate trust business of the Rights Agent or any successor Rights Agent, shall be the successor to the Rights Agent under this Agreement without the execution or filing of any paper or any further act on the part of any of the parties hereto, provided that such corporation would be eligible for appointment as a successor Rights Agent under the provisions of Section 21 hereof. In case at the time such successor Rights Agent shall succeed to the agency created by this Agreement, any of the Right Certificates shall have been countersigned but not delivered, any such successor Rights Agent may adopt the countersignature of the predecessor Rights Agent and deliver such Right Certificates so

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countersigned; and in case at that time any of the Rights Certificates shall not have been countersigned, any successor Rights Agent may countersign such Right Certificates either in the name of the predecessor Rights Agent or in the name of the successor Rights Agent; and in all such cases such Right Certificates shall have the full force provided in the Right Certificates and in this Agreement.

In case at any time the name of the Rights Agent shall be changed and at such time any of the Right Certificates shall have been countersigned but not delivered, the Rights Agent may adopt the countersignature under its prior name and deliver Right Certificates so countersigned; and in case at that time any of the Right Certificates shall not have been countersigned, the Rights Agent may countersign such Right Certificates either in its prior name or in its changed name; and in all such cases such Right Certificates shall have the full force provided in the Right Certificates and in this Agreement.

Section 20. DUTIES OF RIGHTS AGENT. The Rights Agent undertakes the duties and obligations imposed by this Agreement upon the following terms and conditions, by all of which the Company and the holders of Right Certificates, by their acceptance thereof, shall be bound:



(a) The Rights Agent may consult with legal counsel (who may be legal counsel for the Company), and the opinion of such counsel shall be full and complete authorization and protection to the Rights Agent as to any action taken or omitted by it in good faith and in accordance with such opinion.

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(b) Whenever in the performance of its duties under this Agreement the Rights Agent shall deem it necessary or desirable that any fact or matter be proved or established by the Company prior to taking or suffering any action hereunder, such fact or matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a certificate signed by any one of the Chairman, the President, any Vice President, the Treasurer or the Secretary of the Company and delivered to the Rights Agent; and such certificate shall be full authorization to the Rights Agent for any action taken or suffered in good faith by it under the provisions of this Agreement in reliance upon such certificate.

(c) The Rights Agent shall be liable hereunder only for its own negligence, bad faith or willful misconduct.

(d) The Rights Agent shall not be liable for or by reason of any of the statements of fact or recitals contained in this Agreement or in the Right Certificates (except its countersignature thereof) or be required to verify the same, but all such statements and recitals are and shall be deemed to have been made by the Company only.

(e) The Rights Agent shall not be under any responsibility in respect of the validity of this Agreement or the execution and delivery hereof (except the due execution and delivery hereof by the Rights Agent) or in respect of the validity or execution of any Right Certificate (except its countersignature thereof); nor shall it be responsible for any breach by the Company of any covenant or condition contained in

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this Agreement or in any Right Certificate; nor shall it be responsible for any adjustment required under the provisions of Section 11 hereof (including any adjustment which results in Rights becoming void) or responsible for the manner, method or amount of any such adjustment or the ascertaining of the existence of facts that would require any such adjustment (except with respect to the exercise of Rights evidenced by Right Certificates after actual notice of any such adjustment or avoidance); nor shall it by any act hereunder be deemed to make any representation or warranty as to the authorization or reservation of any Common Shares to be issued pursuant to this Agreement or any Right Certificate or as to whether any Common Shares will, when issued, be validly authorized and issued, fully paid and nonassessable.

(f) The Company agrees that it will perform, execute, acknowledge and deliver or cause to be performed, executed, acknowledged and delivered all such further and other acts, instruments and assurances as may reasonably be required by the Rights Agent for the carrying out or performing by the Rights Agent of the provisions of this Agreement.

(g) The Rights Agent is hereby authorized and directed to accept instructions with respect to the performance of its duties hereunder from any one of the Chairman, the President, the Secretary, the Treasurer, the Chief Financial Officer or any Assistant General Counsel of the Company, and to apply to such officers for advice or instructions in connection with its duties, and it shall not be liable for any action taken

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or suffered to be taken by it in good faith in accordance with instructions of any such officer.

(h) The Rights Agent and any stockholder, director, officer or employee of the Rights Agent may buy, sell or deal in any of the Rights or other securities of the Company or become pecuniarily interested in any transaction in which the Company may be interested, or contract with or lend money to the Company or otherwise act as fully and freely as though it were not Rights Agent under this Agreement. Nothing herein shall preclude the Rights Agent from acting in any other capacity for the Company or for any other legal entity.

(i) The Rights Agent may execute and exercise any of the rights or powers hereby vested in it or perform any duty hereunder either itself or by or through its attorneys or agents, and the Rights Agent shall not be answerable or accountable for any act, default, neglect or misconduct of any such attorneys or agents or for any loss to the Company resulting from any such act, default, neglect or misconduct, provided reasonable care was exercised in the selection and continued employment thereof. The Rights Agent shall not be under any duty or responsibility to insure compliance with any applicable federal or state

securities laws in connection with the issuance, transfer or exchange of Right Certificates.

(j) The Rights Agent shall promptly remit to the Company any funds paid to it upon exercise of the Rights pursuant to Section 7 hereof.

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(k) If, with respect to any Right Certificate surrendered to the Rights Agent for exercise, transfer, split up, combination or exchange, either (i) the certificate attached to the form of assignment or form of election to purchase, as the case may be, has either not been completed or indicates an affirmative response to clause 1 or 2 thereof, or (ii) any other actual or suspected irregularity exists, the Rights Agent shall not take any further action with respect to such requested exercise, transfer, split up, combination or exchange, without first consulting with the Company, and will thereafter take further action with respect thereto only in accordance with the Company's written instructions.

Section 21. CHANGE OF RIGHTS AGENT. The Rights Agent or any successor Rights Agent may resign and be discharged from its duties under this Agreement upon 30 days' notice in writing mailed to the Company and to each transfer agent of the Common Shares by registered or certified mail, and to the holders of the Right Certificates by first-class mail. The Company may remove the Rights Agent or any successor Rights Agent upon 30 days' notice in writing, mailed to the Rights Agent or successor Rights Agent, as the case may be, and to each transfer agent of the Common Shares by registered or certified mail, and to the holders of the Right Certificates by first-class mail. If the Rights Agent shall resign or be removed or shall otherwise become incapable of acting, the Company shall appoint a successor to the Rights Agent. If the Company shall fail to make such appointment within a period of 30 days after giving notice of such removal or

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after it has been notified in writing of such resignation or incapacity by the resigning or incapacitated Rights Agent or by the holder of a Right Certificate (who shall, with such notice, submit his Right Certificate for inspection by the Company), then the registered holder of any Right Certificate may apply to any court of competent jurisdiction for the appointment of a new Rights Agent. Any successor Rights Agent, whether appointed by the Company or by such a court, shall be a corporation or other legal entity organized and doing business under the laws of the United States or of the States of Ohio or New York (or of any other state of the United States so long as such corporation is authorized to do business as a banking institution in the States of Ohio or New York), in good standing, having a principal office in the States of Ohio or New York, which is authorized under such laws to exercise corporate trust powers or stock transfer powers and is subject to supervision or examination by federal or state authority and which has at the time of its appointment as Rights Agent a combined capital and surplus of at least \$50 million and which shall otherwise meet any requirements imposed by the New York Stock Exchange on transfer agents and registrars. After appointment, the successor Rights Agent shall be vested with the same powers, rights, duties and responsibilities as if it had been originally named as Rights Agent without further act or deed; but the predecessor Rights Agent shall deliver and transfer to the successor Rights Agent any property at the time held by it hereunder, and execute and deliver any further assurance, conveyance, act or deed necessary for the purpose. Not later

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than the effective date of any such appointment, the Company shall file notice thereof in writing with the predecessor Rights Agent and each transfer agent of the Common Shares, and mail a notice thereof in writing to the registered holders of the Right Certificates. Failure to give any notice provided for in this Section 21, however, or any defect therein, shall not affect the legality or validity of the resignation or removal of the Rights Agent or the appointment of the successor Rights Agent, as the case may be.

Section 22. ISSUANCE OF NEW RIGHT CERTIFICATES. Notwithstanding any of the provisions of this Agreement or of the Rights to the contrary, the Company may, at its option, issue new Right Certificates evidencing Rights in such form as may be approved by its Directors to reflect any adjustment or change in the Purchase Price and the number or kind or class of shares or other securities or property purchasable under the Right Certificates made in accordance with the provisions of this Agreement. In addition, in connection with the issuance or sale by the Company of Common Shares following the Distribution Date and prior to the Expiration Date, the Company (a) shall, with respect to Common Shares so issued or sold pursuant to the exercise, exchange or conversion of securities (other than Rights) issued prior to the Distribution Date which are exercisable for or exchangeable for, or convertible into, Common Shares, and (b) may, in any other case, if deemed necessary, appropriate or desirable by the Directors of the Company, issue Right Certificates representing an equivalent number of Rights as

would have been issued in respect of such Common Shares if they had been issued or sold prior to the Distribution Date, as appropriately adjusted as provided herein as if they had been so issued or sold; PROVIDED, HOWEVER, that (i) no such Right Certificate shall be issued if, and to the extent that, in its good faith judgment the Directors of the Company shall have determined that the issuance of such Right Certificate could have a material adverse tax consequence to the Company or to the Person to whom or which such Right Certificate otherwise would be issued, and (ii) no such Right Certificate shall be issued if, and to the extent that, appropriate adjustment otherwise shall have been made in lieu of the issuance thereof.

Section 23. REDEMPTION. (a) Prior to the Expiration Date, the Directors of the Company may, at their option, redeem all but not less than all of the then-outstanding Rights at a redemption price of \$.01 per Right, appropriately adjusted to reflect any stock split, stock dividend or similar transaction occurring after the date hereof (the "Redemption Price"), at any time prior to the close of business on the later of (i) the Distribution Date and (ii) the first occurrence of a Triggering Event.

(b) Immediately upon the effective date of the action of the Directors of the Company ordering the redemption of the Rights, and without any further action and without any notice, the right to exercise the Rights will terminate and the only right thereafter of the holders of Rights shall be to receive the Redemption Price, without interest thereon. Promptly

after the effectiveness of the redemption of the Rights, the Company shall publicly announce such action and, within ten calendar days thereafter, will give notice of such redemption to the holders of the then-outstanding Rights by mailing such notice to all such holders at their last addresses as they appear upon the registry books of the Rights Agent or, prior to the Distribution Date, on the registry books of the transfer agent for the Common Shares; provided, however, that the failure to give, or any defect in, any such notice shall not affect the validity of the redemption of the Rights. Any notice which is mailed in the manner herein provided shall be deemed given, whether or not the holder receives the notice. Each such notice of redemption will state the method by which the payment of the Redemption Price will be made. The Company may, at its option, pay the Redemption Price in cash, Common Shares (based upon the current per share market price of the Common Shares (determined pursuant to Section 11(e) hereof) at the time of redemption) or any other form of consideration deemed appropriate by the Directors of the Company (based upon the fair market value of such other consideration, determined by the Directors of the Company in good faith) or any combination thereof. The Company may, at its option, combine the payment of the Redemption Price with any other payment being made concurrently to holders of Common Shares and, to the extent that any such other payment is discretionary, may reduce the amount thereof on account of the concurrent payment of the Redemption Price. If legal or contractual restrictions prevent the Company from paying the

Redemption Price (in the form of consideration deemed appropriate by the Directors) at the time of redemption, the Company shall pay the Redemption Price, without interest, promptly after such time as the Company ceases to be so prevented from paying the Redemption Price.

(c) At any time, the Directors of the Company may relinquish their rights to redeem the Rights under paragraphs (a) or (b) above, or both, by duly adopting a resolution to that effect. Immediately upon adoption of such resolution, the rights of the Directors under the portions of this Section 23 specified in such resolution shall terminate without further action and without any notice.

Section 24. NOTICE OF CERTAIN EVENTS. In case, after the Distribution Date, the Company shall propose (a) to pay any dividend payable in stock of any class to the holders of Common Shares or to make any other distribution to the holders of Common Shares (other than a regular periodic cash dividend at a rate not in excess of 125% of the rate of the last cash dividend theretofore paid) or (b) to offer to the holders of Common Shares rights, options or warrants to subscribe for or to purchase any additional Common Shares or shares of stock of any class or any other securities, rights or options, or (c) to effect any reclassification of its Common Shares (other than a reclassification involving only the subdivision of outstanding Common Shares), or (d) to effect any consolidation or merger into or with, or to effect any sale or other transfer (or to permit one or more of its Subsidiaries to effect any sale or other

transfer), in one or more transactions, of more than 50% of the assets or earning power of the Company and its Subsidiaries, taken as a whole, to any other Person or Persons, or (e) to effect the liquidation, dissolution or winding up of the Company, then, in each such case, the Company shall give to each holder of a Right Certificate, in accordance with Section 25 hereof, a notice of such proposed action, which shall specify the record date for the purposes of such stock dividend, distribution or offering of rights, options or warrants, or the date on which such reclassification, consolidation, merger, sale, transfer, liquidation, dissolution or winding up is to take place and the date of participation therein by the holders of the Common Shares, if any such date is to be fixed, and such notice shall be so given, in the case of any action covered by clause (a) or (b) above, at least 20 calendar days prior to the record date for determining holders of the Common Shares for purposes of such action, and, in the case of any such other action, at least 20 calendar days prior to the date of the taking of such proposed action or the date of participation therein by the holders of the Common Shares, whichever shall be the earlier.

In case any Triggering Event shall occur, then, in any such case, the Company shall as soon as practicable thereafter give to the Rights Agent and each holder of a Right Certificate, in accordance with Section 25 hereof, a notice of the occurrence of such event, which shall specify the event and the consequences of the event to holders of Rights.

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Section 25. NOTICES. Notices or demands authorized by this Agreement to be given or made by the Rights Agent or by the holder of any Right Certificate to or on the Company shall be sufficiently given or made if sent by first-class mail, postage prepaid, addressed (until another address is filed in writing with the Rights Agent) as follows:

Cleveland-Cliffs Inc  
18th Floor, Diamond Building  
1100 Superior Avenue  
Cleveland, Ohio 44114-2589  
Attention: Secretary

Subject to the provisions of Section 21 hereof, any notice or demand authorized by this Agreement to be given or made by the Company or by the holder of any Right Certificate to or on the Rights Agent shall be sufficiently given or made if sent by first-class mail, postage prepaid, addressed (until another address is filed in writing with the Company) as follows:

First Chicago Trust Company of New York  
525 Washington Boulevard  
Suite 4660  
Jersey City, New Jersey 07310  
Attention: Tenders & Exchange Administration

Notices or demands authorized by this Agreement to be given or made by the Company or the Rights Agent to the holder of any Right Certificate shall be sufficiently given or made if sent by first-class mail, postage prepaid, addressed to such holder at the address of such holder as shown on the registry books of the Rights Agent.

Section 26. SUPPLEMENTS AND AMENDMENTS. Prior to the Distribution Date and subject to Section 11 and the last sentence of this Section 26, if the Company so directs, the Company and

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the Rights Agent shall supplement or amend any provision of this Agreement without the approval of any holders of certificates representing Common Shares. From and after the Distribution Date and subject to the last sentence of this Section 26, if the Company so directs, the Company and the Rights Agent shall supplement or amend this Agreement without the approval of any holders of Right Certificates in order (i) to cure any ambiguity, (ii) to correct or supplement any provision contained herein which may be defective or inconsistent with any other provisions herein, (iii) to shorten or lengthen any time period hereunder, or (iv) to supplement or amend the provisions hereunder in any manner which the Company may deem desirable, including, without limitation, the addition of other events requiring adjustment to the Rights under Sections 11(a)(ii) or 11(d) hereof or procedures relating to the redemption of the Rights, which supplement or amendment shall not, in the good faith determination of the Directors of the Company, adversely affect the interests of the holders of Right Certificates (other than an Acquiring Person or an Affiliate or Associate of an Acquiring Person). Upon the delivery of a certificate from an officer of the Company which states that the proposed supplement or amendment is in compliance with the terms of this Section 26, the Rights Agent shall execute such supplement or amendment; PROVIDED, HOWEVER, that the failure or refusal of the Rights Agent to execute such supplement or amendment shall not affect the validity of any supplement or

amendment adopted by the Company, any of which shall be effective in accordance with the terms thereof. Notwithstanding anything

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in this Agreement to the contrary, no supplement or amendment shall be made which (x) changes the stated Redemption Price, (y) reduces the number of Common Shares for which a Right is then exercisable, or (z) modifies a time period relating to when the Rights may be redeemed at such time as the Rights are not then redeemable.

Section 27. EXCHANGE. (a) The Directors of the Company may, at their option, at any time after the later of the Distribution Date and the first occurrence of a Triggering Event, exchange all or part of the then-outstanding and exercisable Rights (which shall not include Rights that have become void pursuant to the provisions of Section 11(a)(ii) hereof) for Common Shares at an exchange ratio of one Common Share per Right, appropriately adjusted to reflect any stock split, stock dividend or similar transaction occurring after the date hereof (such exchange ratio being hereinafter referred to as the "Exchange Ratio"). Notwithstanding the foregoing, the Directors shall not be empowered to effect such exchange at any time after any Person (other than the Company, any Subsidiary, any employee benefit plan of the Company or any Subsidiary, or any entity holding Common Shares for or pursuant to the terms of any such plan), who or which, together with all Affiliates and Associates of such Person, becomes the Beneficial Owner of 50% or more of the Common Shares outstanding.

(b) Immediately upon the effective date of the action of the Directors of the Company ordering the exchange of any Rights pursuant to Section 27(a) hereof, and without any

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further action and without any notice, the right to exercise such Rights shall terminate and the only right with respect to such Rights thereafter of the holder of such Rights shall be to receive that number of Common Shares equal to the number of such Rights held by such holder multiplied by the Exchange Ratio. Promptly after the action of the Directors of the Company ordering the exchange of any Rights pursuant to Section 27(a) hereof, the Company shall publicly announce such action, and within 10 calendar days thereafter shall give notice of any such exchange to all of the holders of such Rights at their last addresses as they appear upon the registry books of the Rights Agent; PROVIDED, HOWEVER, that the failure to give, or any defect in, such notice shall not affect the validity of such exchange. Any notice which is mailed in the manner herein provided shall be deemed given, whether or not the holder receives the notice. Each such notice of exchange shall state the method by which the exchange of the Common Shares for Rights will be effected and, in the event of any partial exchange, the number of Rights which will be exchanged. Any partial exchange shall be effected pro rata based on the number of Rights (other than Rights which have become void pursuant to the provisions of Section 11(a)(ii) hereof) held by each holder of Rights.

(c) In any exchange pursuant to this Section 27, the Company, at its option, may substitute for any Common Share exchangeable for a Right, (i) cash, (ii) debt securities of the company, (iii) other assets, or (iv) any combination of the foregoing, in any event having an aggregate value which the

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Directors of the Company shall have determined in good faith to be equal to the current market value of one Common Share (determined pursuant to Section 11(e) hereof) on the Trading Day immediately preceding the date of exchange pursuant to this Section 27.

Section 28. SUCCESSORS. All the covenants and provisions of this Agreement by or for the benefit of the Company or the Rights Agent shall bind and inure to the benefit of their respective successors and assigns hereunder.

Section 29. BENEFITS OF THIS AGREEMENT. Nothing in this Agreement shall be construed to give to any Person other than the Company, the Rights Agent and the registered holders of the Right Certificates (and, prior to the Distribution Date, the Common Shares) any legal or equitable right, remedy or claim under this Agreement; but this Agreement shall be for the sole and exclusive benefit of the Company, the Rights Agent and the registered holders of the Right Certificates (or prior to the Distribution Date, the Common Shares).

Section 30. ACTION BY DIRECTORS. Whenever any action hereunder or in connection with the Rights is required or permitted to be taken by the Directors of the Company, such action may be taken by the Executive Committee of the Directors or by any other duly authorized committee thereof.

Section 31. SEVERABILITY. If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction or

other authority to be invalid, void or unenforceable, the remainder of the terms, provisions, covenants

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and restrictions of this Agreement shall remain in full force and effect and shall in no way be affected, impaired or invalidated; PROVIDED, HOWEVER, that nothing contained in this Section 31 shall affect the ability of the Company under the provisions of Section 26 to supplement or amend this Agreement to replace such invalid, void or unenforceable term, provision, covenant or restriction with a legal, valid and enforceable term, provision, covenant or restriction.

Section 32. GOVERNING LAW. This Agreement and each Right Certificate issued hereunder shall be deemed to be a contract made under the laws of the State of Ohio and for all purposes shall be governed by and construed in accordance with the laws of such State applicable to contracts to be made and performed entirely within such State.

Section 33. COUNTERPARTS. This Agreement may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original, and all such counterparts shall together constitute but one and the same instrument.

Section 34. DESCRIPTIVE HEADINGS. Descriptive headings of the several Sections of this Agreement are inserted for convenience only and shall not control or affect the meaning or construction of any of the provisions hereof.

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IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and their respective corporate seals to be hereunto affixed and attested, this 9th day of September, 1997.

CLEVELAND-CLIFFS INC

By: /s/ J.S. Brinzo  
-----  
Name: J.S. Brinzo  
Title: Executive Vice President  
Finance and Planning

FIRST CHICAGO TRUST COMPANY OF NEW YORK

By: /s/ James Kuzmich  
-----  
Name: James Kuzmich  
Title: Assistant Vice President

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Exhibit A  
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Form of Right Certificate

Certificate No. R- \_\_\_\_\_ Rights

NOT EXERCISABLE AFTER SEPTEMBER 19, 2007 OR EARLIER IF REDEEMED OR EXCHANGED. THE RIGHTS ARE SUBJECT TO REDEMPTION, AT THE OPTION OF THE COMPANY, AT \$.01 PER RIGHT ON THE TERMS SET FORTH IN THE RIGHTS AGREEMENT. [THE RIGHTS REPRESENTED BY THIS CERTIFICATE ARE OR WERE BENEFICIALLY OWNED BY A PERSON WHO IS OR WAS AN ACQUIRING PERSON OR AN AFFILIATE OR ASSOCIATE OF AN ACQUIRING PERSON (AS SUCH TERMS ARE DEFINED IN THE RIGHTS AGREEMENT). THIS RIGHT CERTIFICATE AND THE RIGHTS REPRESENTED HEREBY MAY BECOME VOID IN THE CIRCUMSTANCES SPECIFIED IN SECTION 11(a)(ii) OR SECTION 11(d) OF THE RIGHTS AGREEMENT.\*]

Right Certificate

CLEVELAND-CLIFFS INC

This certifies that \_\_\_\_\_, or registered assigns, is the registered owner of the number of Rights set forth above, each of which entitles the owner thereof, subject to the terms, provisions and conditions of the Rights Agreement, dated as of September 19, 1997, (the "Rights Agreement"), between Cleveland-Cliffs Inc, an Ohio corporation (the "Company"), and First

Chicago Trust Company of New York (the "Rights Agent"), to purchase from the Company at any time after the Distribution Date (as such term is defined in the Agreement) and prior to 5:00 P.M. (Cleveland, Ohio time) on September 19, 2007 at the principal office of the Rights Agent, or its

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\* The portion of the legend in brackets shall be inserted only if applicable.

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successors as Rights Agent, at its principal executive offices designated for such purpose, one-hundredth of one fully paid nonassessable Common Share, par value \$1.00 per share (a "Common Share") of the Company, at a purchase price of \$160 per whole Common Share (the "Purchase Price"), upon representation and surrender of this Right Certificate with the Form of Election to purchase and related Certificate duly executed. The number of Rights evidenced by this Right Certificate (and the number of shares which may be purchased upon exercise thereof) set forth above, and the Purchase Price set forth above, are the number and Purchase Price as of the Record Date, based on the Common Shares as constituted at such date.

As provided in the Rights Agreement, the Purchase Price and the number of Common Shares which may be purchased upon the exercise of the Rights evidenced by this Right Certificate are subject to modification and adjustment upon the happening of certain events.

This Right Certificate is subject to all of the terms, provisions and conditions of the Rights Agreement, which terms, provisions and conditions are hereby incorporated herein by reference and made a part hereof and to which Rights Agreement reference is hereby made for a full description of the rights, limitations of rights, obligations, duties and immunities hereunder of the Rights Agent, the Company and the holders of the Right Certificates. Copies of the Rights Agreement are on file at the above-mentioned office of the Rights Agent.

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Pursuant to the Rights Agreement, from and after the later of the Distribution Date and the first occurrence of a Flip-in Event (as such terms are defined in the Right Agreement), (i) any Rights that are or were beneficially owned by any Acquiring Person (or any Affiliate or Associate of such Acquiring Person) shall be void and any holder of such Rights shall thereafter have no right to exercise such Rights under any provision of the Rights Agreement, (ii) no Right Certificate shall be issued pursuant to the Rights Agreement that represents Rights beneficially owned by an Acquiring Person or any Affiliate or Associate thereof, (iii) no Right Certificate shall be issued at any time upon the transfer of any Rights to an Acquiring Person or any Affiliate or Associate thereof, and (iv) any Right Certificate delivered to the Rights Agent for transfer to an Acquiring Person or any Affiliate or Associate thereof shall be cancelled.

This Right Certificate, with or without other Right Certificates, upon surrender at the principal office of the Rights Agent designated for such purpose, may be exchanged for another Right Certificate or Right Certificates of like tenor and date evidencing Rights entitling the holder to purchase a like aggregate number of Common Shares as the Rights evidenced by the Right Certificate or Right Certificates surrendered shall have entitled such holder to purchase. If this Right Certificate shall be exercised in part, the holder shall be entitled to receive upon surrender hereof another Right Certificate or Right Certificates for the number of whole Rights not exercised.

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Subject to the provisions of the Rights Agreement, the Rights evidenced by this Certificate may be redeemed by the Company at its option at a redemption price of \$.01 per Right.

Subject to the provisions of the Rights Agreement, the Directors of the Company may exchange the Rights (other than any Rights which have become void), in whole or in part, at an exchange ratio of one Common Share per Right (subject to adjustment).

No fractional Common Shares will be issued upon the exercise of any Right or Rights evidenced hereby (other than fractions which may, at the election of the Company, be evidenced by depositary receipts), but in lieu thereof a cash payment will be made, as provided in the Rights Agreement.

No holder of this Right Certificate shall be entitled to vote or receive dividends or be deemed for any purpose the holder of the Common Shares or of any other securities of the Company which may at any time be issuable on

the exercise hereof, nor shall anything contained in the Rights Agreement or herein be construed to confer upon the holder hereof, as such, any of the rights of a shareholder of the Company or any right to vote for the election of directors or upon any matter submitted to shareholders at any meeting thereof, or to give or withhold consent to any corporate action, or, to receive notice of meetings or other actions affecting shareholders (except as provided in the Rights Agreement), or to receive dividends or subscription rights, or otherwise, until the Right or Rights

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evidenced by this Right Certificate shall have been exercised as provided in the Rights Agreement.

This Right Certificate shall not be valid or obligatory for any purpose until it shall have been countersigned by the Rights Agent.

WITNESS the facsimile signature of the proper officers of the Company and its corporate seal. Dated as of \_\_\_\_\_, \_\_\_\_.

ATTEST: CLEVELAND-CLIFFS INC

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Secretary Title:

Countersigned:

By: \_\_\_\_\_  
Authorized Signature

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Form of Reverse Side of Right Certificate

FORM OF ASSIGNMENT

(To be executed by the registered holder if such holder desires to transfer the Right Certificate)

FOR VALUE RECEIVED, \_\_\_\_\_ hereby sells, assigns and transfers unto \_\_\_\_\_

-----  
(Please print name and address of transferee)  
-----

-----  
this Right Certificate, together with all right, title and interest therein, and does hereby irrevocably constitute and appoint \_\_\_\_\_ Attorney, to transfer the within Right Certificate on the books of the within-named Company, with full power of substitution.

Dated: \_\_\_\_\_, \_\_\_\_

\_\_\_\_\_  
Signature

Signature Guaranteed:

CERTIFICATE

-----  
The undersigned hereby certifies by checking the appropriate boxes that:

(1) the Rights evidenced by this Right Certificate [ ] are [ ] are not being sold, assigned, transferred, split up, combined or exchanged by or on behalf of a Person who is or was an Acquiring Person or an Affiliate or Associate of any such Person (as such terms are defined in the Rights Agreement);

(2) after due inquiry and to the best knowledge of the undersigned, it [ ] did [ ] did not acquire the Rights evidenced by this Right Certificate from any Person who is, was or became an Acquiring Person or an Affiliate or Associate of an Acquiring Person.

Dated: \_\_\_\_\_, 19\_\_



\_\_\_\_\_  
Signature

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FORM OF ELECTION TO PURCHASE  
-----

(To be executed if holder desires to  
exercise the Right Certificate)

To Cleveland-Cliffs Inc:

The undersigned hereby irrevocably elects to exercise \_\_\_\_\_  
Rights represented by this Right Certificate to purchase the one one-hundredth  
of a Common Share or other securities issuable upon the exercise of such Rights  
and requests that certificates for such securities be issued in the name of:

Please insert social security  
or other identifying number: \_\_\_\_\_

-----  
(Please print name and address)

-----  
If such number of Rights shall not be all the Rights evidenced by this Right  
Certificate, a new Right Certificate for the balance remaining of such Rights  
shall be registered in the name of and delivered to:

Please insert social security  
or other identifying number: \_\_\_\_\_

-----  
(Please print name and address)

Dated: \_\_\_\_\_, 19\_\_

\_\_\_\_\_  
Signature

Signature Guaranteed:

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CERTIFICATE  
-----

The undersigned hereby certifies by checking the appropriate boxes  
that:

(1) the Rights evidenced by this Right Certificate [ ] are [ ] are not  
being exercised by or on behalf of a Person who is or was an Acquiring Person or  
an Affiliate or Associate of any such Person (as such terms are defined pursuant  
to the Rights Agreement);

(2) after due inquiry and to the best knowledge of the undersigned, it  
[ ] did [ ] did not acquire the Rights evidenced by this Right Certificate from  
any Person who is, was or became an Acquiring Person or an Affiliate or  
Associate of an Acquiring Person.

Dated: \_\_\_\_\_, 19\_\_

\_\_\_\_\_  
Signature

NOTICE  
-----

Signatures on the foregoing Form of Assignment and Form of Election to Purchase and in the related Certificates must correspond to the name as written upon the face of this Right Certificate in every particular, without alteration or enlargement or any change whatsoever.

Signatures must be guaranteed by a member firm of a registered national securities exchange, a member of the National Association of Securities Dealers, Inc., or a commercial bank or trust company having an office or correspondent in the United States.

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EXHIBIT B

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SUMMARY OF RIGHTS TO PURCHASE  
COMMON SHARES

On September 9, 1997, the Directors of Cleveland-Cliffs Inc (the "Company") declared a dividend distribution of one right (a "Right") for each outstanding Common Share, \$1.00 par value (the "Common Shares"), of the Company. The distribution was payable on September 19, 1997 (the "Record Date") to the shareholders of record as of the close of business on the Record Date. Each Right entitles the registered holder to purchase from the Company one-hundredth of one Common Share at a price of \$160 per whole share, subject to adjustment (the "Purchase Price"). The description and terms of the Rights are set forth in a Rights Agreement dated as of September 19, 1997, (the "Rights Agreement"), between the Company and First Chicago Trust Company of New York, as Rights Agent (the "Rights Agent").

Until the earliest to occur of (i) the close of business on the tenth business day following a public announcement that a person or group of affiliated or associated persons has acquired, or obtained the right to acquire, beneficial ownership of 20% or more of the outstanding Common Shares (an "Acquiring Person"), (ii) the close of business on the tenth business day (or such later date as may be specified by the Directors) following the commencement of a tender offer or exchange offer by a person or group of affiliated or associated persons, the consummation of which would result in beneficial ownership by such person or group of 20% or more of the outstanding Common Shares, or (iii) the close of business on the tenth business day following the first date of public announcement of the first occurrence of a Flip-in Event or a Flip-over Event (as such terms are hereinafter defined) (the earliest of such dates being hereinafter called the "Distribution Date"), the Rights will be evidenced, with respect to any of the Common Share certificates outstanding as of the Record Date, by such Common Share certificates.

The Rights Agreement provides that, until the Distribution Date, the Rights will be transferred with and only with the Common Shares. Until the Distribution Date (or earlier redemption, exchange or expiration of the Rights) or, in the case of Common Shares issued upon conversion of the Company's convertible securities, until the tenth day after the Distribution Date, new Common Share certificates issued after the Record Date upon transfer or new issuance of Common Shares will contain a notation incorporating the Rights Agreement by reference. Until the Distribution Date (or earlier redemption, exchange or expiration of the Rights), the surrender for transfer of any

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certificates for Common Shares in respect of which Rights have been issued will also constitute the transfer of the Rights associated with the Common Shares represented by such certificate. As soon as practicable following the Distribution Date, separate certificates evidencing the Rights (the "Right Certificates") will be mailed to holders of record of the Common Shares as of the close of business on the Distribution Date and such separate Right Certificates alone will evidence the Rights.

The Rights are not exercisable until the Distribution Date. The Rights will expire on September 19, 2007 (the "Final Expiration Date"), unless earlier redeemed or exchanged by the Company as described below.

The Purchase Price payable, and the number of Common Shares or other property issuable, upon exercise of the Rights are subject to adjustment from time to time to prevent dilution (i) in the event of a stock dividend on, or a subdivision, combination or reclassification of the Common Shares; (ii) upon the grant to holders of the Common Shares of certain rights, options or warrants to subscribe for Common Shares or convertible securities at less than the current market price of the Common Shares; or (iii) upon the distribution to holders of the Common Shares of evidences of indebtedness, cash (excluding regular periodic cash dividends at a rate not in excess of 125% of the rate of the last cash dividend theretofore paid), assets, stock (other than dividends payable in Common Shares) or of subscription rights, options or warrants (other than those

referred to above).

In the event (a "Flip-in Event"), that (i) any person or group or affiliate or associated persons becomes an Acquiring Person, (ii) any Acquiring Person merges into or combines with the Company and the Company is the surviving corporation or any Acquiring Person effects certain other transactions with the Company, as described in the Rights Agreement, or (iii) during such time as there is an Acquiring Person, there shall be any reclassification of securities or recapitalization or reorganization of the Company which has the effect of increasing by more than 1% the proportionate share of the outstanding shares of any class of equity securities of the Company or any of its subsidiaries beneficially owned by the Acquiring Person, proper provision shall be made so that each holder of a Right, other than Rights that are or were owned beneficially by the Acquiring Person (which, from and after the later of the Distribution Date and the date of the earliest of any such events, will be void), will thereafter have the right to receive, upon exercise thereof at the then current Purchase Price, that number of Common Shares having a market value of two times the Purchase Price.

With certain exceptions, no adjustment in the Purchase Price will be required until cumulative adjustments require an adjustment of at least 1% in such Purchase Price. No fractional shares will be issued (other than fractions which may, at the

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election of the Company, be evidenced by depositary receipts), and in lieu thereof, a payment in cash will be made based on the market price of the Common Shares on the last trading day prior to the date of exercise.

In the event (a "Flip-over Event") that, following the first date of public announcement that a person has become an Acquiring Person, (i) the Company merges with or into any person and the Company is not the surviving corporation, (ii) any person merges with or into the Company and the Company is the surviving corporation, but its Common Shares are changed or exchanged, or (iii) 50% or more of the Company's assets or earning power, including without limitation securities creating obligations of the Company, are sold, proper provision shall be made so that each holder of a Right, other than Rights that are or were beneficially owned by the Acquiring Person after the date upon which the Acquiring Person became such (which will thereafter be void), shall thereafter have the right to receive, upon the exercise thereof at the then current Purchase Price of the Right, that number of shares of common stock (or, under certain circumstances, an economically equivalent security or securities) of such other person which at the time of such transaction would have a market value of two times the Purchase Price of the Right.

At any time after the later of the Distribution Date and the first occurrence of a Flip-in Event or a Flip-over Event and prior to the acquisition by any person or group of affiliated or associated persons of 50% or more of the outstanding Common Shares, the Directors of the Company may exchange the Rights (other than any Rights which have become void), in whole or in part, at an exchange ratio of one Common Share per Right (subject to adjustment).

The Company may redeem the Rights in whole, but not in part, at a price of \$.01 per Right (the "Redemption Price"), at any time prior to the close of business on the later of (i) the Distribution Date and (ii) the first occurrence of a Flip-in Event or a Flip-over Event. Immediately upon the effective date of action of the Directors electing to redeem the Rights, the right to exercise the Rights will terminate and the only right of the holders of Rights will be to receive the Redemption Price. The Company will give notice of such redemption to the holders of the then outstanding Rights by mailing such notice to all such holders at their last addresses as they appear on the registry books of the Rights Agent.

Until a Right is exercised, the holder thereof, as such, will have no rights as a shareholder of the Company, including, without limitation, the right to vote or to receive dividends.

The Rights Agreement may be amended by the Company without the approval of any holders of Rights, including amendments which add other events requiring adjustment to the

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Purchase Price payable and the number of Common Shares or other securities issuable upon the exercise of the Rights or which modify procedures relating to the redemption of the Rights, provided that no amendment may be made which (i) changes the stated Redemption Price, (ii) reduces the number of Common Shares for which a Right is then exercisable, or (iii) modifies a time period relating to when the Rights may be redeemed at such time as the Rights are not then redeemable.

A copy of the Rights Agreement has been filed with the Securities and Exchange Commission as an Exhibit to a Form 8-A dated September 19, 1997. A copy of the Rights Agreement is available free of charge from the Company. This summary description of the Rights does not purport to be complete and is qualified in its entirety by reference to the Rights Agreement, which is hereby incorporated herein by reference.

AMENDMENT dated as of June 1, 1997, to the Credit Agreement dated as of March 1, 1995, as previously amended (the "Agreement"), among CLEVELAND-CLIFFS INC, an Ohio corporation (the "Borrower"), the financial institutions party to such Agreement (the "Banks") and THE CHASE MANHATTAN BANK, a New York banking corporation, as agent for the Banks (in such capacity, the "Agent").

The Borrower has requested that the Banks extend the maturity and change the pricing of the credit facility provided for in the Agreement, and the Banks are willing to extend their Commitments and to change the pricing under the Agreement as provided herein. Accordingly, in consideration of the mutual agreements herein contained and other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, the parties hereto hereby agree as follows:

SECTION 1. DEFINITIONS. Capitalized terms used and not otherwise defined herein shall have the meanings assigned to them in the Agreement (the Agreement, as amended by and together with this Amendment, and as hereafter amended, modified, extended or restated from time to time, being called the "Amended Agreement").

SECTION 2. AMENDMENTS. (a) The definition of "Maturity Date" in Section 1.01 of the Agreement is hereby amended, as of the Effective Date (as defined in Section 4 herein), to read in its entirety as follows:

"MATURITY DATE" shall mean March 1, 2002.

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(b) The definition of "Applicable Margin" in Section 1.01 of the Agreement is hereby amended, as of the Effective Date, by replacing the existing pricing grid set forth therein with the pricing grid set forth below:

<TABLE>  
<CAPTION>

Ratio -----	Eurodollar Spread -----	CD Spread -----
<S>	<C>	<C>
Category 1 -----		
Less than or equal to .20 to 1	.325%	.450%
Category 2 -----		
Greater than .20 to 1 and less than .35 to 1	.375%	.500%
Category 3 -----		
Greater than or equal to .35 to 1	.625%	.750%

</TABLE>

(d) The definition of "Commitment Fee Percentage" in Section 1.01 of the Agreement is hereby amended, as of the Effective Date, by replacing the existing pricing grid set forth therein with the pricing grid set forth below:

<TABLE>  
<CAPTION>

Ratio -----	Commitment Fee Percentage -----
<S>	<C>
Category 1 -----	
Less than or equal to .20 to 1	.100%
Category 2 -----	
Greater than .20 to 1 and less than .35 to 1	.125%
Category 3 -----	

SECTION 3. REPRESENTATIONS AND WARRANTIES. (a) The Borrower hereby represents and warrants to each of the Banks, on and as of the date hereof, and then again represents and warrants to each of the Banks on and as of the Effective Date, that:

(i) This Amendment has been duly authorized, executed and delivered by the Borrower, and each of this Amendment and the Amended Agreement constitutes a legal, valid and binding obligation of the Borrower, enforceable in accordance with its terms.

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(ii) The representations and warranties set forth in Article III of the Amended Agreement are true and correct in all material respects with the same effect as if made on and as of the date hereof and on and as of the Effective Date, after giving effect to this Amendment.

(iii) No Event of Default or event which upon notice or lapse of time or both would constitute an Event of Default has occurred and is continuing.

(b) If any representation or warranty made by the Borrower pursuant to the preceding paragraph (a) shall prove to have been incorrect in any material respect when made, then an Event of Default shall be deemed to have occurred under item (a) of Article VII of the Amended Agreement.

SECTION 4. CONDITIONS TO EFFECTIVENESS. This Amendment shall become effective only upon satisfaction in full, on or prior to June 1, 1997, of the following conditions precedent (such date, in the event that each of such conditions has been satisfied, being herein called the "Effective Date"):

(a) The Agent shall have received duly executed counterparts of this Amendment which, when taken together, bear the authorized signatures of the Borrower, each of the Banks and the Agent.

(b) The Agent shall have received a certificate dated the Effective Date and signed by a Responsible Officer, confirming the representations and warranties set forth in paragraph (a) of Section 2 above.

(c) The Agent shall have received such evidence of the authority of the Borrower to execute, deliver and perform this Amendment as the Agent or its counsel shall reasonably have requested.

SECTION 5. APPLICABLE LAW. THIS AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

SECTION 6. COUNTERPARTS. This Amendment may be executed in any number of counterparts, each of which shall constitute an original but all of which when taken together shall constitute but one agreement. Counterparts of this Amendment may be delivered via telecopy transmission with

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the same effect as the delivery of a manually executed counterpart.

SECTION 7. EXPENSES. The Borrower shall pay all reasonable out-of-pocket expenses incurred by the Agent in connection with the preparation, execution and delivery of this Amendment, including but not limited to the reasonable fees, charges and disbursements of Cravath, Swaine & Moore, counsel for the Agent.

SECTION 8. AGREEMENT. Except as specifically amended or modified hereby, the Agreement shall continue in full force and effect in accordance with the provisions thereof. As used therein, the terms "Agreement", "herein", "hereunder", "hereinafter", "hereto", "hereof" and words of similar import shall, unless the context otherwise requires, refer to the Amended Agreement. This Amendment shall not be construed to affect interest or fees accrued prior to the Effective Date, and amendments herein affecting interest rates and fees shall apply only to interest and fees accruing on and after the Effective Date.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed by their duly authorized officers, all as of the date first above written.

CLEVELAND-CLIFFS INC,

by /s/ Cynthia B. Bezik

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Name: Cynthia B. Bezik  
Title: Vice President and Treasurer

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THE CHASE MANHATTAN BANK,  
individually and as agent,

by /s/ James H. Ramage

-----  
Name: James H. Ramage  
Title: Vice President

6

NBD BANK,

by /s/ Winifred S. Pinet

-----  
Name: Winifred S. Pinet  
Title: First Vice President

7

NATIONAL CITY BANK,

by /s/ David R. Evans

-----  
Name: David R. Evans  
Title: Sr. Vice President

8

PNC BANK, NATIONAL  
ASSOCIATION,

by /s/Mark W. Rutherford

-----  
Name: Mark W. Rutherford  
Title: Vice President

9

THE HUNTINGTON NATIONAL BANK,

by /s/Dawn M. Enovitch

-----  
Name: Dawn M. Enovitch  
Title: Portfolio Manager

KEYBANK NATIONAL ASSOCIATION,

by /s/Thomas A. Crandell

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Name: Thomas A. Crandell

Title: Assistant Vice President



AMENDMENT NO. 1  
TO THE  
CLEVELAND-CLIFFS INC  
SUPPLEMENTAL RETIREMENT BENEFIT PLAN  
(AS AMENDED AND RESTATED EFFECTIVE JANUARY 1, 2001)

WHEREAS, Cleveland-Cliffs Inc ("Cleveland-Cliffs") as established the Cleveland-Cliffs Inc Supplemental Retirement Benefit Plan (the "Plan"); and

WHEREAS, Cleveland-Cliffs has reserved in Paragraph 7.A of the Plan the right to amend the Plan.

NOW THEREFORE, Cleveland-Cliffs hereby amends the Plan as follows:

1. Paragraph 3 of the Plan is amended to read:

3. PAYMENT OF THE SUPPLEMENT 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 (or more frequently as determined by the Compensation and Organization Committee of the Board of Directors of Cleveland-Cliffs (the "Committee")) into a lump sum of equivalent actuarial value. The equivalent actuarial value at the end of each calendar year (or more frequently as determined by the Committee) shall be determined by the actuary selected by Cleveland-Cliffs based on the "Applicable Mortality Table" used from time to time under Section 417(e) of the Code, the Pension Benefit Guaranty Corporation interest rate for immediate annuities then in effect (the "PBGCR Rate"), and other factors then in effect for purposes of the Pension Plan.

B. Changes to the "Applicable Mortality Table" after January 1, 2001 shall be applicable only to Participants who are active employees of the Employers on or after the effective date of such changes. As a result of changes in the "Applicable Mortality Table", any incremental increase in the actuarial value of Supplemental Pension Plan Benefits previously distributed to eligible Participants will be distributed as soon as practical following such change.

C. A Participant's unpaid Supplemental Pension Plan Benefit accrued at the end of each calendar year (or more frequently as determined by the Committee) shall be distributed to the Participant as soon as practicable following such date. Except as provided in the preceding sentence, 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.

2. EFFECTIVE DATE. This Amendment No. 1 shall apply to and be effective only for Participants who are active employees of the Employers on or after November 13, 2001, and shall be effective for such Participants for all benefit determinations under Paragraph 2 and payments under Paragraph 3 of the Plan on or after January 1, 2001.

IN WITNESS WHEREOF, Cleveland-Cliffs Inc, pursuant to the order of its Board of Directors, has executed this Amendment No. 1 to the Amended and Restated Supplemental Retirement Benefit Plan (as Amended and Restated Effective January 1, 2001) at Cleveland, Ohio, as of the 13th day of November, 2001.

CLEVELAND-CLIFFS INC

By: /s/ R. L. Kummer

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Vice President - Human Resources

CLEVELAND-CLIFFS INC

1992 INCENTIVE EQUITY PLAN  
(AS AMENDED AND RESTATED AS OF MAY 13, 1997)

1. PURPOSE. The Cleveland-Cliffs Inc 1992 Incentive Equity Plan (as Amended and Restated as of May 13, 1997) ("Plan") is intended to encourage key executives and managerial employees of Cleveland-Cliffs Inc ("Company") and its Subsidiaries to increase their interest in the Company's long-term success, to provide incentive equity opportunities which are competitive with other similarly situated corporations and to stimulate the efforts of such employees by giving suitable recognition for services which contribute materially to the Company's success.

2. DEFINITION. For purposes of the Plan the following terms shall be defined as set forth below:

"BOARD" means the Board of Directors of the Company.

"CODE" means the Internal Revenue Code of 1986, as amended from time to time.

"COMMITTEE" means the committee (or subcommittee) described in Section 16(a) of this Plan.

"COMMON SHARES" means (i) shares of the common stock of the Company (par value \$1 per share) and (ii) any security into which Common Shares may be converted by reason of any transaction or event of the type referred to in Section 10 of this Plan.

"DATE OF GRANT" means the date specified by the Committee on which a grant of Option Rights, Performance Shares or Performance Units or an award or sale of Restricted Shares or Deferred Shares shall become effective, which shall not be earlier than the date on which the Committee takes action with respect thereto.

"DEFERRAL PERIOD" means the period of time during which Deferred Shares are subject to deferral limitations under Section 6 of this Plan.

"DEFERRED SHARES" means an award pursuant to Section 6 of this Plan of the right to receive Common Shares at the end of a specified Deferral Period.

"EFFECTIVE DATE" means May 13, 1997, the effective date of this amendment and restatement of the Cleveland-Cliffs Inc 1992 Incentive Equity Plan.

"INCENTIVE STOCK OPTIONS" means Option Rights that are intended to qualify as "incentive stock options" under Section 422 of the Code or any successor provision.

"LESS-THAN-80 PERCENT SUBSIDIARY" means a subsidiary with respect to which the Company directly or indirectly owns or controls less than 80 percent of the total combined voting or other decision making power.

"MANAGEMENT OBJECTIVES" means any performance objectives established by the Committee pursuant to Section 8 of this Plan for Participants who have received grants of Performance Shares or Performance Units or, when so determined by the Committee, awards of Restricted Shares.

"MARKET VALUE PER SHARE" means the fair market value of the Common Shares as determined by the Committee from time to time.

"OPTIONEE" means the person so designated in an agreement evidencing an outstanding Option Right.

"OPTION PRICE" means the purchase price payable upon the exercise of an Option Right.

"OPTION RIGHT" means the right to purchase Common Shares upon exercise of an option granted pursuant to Section 4 of this Plan.

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"PARTICIPANT" means a person who is selected by the Committee to receive benefits under this Plan and (i) is at that time an officer, including without limitation an officer who may also be a member of the Board, or other key employee of the Company or any Subsidiary, or (ii) has agreed to commence serving in any such capacity.

"PERFORMANCE PERIOD" means, in respect of a Performance Share or Performance Unit, a period of time established pursuant to Section 7 of

this Plan within which the Management Objectives relating to such Performance Share or Performance Unit are to be achieved.

"PERFORMANCE SHARE" means a bookkeeping entry that records the equivalent of one Common Share awarded pursuant to Section 7 of this Plan.

"PERFORMANCE UNIT" means a bookkeeping entry that records a unit equivalent to \$1.00 awarded pursuant to Section 7 of this Plan.

"RESTRICTED SHARES" mean Common Shares awarded or sold pursuant to Section 5 of this Plan as to which neither the substantial risk of forfeiture nor the restrictions on transfer referred to in Section 5 hereof has expired.

"RULE 16b-3" means Rule 16b-3 of the Securities and Exchange Commission promulgated under Section 16 of the Securities Exchange Act of 1934, as amended (or any successor rule to the same effect), as in effect from time to time.

"SUBSIDIARY" means a corporation, partnership, joint venture, unincorporated association or other entity in which the Company has a direct or indirect ownership or other equity interest; provided, however, for purposes of determining whether any person may be a Participant for purposes of any grant of Incentive Stock Options, "Subsidiary" means any corporation in which the Company owns or controls directly or indirectly more than 50 percent of the total combined voting power represented by all classes of stock issued by such corporation at the time of such grant.

3. SHARES AVAILABLE UNDER THE PLAN. Subject to adjustment as provided in Section 10 of this Plan, the number of Common Shares issued or transferred (a) upon the exercise of Option Rights, (b) as Restricted Shares and released from substantial risks of forfeiture thereof, (c) in payment of Performance Shares or Performance Units that shall have been earned, (d) as Deferred Shares, or (e) in payment of dividend equivalents paid with respect to awards made under this Plan, shall not in the aggregate exceed 1,150,000 (595,000 of which were approved in 1992 and 555,000 of which are being added as of the Effective Date); provided, however, that the number of Restricted Shares that are not conditioned on the attainment of Management Objectives, plus the number of Deferred Shares shall not (after taking any forfeitures into account) exceed 150,000, subject to adjustment pursuant to Section 10 of the Plan. Such shares may be Common Shares of original issuance or Common Shares held in treasury or a combination thereof. Upon the payment of any Option Price by the transfer to the Company of Common Shares or upon satisfaction of any withholding amount by means of transfer or relinquishment of Common Shares, there shall be deemed to have been issued or transferred under this Plan only the net number of Common Shares actually issued or transferred by the Company.

4. OPTION RIGHTS. The Committee may from time to time authorize grants to Participants of options to purchase Common Shares upon such terms and conditions as the Committee may determine in accordance with the following provisions:

(a) Each grant shall specify the number of Common Shares to which it pertains.

(b) Each grant shall specify an Option Price per Common Share, which shall be equal to or greater than the Market Value per Share on the Date of Grant.

(c) Each grant shall specify the form of consideration to be paid in satisfaction of the Option Price and the manner of payment of such consideration, which may include (i) cash in the form of currency or check or other cash equivalent acceptable to the Company, (ii) nonforfeitable, unrestricted Common Shares, which are already owned by the Optionee and have a value at the time of exercise that is equal to the Option Price, (iii) any other legal consideration that the Committee may deem appropriate, including

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without limitation any form of consideration authorized under Section 4(d) below, on such basis as the Committee may determine in accordance with this Plan and (iv) any combination of the foregoing. For purposes of this Section 4, constructive delivery of shares shall be deemed equivalent to actual delivery.

(d) On or after the Date of Grant of any Option Rights other than Incentive Stock Options, the Committee may determine that payment of the Option Price may also be made in whole or in part in the form of Restricted Shares or other Common Shares that are subject to risk of forfeiture or restrictions on transfer. Unless otherwise determined by the Committee on or after the Date of Grant, whenever any Option Price is paid in whole or in part by means of any of the forms of consideration specified in this Section 4(d), the Common Shares received by the Optionee upon the exercise of the Option Rights shall be subject to the same risks of forfeiture or restrictions on transfer as those that applied to the consideration

surrendered by the Optionee; provided, however, that such risks of forfeiture and restrictions on transfer shall apply only to the same number of Common Shares received by the Optionee as applied to the forfeitable or restricted Common Shares surrendered by the Optionee.

(e) Any grant may provide for deferred payment of the Option Price from the proceeds of sale through a bank or broker of some or all of the Common Shares to which the exercise relates.

(f) Successive grants may be made to the same Participant regardless of whether any Option Rights previously granted to such Participant remain unexercised.

(g) Each grant shall specify the period or periods of continuous employment of the Optionee by the Company or any Subsidiary that are necessary before the Option Rights or installments thereof shall become exercisable, and any grant may provide for the earlier exercise of such rights in the event of a change in control of the Company or other similar transaction or event.

(h) Option Rights granted under this Plan may be (i) options that are intended to qualify under particular provisions of the Code, including without limitation Incentive Stock Options, (ii) options that are not intended to so qualify or (iii) combinations of the foregoing.

(i) On or after the Date of Grant of any Option Rights other than Incentive Stock Options, the Committee may provide for the payment to the Optionee of dividend equivalents thereon in cash or Common Shares on a current, deferred or contingent basis, or the Committee may provide that such equivalents shall be credited against the Option Price.

(j) No Option Right granted under this Plan may be exercised more than 10 years from the Date of Grant.

(k) Each grant shall be evidenced by an agreement, which shall be executed on behalf of the Company by any officer thereof and delivered to and accepted by the Optionee and shall contain such terms and provisions as the Committee may determine consistent with this Plan.

5. RESTRICTED SHARES. The Committee may also authorize awards or sales to Participants of Restricted Shares upon such terms and conditions as the Committee may determine in accordance with the following provisions:

(a) Each award or sale shall constitute an immediate transfer of the ownership of Common Shares to the Participant in consideration of the performance of services, entitling such Participant to dividend, voting and other ownership rights, subject to the substantial risk of forfeiture and restrictions on transfer hereinafter referred to.

(b) Each award or sale may be made without additional consideration from the Participant or in consideration of a payment by the Participant that is less than the Market Value per Share on the Date of Grant.

(c) Each award or sale shall provide that the Restricted Shares covered thereby shall be subject to a "substantial risk of forfeiture" within the meaning of Section 83 of the Code for a period to be determined by the Committee on the Date of Grant, and any award or sale may provide for the earlier termination of such period in the event of a change in control of the Company or other similar transaction or event.

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(d) Each award or sale shall provide that, during the period for which such substantial risk of forfeiture is to continue, the transferability of the Restricted Shares shall be prohibited or restricted in the manner and to the extent prescribed by the Committee on the Date of Grant. Such restrictions may include without limitation rights of repurchase or first refusal in the Company or provisions subjecting the Restricted Shares to a continuing substantial risk of forfeiture in the hands of any transferee.

(e) Any award or sale may be further conditioned upon the attainment of Management Objectives which, if achieved, will result in termination or early termination of the restrictions applicable to such shares and each grant may specify in respect of the specified Management Objectives a minimum acceptable level of achievement and shall set forth a formula for determining the number of Restricted Shares on which restrictions will terminate if performance is at or above the minimum level, but falls short of full achievement of the specified Management Objectives.

(f) Any award or sale may require that any or all dividends or other distributions paid on the Restricted Shares during the period of such restrictions be automatically sequestered and reinvested on an immediate or deferred basis in additional Common Shares, which may be subject to the same restrictions as the underlying award or such other restrictions as the Committee may determine.

(g) Each award or sale shall be evidenced by an agreement, which shall be executed on behalf of the Company by any officer thereof and delivered to and accepted by the Participant and shall contain such terms and provisions as the Committee may determine consistent with this Plan. Unless otherwise directed by the Committee, all certificates representing Restricted Shares, together with a stock power that shall be endorsed in blank by the Participant with respect to such shares, shall be held in custody by the Company until all restrictions thereon lapse.

6. DEFERRED SHARES. The Committee may also authorize awards or sales of Deferred Shares to Participants upon such terms and conditions as the Committee may determine in accordance with the following provisions:

(a) Each award or sale shall constitute the agreement by the Company to issue or transfer Common Shares to the Participant in the future in consideration of the performance of services, subject to the fulfillment during the Deferral Period of such conditions as the Committee may specify.

(b) Each award or sale may be made without additional consideration from the Participant or in consideration of a payment by the Participant that is less than the Market Value per Share on the Date of Grant.

(c) Each award or sale shall provide that the Deferred Shares covered thereby shall be subject to a Deferral Period, which shall be fixed by the Committee on the Date of Grant, and any award or sale may provide for the earlier termination of such period in the event of a change in control of the Company or other similar transaction or event.

(d) During the Deferral Period, the Participant shall not have any right to transfer any rights under the subject award, shall not have any rights of ownership in the Deferred Shares and shall not have any right to vote such shares, but the Committee may on or after the Date of Grant authorize the payment of dividend equivalents on such shares in cash or additional Common Shares on a current, deferred or contingent basis.

(e) Each award or sale shall be evidenced by an agreement, which shall be executed on behalf of the Company by any officer thereof and delivered to and accepted by the Participant and shall contain such terms and provisions as the Committee may determine consistent with this Plan.

7. PERFORMANCE SHARES AND PERFORMANCE UNITS. The Committee may also authorize grants of Performance Shares and Performance Units, which shall become payable to the Participant upon the achievement of specified Management Objectives, upon such terms and conditions as the Committee may determine in accordance with the following provisions:

(a) Each grant shall specify the number of Performance Shares or Performance Units to which it pertains, which may be subject to adjustment to reflect changes in compensation or other factors.

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(b) The Performance Period with respect to each Performance Share or Performance Unit shall be determined by the Committee on the Date of Grant, and may be subject to earlier termination in the event of a change in control of the Company or other similar transaction or event.

(c) Each grant shall specify Management Objectives which, if achieved, will result in payment or early payment of the award, and each grant may specify in respect of the specified Management Objectives a minimum acceptable level of achievement below which no payment will be made and shall set forth a formula for determining the amount of any payment to be made if performance is at or above such minimum acceptable level, but falls short of full achievement of the specified Management Objectives.

(d) Each grant shall specify the time and manner of payment of Performance Shares or Performance Units that shall have been earned, and any grant may specify that any such amount may be paid by the Company in cash, Common Shares or any combination thereof and may either grant to the Participant or reserve to the Committee the right to elect among those alternatives.

(e) Any grant of Performance Shares may specify that the amount payable with respect thereto may not exceed a maximum specified by the Committee on the Date of Grant. Any grant of Performance Units may specify that the amount payable, or the number of Common Shares issued, with respect thereto may not exceed maximums specified by the Committee on the Date of Grant.

(f) On or after the Date of Grant of Performance Shares, the Committee may provide for the payment to the Participant of dividend equivalents thereon in cash or additional Common Shares on a current, deferred or contingent basis.

(g) Each grant shall be evidenced by an agreement, which shall be executed on behalf of the Company by any officer thereof and delivered to and accepted by the Participant and shall state that the Performance Shares or Performance Units are subject to all of the terms and conditions of this Plan and such other terms and provisions as the Committee may determine consistent with this Plan.

8. MANAGEMENT OBJECTIVES. Management Objectives may be described in terms of Company-wide objectives or objectives that are related to the performance of the individual Participant or the Subsidiary, division, department or function within the Company or Subsidiary in which the Participant is employed. If the Committee determines that a change in the business, operations, corporate structure or capital structure of the Company, or the manner in which it conducts its business, or other events or circumstances render the Management Objectives unsuitable, the Committee may modify such Management Objectives or the related minimum acceptable level of achievement, in whole or in part, as the Committee deems appropriate and equitable.

#### 9. TRANSFERABILITY.

(a) Except as otherwise determined by the Committee, no Option Right or other award granted or awarded under this Plan shall be transferable by a Participant other than by will or the laws of descent and distribution. Except as otherwise determined by the Committee, Option Rights shall be exercisable during a Participant's lifetime only by the Participant or, in the event of the Participant's legal incapacity, by his guardian or legal representative acting in a fiduciary capacity on behalf of the Participant under state law and court supervision.

(b) Any grant or award made under this Plan may provide that all or any part of the Common Shares that are (i) to be issued or transferred by the Company upon the exercise of Option Rights or upon the termination of the Deferral Period applicable to Deferred Shares, or under a grant of Performance Shares or Performance Units, or (ii) no longer subject to the substantial risk of forfeiture and restrictions on transfer referred to in Section 5 of this Plan, shall be subject to further restrictions upon transfer.

10. ADJUSTMENTS. The Committee may make or provide for such adjustments in the (a) number of Common Shares covered by outstanding Option Rights, Deferred Shares and Performance Shares granted or awarded hereunder, (b) prices per share applicable to such Option Rights, and (c) kind of shares covered thereby, as the Committee in its sole discretion may in good faith determine to be equitably required in order

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to prevent dilution or enlargement of the rights of Participants that otherwise would result from (x) any stock dividend, stock split, combination of shares, recapitalization or other change in the capital structure of the Company, (y) any merger, consolidation, spin-off, spin-out, split-off, split-up, reorganization, partial or complete liquidation of the Company or other distribution of assets, issuance of rights or warrants to purchase securities of the Company, or (z) any other corporate transaction or event having an effect similar to any of the foregoing. In the event of any such transaction or event, the Committee may provide in substitution for any or all outstanding grants or awards under this Plan such alternative consideration as it may in good faith determine to be equitable under the circumstances and may require in connection therewith the surrender of all awards so replaced. Moreover, the Committee may on or after the Date of Grant provide in the agreement evidencing any grant or award under this Plan that the holder of the grant or award may elect to receive an equivalent grant or award in respect of securities of the surviving entity of any merger, consolidation or other transaction or event having a similar effect, or the Committee may provide that the holder will automatically be entitled to receive such an equivalent grant or award. The Committee may also make or provide for such adjustments in the number of shares specified in Section 3 of this Plan as the Committee in its sole discretion may in good faith determine to be appropriate in order to reflect any transaction or event described in this Section 10. This Section 10 shall not be construed to permit the re-pricing of any Option Right in the absence of any of the circumstances described above in contravention of Section 17(b) of this Plan.

11. FRACTIONAL SHARES. The Company shall not be required to issue any fractional Common Shares pursuant to this Plan. The Committee may provide for the elimination of fractions or for the settlement thereof in cash.

12. WITHHOLDING TAXES. To the extent that the Company is required to withhold federal, state, local or foreign taxes in connection with any payment made or benefit realized by a Participant or other person under this Plan, and the amounts available to the Company for such withholding are insufficient, it shall be a condition to the receipt of such payment or the realization of such benefit that the Participant or such other person make arrangements satisfactory to the Company for payment of the balance of such taxes required to be withheld. At the discretion of the Committee, such arrangements may include relinquishment of a portion of such benefit. The Company and any Participant or such other

person may also make similar arrangements with respect to the payment of any taxes with respect to which withholding is not required.

13. PARTICIPATION BY EMPLOYEES OF A LESS-THAN-80-PERCENT SUBSIDIARY. As a condition to the effectiveness of any grant or award to be made hereunder to a Participant who is an employee of a Less-Than-80-Percent Subsidiary, regardless whether such Participant is also employed by the Company or another Subsidiary, the Committee may require the Less-Than-80-Percent Subsidiary to agree to transfer to the Participant (as, if and when provided for under this Plan and any applicable agreement entered into between the Participant and the Less-Than-80-Percent Subsidiary pursuant to this Plan) the Common Shares that would otherwise be delivered by the Company upon receipt by the Less-Than-80-Percent Subsidiary of any consideration then otherwise payable by the Participant to the Company. Any such award may be evidenced by an agreement between the Participant and the Less-Than-80-Percent Subsidiary, in lieu of the Company, on terms consistent with this Plan and approved by the Committee and the Less-Than-80-Percent Subsidiary. All Common Shares so delivered by or to a Less-Than-80-Percent Subsidiary will be treated as if they had been delivered by or to the Company for purposes of Section 3 of this Plan, and all references to the Company in this Plan shall be deemed to refer to the Less-Than-80-Percent Subsidiary except with respect to the definitions of the Board and the Committee and in other cases where the context otherwise requires.

14. CERTAIN TERMINATIONS OF EMPLOYMENT, HARDSHIP AND APPROVED LEAVES OF ABSENCE. Notwithstanding any other provision of this Plan to the contrary, in the event of termination of employment by reason of death, disability, normal retirement, early retirement with the consent of the Company, leave of absence to enter public service with the consent of the Company or other leave of absence approved by the Company, or in the event of hardship or other special circumstances, of a Participant who holds an Option Right that is not immediately and fully exercisable, any Restricted Shares as to which the substantial risk of forfeiture or the prohibition or restriction on transfer has not lapsed, any Deferred Shares as to which the Deferral Period is not complete, any Performance Shares or Performance Units that have not been fully earned, or any Common Shares that are subject to any transfer restriction pursuant to Section 9(b) of this Plan, the Committee may in its sole discretion take any action that it deems to be equitable under the circumstances or in the best interests

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of the Company, including without limitation waiving or modifying any limitation or requirement with respect to any award under this Plan.

15. FOREIGN EMPLOYEES. In order to facilitate the making of any grant or combination of grants under this Plan, the Committee may provide for such special terms for awards to Participants who are foreign nationals, or who are employed by the Company or any Subsidiary outside of the United States of America, as the Committee may consider necessary or appropriate to accommodate differences in local law, tax policy or custom. Moreover, the Committee may approve such supplements to, or amendments, restatements or alternative versions of, this Plan as it may consider necessary or appropriate for such purposes without thereby affecting the terms of this Plan as in effect for any other purpose, and the Secretary or other appropriate officer of the Company may certify any such document as having been approved and adopted in the same manner as this Plan. No such special terms, supplements, amendments, restatements or alternative versions shall include any provisions that are inconsistent with the terms of this Plan, as then in effect, unless this Plan could have been amended to eliminate such inconsistency without further approval by the shareholders of the Company.

#### 16. ADMINISTRATION OF THE PLAN.

(a) This Plan shall be administered by a committee of the Board (or a subcommittee thereof) composed of not less than three members of the Board, each of whom shall be a "Non-Employee Director" within the meaning of Rule 16b-3. A majority of the Committee shall constitute a quorum, and the acts of the members of the Committee who are present at any meeting thereof at which a quorum is present, or acts unanimously approved by the members of the Committee in writing, shall be the acts of the Committee.

(b) The interpretation and construction by the Committee of any provision of this Plan or of any agreement, notification or document evidencing the grant or award of Option Rights, Restricted Shares, Deferred Shares, Performance Shares or Performance Units, and any determination by the Committee pursuant to any provision of this Plan or any such agreement, notification or document, shall be final and conclusive. No member of the Committee shall be liable for any such action taken or determination made in good faith.

#### 17. AMENDMENTS AND OTHER MATTERS.

(a) This Plan may be amended from time to time by the Committee; provided, however, that any amendment that must be approved by the shareholders of the Company in order to comply with applicable law or the

rules of the principal national securities exchange upon which the Common Shares are traded or quoted shall not be effective unless and until such approval has been obtained in compliance with such applicable law or rules. Presentation of this Plan or any amendment hereof for shareholder approval shall not be construed to limit the Company's authority to offer similar or dissimilar benefits through plans that are not subject to shareholder approval.

(b) The Committee shall not, without the further approval of the shareholders of the Company, authorize the amendment of any outstanding Option Right to reduce the Option Price. Furthermore, no Option Right shall be cancelled and replaced with awards having a lower Option Price without further approval of the shareholders of the Company. This Section 17(b) is intended to prohibit the repricing of "underwater" Option Rights and shall not be construed to prohibit the adjustments provided for in Section 10 of this Plan.

(c) The Committee may require Participants, or may permit Participants to elect to defer the issuance of Common Shares or the settlement of awards in cash under the Plan pursuant to such rules, procedures or programs as it may establish for purposes of the Plan. The Committee may also provide that deferred settlements include the payment or crediting of interest on the deferred amounts, or the payment or crediting of dividend equivalents where the deferred amounts are denominated in Common Shares.

(d) This Plan shall not confer upon any Participant any right with respect to continuance of employment or other service with the Company or any Subsidiary and shall not interfere in any way with

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any right that the Company or any Subsidiary would otherwise have to terminate any Participant's employment or other service at any time.

(e) To the extent that any provision of this Plan would prevent any Option Right that was intended to qualify under particular provisions of the Code from so qualifying, such provision of this Plan shall be null and void with respect to such Option Right; provided, however, that such provision shall remain in effect with respect to other Option Rights, and there shall be no further effect on any provision of this Plan.

(f) The Committee may condition the grant of any award or combination of awards authorized under this Plan on the surrender or deferral by the Participant of his or her right to receive a cash bonus or compensation otherwise payable by the Company or a Subsidiary to the Participant.

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## CLEVELAND-CLIFFS INC

INSTRUMENT OF AMENDMENT OF  
 NONQUALIFIED STOCK OPTION AGREEMENTS  
 FOR NONEMPLOYEE DIRECTORS  
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This Instrument of Amendment is made as of March 17, 1997 ("Amendment") to the Nonqualified Stock Option Agreements listed below ("Agreements") between Cleveland-Cliffs Inc ("Company") and \_\_\_\_\_ ("Optionee"), a nonemployee Director of the Company.

RECITALS  
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A. The Company and the Optionee have entered into Agreements relating to the following grants of nonqualified stock options under the Company's 1992 Incentive Equity Plan ("1992 Plan"):

Date	Number of Shares
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1.

B. On January 14, 1997, the Board of Directors of the Company approved certain amendments to all outstanding options granted to nonemployee Directors under the 1992 Plan, including, without limitation, the extension of the post-termination exercise period from three months to three years in certain circumstances, and in consideration for such amendments to the outstanding options, the Optionee has agreed to remain available to the Company in an unpaid advisory capacity for one year after the Optionee ceases to be a Director of the Company.

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NOW, THEREFORE, in consideration of the mutual covenants and premises set forth herein, and other valuable consideration had and received, the parties agree as follows:

1. Section 3(A) of each of the Agreements shall be amended by deleting "months" and inserting "years" following the word "Three."

2. Section 3(B) of each of the Agreements shall be amended by inserting "or during the three-year period referred to in Paragraph 3(A) above" after the word "Company."

3. Section 7(B) of each of the Agreements shall be amended in its entirety to read as follows:

(B) The Company shall sell or otherwise transfer all or substantially all of its assets to any other corporation or other legal person, and immediately after such sale or transfer less than 70% of the combined voting power of the outstanding voting securities of such corporation or person is held in the aggregate by the former shareholders of the Company as the same shall have existed immediately prior to such sale or transfer;

4. A new Section 8 shall be inserted in each of the Agreements as follows:

8. The Optionee agrees to be available to the Company in an unpaid advisory capacity for a period of one year after he or she ceases to be a Director.

6. Section 8 of each of the Agreements shall be renumbered as Section 9.

This Instrument of Amendment is executed by the Company and the Optionee as of the 17th day of March, 1997.

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By: \_\_\_\_\_  
Name:  
Title:

ACCEPTED AND AGREED TO:

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TRUST AGREEMENT NO. 1  
(Amended and Restated Effective June 1, 1997)  
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This Trust Agreement No. 1 (Amended and Restated Effective June 1, 1997) ("Trust Agreement No. 1") is made on this 12th day of June, 1997, by and between Cleveland-Cliffs Inc, an Ohio corporation ("Cleveland-Cliffs"), and KeyTrust Company of Ohio, N.A., a national banking association, as trustee (the "Trustee").

WITNESSETH:  
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WHEREAS, Cleveland-Cliffs has entered into an agreement with each of the executives (the "Executives") listed (from time to time as provided in Section 9(c) hereof) on Exhibit A hereto (the agreements are referred to herein singularly as an "Agreement" and collectively as the "Agreements");

WHEREAS, pursuant to the provisions of the Cleveland-Cliffs Inc Supplemental Retirement Benefit Plan (as Amended and Restated Effective January 1, 1997), as the same has been or may hereafter be supplemented, amended or restated, or any successor thereto (the "Plan"), the Executives and beneficiaries of the Executives (also listed on Exhibit A hereto from time to time as provided in Section 9(c) hereof), may become entitled to certain benefits;

WHEREAS, (a) the Agreements provide for the payment of certain current and deferred compensation and other benefits to the Executives or their beneficiaries thereunder following a "Change of Control", as that term is defined in Exhibit B hereto, and (b) the Plan provides for the payment of certain benefits to

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the Executives and beneficiaries of Executives that (i) would be payable pursuant to the qualified retirement plans established by Cleveland-Cliffs and its subsidiary corporations and affiliates were it not for certain limitations imposed by the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) are or may become due under certain agreements entered into (or which may be entered into) by Cleveland-Cliffs and its subsidiary corporations and affiliates granting additional service credit or other features for purposes of computing retirement benefits, and (c) Cleveland-Cliffs wishes specifically to assure the payment to the Executives and beneficiaries of Executives (Executives and beneficiaries of Executives are referred to herein singularly as a "Trust Beneficiary" and collectively as the "Trust Beneficiaries") of amounts due under the Agreements and the Plan (collectively referred to herein as the "Benefits");

WHEREAS, subject to Section 9 hereof, the amounts and timing of Benefits to which each Trust Beneficiary is presently or may become entitled to are as provided in and determined under the Agreements and the Plan;

WHEREAS, on October 28, 1987, Cleveland-Cliffs and Ameritrust Company National Association, a predecessor of the Trustee, entered into a trust agreement ("Trust Agreement No. 1") to provide for the payment of certain benefits that may become payable to certain executives, beneficiaries of such executives, and their beneficiaries under agreements then in effect between

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Cleveland-Cliffs and the executives and under the Plan, as it was in effect at such time;

WHEREAS, Trust Agreement No. 1 was amended and restated by an Amended and Restated Trust Agreement No. 1 dated March 9, 1992;

WHEREAS, Cleveland-Cliffs desires to amend and restate Trust Agreement No. 1 heretofore entered into and has transferred or will transfer to the trust (the "Trust") established by this Trust Agreement No. 1 assets which shall be held therein subject to the claims of the creditors of Cleveland-Cliffs to the extent set forth in Section 3 hereof until paid in full to all Trust Beneficiaries as Benefits in such manner and at such times as specified herein unless Cleveland-Cliffs is Insolvent (as defined herein) at the time that such Benefits become payable; and

WHEREAS, Cleveland-Cliffs shall be considered "Insolvent" for purposes of this Trust Agreement No. 1 at such time as Cleveland-Cliffs (i) is subject to a pending voluntary or involuntary proceeding as a debtor under the United

States Bankruptcy Code, as heretofore or hereafter amended, or (ii) is unable to pay its debts as they mature.

NOW, THEREFORE, the parties amend and restate Trust Agreement No. 1 and agree that the Trust shall be comprised, held and disposed of as follows:

1. TRUST FUND: (a) Subject to the claims of its creditors to the extent set forth in Section 3 hereof, Cleveland-Cliffs (i) hereby deposits with the Trustee in trust Ten Dollars

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(\$10.00) which shall become the principal of this Trust, and (ii) Cleveland-Cliffs may from time to time make additional deposits of cash or other property in the Trust to augment such principal. The principal of the Trust shall be held, administered and disposed of by the Trustee as herein provided, but no payments of all or any portion of the principal of the Trust or earnings thereon shall be made to Cleveland-Cliffs or any other person or entity on behalf of Cleveland-Cliffs except as herein expressly provided.

(b) The Trust hereby established shall be revocable by Cleveland-Cliffs at any time prior to the date on which occurs a Change of Control, and on or after such date (the "Irrevocability Date"), this Trust shall be irrevocable. In the event that the Irrevocability Date has occurred, Cleveland-Cliffs shall so notify the Trustee promptly.

(c) The principal of the Trust and any earnings thereon shall be held in trust separate and apart from other funds of Cleveland-Cliffs exclusively for the uses and purposes herein set forth. No Trust Beneficiary shall have any preferred claim on, or any beneficial ownership interest in, any assets of the Trust prior to the time that such assets are paid to a Trust Beneficiary as Benefits as provided herein.

(d) The Trust is intended to be a grantor trust, within the meaning of section 671 of the Code, or any successor provision thereto, and shall be construed accordingly. The Trust is not designed to qualify under Section 401(a) of the Code or to

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be subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). The Trust established under this Trust Agreement No. 1 does not fund and is not intended to fund the Agreements or the Plan or any other employee benefit plan or program of Cleveland-Cliffs. Such Trust is and is intended to be a depository arrangement with the Trustee for the setting aside of cash and other assets of Cleveland-Cliffs for the meeting of part or all of its future obligations with respect to Benefits.

2. PAYMENTS TO TRUST BENEFICIARIES. (a) Provided that the Trustee has not actually received notice as provided in Section 3 hereof that Cleveland-Cliffs is Insolvent and commencing with the earlier to occur of (i) appropriate notice by Cleveland-Cliffs to the Trustee, or (ii) the Irrevocability Date, the Trustee shall make payments of Benefits to each Trust Beneficiary from the assets of the Trust in accordance with the terms of the Agreement applicable to such Trust Beneficiary and of the Plan and subject to Section 9 hereof. The Trustee shall make provision for withholding of any federal, state, or local taxes that may be required to be withheld by the Trustee in connection with the payment of any Benefits hereunder.

(b) If the balance of a separate account maintained for a Trust Beneficiary pursuant to Section 7(b) hereof is not sufficient to provide for full payment of Benefits to which a Trust Beneficiary is entitled as provided herein, then an amount up to the amount of such deficiency shall be allocated to such

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separate account from the Master Account maintained pursuant to section 7(b) hereof to the extent of the balance in the Master Account. If, after application of the preceding sentence, the balance of a Trust Beneficiary's separate account maintained pursuant to Section 7(b) is not sufficient to provide for full

payment of Benefits to which a Trust Beneficiary is entitled as provided herein, then Cleveland-Cliffs shall make the balance of each such payment as provided in the applicable provision of the Agreement or the Plan, as the case may be. No payment to a Trust Beneficiary from the assets of the Trust shall exceed the balance of such separate account.

(c) Any payments of Benefits by the Trustee pursuant to this Trust Agreement No. 1 shall, to the extent thereof, discharge the obligation of Cleveland-Cliffs to pay such Benefits under the Agreements and the Plan, it being the intent of Cleveland-Cliffs that assets in the Trust established hereby be held as security for the obligation of Cleveland-Cliffs to pay Benefits under the Agreements and the Plan.

3. THE TRUSTEE'S RESPONSIBILITY REGARDING PAYMENTS TO A TRUST BENEFICIARY WHEN CLEVELAND-CLIFFS IS INSOLVENT: (a) At all times during the continuance of this Trust, the principal and income of the Trust shall be subject to claims of creditors of Cleveland-Cliffs as set forth in this Section 3(a). The Board of Directors of Cleveland-Cliffs ("the Board") and the Chief Executive Officer of Cleveland-Cliffs ("the CEO") shall have the duty to inform the Trustee if either the Board or the CEO

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believes that Cleveland-Cliffs is Insolvent. If the Trustee receives a notice from the Board, the CEO, or a creditor of Cleveland-Cliffs alleging that Cleveland-Cliffs is Insolvent, then unless the Trustee independently determines that Cleveland-Cliffs is not Insolvent, the Trustee shall (i) discontinue payments to any Trust Beneficiary, (ii) hold the Trust assets for the benefit of the general creditors of Cleveland-Cliffs, and (iii) promptly seek the determination of a court of competent jurisdiction regarding the Insolvency of Cleveland-Cliffs. The Trustee shall deliver any undistributed principal and income in the Trust to the extent of the balances of the accounts maintained hereunder necessary to satisfy the claims of the creditors of Cleveland-Cliffs as a court of competent jurisdiction may direct. Such payments of principal and income shall be borne by the Master Account to the extent thereof, and then by the separate accounts of the Trust Beneficiaries in proportion to the balances on the date of such court order of their respective accounts maintained pursuant to Section 7(b) hereof; provided, however, that (iv) all Account Excesses shall first be determined and allocated in accordance with Sections 4 and 7(b) hereof, and (v) for this purpose the Threshold Percentage shall be equal to 100%. If payments to any Trust Beneficiary have been discontinued pursuant to this Section 3(a), the Trustee shall resume payments to such Trust Beneficiary only after receipt of an order of a court of competent jurisdiction. The Trustee shall have no duty to inquire as to whether

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Cleveland-Cliffs is Insolvent and may rely on information concerning the Insolvency of Cleveland-Cliffs which has been furnished to the Trustee by any person. Nothing in this Trust Agreement No. 1 shall in any way diminish any rights of any Trust Beneficiary to pursue his rights as a general creditor of Cleveland-Cliffs with respect to Benefits or otherwise, and the rights of each Trust Beneficiary shall in no way be affected or diminished by any provision of this Trust Agreement No. 1 or action taken pursuant to this Trust Agreement No. 1, except as provided in Section 2(c).

(b) If the Trustee discontinues payments of Benefits from the Trust pursuant to Section 3(a) hereof, the Trustee shall, to the extent it has liquid assets, place cash equal to the discontinued payments (to the extent not paid to creditors pursuant to Section 3(a) and not paid to the Trustee pursuant to Section 10 hereof) in such interest-bearing deposit accounts or certificates of deposit (including any such accounts or certificate issued or offered by the Trustee or any successor corporation but excluding obligations of Cleveland-Cliffs) as determined by the Trustee in its sole discretion. If the Trustee subsequently resumes such payments, the first payment following such discontinuance shall include the aggregate amount of all payments which would have been made to the Trust Beneficiaries in accordance with this Trust Agreement No. 1 during the period of such discontinuance, less the aggregate amount of payments made to any Trust Beneficiary by Cleveland-Cliffs pursuant to the

Agreement applicable to such Trust Beneficiary and Plan during any such period of discontinuance, together with interest on the net amount delayed determined at a rate equal to the rate paid on the accounts or deposits selected by the Trustee; provided, however, that no such payment shall exceed the balance of the respective Trust Beneficiary's account as provided in Section 7(b) hereof.

4. PAYMENTS TO CLEVELAND-CLIFFS. Except to the extent expressly contemplated by Section 1(b) and this Section 4, Cleveland-Cliffs shall have no right or power to direct the Trustee to return any of the Trust assets to Cleveland-Cliffs before all payments of Benefits have been made to all Trust Beneficiaries as herein provided. From time to time, but in no event before the third anniversary of the date on which occurs a Change of Control, if and when requested by Cleveland-Cliffs to do so, the Trustee shall engage the services of Hewitt Associates ("Hewitt") or such other independent actuary as may be mutually satisfactory to Cleveland-Cliffs and to the Trustee to determine the maximum actuarial present values of the future Benefits that could become payable under the Plan and the Agreements with respect to the Trust Beneficiaries. The Trustee shall determine the fair market values of the Trust assets allocated to the account of each Trust Beneficiary and to the Master Account pursuant to Section 7(b) hereof. Cleveland-Cliffs shall pay the fees of such independent actuary and of any appraiser engaged by the Trustee to value any property held in the Trust. The

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independent actuary shall make its calculations based upon the assumption that each Executive will have base salary and bonus increases from the date of calculation through the termination of his employment by Cleveland-Cliffs at the rate of the average increase in such Executive's salary and bonus during the immediately preceding three years, and that no Executive will leave the employ of Cleveland-Cliffs for any reason other than (a) death prior to retirement or (b) retirement on or after age 62 or the corresponding date specified in the Agreement at the age that would result in the maximum present value of Benefits payable to him or his Trust Beneficiaries that is possible under the Plan and/or the Agreement. In addition, the independent actuary shall use the 1983 Group Annuity Mortality Table, an interest rate of 8%, Gross National Product Price Deflator increases of 4%, or such other assumptions as are recommended by such actuary and approved by Cleveland-Cliffs and, after the date of a Change of Control, a majority of the Trust Beneficiaries (subject to the provisions of Sections 11(b)(i) and (b)(ii) hereof). For purposes of this Trust Agreement No. 1, the "Fully Funded" amount with respect to the account of a Trust Beneficiary maintained pursuant to Section 7(b) hereof shall be equal to the maximum actuarial present value of the future Benefits that could become payable under the Plan and the Agreements with respect to the Trust Beneficiary. The Trustee shall then determine any allocations to and from the Master Account in accordance with Section 7(b) hereof. Thereafter, upon the request of the

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Company, the Trustee shall pay to Cleveland-Cliffs the excess, if any, of the balance in the Master Account over 40% of the aggregate of all of the Fully Funded amounts.

5. INVESTMENT OF TRUST FUND. (a) The Trustee shall invest and reinvest the principal of the Trust including any income accumulated and added to principal, as directed by the Organization and Compensation Committee of the Board of Directors of Cleveland-Cliffs (which direction may not include investment in common shares of Cleveland-Cliffs). In the absence of any such direction, the Trustee shall have sole power to invest the assets of the Trust (excluding investment in common shares of Cleveland-Cliffs). The Trustee shall act at all times, however, with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent corporate trustee, acting in a like capacity and familiar with such matters, would use in the conduct of an enterprise of a like character and with like aims. The investment objective of the Trustee shall be to preserve the principal of the Trust while obtaining a reasonable total rate of return, measurement of which shall include market appreciation or depreciation plus receipt of interest and dividends. The Trustee shall be mindful, in the course of its management of the Trust, of the liquidity demands on the Trust and any actuarial assumptions that may be communicated to

it from time to time in accordance with the provisions of this Trust Agreement No. 1.

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(b) In addition to authority given to the Trustee under Section 8 hereof, the Trustee is empowered with respect to the assets of the Trust:

(i) To invest and reinvest all or any part of the Trust assets, in each and every kind of property, whether real, personal or mixed, tangible or intangible, whether income or non-income producing, whether secured or unsecured, and wherever situated, including, but not limited to, real estate, shares of common and preferred stock, mortgages and bonds, leases (with or without option to purchase), notes, debentures, equipment or collateral trust certificates, and other corporate, individual or government securities or obligations, time deposits (including savings deposit and certificates of deposit in the Trustee or its affiliates if such deposits bear a reasonable rate of interest), common or collective funds or trusts, and mutual funds or investment companies, including affiliated investment companies and 12 B-1 funds. Cleveland-Cliffs acknowledges and agrees that the Trustee may receive fees as a participating depository institution for services relating to the investment of funds in an eligible mutual fund;

(ii) At such time or times, and upon such terms and conditions as the Trustee shall deem advisable, to sell, convert, redeem, exchange, grant options for the purchase or exchange of, or otherwise dispose of, any property held hereunder, at public or private sale, for cash or upon credit, with or without security, without obligation on the part of any person dealing

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with the Trustee to see to the application of the proceeds of or to inquire into the validity, expediency, or propriety of any such disposal;

(iii) To manage, operate, repair, partition, and improve and mortgage or lease (with or without an option to purchase) for any length of time any property held in the Trust; to renew or extend any mortgage or lease, upon such terms as the Trustee may deem expedient; to agree to reduction of the rate of interest on any mortgage; to agree to any modification in the terms of any lease or mortgage or of any guarantee pertaining to either of them; to exercise and enforce any right of foreclosure; to bid on property in foreclosure; to take a deed in lieu of foreclosure with or without paying consideration therefor and in connection therewith to release the obligation on the bond secured by the mortgage; and to exercise and enforce in any action, suit, or proceeding at law or in equity any rights, covenants, conditions or remedies with respect to any lease or mortgage or to any guarantee pertaining to either of them or to waive any default in the performance thereof;

(iv) To join in or oppose any reorganization, recapitalization, consolidation, merger or liquidation, or any plan therefor, or any lease (with or without an option to purchase), mortgage or sale of the property of any organization the securities of which are held in the Trust; to pay from the Trust any assessments, charges or compensation specified in any plan of reorganization, recapitalization, consolidation, merger

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or liquidation; to deposit any property allotted to the Trust in any reorganization, recapitalization, consolidation, merger or liquidation, to deposit any property with any committee or depository; and to retain any property allotted to the Trust in any reorganization, recapitalization, consolidation, merger or liquidation;

(v) To compromise, settle, or arbitrate any claim, debt or obligation of or against the Trust; to enforce or abstain from enforcing any right, claim, debt, or obligation; and to abandon any property determined by it to be worthless;

(vi) To make, execute and deliver, as Trustee, any deeds, conveyances, leases (with or without option to purchase), mortgages, options, contracts, waivers or other instruments that the Trustee shall deem necessary or desirable in the exercise of its powers under this Agreement; and

(vii) To pay out of the assets of the Trust all taxes imposed or levied with respect to the Trust and in its discretion may contest the validity or amount of any tax, assessment, penalty, claim, or demand respecting the Trust and may institute, maintain, or defend against any related action or proceeding either at law or in equity (and in such regard, the Trustee shall be indemnified in accordance with Section 8(d) hereof).

6. INCOME OF THE TRUST. Except as provided in Section 3 hereof, during the continuance of this Trust all net income of the Trust shall be allocated not less frequently than monthly

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among the Trust Beneficiaries' separate accounts in accordance with Section 7(b) hereof.

7. ACCOUNTING BY TRUSTEE. (a) The Trustee shall keep records in reasonable detail of all investments, receipts, disbursements and all other transactions required to be done, including such specific records as shall be agreed upon in writing by Cleveland-Cliffs and the Trustee. All such accounts, books and records shall be open to inspection and audit at all reasonable times by Cleveland-Cliffs, by any Trust Beneficiary, or in the event of a Trust Beneficiary's death or adjudged incompetence, by an agent or representative of any of the foregoing (as to such Trust Beneficiary's account). Within 60 calendar days following the close of each calendar year and within 60 calendar days after the removal or resignation of the Trustee, the Trustee shall deliver to Cleveland-Cliffs and, following the Irrevocability Date, to each Trust Beneficiary, or in the event of a Trust Beneficiary's death or adjudged incompetence, any agent or representative of the Trust Beneficiary (as to his or her account), a written account of its administration of the Trust during such year or during the period from the end of the last preceding year to the date of such removal or resignation, setting forth all investments, receipts, disbursements and other transactions effected by it, including a description of all securities and investments purchased and sold with the cost or net proceeds of such purchases or sales (accrued interest paid or receivable being shown separately), and showing

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all cash, securities, rights and other property held in the Trust at the end of such year or as of the date of such removal or resignation, as the case may be. Such written accounts shall reflect the aggregate of the Trust accounts and status of each separate account maintained for each Trust Beneficiary. Unless Cleveland-Cliffs or any Trust Beneficiary shall have filed with the Trustee written exception or objection to any such statement and account within 90 days after receipt thereof, Cleveland-Cliffs and the Trust Beneficiary shall be deemed to have approved such statement and account, and in such case, the Trustee shall be forever released and discharged with respect to all matters and things reported in such statement and account as though it had been settled by a decree of a court of competent jurisdiction in an action or proceeding to which Cleveland-Cliffs and the Trust Beneficiaries were parties.

(b) (i) The Trustee shall maintain a separate subaccount for each Trust Beneficiary (a "Trust Beneficiary Account") and an account (the "Master Account") that shall be kept separate from all Trust Beneficiary Accounts and shall not be identified with any Trust Beneficiary. The Trustee shall credit or debit each Trust Beneficiary Account and the Master Account as appropriate to reflect the respective allocable portion of the Trust assets, as such Trust assets may be adjusted from time to time pursuant to the terms of this Trust Agreement No. 1. Prior to the date of a Change of Control, all deposits of principal pursuant to Section 1(a) shall be allocated and

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reallocated as directed by Cleveland-Cliffs. On or after the date of a Change of Control deposits of principal may be allocated, but not reallocated by Cleveland-Cliffs. If any deposit of principal is not allocated by the Company, such amount shall be allocated by the Trustee to the Master Account.

(ii) As further described in this Section 7(b)(ii), as of the beginning of each calendar quarter ending after the Trust has become irrevocable, the Trustee shall (A) ascertain (or cause to be determined) the Fully Funded amounts (as defined in Section 4 hereof), (B) allocate the income of the Trust, (C) determine the amount of all Account Excesses (as hereinafter defined), and (D) allocate amounts to and from the Master Account. The "Account Excess" with respect to a Trust Beneficiary Account shall be equal to the excess, if any, of the fair market value of the assets held in the Trust allocated to a Trust Beneficiary Account over the respective Fully Funded amount. The Trustee shall allocate the income of the Trust and all Account Excesses to the Master Account. The balance in the Master Account shall then be allocated to any Trust Beneficiary Accounts that are not Fully Funded in proportion to the differences between the respective Fully Funded amount and the balance of the Trust Beneficiary Account, insofar as possible, until all Trust Beneficiary Accounts are Fully Funded.

(c) Nothing in this Section 7 shall preclude the commingling of Trust assets for investment.

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8. RESPONSIBILITY OF TRUSTEE. (a) The Trustee shall act with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent corporate trustee, acting in a like capacity and familiar with such matters, would use in the conduct of an enterprise of a like character and with like aims; provided, however, that the Trustee shall incur no liability to any person for any action taken pursuant to a direction, request or approval, contemplated by and complying with the terms of this Trust Agreement No. 1, given in writing by Cleveland-Cliffs or by a Trust Beneficiary applicable to his or her beneficial interest herein; and provided, further, that the Trustee shall have no duty to seek additional deposits of principal from Cleveland-Cliffs for additional amounts accrued under the Agreement or the Plan, and the Trustee shall not be responsible for the adequacy of this Trust.

(b) The Trustee may vote any stock or other securities and exercise any right appurtenant to any stock, other securities or other property held hereunder, either in person or by general or limited proxy, power of attorney or other instrument.

(c) The Trustee may hold securities in bearer form and may register securities and other property held in the trust fund in its own name or in the name of a nominee, combine certificates representing securities with certificates of the same issue held by the Trustee in other fiduciary capacities, and deposit, or arrange for deposit of property with any depository; provided that the books and records of the Trustee shall at all times show

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that all such securities are part of the trust fund under this Trust Agreement No. 1.

(d) If the Trustee shall undertake or defend any litigation arising in connection with this Trust Agreement No. 1, it shall be indemnified by Cleveland-Cliffs against its costs, expenses and liabilities (including without limitation attorneys' fees and expenses) relating thereto.

(e) The Trustee may consult with legal counsel, independent accountants and actuaries (who may be counsel, independent accountants or actuaries for Cleveland-Cliffs) with respect to any of its duties or obligations hereunder, and shall be fully protected in acting or refrain from acting in accordance with the advice of such counsel, independent accountants and actuaries.

(f) The Trustee may rely and shall be protected in acting or refraining from acting within the authority granted by the terms of this Trust Agreement No. 1 upon any written notice, instruction or request furnished to it hereunder and believed by it to be genuine and to have been signed or presented

by the proper party or parties.

(g) The Trustee may hire agents, accountants, actuaries, and financial consultants, who may be agents, accountants, actuaries, or financial consultants, as the case may be, for Cleveland-Cliffs, and shall not be answerable for the conduct of same if appointed with due care.

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(h) The Trustee is empowered to take all actions necessary or advisable in order to collect any benefits or payments of which the Trustee is the designated beneficiary.

(i) The Trustee shall have, without exclusion, all powers conferred on trustees by applicable law unless expressly provided otherwise herein.

#### 9. AMENDMENTS, ETC., TO AGREEMENTS AND PLAN; COOPERATION OF CLEVELAND-CLIFFS.

(a) Cleveland-Cliffs has previously furnished the Trustee a complete and correct copy of each Agreement and of the Plan, and Cleveland-Cliffs shall, and any Trust Beneficiary may, promptly furnish the Trustee true and correct copies of any amendment, restatement or successor thereto, whereupon such amendment, restatement or successor shall be incorporated herein by reference, provided that such amendment, restatement or successor shall not affect the Trustee's duties and responsibilities hereunder without the consent of the Trustee.

(b) Cleveland-Cliffs shall provide the Trustee with all information requested by the Trustee for purposes of determining payments to the Trust Beneficiaries or withholding of taxes as provided in Section 2. Upon the failure of Cleveland-Cliffs or any Trust Beneficiary to provide any such information, the Trustee shall, to the extent necessary in the sole judgment of the Trustee, (i) compute the amount payable hereunder to any Trust Beneficiary; and (ii) notify Cleveland-Cliffs and the Trust Beneficiary in writing of its computations. Thereafter this

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Trust Agreement No. 1 shall be construed as to the Trustee's duties and obligations hereunder in accordance with such Trustee determinations without further action; provided, however, that no such determinations shall in any way diminish the rights of any Trust Beneficiary hereunder or under any Agreement or the Plan; and provided, further, that no such determinations shall be deemed to modify this Trust Agreement No. 1, any Agreement or the Plan. Nothing in this Trust Agreement No. 1 shall restrict Cleveland-Cliffs' right to amend, modify or terminate the Plan.

(c) At such times as may in the judgment of Cleveland-Cliffs be appropriate, Cleveland-Cliffs shall furnish to the Trustee any amendment to Exhibit A for the purpose of the addition of Trust Beneficiaries to Exhibit A (or the deletion of Trust Beneficiaries from Exhibit A who have no Benefits currently due or payable in the future); provided, however, that no such amendment shall be made after the date of a Change of Control.

10. COMPENSATION AND EXPENSES OF TRUSTEE. The Trustee shall be entitled to receive such reasonable compensation for its services as shall be agreed upon by Cleveland-Cliffs and the Trustee. The Trustee shall also be entitled to reimbursement of its reasonable expenses incurred with respect to the administration of the Trust including fees and expenses incurred pursuant to Sections 8(d), 8(e) and 8(g) and liabilities to creditors pursuant to court direction as provided in Section 3(a) hereof. Such compensation and expenses shall in all events be payable either directly by Cleveland-Cliffs or, in the event that

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Cleveland-Cliffs shall refuse, from the assets of the Trust and charged pro rata in proportion to each separate account balance. The Trust shall have a claim against Cleveland-Cliffs for any such compensation or expenses so paid.

11. REPLACEMENT OF THE TRUSTEE. (a) Prior to the date of a Change of Control, the Trustee may be removed by Cleveland-Cliffs. On or after the date of a Change of Control, the Trustee may be removed at any time by agreement of Cleveland-Cliffs and a majority of the Trust Beneficiaries. The Trustee may resign after providing not less than 90 days' notice to Cleveland-Cliffs and to the Trust Beneficiaries. In case of removal or resignation, a new trustee, which shall be independent and not subject to control of either Cleveland-Cliffs or the Trust Beneficiaries, shall be appointed as shall be agreed by Cleveland-Cliffs and a majority of the Trust Beneficiaries. No such removal or resignation shall become effective until the acceptance of the Trust by a successor trustee designated in accordance with this Section 11. If the Trustee should resign, and within 45 days of the notice of such resignation, Cleveland-Cliffs and the Executives shall not have notified the Trustee of an agreement as to a replacement trustee, the Trustee shall appoint a successor trustee, which shall be a bank or trust company, wherever located, having a capital and surplus of at least \$500,000,000 in the aggregate.

(b) For purposes of the removal or appointment of a Trustee under this Section 11, (i) if any Trust Beneficiary shall

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be deceased or adjudged incompetent, such Trust Beneficiary's personal representative (including his or her guardian, executor or administrator) shall participate in such Trust Beneficiary's stead, and (ii) a Trust Beneficiary shall not participate if all payments of Benefits then currently due or payable in the future have been made to such Trust Beneficiary.

12. AMENDMENT OR TERMINATION. (a) This Trust Agreement No. 1 may be amended by Cleveland-Cliffs and the Trustee without the consent of any Trust Beneficiary provided the amendment does not adversely affect any Trust Beneficiary. This Trust Agreement No. 1 may also be amended at any time and to any extent by a written instrument executed by the Trustee, Cleveland-Cliffs and the Trust Beneficiaries, except to alter Section 12(b), and except that amendments to Exhibit A contemplated by Section 9(c) hereof shall be made as therein provided.

(b) The Trust shall terminate on the date on which the Trust no longer contains any assets, or, if earlier, the date on which each Trust Beneficiary is entitled to no further payments hereunder.

(c) Upon termination of the Trust as provided in Section 12(b) hereof, any assets remaining in the Trust shall be returned to Cleveland-Cliffs or as it directs.

13. SPECIAL DISTRIBUTION. (a) It is intended that (i) the creation of, and transfer of assets to, the Trust will not cause any Agreement or the Plan to be other than "unfunded" for

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purposes of title I of ERISA; (ii) transfers of assets to the Trust will not be transfers of property for purposes of section 83 of the Code, or any successor provision thereto, nor will such transfers cause a currently taxable benefit to be realized by a Trust Beneficiary pursuant to the "economic benefit" doctrine; and (iii) pursuant to section 451 of the Code, or any successor provision thereto, amounts will be includable as compensation in the gross income of a Trust Beneficiary in the taxable year or years in which such amounts are actually distributed or made available to such Trust Beneficiary by the Trustee.

(b) Notwithstanding anything to the contrary contained in this Trust Agreement No. 1, in the event it is determined by a final decision of the Internal Revenue Service, or, if an appeal is taken therefrom, by a court of competent jurisdiction that (i) by reason of the creation of, and a transfer of assets to the Trust, the Trust is considered "funded" for purposes of title I of ERISA; or (ii) a transfer of assets to the Trust is considered a transfer of property for purposes of section 83 of the Code or any successor provision thereto; or (iii) a transfer of assets to the Trust causes a Trust Beneficiary to realize income pursuant to the "economic benefit" doctrine; or (iv) pursuant

to section 451 of the Code or any successor provision thereto, amounts are includable as compensation in the gross income of a Trust Beneficiary in a taxable year that is prior to the taxable year or years in which such amounts would, but for this Section 13, otherwise actually be distributed or made available to such Trust

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Beneficiary by the Trustee, then (A) the assets held in Trust shall be allocated in accordance with Section 7(b) hereof, and (B) promptly after the next quarterly allocation and reallocation pursuant to Section 7(b) hereof, the Trustee shall distribute to each affected Trust Beneficiary an amount equal to the lesser of (i) the amount which, after taking into account the federal, state and local income tax consequences of the special distribution itself, is equal to the sum of any federal, state and local income taxes, interest due thereon, and penalties assessed with respect thereto, which are attributable to amounts that are includable in the income of such Trust Beneficiary, or (ii) the balance of the Trust Beneficiary Account corresponding to such amount.

14. SEVERABILITY, ALIENATION, ETC. (a) Any provision of this Trust Agreement No. 1 prohibited by law shall be ineffective to the extent of any such prohibition without invalidating the remaining provisions hereof.

(b) To the extent permitted by law, Benefits to Trust Beneficiaries under this Trust Agreement No. 1 may not be anticipated, assigned (either at law or in equity), alienated or subject to attachment, garnishment, levy, execution or other legal or equitable process and no benefit provided for herein and actually paid to any Trust Beneficiary by the Trustee shall be subject to any claim for repayment by Cleveland-Cliffs or Trustee.

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(c) This Trust Agreement No. 1 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.

(d) This Trust Agreement No. 1 may be executed in two or more counterparts, each of which shall be considered an original agreement. This Trust Agreement No. 1 shall become effective immediately upon the execution by Cleveland-Cliffs of at least one counterpart, it being understood that all parties need not sign the same counterpart, but shall not bind any Trustee until such Trustee has executed at least one counterpart.

15. NOTICES; IDENTIFICATION OF CERTAIN TRUST BENEFICIARIES. (a) All notices, requests, consents and other communications hereunder shall be in writing and shall be deemed to have been duly given when received:

If to the Trustee, to:

KeyTrust Company of Ohio, N.A.  
127 Public Square  
Cleveland, Ohio 44114-1306

Attention: Trust Counsel

If to Cleveland-Cliffs, to:

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

Attention: Secretary

If to the Trust Beneficiaries, to the addresses listed on Exhibit A hereto

provided, however, that if any party or any Trust Beneficiary or his or its successors shall have designated a different address

by written notice to the other parties, then to the last address so designated.

(b) Cleveland-Cliffs shall provide the Trustee with the names of any beneficiary or beneficiaries designated by the Executives (and who are, therefore, Trust Beneficiaries hereunder).

IN WITNESS WHEREOF, Cleveland-Cliffs and the Trustee have caused counterparts of this Trust Agreement No. 1 (Amended and Restated Effective June 1, 1997) to be executed on their behalf on June 12, 1997, each of which shall be an original agreement.

CLEVELAND-CLIFFS INC

By /s/ R.F. Novak  
 -----  
 Its V.P.-H.R.  
 -----  
 KEYTRUST COMPANY OF OHIO, N.A.,  
 as Trustee

By /s/ Kelley Clark  
 -----  
 Its Vice President  
 -----  
 and

By /s/ J.A. Radazzo  
 -----  
 Its VP  
 -----

EXHIBIT A  
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EXECUTIVE -----	TITLE -----	TRUST BENEFICIARY -----
M. Thomas Moore	Chairman and Chief Executive Officer	M. T. Moore Family Trust The M. Thomas Moore Family Trust Dated 11/29/85  Co-Trustees are: Robert Bouhall and William E. Reichard of the Firm of Conway, Patton, Bouhall and Reichard 1220 Huntington Building Cleveland, OH 44115
John S. Brinzo	Executive Vice President-Finance	Marlene J. Brinzo (wife)
William R. Calfee	Executive Vice President-Commercial	Society National Bank, or its successor, as Trustee under the William R. Calfee Revocable Trust Agreement dated 5/9/89, as the same may hereafter be amended, 800 Superior Ave., Cleveland, OH 44114
Thomas J. O'Neill	Executive Vice President - Operations	

EXHIBIT B

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"Change of Control" shall be deemed to have occurred if

(i) Cleveland-Cliffs shall merge into itself, or be merged or consolidated with, another corporation and as a result of such merger or consolidation less than 70% of the outstanding voting securities of the surviving or resulting corporation shall be owned in the aggregate by the former shareholders of Cleveland-Cliffs as the same shall have existed immediately prior to such merger or consolidation;

(ii) Cleveland-Cliffs shall sell or otherwise transfer all or substantially all of its assets to any other corporation or other legal person, and immediately after such sale or transfer less than 70% of the combined voting power of the outstanding voting securities of such corporation or person is held in the aggregate by the former shareholders of Cleveland-Cliffs as the same shall have existed immediately prior to such sale or transfer;

(iii) a person, within the meaning of Section 3(a)(9) or of Section 13(d)(3) (as in effect on the date hereof) of the Securities Exchange Act of 1934, shall become the beneficial owner (as defined in Rule 13d-3 of the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934) of 30% or more of the outstanding voting securities of Cleveland-Cliffs (whether directly or indirectly); or

(iv) during any period of three consecutive years, individuals who at the beginning of any such period

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constitute the Board of Directors of Cleveland-Cliffs cease, for any reason, to constitute at least a majority thereof, unless the election, or the nomination for election by the shareholders of Cleveland-Cliffs, of each Director first elected during any such period was approved by a vote of at least one-third of the Directors of Cleveland-Cliffs who are Directors of Cleveland-Cliffs on the date of the beginning of any such period.

TRUST AGREEMENT NO. 2  
(Amended and Restated Effective June 1, 1997)  
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This Trust Agreement No. 2 (Amended and Restated Effective June 1, 1997) ("Trust Agreement No. 2") is made on this 12th day of June, 1997, by and between Cleveland-Cliffs Inc, an Ohio corporation ("Cleveland-Cliffs"), and KeyTrust Company of Ohio, N.A., a national banking association, as trustee (the "Trustee").

WITNESSETH:  
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WHEREAS, under the provisions of certain agreements between each of the executives of Cleveland-Cliffs (the "Executives") listed (from time to time as provided in Section 9(c) hereof) on Exhibit A hereto and Cleveland-Cliffs (the "Executive Agreements"), as each of the same may hereafter be amended or restated, or any successor thereto, the Executives may become entitled to certain compensation, pension and other benefits;

WHEREAS, under the provisions of the Severance Pay Plan for Key Employees of Cleveland-Cliffs Inc (the "Severance Plan"), effective February 1, 1992, as the same may be supplemented, amended, or restated, or any successor thereto, certain key employees (the "Key Employees") also listed (from time to time as provided in Section 9(c) hereof) on Exhibit A hereto, may become entitled to compensation, pension and other benefits;

WHEREAS, under the provisions of the Cleveland-Cliffs Inc Retention Plan for Salaried Employees (the "Retention Plan"),

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adopted January 14, 1992, as the same may be supplemented, amended, or restated, or any successor thereto, certain salaried employees identified therein (the "Covered Employees") may become entitled to compensation and other benefits;

WHEREAS, in addition to the compensation, pension and other benefits provided by the Executive Agreements, the Severance Plan and the Retention Plan, in order to ensure that the obligations of Cleveland-Cliffs under the Executive Agreements, the Severance Plan and the Retention Plan can be enforced by the Executives, the Key Employees, and the Covered Employees, respectively, (referred to herein singularly as an "Indemnitee" and collectively as the "Indemnitees") in the event of a "Change of Control" (as defined herein), the Executive Agreements, the Severance Plan and the Retention Plan all provide that Cleveland-Cliffs will establish a trust to fund reasonable attorneys' and related fees and expenses associated with a lawsuit, action or other proceeding brought by or on behalf of an Indemnitee to enforce provisions of an Executive Agreement (referred to collectively herein as "Expenses");

WHEREAS, the Executive Agreements, the Severance Plan and the Retention Plan all provide that the foregoing trust arrangement will be considered a part of the Executive Agreements, the Severance Plan and the Retention Plan, and will set forth the terms and conditions relating to the payment of Expenses;

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WHEREAS, Cleveland-Cliffs and Ameritrust Company National Association, a predecessor of the Trustee, entered into a trust agreement ("Trust Agreement No. 2"), dated October 28, 1987, to provide for the payment of reasonable attorneys' and related fees and expenses incurred by certain executives in the enforcement of their rights under agreements between such executives and Cleveland-Cliffs in effect at that time;

WHEREAS, Trust Agreement No. 2 was amended and restated by an Amended and Restated Trust Agreement No. 2, dated March 24, 1992; and

WHEREAS, Cleveland-Cliffs desires to amend and restate this Trust Agreement No. 2 heretofore entered into and has transferred or will transfer to the trust (the "Trust") established by this Trust Agreement No. 2 assets which shall be held therein until paid to Indemnitees with respect to Expenses in such manner and at such times as specified herein.

NOW, THEREFORE, the parties amend and restate the Trust Agreement No. 2 and agree that the Trust shall be comprised, held and disposed of as follows:

1. TRUST FUND. (a) Cleveland-Cliffs hereby deposits with the Trustee in trust Ten Dollars (\$10.00), which shall become the principal of this Trust, to be held, administered and disposed of by the Trustee as herein provided.

(b) The Trust hereby established shall be revocable by Cleveland-Cliffs at any time prior to the date on which occurs a "Change of Control," as that term is defined in this Section

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1(b); on or after such date, this Trust shall be irrevocable. Cleveland-Cliffs shall notify the Trustee promptly in the event that a Change of Control has occurred. The term "Change of Control" shall mean the occurrence of any of the following events:

(i) Cleveland-Cliffs shall merge into itself, or be merged or consolidated with, another corporation and as a result of such merger or consolidation less than 70% of the outstanding voting securities of the surviving or resulting corporation shall be owned in the aggregate by the former shareholders of Cleveland-Cliffs as the same shall have existed immediately prior to such merger or consolidation;

(ii) Cleveland-Cliffs shall sell or otherwise transfer all or substantially all of its assets to any other corporation or other legal person, and immediately after such sale or transfer less than 70% of the combined voting power of the outstanding voting securities of such corporation or person is held in the aggregate by the former shareholders of Cleveland-Cliffs as the same shall have existed immediately prior to such sale or transfer;

(iii) a person, within the meaning of Section 3(a)(9) or of Section 13(d)(3) (as in effect on the date hereof) of the Securities Exchange Act of 1934, shall become the beneficial owner (as defined in Rule 13d-3 of the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934) of 30% or more of the outstanding voting

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securities of Cleveland-Cliffs (whether directly or indirectly); or

(iv) during any period of three consecutive years, individuals who at the beginning of any such period constitute the Board of Directors of Cleveland-Cliffs cease, for any reason, to constitute at least a majority thereof, unless the election, or the nomination for election by the shareholders of Cleveland-Cliffs, of each Director first elected during any such period was approved by a vote of at least one-third of the Directors of Cleveland-Cliffs who are Directors of Cleveland-Cliffs on the date of the beginning of any such period.

(c) The principal of the Trust and any earnings thereon shall be held in trust separate and apart from other funds of Cleveland-Cliffs exclusively for the uses and purposes herein set forth. No Indemnitee shall have any preferred claim on, or any beneficial ownership interest in, any assets of the Trust prior to the time that such assets are paid to an Indemnitee as Expenses as provided herein.

(d) Any Company (as defined in paragraph (e) below) may at any time or from time to time make additional deposits of cash or other property in the Trust to augment the principal to be held, administered and disposed of by the Trustee as herein provided, but no payments of all or any portion of the principal of the Trust or earnings thereon shall be made to Cleveland-

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Cliffs or any other person or entity on behalf of Cleveland-Cliffs except as herein expressly provided.

(e) The term "Company" as used herein shall mean Cleveland-Cliffs, any wholly owned subsidiary or any partnership or joint venture in which Cleveland-Cliffs and/or any wholly-owned subsidiary is a partner or venturer and Empire Iron Mining Partnership, or any entity that is a successor to Cleveland-Cliffs in ownership of substantially all of its assets.

(f) This Trust Agreement No. 2 shall be construed as a part of the Executive Agreements, the Severance Plan and the Retention Plan.

(g) This Trust is intended to be a grantor trust, within the meaning of Section 671 of the Internal Revenue Code of 1986, as amended (the "Code"), or any successor provision thereto, and shall be construed accordingly. The Trust is not designed to qualify under Section 401(a) of the Code or to be subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended ("ERISA").

2. PAYMENTS TO INDEMNITEES. (a) The Trustee shall promptly pay Expenses to the Indemnitees from the assets of the Trust in accordance with Section 13 of the Executive Agreements, Section 12 of the Severance Plan, Article IX of the Retention Plan and this Section 2, provided that (i) this Trust Agreement No. 2 has not been terminated pursuant to Section 12 hereof; (ii) the Trust has become irrevocable; (iii) with respect to the first demand for payment of Expenses hereunder received by the Trustee,

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the Trustee shall immediately give appropriate notice thereof to all Indemnitees, and shall make no payment of Expenses until the 21st day after such notice has been given; and (iv) the requirements of Section 2(c) and 2(d) hereof have been satisfied. The Trustee shall promptly inform the Company as to amounts paid to any Indemnitee pursuant to this Section.

(b) It is the intention of Cleveland-Cliffs that during the 21-day period prescribed by Section 2(a) (iii) hereof, the Indemnitees will make reasonable efforts to consult with each other and to take into account the interests of all Indemnitees in deciding on how best to proceed to enforce the provisions of the Executive Agreements, the Severance Plan, and/or the Retention Plan such that the assets of the Trust are utilized most effectively; provided, however, that this Section 2(b) is to be construed as precatory in nature, and in the absence of any other agreement or arrangement, this Trust Agreement No. 2 (without regard to this Section 2(b)) shall apply to the payment of Expenses.

(c) A demand for payment by an Indemnitee hereunder must be made within two months of the date on which the Indemnitee receives a bill, invoice or other statement setting forth the Expenses that have been incurred. In order to demand payment hereunder, the Indemnitee must deliver to the Trustee (i) a certificate signed by or on behalf of such Indemnitee, certifying to the Trustee that the Company is in default in paying the Indemnitee a specified amount which the Indemnitee

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states to be owed under an Executive Agreement, the Severance Plan or the Retention Plan, and (ii) a notice in writing and in reasonable detail of the Expenses that are to be paid hereunder.

(d) To the extent payments hereunder may be made only from funds held in the form of a deposit or obligation, such payments may be postponed until such deposit or obligation shall have matured. Payments shall be made to the Indemnitee in the full amount noticed until the Trust is depleted; provided that if on the date such amount is to be paid from the Trust other amounts have been claimed but not yet paid to the same or other Indemnitees and the aggregate amount so claimed exceeds the amount available in the Trust, the Trustee shall only pay that portion of the amount then payable to each such Indemnitee determined by multiplying such amount by a fraction, the numerator of which is the amount then in the Trust and the denominator of which is the aggregate amount noticed by the Indemnitees to be owed but not yet paid to that date.

3. RIGHTS OF INDEMNITEES. (a) Nothing in this Trust Agreement No. 2 shall in any way diminish any rights of any Indemnitee to pursue his rights as a general creditor of the Company with respect to Expenses or otherwise, and (b) the rights of the Indemnitees under the Executive Agreements, Severance Plan or Retention Plan shall in no way be affected or diminished by any provision of this Trust Agreement No. 2 or action taken pursuant to this Trust Agreement No. 2, it being the intent of Cleveland-Cliffs that rights of the Indemnitees be security for

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obligations of the Company under the Executive Agreements, Severance Plan or Retention Plan, except that any payment actually received by any Indemnitee hereunder shall reduce dollar-per-dollar amounts otherwise due to such Indemnitee pursuant to Section 13 of the Executive Agreements, Section 12 of the Severance Plan, or Article IX of the Retention Plan, as applicable.

4. PAYMENTS TO CLEVELAND-CLIFFS. Except to the extent expressly contemplated by Section 1(b), Cleveland-Cliffs shall have no right or power to direct the Trustee to return any of the Trust assets to Cleveland-Cliffs before all payments of Expenses have been made to all Indemnitees as herein provided.

5. INVESTMENT OF TRUST FUND. The Trustee shall invest the principal of the Trust including any income accumulated and added to principal in (a) interest-bearing deposit accounts or certificates of deposit (including any such accounts or certificates issued or offered by the Trustee or any successor or affiliated corporation but excluding obligations of the Company), (b) direct obligations of the United States of America, or obligations the payment of which is guaranteed, as to both principal and interest, by the government or an agency of the government of the United States of America, or (c) one or more mutual funds or commingled funds, whether or not maintained by the Trustee, substantially all of the assets of which is invested in obligations the income from which is not subject to taxation; provided, however, that no such investment may mature more than

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90 days after the date of purchase. Nothing in this Trust Agreement No. 2 shall preclude the commingling of Trust assets for investment. The Trustee shall not be required to invest nominal amounts.

6. INCOME OF THE TRUST. During the continuance of this Trust all net income of the Trust shall be retained in the Trust.

7. ACCOUNTING BY TRUSTEE. The Trustee shall keep records in reasonable detail of all investments, receipts, disbursements and all other transactions required to be done, including such specific records as shall be agreed upon in writing by Cleveland-Cliffs and the Trustee. All such accounts, books and records shall be open to inspection and audit at all reasonable times by Cleveland-Cliffs, by any Indemnitee or by any agent or representative of any of the foregoing. Within 60 calendar days following the end of each calendar year and within 60 calendar days after the removal or resignation of the Trustee, the Trustee shall deliver to Cleveland-Cliffs and, if such year end, removal or resignation occurs on or after the date on which a Change of Control has occurred, to each Indemnitee a written account of its administration of the Trust during such year or during the period from the end of the last preceding year to the date of such removal or resignation, setting forth all investments, receipts, disbursements and other transactions affected by it, including a description of all securities and investments purchased and sold with the cost or net proceeds of

such purchases or sales (accrued interest paid or receivable being shown separately), and showing all cash, securities, rights and other property held in the Trust at the end of such year or as of the date of such removal or resignation, as the case may be. The Trustee shall furnish to Cleveland-Cliffs on a quarterly basis (or as Cleveland-Cliffs shall direct from time to time) and in a timely manner such information regarding the Trust as Cleveland-Cliffs shall require for purposes of preparing its statements of financial condition. Unless Cleveland-Cliffs or any Indemnitee shall have filed with the Trustee written exception or objection to any such statement and account within 90 days after receipt thereof, Cleveland-Cliffs or the Indemnitee shall be deemed to have approved such statement and account, and in such case the Trustee shall be forever released and discharged with respect to all matters and things reported in such statement and account as though it had been settled by a decree of a court of competent jurisdiction in an action or proceeding to which Cleveland-Cliffs and the Indemnitees were parties.

8. RESPONSIBILITY OF TRUSTEE. (a) The Trustee shall act with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent corporate trustee, acting in like capacity and familiar with such matters, would use in the conduct of an enterprise of a like character and with like aims; provided, however, that the Trustee shall incur no liability to any person for any action taken pursuant to a direction, request or approval which is contemplated by and in

conformity and compliance with the terms of this Trust Agreement No. 2, the Executive Agreements, the Severance Plan and the Retention Plan, and is given in writing by Cleveland-Cliffs or by an Indemnitee with respect to his beneficial interest herein; and provided, further, that the Trustee shall have no duty to seek additional deposits of principal from Cleveland-Cliffs, and the Trustee shall not be responsible for the adequacy of this Trust.

(b) The Trustee shall not be required to undertake or to defend any litigation arising in connection with this Trust Agreement No. 2 unless it be first indemnified by Cleveland-Cliffs against its prospective costs, expenses, and liabilities (including without limitation attorneys' fees and expenses) relating thereto, and Cleveland-Cliffs hereby agrees to indemnify the Trustee and to be primarily liable for such costs, expenses and liabilities.

(c) The Trustee may consult with legal counsel (which, after a Change of Control, shall be independent with respect to the Company) with respect to any of its duties or obligations hereunder, and shall be fully protected in acting or refraining from acting in accordance with the advice of such counsel.

(d) The Trustee may rely and shall be protected in acting or refraining from acting within the authority granted by the terms of this Trust Agreement No. 2 upon any written notice, instruction or request furnished to it hereunder and believed by it to be genuine and to have been signed or presented by the proper party or parties, including, without limiting the scope of

this Section 8(d), (i) the notice of a Change of Control required by Section 1(b) hereof, and (ii) the certification and notice required by Section 2(c) hereof.

(e) The Trustee may hire agents, accountants and financial consultants, who may be agent, accountant, or financial consultant, as the case may be, for the Company, and shall not be answerable for the conduct of same if appointed with due care.

(f) The Trustee shall have, without exclusion, all powers conferred on trustees by applicable law unless expressly provided otherwise herein.

(g) The Trustee is empowered to take all actions necessary or advisable in order to collect any benefits or payment of which the Trustee is the designated beneficiary.

9. AMENDMENTS, ETC. TO EXECUTIVE AGREEMENTS, THE SEVERANCE PLAN AND THE RETENTION PLAN; COOPERATION OF CLEVELAND-CLIFFS. (a) Cleveland-Cliffs has previously furnished the Trustee a complete and correct copy of each Executive Agreement, the Severance Plan and the Retention Plan. Any Indemnitee may, and Cleveland-Cliffs shall, provide the Trustee with true and correct copies of any amendment, restatement or successor to any Executive Agreement, the Severance Plan and the Retention Plan, whereupon such amendment, restatement or successor shall be incorporated herein by reference, provided that such amendment, restatement or successor shall not affect the Trustee's duties and responsibilities hereunder without the consent of the Trustee.

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(b) Cleveland-Cliffs shall provide the Trustee with all information requested by the Trustee for purposes of determining payments to the Indemnitees as provided in Section 2. Upon the failure of Cleveland-Cliffs or any Indemnitee to provide any such information requested by the Trustee for purposes of determining payments to the Indemnitees as provided in Section 2, the Trustee shall, to the extent necessary in the sole judgment of the Trustee, (i) compute the amount payable hereunder to any Indemnitee; and (ii) notify Cleveland-Cliffs and the Indemnitee in writing of its computations. Thereafter this Trust Agreement No. 2 shall be construed as to the Trustee's duties and obligation hereunder in accordance with such Trustee determinations without further action; provided, however, that no such determinations shall in any way diminish the rights of the Indemnitees hereunder or under the Executive Agreements, Severance Plan or Retention Plan, and provided, further, that no such determination shall be deemed to modify this Trust Agreement No. 2 or any Executive Agreement, the Severance Plan, or the Retention Plan.

(c) At such times as may in the judgment of Cleveland-Cliffs be appropriate, Cleveland-Cliffs shall furnish to the Trustee any amendment to Exhibit A for the purpose of the addition of Indemnitees to Exhibit A (or the deletion of Indemnitees from Exhibit A who are not currently and shall not in the future be entitled to Expenses); provided, however, that no such amendment shall be made after the date of a Change of

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Control, other than to designate a different address pursuant to Section 14 hereof.

10. COMPENSATION AND EXPENSES OF TRUSTEE. The Trustee shall be entitled to receive such reasonable compensation for its services as shall be agreed upon by Cleveland-Cliffs and the Trustee. The Trustee shall also be entitled to reimbursement of its reasonable expenses incurred with respect to the administration of the Trust including fees and expenses incurred pursuant to Sections 8(c) and 8(e) hereof. Such compensation and expenses shall in all events be payable either directly by Cleveland-Cliffs or, in the event that Cleveland-Cliffs shall refuse, from the assets of the Trust. The Trust shall have a claim against Cleveland-Cliffs for any such compensation or expenses so paid.

11. REPLACEMENT OF THE TRUSTEE. (a) The Trustee may resign after providing not less than 90 days' notice to Cleveland-Cliffs and, on or after the date on which a Change of Control has occurred, to the Indemnitees. Prior to the date on which a Change of Control has occurred, the Trustee may be removed at any time by Cleveland-Cliffs. On or after such date, such removal shall also require the agreement of a majority of the Indemnitees. Prior to the date on which a Change of Control has occurred, a replacement or successor trustee shall be appointed by Cleveland-Cliffs. On or after such date, such appointment shall also require the agreement of a majority of the Indemnitees. No such removal or resignation shall become

effective until the acceptance of the trust by a successor trustee designated in accordance with this Section 11. If the Trustee should resign, and within 45 days of the notice of such resignation Cleveland-Cliffs and a majority of the Indemnitees (if required) shall not have notified the Trustee of an agreement as to a replacement trustee, the Trustee shall appoint a successor trustee, which shall be a bank or trust company, wherever located, having a capital and surplus of at least \$500,000,000 in the aggregate. Notwithstanding the foregoing, a new trustee shall be independent and not subject to control of either Cleveland-Cliffs or the Indemnitees. Upon the acceptance of the trust by a successor trustee, the Trustee shall release all of the monies and other property in the Trust to its successor, who shall thereafter for all purposes of this Trust Agreement No. 2 be considered to be the "Trustee."

(b) For purposes of the removal or appointment of a trustee under this Section 11, if any Indemnitee shall be deceased or adjudged incompetent, such Indemnitee's personal representative (including his or her guardian, executor or administrator) shall participate in such Indemnitee's stead.

12. AMENDMENT OR TERMINATION. (a) This Trust Agreement No. 2 may be amended at any time and to any extent by a written instrument executed by the Trustee, Cleveland-Cliffs and, on or after the date on which a Change of Control has occurred, a majority of the Indemnitees, except to make the Trust revocable after it has become irrevocable in accordance with Section 1(b)

hereof, or to alter Section 12(b) hereof, except that amendments contemplated by Section 9 hereof shall be made as therein provided.

(b) The Trust shall terminate upon the earliest of (i) the tenth anniversary of the date on which a Change of Control has occurred; (ii) the third anniversary of the date on which a Change of Control has occurred, provided that the Trustee has received no demand for payment of Expenses prior to such anniversary; (iii) such time as the Trust no longer contains any assets; (iv) such time as the Trustee shall have received consents from all Indemnitees to the termination of this Trust Agreement No. 2; or (v) there is no longer any living Indemnitee under this Trust Agreement No. 2 and there is no pending demand by the estate of any Indemnitee against the Trust.

(c) Upon termination of the Trust as provided in Section 12(b) hereof, any assets remaining in the Trust shall be returned to Cleveland-Cliffs unless a determination is made by legal counsel experienced in such matters that the assets of the Trust may not be returned to Cleveland-Cliffs without violating Section 403(d) (2) of ERISA, or any successor provision thereto. If such a determination is made, any assets remaining in the Trust, after satisfaction of liabilities hereunder, pursuant to the written direction of Cleveland-Cliffs, shall be (i) distributed to any welfare benefit plan (within the meaning of ERISA) maintained by Cleveland-Cliffs at the time of distribution so established at such time in order to receive such assets from

this Trust, or (ii) otherwise applied to provide benefits which may be provided by a welfare benefit plan (within the meaning of ERISA), directly or through the purchase of insurance.

13. SEVERABILITY, ALIENATION, ETC. (a) Any provision of this Trust Agreement No. 2 prohibited by law shall be ineffective to the extent of any such prohibition without invalidating the remaining provisions hereof.

(b) To the extent permitted by law, benefits to Indemnitees under this

Trust Agreement No. 2 may not be anticipated (except as herein expressly provided), assigned (either at law or in equity), alienated or subject to attachment, garnishment, levy, execution or other legal or equitable process. No benefit actually paid to any Indemnitee by the Trustee shall be subject to any claim for repayment by the Company or Trustee, except in the event of (i) a false claim, or (ii) a payment is made to an incorrect Indemnitee.

(c) This Trust Agreement No. 2 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.

(d) This Trust Agreement No. 2 may be executed in two or more counterparts, each of which shall be considered an original agreement. This Trust Agreement No. 2 shall become effective immediately upon the execution by Cleveland-Cliffs of at least one counterpart, it being understood that all parties

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need not sign the same counterpart, but shall not bind any Trustee until such Trustee has executed at least one counterpart.

14. NOTICES. All notices, requests, consents and other communications hereunder shall be in writing and shall be deemed to have been duly given when received:

If to the Trustee, to:  
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KeyTrust Company of Ohio, N.A.  
127 Public Square  
Cleveland, Ohio 44114-1306

Attention: Trust Counsel

If to Cleveland-Cliffs, to:  
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Cleveland-Cliffs Inc  
1100 Superior Avenue  
Cleveland, Ohio 44114

Attention: Secretary

If to an Indemnitee, to:  
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His or her last address shown on  
the records of the Company

provided, however, that if any party or his or its successors shall have designated a different address by notice to the other parties, then to the last address so designated.

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IN WITNESS WHEREOF, each of Cleveland-Cliffs and the Trustee have caused counterparts of this Trust Agreement No. 2 (Amended and Restated effective June 1, 1997) to be executed on their behalf on June 12, 1997, each of which shall be an original agreement.

CLEVELAND-CLIFFS INC

By: /s/ R.F. Novak  
-----

Its: V.P. - H.R.

-----  
KEYTRUST COMPANY OF OHIO, N.A.,  
as Trustee

By: /s/ Kelley Clark  
-----

Its: Vice President  
-----

and

By: /s/ J.A. Radazzo  
-----

Its: VP  
-----

Exhibit A  
-----

Executives  
-----

Name -----	Title -----
M. T. Moore	Chairman and Chief Executive Officer
J. S. Brinzo	Executive Vice President-Finance
W. R. Calfee	Executive Vice President-Commercial
T. J. O'Neill	Executive Vice President-Operations

Key Employees  
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Name -----	Title -----
J. W. Sanders	Senior Vice President-Technical
A. S. West	Senior Vice President-Sales
C. B. Bezik	Vice President and Treasurer
G. N. Chandler II	Vice President
R. Emmet	Vice President and Controller
F. L. Hartman	Vice President and General Counsel
R. F. Novak	Vice President-Human Resources
J. A. Trethewey	Vice President-Operations Liason
J. E. Lenhard	Secretary and Assistant General Counsel
R. C. Berglund	General Manager-Northshore Mining Company
L. G. Dykers	General Manager-Hibbing Taconite Company
D. Lebel	General Manager-Wabush Mines
M. P. Minar	General Manager-Tilden Mine
T. S. Petersen	General Manager-Empire Mine
J. N. Tuomi	General Manager-LTV Steel Mining Company
R. W. von Bitter	General Manager-Cliffs Reduced Iron Corporation

FIRST AMENDMENT  
 TO  
 TRUST AGREEMENT NO. 2  
 (Amended and Restated Effective June 1, 1997)

WHEREAS, Cleveland-Cliffs Inc ("Cleveland-Cliffs") and AmeriTrust Company National Association entered into Trust Agreement No. 2 (the "Agreement") effective October 28, 1987; and

WHEREAS, Key Trust Company of Ohio, N.A. (The "Trustee") is the successor in interest to Society National Bank, which was the successor in interest to AmeriTrust Company National Association; and

WHEREAS, Cleveland-Cliffs and the Trustee amended and restated the Agreement effective as of June 1, 1997; and

WHEREAS, Cleveland-Cliffs and the Trustee desire to amend an Exhibit to the Agreement;

NOW, THEREFORE, effective July 1, 1997, Cleveland-Cliffs and the Trustee hereby amend the Agreement by revising EXHIBIT A thereto, which EXHIBIT A is attached hereto and made a part hereof, to provide as hereinafter set forth in such attached EXHIBIT A.

\* \* \*

IN WITNESS WHEREOF, Cleveland-Cliffs and the Trustee have executed this First Amendment at Cleveland, Ohio this 15th day of July, 1997.

CLEVELAND-CLIFFS INC

By: /s/ R.F. Novak  
 -----  
 Title: Vice President - Human Resources  
 -----

KEYTRUST COMPANY OF OHIO, N.A.,

By: /s/ Kelley Clark  
 -----  
 Title: Vice President  
 -----

and

By: /s/ J.A. Radazzo  
 -----  
 Title: VP  
 -----

Executives  
 - - - - -

Exhibit A  
 - - - - -

Name	Title
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M. T. Moore	Chairman and Chief Executive Officer
J. S. Brinzo	Executive Vice President-Finance and Planning
W. R. Calfee	Executive Vice President-Commercial
T. J. O'Neil	Executive Vice President-Operations

Key Employees  
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Name	Title
-----	-----
J. W. Sanders	Senior Vice President-International Development
A. S. West	Senior Vice President-Sales
C. B. Bezik	Vice President and Treasurer
G. N. Chandler	Vice President-Reduced Iron
R. Emmet	Vice President and Controller
F. L. Hartman	Vice President and General Counsel
R. F. Novak	Vice President-Human Resources
J. A. Trethewey	Vice President-Operations Services
J. E. Lenhard	Secretary and Assistant General Counsel
R. C. Berglund	General Manager-Northshore Mine



L. G. Dykers  
D. Lebel  
M. P. Mlinar  
T. S. Petersen  
J. N. Tuomi  
R. W. von Bitter

General Manager-Hibbing Taconite  
General Manager-Wabush Mines  
General Manager-Tilden Mine  
General Manager-Empire Mine  
General Manager-LTV Steel Mining Company  
General Manager-Cliffs Reduced Iron Corp.

7-1-97

THIRD AMENDMENT TO TRUST AGREEMENT NO. 4  
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WHEREAS, Cleveland Cliffs Inc ("Cleveland-Cliffs") and AmeriTrust Company National Association entered into Trust Agreement No. 4 (the "Agreement") effective August 28, 1987, which Agreement was amended on two previous occasions; and

WHEREAS, Key Trust Company of Ohio, N.A. (the "Trustee") is the successor in interest to Society National Bank, which was the successor in interest to AmeriTrust Company National Association; and

WHEREAS, Cleveland-Cliffs and the Trustee desire to further amend the Agreement;

NOW, THEREFORE, effective July 1, 1997, Cleveland-Cliffs and the Trustee hereby amend the Agreement to provide as follows:

The third sentence of Section 1(b) of the Agreement is hereby restated in its entirety, such third sentence to read as follows:

"The term 'Change of Control' shall mean the occurrence of any of the following events:

(i) Cleveland-Cliffs shall merge into itself, or be merged or consolidated with, another corporation and as a result of such merger or consolidation less than 70% of the outstanding voting securities of the surviving or resulting corporation shall be owned in the aggregate by the former shareholders of Cleveland-Cliffs as the same have existed immediately prior to such merger or consolidation;

(ii) Cleveland-Cliffs shall sell or otherwise transfer all or substantially all of its assets to any other corporation or other legal person, and immediately after such sale or transfer less than 70% of the combined voting power of the outstanding voting securities of such corporation or person is held in the aggregate by the former shareholders of Cleveland-Cliffs as the same shall have existed immediately prior to such sale or transfer;

(iii) A person, within the meaning of Section 3(a)(9) or of Section 13(d)(3) (as in effect on the date hereof) of the Securities Exchange Act of 1934, shall become the beneficial owner (as defined in Rule 13d-3 of the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934) of 30% or more of the outstanding voting securities of Cleveland-Cliffs (whether directly or indirectly); or

(iv) During any period of three consecutive years, individuals who at the beginning of any such period constitute the Board of Directors of Cleveland-Cliffs cease, for any reason, to constitute at least a majority thereof, unless the election, or the nomination for election by the shareholders of Cleveland-Cliffs or each director first elected during any such period was approved by a vote of at least one-third of the directors of Cleveland-Cliffs who are directors of the Company on the date of the beginning of any such period."

\* \* \*

IN WITNESS WHEREOF, Cleveland-Cliffs and the Trustee have executed this Third Amendment at Cleveland, Ohio this 12th day of June, 1997.

CLEVELAND-CLIFFS INC

By: /s/ R.F. Novak  
-----  
Title: V.P. - H.R.  
-----

KEYTRUST COMPANY OF OHIO, N.A.,

By: /s/ Kelley Clark  
-----

Title: Vice President

-----  
and

Meg H. Halloran

-----  
Title: Trust Officer  
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FIFTH AMENDMENT TO TRUST AGREEMENT NO. 5  
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WHEREAS, Cleveland-Cliffs Inc ("Cleveland-Cliffs") and AmeriTrust Company National Association entered into Trust Agreement No. 5, formally known as Trust Agreement, (the "Agreement") effective October 28, 1987, which Agreement was amended on four previous occasions;

WHEREAS, Key Trust Company of Ohio, N.A. (the "Trustee") is the successor in interest to Society National Bank, which was the successor in interest to AmeriTrust Company National Association; and

WHEREAS, Cleveland-Cliffs and the Trustee desire to amend the Agreement;

NOW, THEREFORE, effective June 1, 1997, Cleveland-Cliffs and the Trustee hereby amend the Agreement to provide as follows:

1. The third sentence of Section 1(b) of the Agreement is hereby amended to read as follows:

"The term "Change of Control" shall mean the occurrence of any of the following events:

(i) Cleveland-Cliffs shall merge into itself, or be merged or consolidated with, another corporation and as a result of such merger or consolidation less than 70% of the outstanding voting securities of the surviving or resulting corporation shall be owned in the aggregate by the

former shareholders of Cleveland-Cliffs as the same have existed immediately prior to such merger or consolidation;

(ii) Cleveland-Cliffs shall sell or otherwise transfer all or substantially all of its assets to any other corporation or other legal person, and immediately after such sale or transfer less than 70% of the combined voting power of the outstanding voting securities of such corporation or person is held in the aggregate by the former shareholders of Cleveland-Cliffs as the same shall have existed immediately prior to such sale or transfer;

(iii) A person, within the meaning of Section 3(a) (9) or of Section 13(d) (3) (as in effect on the date hereof) of the Securities Exchange Act of 1934, shall become the beneficial owner (as defined in Rule 13d-3 of the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934) of 30% or more of the outstanding voting securities of Cleveland-Cliffs (whether directly or indirectly); or

(iv) During any period of three consecutive years, individuals who at the beginning of any such period constitute the Board of Directors of Cleveland-Cliffs cease,

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for any reason, to constitute at least a majority thereof, unless the election, or the nomination for election by the shareholders of Cleveland-Cliffs or each director first elected during any such period was approved by a vote of at least one-third of the directors of Cleveland-Cliffs who are directors of the Company on the date of the beginning of any such period."

2. Section 8(b) of the Agreement shall be amended to read as follows:

"(b) The Trustee may vote any stock (other than Common Shares of Cleveland-Cliffs for which it receives instructions as provided in Section 8(j) below) or other securities and exercise any right pertinent to any such stock, other securities or other property it holds, either in person or by general or limited proxy, power of

attorney or other instrument."

3. A new subsection (j) shall be added to Section 8 of the Agreement to read as follows:

"(j) Each Executive who has full or partial Common Shares of Cleveland-Cliffs allocated to his account on any record date for a meeting of shareholders of Cleveland-Cliffs may exercise all voting rights (including dissenter's rights) in connection with such

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meeting, and shall have the right to direct the Trustee as to the manner in which such Common Shares are to be voted with respect to all matters to be presented at such meeting. Before a meeting, the Trustee shall cause to be sent to each Executive who has Common Shares allocated to his account on the record date for such meeting a copy of the proxy solicitation material therefore and such other information as the Trustee deems necessary or appropriate, together with a form requesting confidential directions from the Executive on how to vote the Common Shares allocated to his account with respect to the matters to be presented at the meeting. Upon timely receipt of such form properly completed from an Executive, the Trustee shall vote the Common Shares (or, as applicable, exercise any dissenter's rights) as directed. In the event that the Trustee determines that any such directions with respect to any Commons Shares are not proper, or are not in accordance with the terms of this Agreement, or in the event that the Trustee does not receive timely voting directions with respect to any Common Shares held in the Trust, and with respect to any Common Shares that are not allocated to any

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account under this Agreement, the Trustee shall vote such Common Shares (or, as applicable, exercise any dissenter's rights) in a manner that the Trustee determines to be prudent.

The Trustee shall have such powers and authority as are necessary to discharge its duties and responsibilities as described in this Section 8(j). The Trustee shall exercise such powers in its sole discretion.

Fees and expenses of the Trustee or others in connection with the exercise of any dissenter's rights will be charged against the account or accounts with respect to which such rights are exercised. If the Trustee determines that the account or accounts of any Executive directing the exercise of any dissenter's rights is or are insufficient to cover the fees and expenses the Trustee reasonably estimates will be incurred in connection with such exercise, the Trustee shall so inform each such Executive and the Trustee will not be required to take and will be held harmless for not taking any action with respect to the direction to exercise dissenter's rights unless and until the Executive wishing to exercise such rights provides the Trustee with surety and/or an

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indemnification satisfactory to the Trustee and sufficient to cover all costs, expenses and fees associated with such exercise."

IN WITNESS WHEREOF, Cleveland-Cliffs and the Trustee have executed this Fifth Amendment at Cleveland, Ohio, this 23rd day of May, 1997.

CLEVELAND-CLIFFS INC

By: /s/ R.F. Novak

-----  
Title: V.P. - H.R.  
-----

KEYTRUST COMPANY OF OHIO, N.A.,

By: /s/ Kelley Clark  
-----

Title: VP  
-----

and

By: /s/ J.A. Radazzo  
-----

Title: VP  
-----

FIRST AMENDMENT TO AMENDED AND RESTATED TRUST AGREEMENT NO. 6  
-----

WHEREAS, Cleveland Cliffs Inc ("Cleveland-Cliffs") and AmeriTrust Company National Association entered into an Amended and Restated Trust Agreement No. 6 (the "Agreement") effective March 9, 1992; and

WHEREAS, Key Trust Company of Ohio, N.A. (the "Trustee") is the successor in interest to Society National Bank, which was the successor in interest to AmeriTrust Company National Association; and

WHEREAS, Cleveland-Cliffs and the Trustee desire to amend the Agreement;

NOW, THEREFORE, effective July 1, 1997, Cleveland-Cliffs and the Trustee hereby amend the Agreement to provide as follows:

The third sentence of Section 1(b) of the Agreement is hereby restated in its entirety, such third sentence to read as follows:

"The term 'Change of Control' shall mean the occurrence of any of the following events:

(i) Cleveland-Cliffs shall merge into itself, or be merged or consolidated with, another corporation and as a result of such merger or consolidation less than 70% of the outstanding voting securities of the surviving or resulting corporation shall be owned in the aggregate by the former shareholders of Cleveland-Cliffs as the same have existed immediately prior to such merger or consolidation;

(ii) Cleveland-Cliffs shall sell or otherwise transfer all or substantially all of its assets to any other corporation or other legal person, and immediately after such sale or transfer less than 70% of the combined voting power of the outstanding voting securities of such corporation or person is held in the aggregate by the former shareholders of Cleveland-Cliffs as the same shall have existed immediately prior to such sale or transfer;

(iii) A person, within the meaning of Section 3(a)(9) or of Section 13(d)(3) (as in effect on the date hereof) of the Securities Exchange Act of 1934, shall become the beneficial owner (as defined in Rule 13d-3 of the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934) of 30% or more of the outstanding voting securities of Cleveland-Cliffs (whether directly or indirectly); or

(iv) During any period of three consecutive years, individuals who at the beginning of any such period constitute the Board of Directors of Cleveland-Cliffs cease, for any reason, to constitute at least a majority thereof, unless the election, or the nomination for election by the shareholders of Cleveland-Cliffs or each director first elected during any such period was approved by a vote of at least one-third of the directors of Cleveland-Cliffs who are directors of the Company on the date of the beginning of any such period."

\* \* \*

IN WITNESS WHEREOF, Cleveland-Cliffs and the Trustee have executed this First Amendment at Cleveland, Ohio this 12th day of June, 1997.

CLEVELAND-CLIFFS INC

By: /s/ R.F. Novak  
-----

Title: V.P. - H.R.  
-----

KEYTRUST COMPANY OF OHIO, N.A.,

By: /s/ Kelley Clark

-----  
Title: Vice President  
-----

and

By: /s/ Meg H. Halloran

-----  
Title: Trust Officer  
-----



THIRD AMENDMENT TO TRUST AGREEMENT NO. 7  
-----

WHEREAS, Cleveland-Cliffs Inc ("Cleveland-Cliffs") and AmeriTrust Company National Association entered into Trust Agreement No. 7 (the "Agreement") effective April 9, 1991, which Agreement was amended on two previous occasions;

WHEREAS, Key Trust Company of Ohio, N.A. (the "Trustee") is the successor in interest to Society National Bank, which was the successor in interest to AmeriTrust Company National Association; and

WHEREAS, Cleveland-Cliffs and the Trustee desire to amend the Agreement;

NOW, THEREFORE, effective June 1, 1997, Cleveland-Cliffs and the Trustee hereby amend the Agreement to provide as follows:

1. The second sentence of Section 1(b) of the Agreement is hereby amended to read as follows:

"The term "Change of Control" shall mean the occurrence of any of the following events:

(i) Cleveland-Cliffs shall merge into itself, or be merged or consolidated with, another corporation and as a result of such merger or consolidation less than 70% of the outstanding voting securities of the surviving or resulting corporation shall be owned in the aggregate by the former shareholders of Cleveland-Cliffs as the

same have existed immediately prior to such merger or consolidation;

(ii) Cleveland-Cliffs shall sell or otherwise transfer all or substantially all of its assets to any other corporation or other legal person, and immediately after such sale or transfer less than 70% of the combined voting power of the outstanding voting securities of such corporation or person is held in the aggregate by the former shareholders of Cleveland-Cliffs as the same shall have existed immediately prior to such sale or transfer;

(iii) A person, within the meaning of Section 3(a)(9) or of Section 13(d)(3) (as in effect on the date hereof) of the Securities Exchange Act of 1934, shall become the beneficial owner (as defined in Rule 13d-3 of the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934) of 30% or more of the outstanding voting securities of Cleveland-Cliffs (whether directly or indirectly); or

(iv) During any period of three consecutive years, individuals who at the beginning of any such period constitute the Board of Directors of Cleveland-Cliffs cease,

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for any reason, to constitute at least a majority thereof, unless the election, or the nomination for election by the shareholders of Cleveland-Cliffs or each director first elected during any such period was approved by a vote of at least one-third of the directors of Cleveland-Cliffs who are directors of the Company on the date of the beginning of any such period."

IN WITNESS WHEREOF, Cleveland-Cliffs and the Trustee have executed this Third Amendment at Cleveland, Ohio, this 23rd day of May, 1997.

By: /s/ R.F. Novak  
-----  
Title: V.P. - H.R.  
-----

KEYTRUST COMPANY OF OHIO, N.A.,

By: /s/ Kelley Clark  
-----  
Title: VP  
-----

and

By: /s/ J. A. Radazzo  
-----  
Title: VP  
-----

FOURTH AMENDMENT  
TO  
TRUST AGREEMENT NO. 7

WHEREAS, Cleveland-Cliffs Inc ("Cleveland-Cliffs") and AmeriTrust Company National Association entered into Trust Agreement No. 7 (the "Agreement") effective April 9, 1991, which Agreement was amended on three previous occasions; and

WHEREAS, Key Trust Company of Ohio, N.A. (the "Trustee") is the successor in interest to Society National Bank, which was the successor in interest to AmeriTrust Company National Association; and

WHEREAS, Cleveland-Cliffs and the Trustee desire to amend certain Exhibits to the Agreement;

NOW, THEREFORE, effective July 1, 1997, Cleveland-Cliffs and the Trustee hereby amend the Agreement by revising EXHIBIT A and EXHIBIT B thereto, which EXHIBITS A and B are attached hereto and made a part hereof, to provide as hereinafter set forth in such attached EXHIBITS A and B.

\* \* \*

IN WITNESS WHEREOF, Cleveland-Cliffs and the Trustee have executed this Fourth Amendment at Cleveland, Ohio this 15 day of July, 1997.

CLEVELAND-CLIFFS INC

By /s/ R. F. Novak  
-----  
Title: Vice President-Human Resources

KEY TRUST COMPANY OF OHIO, N.A.

By /s/ Kelley Clark  
-----  
Title: Vice President

By /s/ J.A. Radazzo  
-----  
Title: VP

EXHIBIT A  
-----

All Senior Officers and Other Full-Time  
Salaried Employees Grade EX-28 and Above/  
Eligible Participants in SERP

Name	Title
M. T. Moore	Chairman and Chief Executive Officer
J. S. Brinzo	Executive Vice President-Finance and Planning
W. R. Calfee	Executive Vice President-Commercial
T. J. O'Neil	Executive Vice President-Operations
J. W. Sanders	Senior Vice President-International Development
A. S. West	Senior Vice President - Sales
F. L. Hartman	Vice President and General Counsel
R. F. Novak	Vice President-Human Resources
J. A. Trethewey	Vice President-Operations Services
C. B. Bezik	Vice President and Treasurer
R. Emmet	Vice President and Contoller
G. N. Chandler	Vice President-Reduced Iron
J. E. Lenhard	Secretary and Assistant General Counsel
R. C. Berglund	General Manager-Northshore Mine
L. G. Dykers	General Manager-Hibbing Taconite
D. Lebel	General Manager-Wabush Mines
M. P. Mlinar	General Manager-Tilden Mine
T. S. Petersen	General Manager-Empire Mine
J. N. Tuomi	General Manager-LTV Steel Mining Company
R. W. von Bitter	General Manager-Cliffs Reduced Iron Corp.

CLEVELAND-CLIFFS INC  
SUPPLEMENTAL RETIREMENT BENEFIT PLAN  
(AS AMENDED AND RESTATED EFFECTIVE JANUARY 1, 1997)

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CLEVELAND-CLIFFS INC  
SUPPLEMENTAL RETIREMENT BENEFIT PLAN  
(AS AMENDED AND RESTATED EFFECTIVE JANUARY 1, 1997)

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

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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 6.

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

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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 on or after January 1, 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. A Supplemental Pension Plan Benefit shall be a monthly retirement benefit equal to the difference between (i) the amount of the monthly benefit payable on and after January 1, 1995 to the Participant or his Beneficiary under the Pension Plan, determined under the Pension Plan as in effect on the date of the Participant's termination of employment with the Controlled Group and any Affiliate (and payable in the same optional form as his Actual Pension Plan Benefit, as defined below), 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 on and after January 1, 1995 to the Participant or his Beneficiary under the Pension Plan. If the benefit payable to a Participant or Beneficiary pursuant to clause (ii) of the immediately preceding sentence (herein referred to as "Actual Pension Plan Benefit") is payable in a form other than a monthly benefit, such Actual Pension Plan Benefit shall be adjusted to a monthly benefit which is the actuarial equivalent of such Actual Pension Plan Benefit for the purpose of calculating the monthly Supplemental Pension Plan Benefit of the Participant or Beneficiary pursuant to the preceding sentence. 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 1, 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

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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.  
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(a) A Participant's (or his Beneficiary's) Supplemental Pension Plan Benefit (calculated as provided in paragraph 2) shall be converted, at the time of his termination of employment with the Controlled Group and each Affiliate, into ten annual installment payments (the "Ten Installment Payments") of equivalent actuarial value. The equivalent actuarial value 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 then in effect, and other factors then in effect for purposes of the Pension Plan.

(b) If the Participant voluntarily terminates employment with, or retires under the terms of the Pension Plan from, the Controlled Group and each Affiliate, or the Participant's employment with the Controlled Group and each Affiliate is involuntarily terminated, the Participant's former Employer shall pay the Ten Installment Payments to the Participant beginning on the first day of the month following the Participant's retirement under the Pension Plan, and on each anniversary thereafter until the Ten Installment Payments have

been made; provided, however, that if the Participant has effectively elected another form of distribution, such Participant's former Employer shall pay or commence payment in such other form of distribution beginning on the first day of the month following the date of the Participant's retirement under the Pension Plan. A Participant who voluntarily terminates employment with, or who retires under the terms of the Pension Plan from, the Controlled Group and each Affiliate may by written notice filed with the Administrator at least one (1) year prior to the Participant's voluntary termination of employment with, or retirement from, the Controlled Group and each Affiliate elect to defer commencement of the payment of his benefit until a date selected in such election. Any such election may be changed by the Participant at any time and from time to time without the consent of any other person by filing a later signed written election with the Administrator; provided that any election made less than one (1) year prior to the Participant's voluntary termination of employment

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or retirement shall not be valid, and in such case payment shall be made in accordance with the Participant's prior election, or otherwise in accordance with this paragraph 3.

(c) A Participant may elect to receive his Supplemental Pension Plan Benefit in one of the following forms of distribution in lieu of the Ten Installment Payments:

- (1) Lump sum payment;
- (2) Annual installments over 2 to 15 years;
- (3) A combination of (1) and (2) above with the percentage payable under each option specifically designated by the Participant; or
- (4) The form of benefit distribution elected by the Participant under the Pension Plan.

Payments made under these options shall commence as of the first day of the month following the Participant's retirement under the Pension Plan; provided, however, that with respect to a lump sum payment, such payment shall be made at the end of the of the first month of retirement or at the end of the month following death.

The payments made under these forms shall be of equivalent actuarial value to the Ten Installment Payments as determined by the actuary selected by Cleveland-Cliffs based on the actuarial factors and assumptions provided for in the second sentence of paragraph 3(a). Notwithstanding the foregoing, the Administrator may, at any time, direct that annual installments shall be made quarterly. If the Participant dies before receiving all of the installment payments, the remaining installment payments shall be paid in a lump sum to the Participant's Beneficiary. Any co-pensioner or survivor payments elected under clause (4) of this paragraph 3(c) shall be paid to the co-pensioner or survivor, as appropriate. The Participant's election of one of the forms of distribution set forth above shall be made by written notice filed with the Administrator at least one (1) year prior to the Participant's voluntary or involuntary termination of employment, retirement, death or disability. Any such election may be changed by the Participant at any time and from time to time without the consent of any other person by filing a later signed written election with the Administrator; provided

that any election made less than one (1) year prior to the Participant's voluntary or involuntary termination of employment, retirement, death or disability shall not be valid, and in such case payment shall be made in accordance with the Participant's prior election; and provided, further, that the Administrator may, in its sole discretion, waive such one (1) year period upon a request of the Participant made while an active employee of his or her Employer.

- (d) Anything contained in this paragraph 3 to the contrary notwithstanding, in the event a Participant's employment with the Controlled Group and each Affiliate is involuntarily terminated, the Administrator may, at any time, direct immediate payment of such Participant's benefit under the Plan and the manner of distribution for such payment; provided, however, that if the administrator elects immediate payment as set forth in this paragraph 3(d), such payment shall not be made in accordance with the distribution alternative described in paragraph 3(c)(4) of the Plan.
- (e) Notwithstanding any other provision of this paragraph 3, a Participant may elect to receive a lump sum distribution of part or all of his or her benefits under clause (1), (2), or (3) of paragraph 3(c) if (and only if) the amount subject to such distribution is reduced by six percent (6%). Any distribution made pursuant to such an election shall be made within 60 days of the date such election is submitted to the Administrator. The remaining six percent (6%) of the electing Participant's benefit balance subject to such lump sum distribution shall be forfeited.

4. FORFEITABILITY. Anything herein to the contrary notwithstanding, if the Board of Directors of Cleveland-Cliffs shall determine in good faith that a Participant who is entitled to a benefit hereunder by reason of termination of his employment with the Controlled Group and each Affiliate, during the period of 5 years after termination of his employment or until he attains age 65, whichever period is shorter, has engaged in a business competitive with Cleveland-Cliffs or any member of the Controlled Group or any Affiliate without the prior written consent of Cleveland-Cliffs, such Participant's rights to a supplemental Pension Plan Benefit hereunder and the rights, if any, of his Beneficiary shall be terminated and no further Supplemental Benefit shall be paid to him or his Beneficiary hereunder.

5. GENERAL. A. 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.

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

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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 cancelled.

6. 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.

7. MISCELLANEOUS. A. The Plan shall be administered by the Plan Administrator (the "Administrator"). The Administrator shall have such powers as may be necessary to discharge his duties hereunder, including, but not by way of limitation, to construe and interpret the Plan (including, without limitation, by supplying omissions from, correcting deficiencies in, or resolving inconsistencies and ambiguities in, the language of the Plan) and determine the amount and time of payment of any benefits hereunder. 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 decisions and determinations by the Administrator shall be final and binding on all parties. All decisions of the Administrator shall be made by the vote of the majority, if applicable, including actions and writing taken without a meeting. 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 plan 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

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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 plan administrator a written request therefor, which request shall contain the following information:

(i) the date on which the Claimant's request was filed with the plan administrator; provided, however, that the date on which the

Claimant's request for review was in fact filed with the plan 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;

(ii) the specific portions of the denial of his claim which the Claimant requests the plan administrator to review;

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

(iv) any written material (offered as exhibits) which the Claimant desires the plan administrator to examine in its consideration of his position as stated pursuant to clause (iii) above.

Within 60 days of the date determined pursuant to clause (i) above, the plan 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 plan 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.

8. AMENDMENT AND TERMINATION. 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 (or, in the case of his death, his Beneficiary), adversely affect (i) the benefit under the Plan of any Participant or Beneficiary then entitled to receive a benefit under the Plan or (ii) the right of any other Participant to receive upon termination of his employment with the Controlled Group and each Affiliate (or the right of his Beneficiary to receive upon such Participant's death) that benefit which would have been received under the Plan if such employment of the Participant had terminated immediately prior to the amendment or termination of the Plan. 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 as if the employment of the Participant with the Controlled Group and each Affiliate had terminated immediately prior to the termination of the Plan.

9. EFFECTIVE DATE. The amended and restated Supplemental Retirement Benefit Plan shall be effective as of January 1, 1997.

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, this 24th day of April, 1997.

By /s/ R. F. Novak  
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Vice President - Human Resources

EXHIBIT A  
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PENSION PLANS  
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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

SECOND AMENDMENT TO TRUST AGREEMENT NO. 8  
-----

WHEREAS, Cleveland-Cliffs Inc ("Cleveland-Cliffs") and AmeriTrust Company National Association entered into Trust Agreement No. 8 (the "Agreement") effective April 9, 1991, which Agreement was amended on one previous occasion; and

WHEREAS, Key Trust Company of Ohio, N.A. (the "Trustee") is the successor in interest to Society National Bank, which was the successor in interest to AmeriTrust Company National Association; and

WHEREAS, Cleveland-Cliffs and the Trustee desire to further amend the Agreement;

NOW, THEREFORE, effective July 1, 1997, Cleveland-Cliffs and the Trustee hereby amend the Agreement to provide as follows:

The second sentence of Section 1(b) of the Agreement is hereby restated in its entirety, such third sentence to read as follows:

"The term 'Change of Control' shall mean the occurrence of any of the following events:

(i) Cleveland-Cliffs shall merge into itself, or be merged or consolidated with, another corporation and as a result of such merger or consolidation less than 70% of the outstanding voting securities of the surviving or resulting corporation shall be owned in the aggregate by the former shareholders of Cleveland-Cliffs as the same have existed immediately prior to such merger or consolidation;

(ii) Cleveland-Cliffs shall sell or otherwise transfer all or substantially all of its assets to any other corporation or other legal person, and immediately after such sale or transfer less than 70% of the combined voting power of the outstanding voting securities of such corporation or person is held in the aggregate by the former shareholders of Cleveland-Cliffs as the same shall have existed immediately prior to such sale or transfer;

(iii) A person, within the meaning of Section 3(a)(9) or of Section 13(d)(3) (as in effect on the date hereof) of the Securities Exchange Act of 1934, shall become the beneficial owner (as defined in Rule 13d-3 of the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934) of 30% or more of the outstanding voting securities of Cleveland-Cliffs (whether directly or indirectly); or

(iv) During any period of three consecutive years, individuals who at the beginning of any such period constitute the Board of Directors of Cleveland-Cliffs cease, for any reason, to constitute at least a majority thereof, unless the election, or the nomination for election by the shareholders of Cleveland-Cliffs or each director first elected during any such period was approved by a vote of at least one-third of the directors of Cleveland-Cliffs who are directors of the Company on the date of the beginning of any such period."

\* \* \*

IN WITNESS WHEREOF, Cleveland-Cliffs and the Trustee have executed this Second Amendment at Cleveland, Ohio this 12th day of June, 1997.

CLEVELAND-CLIFFS INC

By /s/ R. F. Novak

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Title:

KEY TRUST COMPANY OF OHIO, N.A.

By /s/ Kelley Clark

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Title: Vice President

By /s/ Meg H. Halloran

-----  
Title: Trust Officer

[TRUST FOR NONEMPLOYEE DIRECTORS' SUPPLEMENTAL  
COMPENSATION PLAN]

-----  
TRUST AGREEMENT NO. 9

Between

CLEVELAND-CLIFFS INC

and

KEY TRUST COMPANY OF OHIO, N.A.

\_\_\_\_\_  
November 20, 1996  
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TRUST AGREEMENT NO. 9  
-----

This Trust Agreement ("Agreement") made as of the 20th day of November, 1996 by and between Cleveland-Cliffs Inc, an Ohio corporation ("Company"), and Key Trust Company of Ohio, N.A., an Ohio corporation ("Trustee").

WITNESSETH:  
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WHEREAS, certain benefits are or may become payable to the nonemployee directors of the Company listed (from time to time as provided in Sections 1.6 and 9.2 hereof) on Exhibit A hereto ("Directors") under the

provisions of the Cleveland-Cliffs Inc Nonemployee Directors' Supplemental Compensation Plan, effective July 1, 1995 ("Effective Date") as the same have been or in the future may be amended or restated, or any successor thereto ("Plan"), a copy of which is appended to this Agreement as Exhibit B;

WHEREAS, the Plan provides for the payment, following retirement from the Board of Directors ("Board") of the Company of post-retirement income to Directors who commence service on or after the Effective Date, and their beneficiaries, if applicable, as provided in the Plan, and the Company wishes to assure the payment to the Directors and to their beneficiaries (the Directors and their respective beneficiaries are collectively referred to as the "Trust Beneficiaries") of amounts due under the Plan (the amounts so payable are collectively referred to as the "Benefits");

WHEREAS, the Company wishes to establish a trust ("Trust") and to transfer to the Trust assets which shall be held subject

to the claims of the creditors of the Company to the extent set forth in Article III until (i) paid in full to all Trust Beneficiaries as Benefits in such manner and as specified in this Agreement unless the Company is Insolvent (as that term is defined below) at the time that such Benefits become payable or (ii) otherwise disposed of pursuant to the terms of this Agreement; and

WHEREAS, the Company shall be considered "Insolvent" for purposes of this Agreement at such time as the Company (i) is subject to a pending proceeding as a debtor under the United States Bankruptcy Code, as amended from time to time, or (ii) is unable to pay its debts as they become due.

NOW, THEREFORE, the Company and the Trustee establish the Trust and agree that the Trust shall be comprised, held and disposed of as follows:

I. TRUST FUND  
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1.1 Subject to the claims of creditors to the extent set forth in Article III, the Company shall deposit with the Trustee in trust One Hundred Dollars (\$100), which shall become the principal of this Trust, to be held, administered and disposed of by the Trustee as provided in this Agreement.

1.2 This Trust shall be irrevocable.

1.3 In the event that a Change in Control has occurred, the Chief Executive Officer of the Company ("CEO") or the Secretary of the Company shall notify the Trustee promptly. The Trustee shall be entitled to rely upon such notice as to whether and when

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a Change in Control has occurred and shall not be required to make any independent verification of a Change in Control.

1.4 The principal of the Trust and any earnings shall be held in trust separate and apart from other funds of the Company and shall be used exclusively for the uses and purposes set forth in this Agreement. No Trust Beneficiary shall have any preferred claim on, or any beneficial ownership interest in, any assets of the Trust prior to the time that such assets are paid to a Trust Beneficiary as Benefits. Any rights created under the Plan and this Agreement shall be mere unsecured contractual rights of Trust Beneficiaries with respect to the Company. The obligation of the Trustee to pay Benefits pursuant to this Agreement constitutes merely an unfunded and unsecured promise to pay such benefits.

1.5 (a) The Company may at any time or from time to time make additional deposits of cash or other property as may be acceptable to the Trustee in the Trust, or make provision for cash or other property as may be acceptable to the Trustee to be transferred to the Trust, such as by means of a letter of credit or otherwise, to augment the principal to be held, administered and disposed of by the Trustee, but no payment of all or any portion of the principal of the Trust or earnings shall be made to the Company or any other person or entity on behalf of the Company except as expressly provided in this Agreement.

(b) Within 10 days following the occurrence of a Potential Change in Control (as that term is defined in this Section 1.5), the Company shall make a contribution to the Trust

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that is sufficient, taking into account the assets of the Trust prior to such contribution, to provide for the payment of all Benefits at the Threshold Percentage (as defined in Section 4.1 hereof) equal to 140%, and any other amounts payable or reimbursable pursuant to the terms of this Agreement.

(c) Within 30 days after the end of any calendar year ending after a Change of Control, the Company shall make a contribution to the Trust that is sufficient, taking into account the assets of the Trust prior to such contribution, to provide for the payment of all Benefits at the Threshold Percentage (as defined in Section 4.1 hereof) equal to 140%, and any other amounts payable or reimbursable pursuant to the terms of this Agreement.

(d) A "Potential Change in Control" means the occurrence of any of the following events:

(i) The Company enters into a letter of intent, agreement in principle or other agreement, the consummation of which would constitute a Change in Control; or

(ii) any person (including the Company) makes a public announcement (including, without limitation, an announcement made by filing a Schedule 13D or Schedule 14D-1 (or any successor schedule, form, report or item), each as promulgated pursuant to the Securities Exchange Act of 1934 (the "Exchange Act")) stating a present intention to take actions that, if consummated, would constitute a Change in Control.

1.6 Not later than the date of any Change of Control, the Company shall (a) specify the nature, amounts and timing of

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the Benefits to which each Trust Beneficiary may become entitled, subject to Article IX, in an exhibit ("Exhibit C") which shall become a part of this Agreement and be incorporated by this reference, (b) provide any corresponding revisions to Exhibits A and B that may be required and (c) provide the Trustee with copies of the Plan and any amendments thereto.

1.7 The Trust is intended to be a grantor trust, within the meaning of section 671 of the Internal Revenue Code of 1986, as amended (the "Code"), or any successor provision, and shall be construed accordingly. The purpose of the Trust is to assure that the Company's obligations to the Trust Beneficiaries pursuant to the Plan are fulfilled. The Trust is neither intended nor designed to qualify under section 401(a) of the Code or to be subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended ("ERISA").

1.8 As used in this Agreement, the term "Change in Control" shall mean the occurrence of any of the following events:

(a) The Company shall merge into itself, or be merged or consolidated with, another corporation and as a result of such merger or consolidation less than 70% of the outstanding voting securities of the surviving or resulting corporation shall be owned in the aggregate by the former shareholders of the Company as the same shall have existed immediately prior to such merger or consolidation;

(b) The Company shall sell or otherwise transfer all or substantially all of its assets to any other corporation or other legal person, and immediately after such sale or transfer

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less than 70% of the combined voting power of the outstanding voting securities of such corporation or person is held in the aggregate by the former shareholders of the Company as the same shall have existed immediately prior to such sale or transfer;

(c) A person, within the meaning of Section 3(a)(9) or of Section 13(d)(3) (as in effect on the date hereof) of the Securities Exchange Act of 1934, shall become the beneficial owner (as defined in Rule 13d-3 of the Securities and Exchange Commission pursuant to the Securities and Exchange Act of 1934) of 30% or more of the outstanding voting securities of the Company (whether directly or indirectly); or

(d) During any period of three consecutive years, individuals who at the beginning of any such period constitute the Board of Directors of the Company cease, for any reason, to constitute at least a majority thereof, unless the election, or the nomination for election by the shareholders of the Company, of each director first elected during any such period was approved by a vote of at least one-third of the directors of the Company who are directors of the Company on the date of the beginning of any such period.

## II. PAYMENTS TO TRUST BENEFICIARIES

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2.1 Provided that the Company is not Insolvent and commencing with the earlier to occur of (a) appropriate notice to the Trustee by the Company, or (b) the date on which the Trustee has been notified in accordance with Section 1.3 that a Change of Control has occurred, the Trustee shall make payments of Benefits to each Trust Beneficiary from the assets of the

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Trust in compliance and conformity with the terms of the Plan and in accordance with Exhibit C, and subject to Article IX.

2.2 The Trustee shall continue to pay Benefits to the Trust Beneficiaries until the assets of the Trust are depleted, subject to Section 11.2. If any current payment by the Trustee under the terms of this Agreement would deplete the assets of the Trust below the amount necessary to provide adequately for Benefits known to the Trustee to be payable in the future, the Trustee shall nevertheless make the current payment when due. If, after application of the preceding sentence, amounts in the Trust are not sufficient to provide for full payment of the Benefits to which any Trust Beneficiary is entitled as provided in this Agreement, the Company shall make the balance of each such payment directly to the Trust Beneficiary as it becomes due.

2.3 The Company may make payments of Benefits directly to each or any Trust Beneficiary. The Company shall notify the Trustee of its decision to pay Benefits directly at least 3 days prior to the time amounts are due to be paid to a Trust Beneficiary.

2.4 Nothing in this Agreement shall in any way diminish any rights of any Trust Beneficiary to pursue such Trust Beneficiary's rights as a general creditor of the Company with respect to Benefits or otherwise, and the rights of each Trust Beneficiary under the Plan shall in no way be affected or diminished by any provision of this Agreement or action taken pursuant to this Agreement, except that any payment actually received by any Trust Beneficiary shall reduce dollar-per-dollar

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amounts otherwise due to such Trust Beneficiary pursuant to the Plan.

2.5 The Trustee shall withhold from any payment to a Trust Beneficiary the amount required by law to be so withheld under federal, state and local tax withholding requirements, and shall pay over to the appropriate government authority the amounts withheld.

III. THE TRUSTEE'S RESPONSIBILITY REGARDING PAYMENTS TO  
A TRUST BENEFICIARY WHEN THE COMPANY IS INSOLVENT  
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3.1 At all times during the continuance of this Trust, the principal and income of the Trust shall be subject to claims of creditors of the Company as set forth in this Section 3.1. The Board of Directors of the Company ("Board") and the CEO shall have the duty to inform the Trustee in writing if either the Board or the CEO believes that the Company is Insolvent. If the Trustee receives a notice in writing from the Board or the CEO stating that the Company is Insolvent or if a person claiming to be a creditor of the Company alleges in writing to the Trustee that the Company has become Insolvent, the Trustee shall independently determine within 30 days after receipt of such notice whether the Company is Insolvent. In making this determination, the Trustee may engage the outside accountants of the Company to render an opinion as to the solvency of the Company and shall be fully protected under Section 8.7 in relying upon the advice of such accountants. In addition, the Company shall provide the Trustee or its agents, including the outside accountants of the Company, with any information reasonably requested, and otherwise cooperate with the Company or its agents

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in making the determination. Pending such determination, or if the Trustee has actual knowledge or has determined that the Company is Insolvent, the Trustee shall discontinue or refrain from making payments to any Trust Beneficiary and hold the Trust assets for the benefit of the general creditors of the Company. The Trustee shall pay any undistributed principal and income in the Trust to the extent necessary to satisfy the claims of the creditors of the Company as a court of competent jurisdiction may direct. If the Trustee has discontinued or refrained from making payments to any Trust Beneficiary pursuant to this Section 3.1, the Trustee shall pay or resume payments to such Trust Beneficiary in accordance with this Agreement if the Trustee has determined that the Company is not Insolvent, or is no longer Insolvent (if the Trustee initially determined the Company to be Insolvent), or pursuant to the order of a court of competent jurisdiction. Unless the Trustee has actual knowledge of Insolvency, or has received notice from the Board, the CEO or a person claiming to be a creditor of the Company alleging that the Company is Insolvent, the Trustee shall have no duty to inquire as to whether the Company is Insolvent and may rely on information concerning the Insolvency of the Company that has been furnished to the Trustee by any creditor of the Company or by any person (other than an employee or director of the Company) acting with apparent or actual authority with respect to the Company.

3.2. If the Trustee is precluded from paying Benefits from the Trust assets pursuant to Section 3.1 and such prohibition is

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subsequently removed, the Trustee shall pay the aggregate amount of all Benefits that would have been paid to the Trust Beneficiaries in accordance with this Agreement during the period of such prohibition, less the aggregate amount of Benefits otherwise paid to any Trust Beneficiary by the Company during any such period, together with interest on the delayed amount determined at a rate equal to the rate actually earned (including, without limitation, market appreciation or depreciation, plus receipt of interest and dividends) during such period with respect to the assets of the Trust corresponding to such net amount delayed.

IV. PAYMENTS TO COMPANY  
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4.1 Except to the extent expressly contemplated by this Article IV, the Company shall have no right or power to direct the Trustee to return any of the Trust assets to the Company before all payments of Benefits have been made to all Trust Beneficiaries as provided in this Agreement. From time to time, if and when requested by the Company to do so and/or in order to comply with Section 7.2 hereof, the Trustee shall engage the services of Hewitt Associates or such other independent actuary as may be mutually satisfactory to the Company and to the Trustee to determine the maximum actuarial present values of the future Benefits that could become payable under the Plan with respect to

each Director. The Trustee shall determine the fair market values of the Trust assets allocated to the account of each Director pursuant to Section 7.2 hereof. The Company shall pay the fees of such independent actuary and of any appraiser engaged

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by the Trustee to value any property held in the Trust. The independent actuary shall make its calculations based upon the assumptions that (i) the annual retainer payable to each active Director shall increase by 10% per year, and (ii) each Director shall commence payments from the Plan at an age at which the actuarial present value of the Director's future Benefits are at a maximum. In addition, the independent actuary shall use the 1983 Group Annuity Mortality Table, an interest rate of 8%, Gross National Product Price Deflator increases of 4%, with such other assumptions as are recommended by such actuary and approved by the Company and, after the date of a Change of Control, a majority of the Directors (subject to the provision of Section 10.2 hereof). For purposes of this Agreement, (A) the "Fully Funded" amount with respect to the account of a Director maintained pursuant to Section 7.2 hereof shall be equal to the "Threshold Percentage," as defined below, multiplied by the maximum actuarial present value of the future Benefits that could become payable under the Plan with respect to the Director, and (B) the "Account Excess" with respect to such account shall be equal to the excess, if any, of the fair market value of the assets held in the Trust allocated to a Director's account over the respective Fully Funded amount. Unless otherwise provided, prior to a Change of Control the Threshold Percentage shall be equal to 110%, and following a Change of Control the Threshold Percentage shall be equal to 140%. The Trustee shall allocate any Account Excess in accordance with Section 7.2 hereof. Thereafter, upon the request of the Company, the Trustee shall

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pay to the Company the excess, if any, of the aggregate account balances over the aggregate Fully Funded amounts computed upon the basis of a Threshold Percentage equal to 140%.

#### V. INVESTMENT OF TRUST FUND

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5.1 Prior to a Change of Control, the Trustee shall invest and reinvest the assets of the Trust as the Company shall prescribe in writing from time to time.

5.2 On or after the date of a Change of Control, or in the absence of the instructions from the Company specified in Section 5.1, the provisions of this Section 5.2 shall apply to the investment of the Trust assets. The investment objective of the Trustee shall be to preserve the principal of the Trust while obtaining a reasonable total rate of return, measurement of which shall include, without limitation, market appreciation or depreciation plus receipt of interest and dividends. The Trustee shall be mindful, in the course of its management of the Trust, of the liquidity demands on the Trust.

5.3 The Trustee shall have the sole power to invest the assets of the Trust, in accordance with the provisions of Sections 5.1 and 5.2. The Trustee shall not be liable for any failure to maximize income on such portion of the Trust assets as may be from time to time invested or reinvested as set forth above, nor for any loss of principal or income due to the liquidation of any investment that the Trustee, in its sole discretion, believes necessary to make payments or to reimburse expenses under the terms of this Agreement. The Trustee shall have the right to invest assets of the Trust for short-term

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investment periods, pending distribution, or long-term investment of such assets, as the Trustee may deem proper in the circumstances.

5.4 In no event may the Trustee invest in securities (including stock or rights to acquire stock) or obligations issued by Company, other than a de minimis amount held in common investment vehicles in which the Trustee invests.

#### VI. INCOME OF THE TRUST

6.1 During the continuance of this Trust, all net income of the Trust shall be retained in the Trust.

#### VII. ACCOUNTING BY TRUSTEE

7.1 The Trustee shall maintain such books, records and accounts as may be necessary for the proper administration of the Trust assets, including such specific records as shall be agreed upon in writing by the Company and the Trustee. Within 60 days following the close of each calendar year that includes or commences after the date of this Trust until the termination of this Trust or the removal or resignation of the Trustee (and within 60 days after the date of such termination, removal or resignation), the Trustee shall render to the Company an accounting with respect to the Trust assets as of the end of the then most recent calendar year (and as of the date of such termination, removal or resignation, as the case may be). The Trustee shall furnish to the Company on a quarterly basis (or as the Company shall direct from time to time) and in a timely manner such information regarding the Trust as the Company shall require for purposes of preparing its statements of financial

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condition. The Trustee shall at all times maintain separate bookkeeping accounts for each Director as prescribed in Section 7.2 hereof, and, upon the written request of a Director, shall provide to the Director an annual statement of the Director's account. Upon the written request of the Company or, on or after the date of a Change of Control, a Director, the Trustee shall deliver to the Company or the Director, as the case may be, a written report setting forth the amount held in the Trust and a record of the deposits made to the Trust by the Company.

Unless the Company or any Director shall have filed with the Trustee written exception or objection to any such statement and account within 90 days after receipt thereof, the Company and the Directors shall be deemed to have approved such statement and account, and in such case, the Trustee shall be forever released and discharged with respect to all matters and things reported in such statement and account as though it had been settled by a decree of a court of competent jurisdiction in an action or proceeding to which the Company and the Directors were parties.

7.2 The Trustee shall maintain a separate account for each Director. The Trustee shall credit or debit each Director's account as appropriate to reflect such Director's allocable portion of the Trust assets, as such Trust assets may be adjusted from time to time pursuant to the terms of this Agreement. Except as provided in this Section 7.2, all allocations shall be made in proportion to the balances of the separate accounts of the Directors. Prior to the date of a Change of Control, all

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deposits of principal pursuant to Section 1.1 and 1.5 hereof shall be allocated as directed by the Company. On or after such date, deposits of principal shall be allocated as an Account Excess in accordance with this Section 7.2. Income, expense, gain or loss on assets allocated to the separate accounts of the Directors shall be allocated separately to such accounts by the Trustee in proportion to the balances of the separate accounts of the Directors. Prior to the date of a Change of Control, at the request of the Company the Trustee shall determine the amount of all Account Excesses. On or after the date of a Change of Control, the Trustee shall determine annually the amount of all Account Excesses. The Trustee shall allocate the aggregate amount of the Account

Excesses to any accounts that are not Fully Funded, as defined in Section 4.1 hereof, in proportion to the differences between the respective Fully Funded amount and account balance, insofar as possible until all accounts are Fully Funded. Any remaining aggregate Account Excess shall be allocated to all the accounts in proportion to the respective Fully Funded amounts.

7.3 Nothing in this Article VII shall preclude the commingling of Trust assets for investment.

VIII. RESPONSIBILITY AND INDEMNIFICATION OF TRUSTEE  
-----

8.1 The duties and responsibilities of the Trustee shall be limited to those expressly set forth in this Agreement, and no implied covenants or obligations shall be read into this Agreement against the Trustee.

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8.2 In addition to and without limiting any other provision of this Agreement, on or after the date of a Change of Control, the Trustee shall, in its sole discretion, based upon the information furnished to it by the Company and/or the Directors and any additional information that it may reasonably request, (a) make all decisions regarding whether a Trust Beneficiary is eligible for the payment of Benefits, the nature, amount and timing of such benefits, and any other decisions pertinent to the exercise of the Trustee's duties and responsibilities under this Agreement, and (b) exercise any power or discretion granted pursuant to the Plan to the Board, any committee of the Board, or to any other committee, entity or person. On or before the date of a Change in Control, the Company shall furnish the Trustee with calculations and supporting schedules showing in detail the payments required under the Agreement in the event of the termination of each of the Director's service with the Company immediately following the Change in Control. The Trustee shall determine amounts due under this Agreement in a manner consistent with these calculations and supporting schedules. In connection with the exercise of the duties, responsibilities, power and discretion of the Trustee under this Agreement, the Trustee may employ legal counsel to aid its determinations and shall be fully protected under Section 8.7 in relying upon the advice of counsel in making such determinations.

8.3 If all or any part of the Trust assets are at any time attached, garnished, or levied upon by any court order, or in case the payment, assignment, transfer, conveyance or delivery of

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any such property shall be stayed or enjoined by any court order, or in case any order, judgment or decree shall be made or entered by a court affecting such property or any part of such property, then and in any of such events the Trustee shall be authorized, in its sole discretion, to rely upon and comply with any such order, judgment or decree, and it shall not be liable to the Company or any Trust Beneficiary by reason of such compliance even though such order, judgment or decree subsequently may be reversed, modified, annulled, set aside or vacated.

8.4 The Trustee shall act with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent man acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims; provided, however, that the Trustee shall incur no liability to anyone for any action taken pursuant to a direction, request, or approval given by the Company or any Director or other Trust Beneficiary contemplated by and complying with the terms of this Agreement. The Trustee shall discharge its responsibility for the investment, management and control of the Trust assets solely in the interest of the Trust Beneficiaries and for the exclusive purpose of assuring that, to the extent of available Trust assets, and in accordance with the terms of this Agreement, all payments of Benefits are made when due to the Trust Beneficiaries.

8.5 The Trustee may consult with legal counsel (who shall not be counsel for the Company) to be selected by it.

8.6 The Trustee shall be reimbursed by the Company for its reasonable expenses incurred in connection with the performance of its duties (including, but not limited to, the fees and expenses of counsel, accountants and others incurred pursuant to Section 8.5 or 8.11) and shall be paid reasonable fees for the performance of such duties in the manner provided by Section 8.7.

8.7 The Company agrees to indemnify and hold harmless the Trustee from and against any and all damages, losses, claims or expenses as incurred (including expenses of investigation and fees and disbursements of counsel to the Trustee and any taxes imposed on the Trust assets or income of the Trust) arising out of or in connection with the performance by the Trustee of its duties, other than such damages, losses, claims or expenses arising out of the Trustee's gross negligence or willful misconduct. The Trustee shall not be required to undertake or to defend any litigation arising in connection with this Agreement unless it be first indemnified by the Company against its prospective costs, expenses and liabilities (including, without limitation, attorneys' fees and expenses), and the Company agrees to indemnify the Trustee and be primarily liable for such costs, expenses, and liabilities. Any amount payable to the Trustee under Section 8.6 or this Section 8.7 shall be paid by the Company promptly upon demand by the Trustee or, in the event that the Company fails to make such payment within 30 days of such demand, from the Trust assets. In the event that payment is made to the Trustee from the Trust assets, the Trustee shall promptly notify the Company in writing of the amount of such payment. The

Company agrees that, upon receipt of such notice, it will deliver to the Trustee to be held in the Trust an amount in cash equal to any payments made from the Trust assets to the Trustee pursuant to Section 8.6 or this Section 8.7. The failure of the Company to transfer any such amount shall not in any way impair the Trustee's right to indemnification, reimbursement and payment pursuant to Section 8.6 or this Section 8.7.

8.8 The Trustee may vote any stock or other securities and exercise any right appurtenant to any stock, other securities or other property it holds, either in person or by general or limited proxy, power of attorney or other instrument.

8.9 The Trustee may hold securities in bearer form and may register securities and other property held in the Trust fund in its own name or in the name of a nominee, combine certificates representing securities with certificates of the same issue held by the Trustee in other fiduciary capacities, and deposit, or arrange for deposit of, property with any depository; provided that the books and records of the Trustee shall at all times show that all such securities are part of the assets of the Trust.

8.10 The Trustee may exercise all rights appurtenant to any letter of credit made payable to the Trustee of the Trust for the benefit of the Trust in accordance with the terms of such letter of credit.

8.11 The Trustee may hire agents, accountants, actuaries, investment advisors, financial consultants or other professionals, who may be agents, accountants, actuaries, investment advisors, financial consultants, or otherwise act in a

professional capacity, as the case may be, for the Company or with respect to the Plan, to assist the Trustee in performing any of its duties.

8.12 The Trustee shall have, without exclusion, all powers conferred on trustees by applicable law unless expressly provided otherwise in

this Agreement.

8.13 Notwithstanding any other provision of this Agreement, in the event of the termination of the Trust, or the resignation or discharge of the Trustee, the Trustee shall have the right to a settlement of its accounts in accordance with the procedures set forth in Section 7.1, which may be made, at the option of the Trustee, either (a) by a judicial settlement in a court of competent jurisdiction, or (b) by agreement of settlement, release and indemnity from the Company to the Trustee.

IX. AMENDMENTS, ETC., TO PLAN AND EXHIBITS  
-----

9.1 On or after the date of a Change of Control, the provisions of this Section 9.1 shall apply.

9.1.1 Not later than 45 calendar days after the end of each calendar year and at such other time as may in the judgment of the Company be appropriate in view of a change in circumstances, the Company and each Director shall agree upon and furnish any amendment to Exhibit C (but only with respect to such Director's Benefits) as shall be required to reflect:

(a) any required change in the amounts of Benefits as a result of any change in such Director's retainer (or otherwise) during the prior calendar year, or

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(b) any amendment, restatement or other change in or to the Plan (Exhibit B), or agreements to amendments to such Exhibit B and Exhibit C shall be furnished to the Trustee by the Company or the Directors and thereafter be deemed to be a part of this Agreement; provided, however, that in the event of the failure of the Company and any Director to reach such agreement, the provisions of Section 9.1.2 shall control.

9.1.2 The Company shall, and any Trust Beneficiary may, promptly furnish the Trustee true and correct copies of any amendment, restatement or successor to the Plan. Upon written notification to the Trustee by the Company or any Director of the failure of the Company and such Director to agree as provided in Section 9.1.1, the Trustee shall, to the extent necessary in the sole judgment of the Trustee, (a) recompute the amount payable as set forth in Exhibit C to any Trust Beneficiary, and (b) notify the Company and the Director in writing of its computations. In making these determinations, the Trustee may employ legal counsel and shall be fully protected under Section 8.7 in relying upon the advice of counsel in relying on such determinations. Thereafter, this Agreement and all Exhibits shall be amended to the extent of such Trustee determinations without further action; provided, however, that the failure of the Company to furnish any such amendment, restatement, successor or compensation information shall in no way diminish the rights of any Trust Beneficiary.

9.2 Amendments to Exhibit A (and directly corresponding amendments to Exhibit B) that modify one or more lists of

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Directors shall be made only in accordance with Section 1.6. No amendment to Exhibit A (and no amendment to Exhibit B that would delete a Director may be made on or after the date on which a Change of Control occurs, except in accordance with Article XI.

X. REPLACEMENT OF TRUSTEE  
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10.1 The Trustee may resign and be discharged from its duties after providing not less than 90 days' notice in writing to the Company. On or after the date of a Change of Control, the Trustee shall also provide notice of its resignation to all of the Directors. Prior to the date of a Change of Control, the Trustee may be removed at any time upon notice in writing by the Company. On or after such date, removal shall also require the agreement of the Directors. Prior to the date of a Change of Control, a replacement or successor trustee shall be appointed by the Company. On or after such date, appointment

shall also require the agreement of the Directors. No such removal or resignation shall become effective until the effectiveness of the acceptance of the Trust by a successor trustee designated in accordance with this Article X. If, after making reasonable efforts to appoint a successor trustee, the Trustee has been unable to do so, the Trustee shall petition a court of competent jurisdiction to appoint a successor trustee. Upon the acceptance of the Trust by a successor trustee, the Trustee shall release all of the moneys and other property in the Trust to its successor, who after such time shall for all purposes of this Agreement be considered to be the "Trustee." In the event of its removal or resignation, the Trustee shall duly file with the

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Company and, after a Change of Control, all of the Directors, a written statement or statements of accounts and proceedings as provided in Section 7.1 for the period since the last previous accounting of the Trust.

10.2 For purposes of Section 10.1 and Section 11.2, a Director shall not participate if all payments of Benefits then currently due or payable in the future have been made to such Director.

#### XI. AMENDMENT OR TERMINATION OF AGREEMENT

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11.1 This Agreement may be amended at any time and to any extent by a written instrument executed by the Trustee and the Company; provided, however, that no amendment shall have the effect of altering Section 11.2.

11.2 The Trust shall terminate on or after a Change of Control upon the earliest to occur of (i) a joint determination by the Trustee and the Directors made on or after the fifth anniversary of the date of a Change of Control that no Trust Beneficiary is or will be entitled to any further payment of Benefits or (ii) such time as the Trustee shall have received consents from all of the Directors to the termination of this Agreement. Notwithstanding the previous sentence, if payments under the Plan with respect to any Trust Beneficiary are the subject of litigation or arbitration, the Trust shall not terminate and the funds held in the Trust with respect to such Trust Beneficiary shall continue to be held by the Trustee until the final resolution of such litigation or arbitration. The Trustee may assume that the Plan is not the subject of such

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litigation or arbitration unless the Trustee receives written notice from a Trust Beneficiary or the Company with respect to such litigation or arbitration. The Trustee may rely upon written notice from a Trust Beneficiary as to the final resolution of such litigation or arbitration.

11.3 Upon a termination of the Trust as provided in Section 11.2, any assets remaining in the Trust, less all payments, expenses, taxes and other charges under this Agreement as of such date of termination, shall be returned to the Company.

#### XII. GENERAL PROVISIONS

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12.1 The Company shall, at any time and from time to time, upon the reasonable request of the Trustee, provide information, execute and deliver such further instruments and do such further acts as may be necessary or proper to effectuate the purposes of this Trust.

12.2 Each Exhibit referred to in this Agreement shall become a part of this Agreement and is expressly incorporated by reference.

12.3 This Agreement sets forth the entire understanding of the parties with respect to its subject matter and supersedes any and all prior agreements, arrangements and understandings. This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and legal representatives.

12.4 This Agreement shall be governed by and construed in



12.5 In the event that any provision of this Agreement or the application of any provision to any person or circumstances shall be determined by a court of competent jurisdiction to be invalid or unenforceable to any extent, the remainder of this Agreement, or the application of such provision to persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected, and each provision of this Agreement shall be valid and enforced to the maximum extent permitted by law.

12.6 (a) The preamble to this Agreement shall be considered a part of the agreement of the parties as if set forth in a section of this Agreement.

(b) The headings and table of contents contained in this Agreement are solely for the purpose of reference, are not part of the agreement of the parties and shall not in any way affect the meaning or interpretation of this Agreement.

12.7 The right of any Trust Beneficiary to any benefit or to any payment may not be anticipated, assigned (either at law or in equity), alienated or subject to attachment, garnishment, levy, execution or other legal or equitable process except as required by law. Any attempt by any Trust Beneficiary to anticipate, alienate, assign, sell, transfer, pledge, encumber or charge the same shall be void. The Trust assets shall not in any manner be subject to the debts, contracts, liabilities, engagements or torts of any Trust Beneficiary.

12.8 Any dispute between the Directors and the Company or the Trustee as to the interpretation or application of the

provisions of this Agreement and amounts payable may, at the election of any party to such dispute (or, if more than one Director is such a party, at the election of two-thirds of such Directors), be determined by binding arbitration in accordance with the rules of the American Arbitration Association then in effect. Judgment may be entered on the arbitrator's award in any court of competent jurisdiction. All fees and expenses of such arbitration shall be paid by the Trustee and considered an expense of the Trust under Section 8.7.

12.9 Each Director is an intended beneficiary under this Trust, and as an intended beneficiary shall be entitled to enforce all terms and provisions with the same force and effect as if such person had been a party to the Agreement.

12.10 The Trustee shall be permitted to withhold from any payment due to a Director the amount required by law to be so withheld under federal, state and local withholding requirements or otherwise, and shall pay over to the appropriate government authority the amounts so withheld. The Trustee may rely on reasonable instructions from the Company as to any required withholding and shall be fully protected under Section 8.7 in relying on such instructions.

12.11 Notwithstanding any other provision, the parties' respective rights and obligations under Section 12.9 shall survive any termination or expiration of this Agreement.

#### XIII. NOTICES

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13.1 For all purposes of this Agreement, any communication, including without limitation, any notice, consent, report, demand

or waiver required or permitted to be given shall be in writing and, unless otherwise provided in this Agreement, shall be deemed to have been duly given when hand delivered or dispatched by telegram or electronic facsimile transfer (confirmed in writing by mail simultaneously dispatched), or two business days after having been mailed by United States registered or certified mail, return receipt requested, postage prepaid, or one business day after having been dispatched by a nationally recognized overnight courier service to the appropriate party at the address specified below:

IF TO THE COMPANY, TO: Cleveland-Cliffs Inc  
1100 Superior Avenue  
Cleveland, Ohio 44114  
Attention: Secretary

IF TO THE TRUSTEE, TO: Key Trust Company of Ohio, N.A.  
127 Public Square  
Cleveland, Ohio 44114-1306  
Attention:

IF TO A DIRECTOR, TO: the address of such Director as  
listed next to such Director's  
name on Exhibit A,

provided, however, that if any party or such party's successors shall have designated a different address by notice to the other parties, then to the last address so designated.

IN WITNESS WHEREOF, the Company and the Trustee caused this Agreement to be executed on its behalf as of the date first above written.

Attested

CLEVELAND-CLIFFS INC

By: /s/ J.E. Lenhard

By: /s/ R.F. Novak

-----  
Its: Secretary

-----  
Its: Vice President

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Attested

Key Trust Company of Ohio, N.A.

By: /s/ Kathryn L. Kaesberg

By: /s/ Kelley Clark

-----  
Its: Vice President

-----  
Its: Vice President

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EXHIBIT A

11/20/96

CLEVELAND-CLIFFS INC  
-----

NONEMPLOYEE DIRECTORS' SUPPLEMENTAL COMPENSATION PLAN PARTICIPANTS  
-----

Ronald C. Cambre  
Newmont Mining Corporation  
1700 Lincoln Street, Suite 2800  
Denver, CO 80203

Francis R. McAllister  
ASARCO Incorporated  
1150 North 7th Avenue  
Tucson, AZ 85705

John C. Morley

CLEVELAND-CLIFFS INC  
NONEMPLOYEE DIRECTORS' SUPPLEMENTAL COMPENSATION PLAN

WHEREAS, the Board of Directors of Cleveland-Cliffs Inc (the "Board of Directors") has determined that the "Participants" (as defined in Section 2.1) have, individually and collectively, made and may continue to make an essential contribution to the profitability, growth, financial strength and overall guidance of Cleveland-Cliffs Inc (the "Company") and

WHEREAS, the Company desires to provide an incentive to attract and maintain the highest quality of individuals to serve as directors (the "Directors");

NOW, THEREFORE, by approval of the Board of Directors of the Company, the Company hereby establishes the CLEVELAND-CLIFFS INC NONEMPLOYEE DIRECTORS' SUPPLEMENTAL COMPENSATION PLAN (the "Plan") to be effective as of July 1, 1995, which Plan shall contain the following terms and conditions:

ARTICLE I

ESTABLISHMENT OF THE PLAN

1.1 THE PLAN. The Company, intending that the Participants and Directors shall rely thereon, hereby establishes the Plan.

1.2 AMENDMENT, SUSPENSION OR TERMINATION OF PLAN. The Company shall not amend, suspend or terminate the Plan or any provision hereof, including without limitation this Section 1.2, without the prior approval of a majority of the Directors present at a meeting of the Board of Directors at which a "quorum" (as defined in the Regulations of the Company) is present. Anything contained in the Plan to the contrary notwithstanding, and notwithstanding any amendment, suspension or termination (hereinafter collectively referred to in this Section 1.2 as an "Amendment") of the Plan, no right under the Plan of any person who was a

Participant or a Director immediately prior to any Amendment shall in any way be amended, modified, compromised, terminated or suspended without the prior written consent of such person. Without such consent, the rights under the Plan of a Participant and Director withholding such consent shall be as set forth in the Plan in the form that the Plan existed on the date such person's rights under the Plan vested, as set forth in Section 2.2 (as such Section 2.2 may be amended by any Amendment consented to by such person).

ARTICLE II

PARTICIPANTS

2.1 PARTICIPANTS. Each Director who has never been an employee or officer of the Company and who first serves as a Director on or after July 1, 1995 (an "Outside Director") shall become a Participant in the Plan upon the completion of five years of continuous service as a Director.

2.2 VESTING. The rights under the Plan of all persons who are Directors and who first serve as such on or after July 1, 1995 shall vest immediately upon their election as Directors; PROVIDED, HOWEVER, that the right of any Director to receive any benefits pursuant to Article III of the Plan shall be subject to the qualification of such Director as a Participant hereunder and to such Director's satisfaction of the requirements of Article III with respect to benefit entitlement.

2.3 PARTICIPATION UPON CHANGE OF CONTROL. Anything contained herein to the contrary notwithstanding, in the event of a "Change of Control" (as hereinafter defined), each Outside Director shall become a Participant in the Plan. A "Change of Control" shall mean the occurrence of any of the following events:

(a) The Company shall merge into itself, or be merged or consolidated with, another corporation and as a result of such merger or consolidation less than 70% of the outstanding voting securities of the surviving or resulting corporation shall be owned in the aggregate by the former shareholders of the Company as the same shall have existed immediately prior to such merger or consolidation;

(b) The Company shall sell or otherwise transfer all or substantially all of its assets to any other corporation or other legal person, and immediately after such sale or transfer less than 70% of the combined voting power of the outstanding voting securities of such corporation or person is held in the aggregate by the former shareholders of the Company as the same have existed immediately prior to such sale or transfer;

(c) A person, within the meaning of Section 3(a)(9) or of Section 13(d)(3) (as in effect on July 1, 1995) of the Securities Exchange Act of 1934, shall become the beneficial owner (as defined in Rule 13d-3 of the Securities and Exchange Commission pursuant to the Securities and Exchange Act of 1934) of 30% or more of the outstanding voting securities of the Company (whether directly or indirectly); or

(d) During any period of three consecutive years, individuals who at the beginning of any such period constitute the Board of Directors of the Company cease, for any reason, to constitute at least a majority thereof, unless the election, or the nomination for election by the shareholders of the Company, of each Director first elected during any such period was approved by a vote of at least one-third of the Directors of the Company who are Directors of the Company on the date of the beginning of any such period.

ARTICLE III

POST-RETIREMENT INCOME

3.1 POST-RETIREMENT INCOME. Commencing upon a Participant's retirement from the Board of Directors (i) with at least five years of continuous service as a Director, or (ii) after a Change of Control (hereinafter collectively referred to as the Participant's "Commencement Date"), the Company will pay quarterly to the Participant an amount equal to Fifty Percent (50%) of the stated quarterly Board of Directors retainer fee for service as an Outside Director which is in effect on the Participant's retirement; PROVIDED, HOWEVER, that such amount shall only be payable to a Participant during his "Payment Period" (as defined in Section 3.2); PROVIDED FURTHER, that payment of such amount shall not commence prior to the Participant's 65th birthday, except in the case of disability of the Participant; and, PROVIDED FURTHER, that if a Participant's Commencement Date is on account of an event described in clause (ii) of this Section 3.1, such amount shall be reduced for any Participant with fewer than five years of continuous service as an Outside Director by Twenty Percent (20%) for each full year of continuous service less than five that such Participant has served as an Outside Director. For purposes of this Section 3.1, when determining the amount of an Outside Director's stated quarterly Board of Directors retainer fee, such retainer fee shall be deemed to include the stock component (if any, and whether restricted or unrestricted) of such fee. The duration of post-retirement income payments described in this Section 3.1 shall be as more fully described in Section 3.2. For purposes of this Section 3.1, the term "retirement" of an Outside Director shall be deemed to include; (i) the failure of the stockholders of the Company to re-elect such Outside Director; PROVIDED, HOWEVER, that the right of any Director to receive benefits pursuant to the provisions of this Article III shall be subject to the Director's satisfaction of the applicable requirements of Article III with respect to benefit entitlement, and (ii) following a Change of

Control, resignation or the failure of the stockholders of the Company to re-elect such Outside Director.

3.2 FORM OF PAYMENT. Post-retirement income payable pursuant to Section 3.1 shall be paid to the Participant for a period equal to his years of continuous service on the Board of Directors (the "Payment Period"). Such post-retirement income shall be paid in cash to the Participant in equal quarterly installments, each installment to be paid in advance on the first day of each quarter, beginning with the quarter that begins on the first day of the January, April, July or October coinciding with or next following such Participant's Commencement Date. In the event a Participant who is married on his Commencement Date dies during his Payment Period and prior to the distribution of all post-retirement income to which he is entitled hereunder, the remaining post-retirement income installment payments shall be paid to his "Surviving Spouse" (as hereinafter defined) for the remainder of the Payment

Period or, if earlier, until the death of such Surviving Spouse. For purposes of this Section 3.2, "Surviving Spouse" means the person to whom a Participant is legally married on his Commencement Date. In the event a Participant who is not married on his Commencement Date dies during his Payment Period and prior to the distribution of all post-retirement income to which he is entitled hereunder, the last payment made hereunder shall be the payment made to the Participant for the quarter during which his death occurs.

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#### ARTICLE IV

##### GENERAL PROVISIONS

###### 4.1 SUCCESSORS AND BINDING AGREEMENTS.

(a) The Company shall require any successor (whether direct or indirect, by purchase, merger, consolidation, reorganization or otherwise) to all or substantially all of the business and/or assets of the Company expressly to assume and agree to perform hereunder the Plan in the same manner and to the same extent the Company would be required to perform if no such succession had taken place. The Plan shall be binding upon and inure to the benefit of the Company and any successor of or to the Company, including without limitation any persons acquiring directly or indirectly all or substantially all of the business and/or assets of the Company whether by sale, merger, consolidation, reorganization or otherwise (and such successor shall thereafter be deemed to be the "Company" for purposes of this Plan), but shall not otherwise be assignable or delegatable by the Company.

(b) The Plan shall inure to the benefit of and be enforceable by each of the Participants or Directors and his respective personal or legal representatives, executors, administrators, successors, heirs, distributees and/or legatees.

(c) Neither the Company nor any Participant or Director hereunder shall assign, transfer or delegate the Plan or any rights or obligations hereunder, except as expressly provided in Section 4.1(a). Without limiting the generality of the foregoing, no right or interest under the Plan of a Participant or Director (or of any person claiming under or through any of them) shall be assignable or transferable in any manner or be subject to alienation, anticipation, sale, pledge, encumbrance or other legal process or in any manner be liable for or subject to the debts or liabilities of any such Participant or Director or designated beneficiary. If any Participant or Director or designated beneficiary shall attempt to or shall transfer, assign,

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alienate, anticipate, sell, pledge or otherwise encumber his benefits hereunder or any part thereof, or if by reason of his bankruptcy or other event occurring at any time such benefits would devolve upon anyone else or would not be enjoyed by him, then the Company, acting through the Board Affairs Committee of the Board of Directors, in its discretion, may terminate his interest in any such benefit to the extent the Company considers it necessary or advisable in order to prevent or limit the effects of such occurrence. Such termination shall be affected by filing a written "termination declaration" with the Plan's records and by making reasonable efforts to deliver a copy of such "termination declaration" to the Participant or Director or designated beneficiary (the "Terminated Participant") whose interest is adversely affected.

As long as the Terminated Participant is alive, any benefits affected by the termination shall be retained by the Company and, in the Company's sole and absolute judgment, may be paid to or expended for the benefit of the Terminated Participant, his spouse, his children or any other person or persons in fact dependent upon him in such a manner as the Company shall deem proper. Upon the death of the Terminated Participant, all benefits withheld from him and not paid to others in accordance with the preceding sentence shall be paid to the Terminated Participant's then living descendants, including adopted children, per stirpes, or, if there are none then living, to his estate.

4.2 NOTICES. For all purposes of this Plan, all communications provided for herein shall be in writing and shall be deemed to have been duly given when delivered on five business days after having been mailed by United States registered or certified mail, return receipt requested, postage prepaid, addressed to the Company (to the attention of the Secretary of the Company) at its principal executive office and to a Participant at his principal residence,

or to such other address as any party may have furnished to the other in writing and

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in accordance herewith, except that notices of change of address shall be effective only upon receipt.

4.3 FORFEITURE OF POST-RETIREMENT INCOME. No post-retirement income shall be paid to any Participant or Surviving Spouse hereunder unless the Participant agrees (i) to be available to the Company in an unpaid advisory capacity on and after his Commencement Date, and (ii) not to engage in any activity adverse to the interests of the Company. In the event the Participant breaches such agreement, no further payments to the Participant or his Surviving Spouse shall be made hereunder. Anything contained herein to the contrary notwithstanding, the provisions of this Section 4.3 shall not apply in the event of a Change of Control.

4.4 GOVERNING LAW. The validity, interpretation, construction and performance of this Plan shall be governed by the laws of the State of Ohio, without giving effect to the principles of conflict of laws of such State.

4.5 SEVERABILITY. Each Section, subsection and lesser section of the Plan constitutes a separate and distinct undertaking, covenant and/or provision hereof. Whenever possible, each provision of the Plan shall be interpreted in such manner as to be effective and valid under applicable law. In the event that any provision of the Plan shall finally be determined to be unlawful, such provision shall be deemed severed from the Plan, but every other provision of the Plan shall remain in full force and effect, and in substitution for any such provision held unlawful, there shall be substituted a provision of similar import reflecting the original intention of the parties hereto to the extent permissible under law.

4.6 WITHHOLDING OF TAXES. The Company may withhold from any amounts payable under the Plan all federal, state, city and other taxes as shall be legally required.

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4.7 GENDER AND NUMBER. As used in the Plan, the singular shall include the plural and the masculine shall include the feminine, and vice versa, all as required by the context.

\* \* \*

IN WITNESS WHEREOF, this Plan has been duly adopted by the Company as of July 1, 1995.

CLEVELAND-CLIFFS INC

By /s/ M. T. Moore  
-----  
Chairman and Chief Executive Officer



[TRUST FOR NONEMPLOYEE DIRECTORS' COMPENSATION PLAN]

TRUST AGREEMENT NO. 10

Between

CLEVELAND-CLIFFS INC

and

KEY TRUST COMPANY OF OHIO, N.A.

November 20, 1996

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TRUST AGREEMENT NO. 10

This Trust Agreement ("Agreement") made as of the 20th day of November, 1996 by and between Cleveland-Cliffs Inc, an Ohio corporation ("Company"), and Key Trust Company of Ohio, N.A., an Ohio corporation ("Trustee").

WITNESSETH:  
-----

WHEREAS, certain benefits are or may become payable to the nonemployee directors of the Company listed (from time to time as provided in Sections 1.6 and 9.2 hereof) on Exhibit A hereto ("Directors") under the provisions of the Cleveland-Cliffs Inc Nonemployee Directors' Compensation Plan, effective July 1, 1996 ("Effective Date") as the same have been or in the future



may be amended or restated, or any successor thereto ("Plan"), a copy of which is appended to this Agreement as Exhibit B;

WHEREAS, the Plan provides for the payment of cash and/or common shares of the Company ("Common Shares") to Directors who elect to defer their compensation on or after the Effective Date, and to their beneficiaries, if applicable, as provided in the Plan, and the Company wishes to assure the payment to the Directors and to their beneficiaries (the Directors and their respective beneficiaries are collectively referred to as the "Trust Beneficiaries") of amounts due under the Plan (the amounts so payable are collectively referred to as the "Benefits");

WHEREAS, the Company wishes to establish a trust ("Trust") and to transfer to the Trust assets which shall be held subject to the claims of the creditors of the Company to the extent set forth in Article III until (i) paid in full to all Trust

Beneficiaries as Benefits in such manner and as specified in this Agreement unless the Company is Insolvent (as that term is defined below) at the time that such Benefits become payable or (ii) otherwise disposed of pursuant to the terms of this Agreement; and

WHEREAS, the Company shall be considered "Insolvent" for purposes of this Agreement at such time as the Company (i) is subject to a pending proceeding as a debtor under the United States Bankruptcy Code, as amended from time to time, or (ii) is unable to pay its debts as they become due.

NOW, THEREFORE, the Company and the Trustee establish the Trust and agree that the Trust shall be comprised, held and disposed of as follows:

I. TRUST FUND

-----

1.1 Subject to the claims of creditors to the extent set forth in Article III, the Company shall deposit with the Trustee in trust One Hundred Dollars (\$100), which shall become the principal of this Trust, to be held, administered and disposed of by the Trustee as provided in this Agreement.

1.2 This Trust shall be irrevocable.

1.3 In the event that a Change in Control has occurred, the Chief Executive Officer of the Company ("CEO") or the Secretary of the Company shall notify the Trustee promptly. The Trustee shall be entitled to rely upon such notice as to whether and when a Change in Control has occurred and shall not be required to make any independent verification of a Change in Control.

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1.4 The principal of the Trust and any earnings shall be held in trust separate and apart from other funds of the Company and shall be used exclusively for the uses and purposes set forth in this Agreement. No Trust Beneficiary shall have any preferred claim on, or any beneficial ownership interest in, any assets of the Trust prior to the time that such assets are paid to a Trust Beneficiary as Benefits. Any rights created under the Plan and this Agreement shall be mere unsecured contractual rights of Trust Beneficiaries with respect to the Company. The obligation of the Trustee to pay Benefits pursuant to this Agreement constitutes merely an unfunded and unsecured promise to pay such benefits.

1.5 (a) The Company may at any time or from time to time make additional deposits of cash or other property (including Common Shares of the Company) as may be acceptable to the Trustee in the Trust, or make provision for cash or other property (including Common Shares of the Company) as may be acceptable to the Trustee to be transferred to the Trust, such as by means of a letter of credit or otherwise, to augment the principal to be held, administered and disposed of by the Trustee, but no payment of all or any portion of the principal of the Trust or earnings shall be made to the Company or any other person or entity on behalf of the Company except as expressly provided in this Agreement.

(b) Within 10 days following the occurrence of a Potential Change in Control (as that term is defined in this Section 1.5), the Company shall make a contribution to the Trust

that is sufficient, taking into account the assets of the Trust prior to such contribution, to provide for the payment of all Benefits and any other amounts payable or reimbursable pursuant to the terms of this Agreement.

(c) Within 30 days after the end of any calendar year ending after a Change of Control, the Company shall make a contribution to the Trust that is sufficient, taking into account the assets of the Trust prior to such contribution, to provide for the payment of all Benefits and any other amounts payable or reimbursable pursuant to the terms of this Agreement.

(d) A "Potential Change in Control" means the occurrence of any of the following events:

(i) The Company enters into a letter of intent, agreement in principle or other agreement, the consummation of which would constitute a Change in Control; or

(ii) any person (including the Company) makes a public announcement (including, without limitation, an announcement made by filing a Schedule 13D or Schedule 14D-1 (or any successor schedule, form, report or item), each as promulgated pursuant to the Securities Exchange Act of 1934 (the "Exchange Act")) stating a present intention to take actions that, if consummated, would constitute a Change in Control.

1.6 Not later than the date of any Change of Control, the Company shall (a) provide any corresponding revisions to Exhibits A and B that may be required and (b) provide the Trustee with copies of the Plan and any amendments thereto.

1.7 The Trust is intended to be a grantor trust, within the meaning of section 671 of the Internal Revenue Code of 1986, as amended (the "Code"), or any successor provision, and shall be construed accordingly. The purpose of the Trust is to assure that the Company's obligations to the Trust Beneficiaries pursuant to the Plan are fulfilled. The Trust is neither intended nor designed to qualify under section 401(a) of the Code or to be subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended ("ERISA").

1.8 As used in this Agreement, the term "Change in Control" shall mean the occurrence of any of the following events:

(a) The Company shall merge into itself, or be merged or consolidated with, another corporation and as a result of such merger or consolidation less than 70% of the outstanding voting securities of the surviving or resulting corporation shall be owned in the aggregate by the former shareholders of the Company as the same shall have existed immediately prior to such merger or consolidation;

(b) The Company shall sell or otherwise transfer all or substantially all of its assets to any other corporation or other legal person, and immediately after such sale or transfer less than 70% of the combined voting power of the outstanding voting securities of such corporation or person is held in the aggregate by the former shareholders of the Company as the same shall have existed immediately prior to such sale or transfer;

(c) A person, within the meaning of Section 3(a)(9) or of Section 13(d)(3) (as in effect on the date hereof) of the

Securities Exchange Act of 1934, shall become the beneficial owner (as defined in Rule 13d-3 of the Securities and Exchange Commission pursuant to the Securities and Exchange Act of 1934) of 30% or more of the outstanding voting securities of the Company (whether directly or indirectly); or

(d) During any period of three consecutive years, individuals who at the beginning of any such period constitute the Board of

Directors of the Company cease, for any reason, to constitute at least a majority thereof, unless the election, or the nomination for election by the shareholders of the Company, of each director first elected during any such period was approved by a vote of at least one-third of the directors of the Company who are directors of the Company on the date of the beginning of any such period.

## II. PAYMENTS TO TRUST BENEFICIARIES

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2.1 Provided that the Company is not Insolvent and commencing with the earlier to occur of (a) appropriate notice to the Trustee by the Company, or (b) the date on which the Trustee has been notified in accordance with Section 1.3 that a Change of Control has occurred, the Trustee shall make payments of Benefits to each Trust Beneficiary from the assets of the Trust in compliance and conformity with the terms of the Plan and subject to Article IX.

2.2 The Trustee shall continue to pay Benefits to the Trust Beneficiaries until the assets of the Trust are depleted, subject to Section 11.2. If any current payment by the Trustee under the terms of this Agreement would deplete the assets of the Trust

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below the amount necessary to provide adequately for Benefits known to the Trustee to be payable in the future, the Trustee shall nevertheless make the current payment when due. If, after application of the preceding sentence, amounts in the Trust are not sufficient to provide for full payment of the Benefits to which any Trust Beneficiary is entitled as provided in this Agreement, the Company shall make the balance of each such payment directly to the Trust Beneficiary as it becomes due.

2.3 The Company may make payments of Benefits directly to each or any Trust Beneficiary. The Company shall notify the Trustee of its decision to pay Benefits directly at least 3 days prior to the time amounts are due to be paid to a Trust Beneficiary.

2.4 Nothing in this Agreement shall in any way diminish any rights of any Trust Beneficiary to pursue such Trust Beneficiary's rights as a general creditor of the Company with respect to Benefits or otherwise, and the rights of each Trust Beneficiary under the Plan shall in no way be affected or diminished by any provision of this Agreement or action taken pursuant to this Agreement, except that any payment actually received by any Trust Beneficiary shall reduce dollar-per-dollar amounts otherwise due to such Trust Beneficiary pursuant to the Plan.

2.5 The Trustee shall withhold from any payment to a Trust Beneficiary the amount required by law to be so withheld under federal, state and local tax withholding requirements, and shall

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pay over to the appropriate government authority the amounts withheld.

## III. THE TRUSTEE'S RESPONSIBILITY REGARDING PAYMENTS TO A TRUST BENEFICIARY WHEN THE COMPANY IS INSOLVENT

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3.1 At all times during the continuance of this Trust, the principal and income of the Trust shall be subject to claims of creditors of the Company as set forth in this Section 3.1. The Board of Directors of the Company ("Board") and the CEO shall have the duty to inform the Trustee in writing if either the Board or the CEO believes that the Company is Insolvent. If the Trustee receives a notice in writing from the Board or the CEO stating that the Company is Insolvent or if a person claiming to be a creditor of the Company alleges in writing to the Trustee that the Company has become Insolvent, the Trustee shall independently determine within 30 days after receipt of such notice whether the Company is Insolvent. In making this determination, the Trustee may engage the outside accountants of the Company to render an opinion as to the solvency of the Company and shall be fully protected under Section 8.7 in relying upon the advice of such accountants. In addition, the Company shall provide the Trustee or its agents, including the outside accountants of the Company, with any information reasonably requested, and otherwise cooperate with the Company or its agents in making the determination. Pending such

determination, or if the Trustee has actual knowledge or has determined that the Company is Insolvent, the Trustee shall discontinue or refrain from making payments to any Trust Beneficiary and hold the Trust assets for the benefit of the general creditors of the Company.

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The Trustee shall pay any undistributed principal and income in the Trust to the extent necessary to satisfy the claims of the creditors of the Company as a court of competent jurisdiction may direct. If the Trustee has discontinued or refrained from making payments to any Trust Beneficiary pursuant to this Section 3.1, the Trustee shall pay or resume payments to such Trust Beneficiary in accordance with this Agreement if the Trustee has determined that the Company is not Insolvent, or is no longer Insolvent (if the Trustee initially determined the Company to be Insolvent), or pursuant to the order of a court of competent jurisdiction. Unless the Trustee has actual knowledge of Insolvency, or has received notice from the Board, the CEO or a person claiming to be a creditor of the Company alleging that the Company is Insolvent, the Trustee shall have no duty to inquire as to whether the Company is Insolvent and may rely on information concerning the Insolvency of the Company that has been furnished to the Trustee by any creditor of the Company or by any person (other than an employee or director of the Company) acting with apparent or actual authority with respect to the Company.

3.2. If the Trustee is precluded from paying Benefits from the Trust assets pursuant to Section 3.1 and such prohibition is subsequently removed, the Trustee shall pay the aggregate amount of all Benefits that would have been paid to the Trust Beneficiaries in accordance with this Agreement during the period of such prohibition, less the aggregate amount of Benefits otherwise paid to any Trust Beneficiary by the Company during any

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such period, together with interest on the delayed amount determined at a rate equal to the rate actually earned (including, without limitation, market appreciation or depreciation, plus receipt of interest and dividends) during such period with respect to the assets of the Trust corresponding to such net amount delayed.

#### IV. PAYMENTS TO COMPANY

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4.1 Except to the extent expressly contemplated by this Article IV, the Company shall have no right or power to direct the Trustee to return any of the Trust assets to the Company before all payments of Benefits have been made to all Trust Beneficiaries as provided in this Agreement.

#### V. INVESTMENT OF TRUST FUND

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5.1 Prior to a Change of Control, the Trustee shall invest and reinvest the assets of the Trust as the Company shall prescribe in writing from time to time.

5.2 On or after the date of a Change of Control, or in the absence of the instructions from the Company specified in Section 5.1, the provisions of this Section 5.2 shall apply to the investment of the Trust assets. The investment objective of the Trustee shall be to preserve the principal of the Trust while obtaining a reasonable total rate of return, measurement of which shall include, without limitation, market appreciation or depreciation plus receipt of interest and dividends. The Trustee shall be mindful, in the course of its management of the Trust, of the liquidity demands on the Trust.

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5.3 The Trustee shall have the sole power to invest the assets of the Trust, in accordance with the provisions of Sections 5.1 and 5.2. The Trustee shall not be liable for any failure to maximize income on such portion of the Trust assets as may be from time to time invested or reinvested as set

forth above, nor for any loss of principal or income due to the liquidation of any investment that the Trustee, in its sole discretion, believes necessary to make payments or to reimburse expenses under the terms of this Agreement. The Trustee shall have the right to invest assets of the Trust for short-term investment periods, pending distribution, or long-term investment of such assets, as the Trustee may deem proper in the circumstances.

VI. INCOME OF THE TRUST

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6.1 During the continuance of this Trust, all net income of the Trust shall be retained in the Trust.

VII. ACCOUNTING BY TRUSTEE

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7.1 The Trustee shall maintain such books, records and accounts as may be necessary for the proper administration of the Trust assets, including such specific records as shall be agreed upon in writing by the Company and the Trustee. Within 60 days following the close of each calendar year that includes or commences after the date of this Trust until the termination of this Trust or the removal or resignation of the Trustee (and within 60 days after the date of such termination, removal or resignation), the Trustee shall render to the Company an accounting with respect to the Trust assets as of the end of the

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then most recent calendar year (and as of the date of such termination, removal or resignation, as the case may be). The Trustee shall furnish to the Company on a quarterly basis (or as the Company shall direct from time to time) and in a timely manner such information regarding the Trust as the Company shall require for purposes of preparing its statements of financial condition. The Trustee shall at all times maintain separate bookkeeping accounts for each Director as prescribed in Section 7.2 hereof, and, upon the written request of a Director, shall provide to the Director an annual statement of the Director's account. Upon the written request of the Company or, on or after the date of a Change of Control, a Director, the Trustee shall deliver to the Company or the Director, as the case may be, a written report setting forth the amount held in the Trust and a record of the deposits made to the Trust by the Company.

Unless the Company or any Director shall have filed with the Trustee written exception or objection to any such statement and account within 90 days after receipt thereof, the Company and the Directors shall be deemed to have approved such statement and account, and in such case, the Trustee shall be forever released and discharged with respect to all matters and things reported in such statement and account as though it had been settled by a decree of a court of competent jurisdiction in an action or proceeding to which the Company and the Directors were parties.

7.2 The Trustee shall maintain a separate account for each Director. The Trustee shall credit or debit each Director's

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account as appropriate to reflect such Director's allocable portion of the Trust assets, as such Trust assets may be adjusted from time to time pursuant to the terms of this Agreement. Except as provided in this Section 7.2, all allocations shall be made in proportion to the balances of the separate accounts of the Directors. Prior to the date of a Change of Control, all deposits of principal pursuant to Section 1.1 and 1.5 hereof shall be allocated as directed by the Company. On or after such date, deposits of principal once allocated may not be reallocated. Income, expense, gain or loss on assets allocated to the separate accounts of the Directors shall be allocated separately to such accounts by the Trustee in proportion to the balances of the separate accounts of the Directors.

7.3 Nothing in this Article VII shall preclude the commingling of Trust assets for investment.

VIII. RESPONSIBILITY AND INDEMNIFICATION OF TRUSTEE

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8.1 The duties and responsibilities of the Trustee shall be limited to those expressly set forth in this Agreement, and no implied covenants or obligations shall be read into this Agreement against the Trustee.

8.2 In addition to and without limiting any other provision of this Agreement, on or after the date of a Change of Control, the Trustee shall, in its sole discretion, based upon the information furnished to it by the Company and/or the Directors and any additional information that it may reasonably request, (a) make all decisions regarding whether a Trust Beneficiary is eligible for the payment of Benefits, the nature, amount and

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timing of such benefits, and any other decisions pertinent to the exercise of the Trustee's duties and responsibilities under this Agreement, and (b) exercise any power or discretion granted pursuant to the Plan to the Board, any committee of the Board, or to any other committee, entity or person. On or before the date of a Change in Control, the Company shall furnish the Trustee with calculations and supporting schedules showing in detail the payments required under the Agreement in the event of the termination of each of the Director's service with the Company immediately following the Change in Control. The Trustee shall determine amounts due under this Agreement in a manner consistent with these calculations and supporting schedules. In connection with the exercise of the duties, responsibilities, power and discretion of the Trustee under this Agreement, the Trustee may employ legal counsel to aid its determinations and shall be fully protected under Section 8.7 in relying upon the advice of counsel in making such determinations.

8.3 If all or any part of the Trust assets are at any time attached, garnished, or levied upon by any court order, or in case the payment, assignment, transfer, conveyance or delivery of any such property shall be stayed or enjoined by any court order, or in case any order, judgment or decree shall be made or entered by a court affecting such property or any part of such property, then and in any of such events the Trustee shall be authorized, in its sole discretion, to rely upon and comply with any such order, judgment or decree, and it shall not be liable to the Company or any Trust Beneficiary by reason of such compliance

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even though such order, judgment or decree subsequently may be reversed, modified, annulled, set aside or vacated.

8.4 The Trustee shall act with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent man acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims; provided, however, that the Trustee shall incur no liability to anyone for any action taken pursuant to a direction, request, or approval given by the Company or any Director or other Trust Beneficiary contemplated by and complying with the terms of this Agreement. The Trustee shall discharge its responsibility for the investment, management and control of the Trust assets solely in the interest of the Trust Beneficiaries and for the exclusive purpose of assuring that, to the extent of available Trust assets, and in accordance with the terms of this Agreement, all payments of Benefits are made when due to the Trust Beneficiaries.

8.5 The Trustee may consult with legal counsel (who shall not be counsel for the Company) to be selected by it.

8.6 The Trustee shall be reimbursed by the Company for its reasonable expenses incurred in connection with the performance of its duties (including, but not limited to, the fees and expenses of counsel, accountants and others incurred pursuant to Section 8.5 or 8.11) and shall be paid reasonable fees for the performance of such duties in the manner provided by Section 8.7.

8.7 The Company agrees to indemnify and hold harmless the Trustee from and against any and all damages, losses, claims or

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expenses as incurred (including expenses of investigation and fees and disbursements of counsel to the Trustee and any taxes imposed on the Trust assets or income of the Trust) arising out of or in connection with the

performance by the Trustee of its duties, other than such damages, losses, claims or expenses arising out of the Trustee's gross negligence or willful misconduct. The Trustee shall not be required to undertake or to defend any litigation arising in connection with this Agreement unless it be first indemnified by the Company against its prospective costs, expenses and liabilities (including, without limitation, attorneys' fees and expenses), and the Company agrees to indemnify the Trustee and be primarily liable for such costs, expenses, and liabilities. Any amount payable to the Trustee under Section 8.6 or this Section 8.7 shall be paid by the Company promptly upon demand by the Trustee or, in the event that the Company fails to make such payment within 30 days of such demand, from the Trust assets. In the event that payment is made to the Trustee from the Trust assets, the Trustee shall promptly notify the Company in writing of the amount of such payment. The Company agrees that, upon receipt of such notice, it will deliver to the Trustee to be held in the Trust an amount in cash equal to any payments made from the Trust assets to the Trustee pursuant to Section 8.6 or this Section 8.7. The failure of the Company to transfer any such amount shall not in any way impair the Trustee's right to indemnification, reimbursement and payment pursuant to Section 8.6 or this Section 8.7.

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8.8 The Trustee may vote any stock (other than Common Shares of the Company for which it receives instructions as provided below) or other securities and exercise any right appurtenant to any such stock, other securities or other property it holds, either in person or by general or limited proxy, power of attorney or other instrument. Each Director shall be entitled to instruct the Trustee as to the voting of any full or partial Common Shares of the Company allocated to his account as of the applicable record date. Prior to such voting, the Director shall receive a copy of the proxy solicitation materials and a blank form to instruct confidentially the Trustee how to vote the Common Shares of the Company allocated to his account as of the applicable record date. Upon receipt of such instructions, the Trustee shall vote the shares (or, as applicable, exercise any dissenter's rights) as instructed. The Trustee shall vote all other Common Shares of the Company in its possession (including shares for which it does not receive instruction from Directors) in accordance with the first sentence of this Section 8.8.

8.9 The Trustee may hold securities in bearer form and may register securities and other property held in the Trust fund in its own name or in the name of a nominee, combine certificates representing securities with certificates of the same issue held by the Trustee in other fiduciary capacities, and deposit, or arrange for deposit of, property with any depository; provided that the books and records of the Trustee shall at all times show that all such securities are part of the assets of the Trust.

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8.10 The Trustee may exercise all rights appurtenant to any letter of credit made payable to the Trustee of the Trust for the benefit of the Trust in accordance with the terms of such letter of credit.

8.11 The Trustee may hire agents, accountants, actuaries, investment advisors, financial consultants or other professionals, who may be agents, accountants, actuaries, investment advisors, financial consultants, or otherwise act in a professional capacity, as the case may be, for the Company or with respect to the Plan, to assist the Trustee in performing any of its duties.

8.12 The Trustee shall have, without exclusion, all powers conferred on trustees by applicable law unless expressly provided otherwise in this Agreement.

8.13 Notwithstanding any other provision of this Agreement, in the event of the termination of the Trust, or the resignation or discharge of the Trustee, the Trustee shall have the right to a settlement of its accounts in accordance with the procedures set forth in Section 7.1, which may be made, at the option of the Trustee, either (a) by a judicial settlement in a court of competent jurisdiction, or (b) by agreement of settlement, release and indemnity from the Company to the Trustee.

#### IX. AMENDMENTS, ETC., TO PLAN AND EXHIBITS

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9.1 On or after the date of a Change of Control, the Company shall, and any Trust Beneficiary may, promptly furnish the Trustee true and

correct copies of any amendment, restatement or successor to the Plan. Upon written notification to the

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Trustee by the Company or any Director of the failure of the Company and such Director to agree on the amount of Benefits to be paid such Director, the Trustee shall, to the extent necessary in the sole judgment of the Trustee, (a) compute the amount of Benefits payable to any Trust Beneficiary, and (b) notify the Company and the Director in writing of its computations. In making these determinations, the Trustee may employ legal counsel and shall be fully protected under Section 8.7 in relying upon the advice of counsel in relying on such determinations. Thereafter, this Agreement and all Exhibits shall be amended to the extent of such Trustee determinations without further action; provided, however, that the failure of the Company to furnish any such amendment, restatement, successor or compensation information shall in no way diminish the rights of any Trust Beneficiary.

9.2 Amendments to Exhibit A (and directly corresponding amendments to Exhibit B) that modify one or more lists of Directors shall be made only in accordance with Section 1.6. No amendment to Exhibit A (and no amendment to Exhibit B that would delete a Director may be made on or after the date on which a Change of Control occurs, except in accordance with Article XI.

#### X. REPLACEMENT OF TRUSTEE

10.1 The Trustee may resign and be discharged from its duties after providing not less than 90 days' notice in writing to the Company. On or after the date of a Change of Control, the Trustee shall also provide notice of its resignation to all of the Directors. Prior to the date of a Change of Control, the

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Trustee may be removed at any time upon notice in writing by the Company. On or after such date, removal shall also require the agreement of the Directors. Prior to the date of a Change of Control, a replacement or successor trustee shall be appointed by the Company. On or after such date, appointment shall also require the agreement of the Directors. No such removal or resignation shall become effective until the effectiveness of the acceptance of the Trust by a successor trustee designated in accordance with this Article X. If, after making reasonable efforts to appoint a successor trustee, the Trustee has been unable to do so, the Trustee shall petition a court of competent jurisdiction to appoint a successor trustee. Upon the acceptance of the Trust by a successor trustee, the Trustee shall release all of the moneys and other property in the Trust to its successor, who after such time shall for all purposes of this Agreement be considered to be the "Trustee." In the event of its removal or resignation, the Trustee shall duly file with the Company and, after a Change of Control, all of the Directors, a written statement or statements of accounts and proceedings as provided in Section 7.1 for the period since the last previous accounting of the Trust.

10.2 For purposes of Section 10.1 and Section 11.2, a Director shall not participate if all Benefits then currently due or payable in the future have been made to such Director.

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#### XI. AMENDMENT OR TERMINATION OF AGREEMENT

11.1 This Agreement may be amended at any time and to any extent by a written instrument executed by the Trustee and the Company; provided, however, that no amendment shall have the effect of altering Section 11.2.

11.2 The Trust shall terminate on or after a Change of Control upon the earliest to occur of (i) a joint determination by the Trustee and the Directors made on or after the fifth anniversary of the date of a Change of Control that no Trust Beneficiary is or will be entitled to any further payment



of Benefits or (ii) such time as the Trustee shall have received consents from all of the Directors to the termination of this Agreement. Notwithstanding the previous sentence, if payments under the Plan with respect to any Trust Beneficiary are the subject of litigation or arbitration, the Trust shall not terminate and the funds held in the Trust with respect to such Trust Beneficiary shall continue to be held by the Trustee until the final resolution of such litigation or arbitration. The Trustee may assume that the Plan is not the subject of such litigation or arbitration unless the Trustee receives written notice from a Trust Beneficiary or the Company with respect to such litigation or arbitration. The Trustee may rely upon written notice from a Trust Beneficiary as to the final resolution of such litigation or arbitration.

11.3 Upon a termination of the Trust as provided in Section 11.2, any assets remaining in the Trust, less all payments,

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expenses, taxes and other charges under this Agreement as of such date of termination, shall be returned to the Company.

## XII. GENERAL PROVISIONS

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12.1 The Company shall, at any time and from time to time, upon the reasonable request of the Trustee, provide information, execute and deliver such further instruments and do such further acts as may be necessary or proper to effectuate the purposes of this Trust.

12.2 Each Exhibit referred to in this Agreement shall become a part of this Agreement and is expressly incorporated by reference.

12.3 This Agreement sets forth the entire understanding of the parties with respect to its subject matter and supersedes any and all prior agreements, arrangements and understandings. This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and legal representatives.

12.4 This Agreement shall be governed by and construed in accordance with the laws of the State of Ohio.

12.5 In the event that any provision of this Agreement or the application of any provision to any person or circumstances shall be determined by a court of competent jurisdiction to be invalid or unenforceable to any extent, the remainder of this Agreement, or the application of such provision to persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected, and each provision of this

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Agreement shall be valid and enforced to the maximum extent permitted by law.

12.6 (a) The preamble to this Agreement shall be considered a part of the agreement of the parties as if set forth in a section of this Agreement.

(b) The headings and table of contents contained in this Agreement are solely for the purpose of reference, are not part of the agreement of the parties and shall not in any way affect the meaning or interpretation of this Agreement.

12.7 The right of any Trust Beneficiary to any benefit or to any payment may not be anticipated, assigned (either at law or in equity), alienated or subject to attachment, garnishment, levy, execution or other legal or equitable process except as required by law. Any attempt by any Trust Beneficiary to anticipate, alienate, assign, sell, transfer, pledge, encumber or charge the same shall be void. The Trust assets shall not in any manner be subject to the debts, contracts, liabilities, engagements or torts of any Trust Beneficiary.

12.8 Any dispute between the Directors and the Company or the Trustee as to the interpretation or application of the provisions of this Agreement and amounts payable may, at the election of any party to such dispute (or, if more than one Director is such a party, at the election of two-thirds of such Directors), be determined by binding arbitration in accordance with the rules of the American Arbitration Association then in effect. Judgment may be entered on the arbitrator's award in any court of competent jurisdiction. All fees and expenses of such

arbitration shall be paid by the Trustee and considered an expense of the Trust under Section 8.7.

12.9 Each Director is an intended beneficiary under this Trust, and as an intended beneficiary shall be entitled to enforce all terms and provisions with the same force and effect as if such person had been a party to the Agreement.

12.10 The Trustee shall be permitted to withhold from any payment due to a Director the amount required by law to be so withheld under federal, state and local withholding requirements or otherwise, and shall pay over to the appropriate government authority the amounts so withheld. The Trustee may rely on reasonable instructions from the Company as to any required withholding and shall be fully protected under Section 8.7 in relying on such instructions.

12.11 Notwithstanding any other provision, the parties' respective rights and obligations under Section 12.9 shall survive any termination or expiration of this Agreement.

XIII. NOTICES

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13.1 For all purposes of this Agreement, any communication, including without limitation, any notice, consent, report, demand or waiver required or permitted to be given shall be in writing and, unless otherwise provided in this Agreement, shall be deemed to have been duly given when hand delivered or dispatched by telegram or electronic facsimile transfer (confirmed in writing by mail simultaneously dispatched), or two business days after having been mailed by United States registered or certified mail, return receipt requested, postage prepaid, or one business day

after having been dispatched by a nationally recognized overnight courier service to the appropriate party at the address specified below:

If to the Company, to: -----	Cleveland-Cliffs Inc 1100 Superior Avenue Cleveland, Ohio 44114 Attention: Secretary
If to the Trustee, to: -----	Key Trust Company of Ohio, N.A. 127 Public Square Cleveland, Ohio 44114-1306 Attention:
If to a Director, to: -----	the address of such Director as listed next to such Director's name on Exhibit A,

provided, however, that if any party or such party's successors shall have designated a different address by notice to the other parties, then to the last address so designated.

IN WITNESS WHEREOF, the Company and the Trustee caused this Agreement to be executed on its behalf as of the date first above written.

Attested CLEVELAND-CLIFFS INC

By: /s/ J.E. Lenhard ----- Its: Secretary -----	By: /s/ R.F. Novak ----- Its: Vice President -----
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Attested Key Trust Company of Ohio, N.A.

By: /s/ Kathryn L. Kaesberg ----- Its: Vice President -----	By: /s/ Kelley Clark ----- Its: Vice President -----
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EXHIBIT A

11/20/96

CLEVELAND-CLIFFS INC  
 -----  
 NONEMPLOYEE DIRECTORS' COMPENSATION PLAN PARTICIPANTS  
 -----

Ronald C. Cambre  
 Newmont Mining Corporation  
 1700 Lincoln Street, Suite 2800  
 Denver, CO 80203

Francis R. McAllister  
 ASARCO Incorporated  
 1150 North 7th Avenue  
 Tucson, AZ 85705

Robert S. Colman  
 Colman Partners, LLC  
 One Maritime Plaza, Suite 2535  
 San Francisco, CA 94111

John C. Morley  
 30195 Chagrin Boulevard  
 Suite 210N  
 Pepper Pike, OH 44124

James D. Ireland III  
 Citizens Building  
 850 Euclid Avenue, Suite 650  
 Cleveland, OH 44115

Stephen B. Oresman  
 Saltash Ltd.  
 49 Sunswyck Road  
 Darien, CT 06820

G. Frank Joklik  
 Eagle Gate Tower, Suite 2100  
 60 East South Temple  
 Salt Lake City, UT 84111

Alan Schwartz  
 Yale Law School  
 127 Wall Street  
 New Haven, CT 06520

E. Bradley Jones  
 30195 Chagrin Boulevard  
 Suite 104W  
 Pepper Pike, OH 44124

Jeptha H. Wade  
 Choate, Hall & Stewart  
 53 State Street, 34th Floor  
 Boston, MA 02109

Leslie L. Kanuk  
 40 Central Park South, #9A  
 New York, NY 10019

Alton W. Whitehouse  
 30195 Chagrin Boulevard  
 Suite 104W  
 Pepper Pike, OH 44124

\* \* \* \* \*

Directors presently electing to defer fees as of July 1, 1996:

Francis R. McAllister  
 John C. Morley  
 James D. Ireland III

EXHIBIT B

CLEVELAND-CLIFFS INC NONEMPLOYEE  
 DIRECTORS' COMPENSATION PLAN

The Cleveland-Cliffs Inc Nonemployee Directors' Compensation Plan ("Plan") is effective as of July 1, 1996, subject to approval of shareholders at the 1996 annual meeting.

ARTICLE I. DEFINITIONS

Whenever the following terms are used in this Plan they shall have the meanings specified below unless the context clearly indicates to the contrary:

(a) "Account": A Deferred Fee Account and/or a Deferred Share Account, as the context may require.

(b) "Accounting Date": December 31 of each year and the last day of each calendar quarter.

(c) "Accounting Period": The quarterly period beginning on the date immediately following an Accounting Date and ending the next following Accounting Date.

(d) "Administrator": The Board Affairs Committee of the Board or any successor committee designated by the Board.

(e) "Beneficiary": The person or persons (natural or otherwise) designated pursuant to Section 7.7.

(f) "Board": The Board of Directors of the Company.

(g) "Change of Control": The meaning set forth in Section 3.1(b).

(h) "Code": The Internal Revenue Code of 1986, as amended.

(i) "Company": Cleveland-Cliffs Inc or any successor or successors thereto.

(j) "Declared Rate": The Moody's Corporate Average Bond Yield as adjusted on the first business day of January, April, July and October or such other rate as the Administrator shall determine from time to time.

(k) "Deferral Commitment": An agreement made by a Director in a Participation Agreement to have all or a specified portion of his or her Fees, Required Retainer Shares and/or Voluntary Shares deferred under the Plan for a specified period in the future.

(l) "Deferral Period": The Plan Year for which a Director has elected to defer all or a portion of his or her Fees, Required Retainer Shares and/or Voluntary Shares.

(m) "Deferred Fees": The Fees credited to a Director's Deferred Fee Account pursuant to Articles IV and V and payable to a Director pursuant to Article VII.

(n) "Deferred Fee Account": The account maintained on the books of the Company for each Director pursuant to Article V.

(o) "Deferred Shares": The Required Retainer Shares and Voluntary Shares credited to a Director's Deferred Share Account pursuant to Articles IV and VI and payable to a Director pursuant to Article VII.

(p) "Deferred Share Account": The account maintained on the books of the Company for each Director pursuant to Article VI.

(q) "Director": An individual duly elected or chosen as a Director of the Company who is not also an employee of the Company or any of its subsidiaries.

(r) "Fair Market Value": With respect to a Share, the last reported closing price for a Share on the New York Stock Exchange (or any appropriate over-the-counter market if the Shares are no longer listed on such Exchange) for a day specified herein for which such fair market value is to be calculated, or if there was no sale of Shares so reported for such day, on the most recently preceding day on which there was such a sale.

(s) "Fees": The portion of the annual Retainer and other Director compensation payable in cash.

(t) "Participation Agreement": The agreement submitted by a Director to the Administrator in which a Director may specify an amount of Voluntary Shares, or may elect to defer receipt of all or any portion of his or her Fees, Required Retainer Shares and/or Voluntary Shares for a specified period in the future.

(u) "Plan": The Plan set forth in this instrument as it may from time to time be amended.

(v) "Plan Year": The 12-month period beginning January 1 and ending December 31.

(w) "Prior Plan": The Company's existing Plan for Deferred Payment of Directors' Fees originally adopted in 1981.

(x) "Restricted Shares": Shares automatically awarded pursuant to Section 3.1 as to which neither the substantial risk of forfeiture nor the restrictions on transfer referred to in Section 3.1 hereof have expired.

(y) "Retainer": The portion of a Director's annual compensation that is payable without regard to number of Board or committee meetings attended or committee positions.

(z) "Required Retainer Shares": An amount, payable in Shares, constituting 50% of a Director's Retainer.

(aa) "Rule 16b-3": Rule 16b-3 promulgated under the Securities Exchange Act of 1934 (or any successor rule to the same effect), as in effect from time to time.

(bb) "Settlement Date": The date on which a Director terminates as a Director. Settlement Date shall also include with respect to any Deferral Period the date prior to the date of termination as a Director selected by a Director in a Participation Agreement for distribution of all or a portion of the Fees, Required Retainer Shares and Voluntary Shares deferred during such Deferral Period as provided in Section 7.3.

(cc) "Shares": The Company's fully paid, non-assessable Common Shares, par value \$1.00 per share. Shares may be shares of original issuance or treasury shares or a combination of the foregoing.

(dd) "Voluntary Shares": The meaning set forth in Section 3.2(b).

## ARTICLE II. PURPOSE

The purpose of this Plan is to provide for the award of Restricted Shares to Directors and for the payment to Directors of at least one-half of the Retainer earned by them for services as Directors in Shares in order to further align the interests of Directors with the shareholders of the Company and there by promote the long-term success and growth of the Company. In addition, the Plan is intended to provide Directors with opportunities to invest additional amounts of their compensation payable for services as a Director in Shares and defer receipt of any or all of such compensation, other than Restricted Shares.

## ARTICLE III. RESTRICTED SHARES, REQUIRED RETAINER SHARES AND VOLUNTARY SHARES

### 3.1 Automatic Awards of Restricted Shares.

(a) Restricted Shares shall be automatically awarded to Directors as follows:

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(i) Each individual who is first elected or appointed to the Board as a Director after June 30, 1995 and before July 1, 1996 shall be awarded 1,000 Restricted Shares on July 1, 1996.

(ii) Each individual who is first elected or appointed to the Board as a Director on or after July 1, 1996 shall be awarded 1,000 Restricted Shares on July 1 of the following year.

(b) The Restricted Shares may not be assigned, exchanged, pledged, sold, transferred or otherwise disposed of by a Director, except to the Company, and shall be subject to forfeiture as herein provided until the earliest to occur of the following ("Vesting Event"): (a) the fifth anniversary of the date of award; (b) a Change of Control (as defined below); or (c) death or permanent disability. Any purported transfer in violation of the provisions of this paragraph shall be null and void, and the purported transferee shall obtain no rights with respect to such Restricted Shares. For purposes of this Section 3.1, "Change of Control" shall mean the occurrence of any of the following events:

(i) The Company shall merge into itself, or be merged or consolidated with, another corporation and as a result of such merger or consolidation less than 70% of the outstanding voting securities of the surviving or resulting corporation shall be owned in the aggregate by the former shareholders of the Company as the same shall have existed immediately prior to such merger or consolidation;

(ii) The Company shall sell or otherwise transfer all or substantially all of its assets to any other corporation or other legal person, and immediately after such sale or transfer less than 70% of the combined voting power of the outstanding voting securities of such corporation or person is held in the aggregate by the former shareholders of the Company as the same shall have existed immediately prior to such sale or transfer;

(iii) A person, within the meaning of Section 3(a)(9) or of Section 13(d)(3) (as in effect on the date hereof) of the Securities Exchange Act of 1934, shall become the beneficial owner (as defined in Rule 13d-3 of the Securities and Exchange Commission pursuant to the Securities and Exchange Act of 1934) of 30% or more of the outstanding voting securities of the Company (whether directly or indirectly); or

(iv) During any period of three consecutive years, individuals who at the beginning of any such period constitute the Board of Directors

of the Company cease, for any reason, to constitute at least a majority thereof, unless the election, or the nomination for election by the shareholders of the Company, of each Director first elected during any such period was approved by a vote of at least one-third of the Directors of the Company who are Directors of the Company on the date of the beginning of any such period.

(c) All of the Restricted Shares shall be forfeited by a Director who is terminated before a Vesting Event; provided, however, if service as a Director is terminated by the Company owing to removal as a Director without cause before the fifth anniversary of the date of an award, a portion of the Restricted Shares covered by such award that then remain forfeitable shall become freely transferable and nonforfeitable as follows: that number of Restricted Shares shall become freely transferable and nonforfeitable which bears the same ratio to the total number of Restricted Shares subject to such award that then remain forfeitable and would have become forfeitable at the Vesting Date as the number of full months from the date of award to the date of termination of such service bears to 60, and the balance of the Restricted Shares subject to such award shall be forfeited to the Company.

(d) Unless otherwise directed by the Administrator, all certificates representing Restricted Shares shall be held in custody by the Company until the occurrence of a Vesting Event. As a condition to each award of Restricted Shares, unless otherwise determined by the Administrator, each Director shall have delivered to the Company a stock power, endorsed in blank, relating to the Restricted Shares covered by such award. After the occurrence of a Vesting Event, assuming no event has occurred that would effect a forfeiture of a Director's Restricted Shares, a certificate or certificates evidencing unrestricted ownership of such Shares shall be delivered to the Director.

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### 3.2 Required Retainer Shares and Voluntary Shares.

(a) Retainer. Commencing with the Retainer for the third Accounting Period during 1996, 50% of the Retainer established by the Board from time to time shall be payable in cash and 50% of such Retainer shall be payable as Required Retainer Shares payable on January 1 of the following year (unless deferred in accordance with this Plan).

(b) Voluntary Shares. Prior to the commencement of any calendar quarter, a Director may elect by the filing of a Participation Agreement to have up to 100% of his or her Fees for such quarter paid by the Company in the form of Voluntary Shares and in lieu of the cash payment. Such Participation Agreement must be filed as a one-time election. Such election, unless subsequently terminated, shall apply to a Director's Fees for the remainder of the current Plan Year and each subsequent Plan Year. Once an election has been terminated another election may not be made.

(c) Issuance of Shares. On January 1 of each year beginning with January 1, 1997, the Company shall issue (i) to each Director a number of Required Retainer Shares equal to 50% of such Director's Retainer for each Accounting Period during the prior Plan Year divided by the Fair Market Value per Share on the first day of such Accounting Period and (ii) to each Director who has made an election under Section 3.2(b) a number of Voluntary Shares for each such Accounting Period equal to the portion of such Director's Fees in excess of 50% of such Director's Retainer for such Accounting Period that such Director has elected to receive as Voluntary Shares for such Accounting Period divided by the Fair Market Value per Share on the first day of such Accounting Period (less, in each case, the portion of the Required Retainer Shares and Voluntary Shares the Director elected to defer under Section 4.3). To the extent that the application of the foregoing formula would result in the issuance of fractional Shares, no fractional Shares shall be issued, but instead, the Company shall maintain two separate non-interest-bearing accounts for each Director, which accounts shall be credited with the amount of any Required Retainer Shares or Voluntary Shares, as the case may be, not convertible into whole Shares, which amounts shall be combined with Required Retainer Shares and Voluntary Shares, respectively, which are paid for the next following Plan Year. When whole Shares are issued by the Company to the Director on January 1, the amounts in such accounts shall be reduced by that amount which (when added to the Required Retainer Shares and Voluntary Shares for such Director for such quarter) results in the issuance of the maximum number of Shares to such Director. The Company shall pay any and all fees and commissions incurred in connection with the payment of Required Retainer Shares and Voluntary Shares to a Director in Shares.

## ARTICLE IV. DEFERRAL OF FEES, REQUIRED REQUIRED SHARES AND VOLUNTARY SHARES

4.1 Deferral of Fees. A Director may elect to defer all or a specified percentage of his or her Fees, and may change such percentage by filing a Participation Agreement with the Administrator, which shall be effective as of

the first day of the Plan Year which commences after the date such Participation Agreement is filed with the Administrator.

4.2 Crediting of Deferred Fees. The portion of a Director's Fees that is deferred pursuant to a Deferral Commitment shall be credited promptly following each Plan Year to the Director's Deferred Fee Account as of the date the corresponding non-deferred portion of his or her Fees would have been paid to the Director.

4.3 Deferral of Required Retainer Shares and Voluntary Shares. A Director may elect to defer all or a specified percentage of his or her Required Retainer Shares and his or her Voluntary Shares, and may change such percentage by filing a Participation Agreement with the Administrator, which shall be effective as of the first day of the Plan Year which commences after the date such Participation Agreement is filed with the Administrator.

4.4 Crediting of Deferred Shares. The portion of a Directors Required Retainer Shares and Voluntary Shares that is deferred pursuant to a Deferral Commitment shall be credited promptly following each Plan Year to the Director's Deferred Share Account as of the date the corresponding non-deferred portion of his or her Required Retainer Shares and Voluntary Shares would have been issued to the Director.

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4.5 Withholding Taxes. If the Company is required to withhold any taxes or other amounts from a Director's Deferred Fees or Deferred Shares pursuant to any state, Federal or local law, such amounts shall, to the extent possible, be deducted from the Director's Fees or Required Retainer Shares or Voluntary Shares before such amounts are credited as described in Sections 4.2 and 4.4 above. Any additional withholding amount required shall be paid by the Director to the Company as a condition of crediting his or her Accounts.

#### ARTICLE V. DEFERRED FEE ACCOUNT

5.1 Determination of Deferred Fee Account. On any particular date, a Director's Deferred Fee Account shall consist of the aggregate amount credited thereto pursuant to Section 4.2, plus any interest credited pursuant to Section 5.2, minus the aggregate amount of distributions, if any, made from such Deferred Fee Account.

5.2 Crediting of Interest. Each Deferred Fee Account to which Fees have been credited in dollar amounts shall be increased by the amount of interest earned since the immediately preceding Accounting Date. Interest shall be credited at the Declared Rate as of each Accounting Date based on the average daily balance of the Director's Deferred Fee Account since the immediately preceding Accounting Date, but after the Deferred Fee Account has been adjusted for any contributions or distributions to be credited or deducted for such period. Interest for the period prior to the first Accounting Date applicable to a Deferred Fee Account shall be prorated.

5.3 Adjustments to Deferred Fee Accounts. Each Director's Deferred Fee Account shall be immediately debited with the amount of any distributions under the Plan to or on behalf of the Director or, in the event of his or her death, his or her Beneficiary.

5.4 Statements of Deferred Fee Accounts. As soon as practicable after the end of each Plan Year, a statement shall be furnished to each Director or, in the event of his or her death, to his or her Beneficiary showing the status of his or her Deferred Fee Account as of the end of the Accounting Period, any changes in such Account since the end of the immediately preceding Accounting Period, and such other information as the Administrator shall determine.

5.5 Vesting of Deferred Fee Account. A Director shall be 100% vested in his or her Deferred Fee Account at all times.

#### ARTICLE VI. DEFERRED SHARE ACCOUNT

6.1 Determination of Deferred Share Account. On any particular date, a Director's Deferred Share Account shall consist of the aggregate number of Deferred Shares credited thereto pursuant to Section 4.4, plus any dividend equivalents credited pursuant to Section 6.2, minus the aggregate amount of distributions, if any, made from such Deferred Share Account.

6.2 Crediting of Dividend Equivalents. Each Deferred Share Account shall be credited as of the end of each Accounting Period with additional Deferred Shares equal in value to the amount of cash dividends paid by the Company during such Accounting Period on that number of Shares equivalent to the number of Deferred Shares in such Deferred Share Account during such Accounting Period. The dividend equivalents shall be valued by dividing the dollar value of such dividend equivalents by the Fair Market Value on the Accounting Date next

following the dividend payment date. Until a Director or his or her Beneficiary receives his or her entire Deferred Share Account, the unpaid balance thereof credited in Deferred Shares shall be credited with dividend equivalents as provided in this Section 6.2.

6.3 Adjustments to Deferred Share Accounts. Each Director's Deferred Share Account shall be immediately debited with the amount of any distributions under the Plan to or on behalf of the Director or, in the event of his or her death, his or her Beneficiary.

6.4 Statements of Deferred Share Accounts. As soon as practicable after the end of each Plan Year, a statement shall be furnished to each Director or, in the event of his or her death, to his or her Beneficiary showing the status of his or her Deferred Share Account as of the end of the Accounting Period, any changes

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in such Account since the end of the immediately preceding Accounting Period, and such other information as the Administrator shall determine.

6.5 Vesting of Deferred Share Account. A Director shall be 100% vested in his or her Deferred Share Account at all times.

#### ARTICLE VII. DISTRIBUTION OF BENEFITS

7.1 Settlement Date. A Director, or in the event of such Director's death, his or her Beneficiary shall be entitled to all or a portion of the balance in such Director's Deferred Fee Account and Deferred Share Account, as provided in this Article VII, following such Director's Settlement Date or Dates.

7.2 Amount to be Distributed. The amount to which a Director, or in the event of such Director's death, his or her Beneficiary is entitled in accordance with the following provisions of this Article VII shall be based on the Director's adjusted balances in his or her Deferred Fee Account and Deferred Share Account determined as of the Accounting Date coincident with or next following his or her Settlement Date or Dates.

7.3 In-Service Distribution. A Director may irrevocably elect to receive a pre-termination distribution of all or any specified percentage of his or her Deferred Fees or Deferred Shares for any Plan Year on or commencing not earlier than the beginning of the third Plan Year following the Plan Year such Fees and Shares otherwise would have been payable. A Director's election of a pre-termination distribution shall be made in a Participation Agreement filed for the Plan Year as provided in Section 4.1 or Section 4.3. A Director shall elect irrevocably to receive such Deferred Fees and/or Deferred Shares as a pre-termination distribution under one of the forms provided in Section 7.4 or Section 7.5.

7.4 Form of Distribution - Deferred Fees. As soon as practicable after the end of the Accounting Period in which a Director's Settlement Date occurs, but in no event later than thirty days following the end of such Accounting Period, the Company shall distribute or cause to be distributed, to the Director the balance of the Director's Deferred Fee Account as determined under Section 7.2, under one of the forms provided in this Section 7.4. Notwithstanding the foregoing, if elected by the Director, the distribution of all or a portion of the Director's Deferred Fee Account may be made or may commence at the beginning of the Plan Year next following his or her Settlement Date. In the event of a Director's death, the balance of his or her Deferred Fee Account shall be distributed to his or her Beneficiary in a lump sum.

Distribution of a Director's Deferred Fee Account shall be made in one of the following forms as elected by the Director.

(a) by payment in cash in a single lump sum;

(b) by payment in cash in not greater than ten annual installments; or

(c) a combination of (a) and (b) above. The Director shall designate the percentage payable under each option.

The Director's election of the form of distribution shall be made by written notice filed with the Administrator at least one year prior to the Director's voluntary retirement as a Director. Any such election may be changed by the Director at any time and from time to time without the consent of any other person by filing a later signed written election with the Administrator, provided that any election made less than one year prior to the Director's voluntary termination as a Director shall not be valid, and in such case payment shall be made in accordance with the Director's prior election.

The amount of cash to be distributed in each installment shall be



equal to the quotient obtained by dividing the Director's Deferred Fee Account balance as of the date of such installment payment by the number of installment payments remaining to be made to or in respect of such Director at the time of calculation.

If a Director fails to make an election in a timely manner as provided in this Section 7.4, distribution shall be made in cash in a lump sum.

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7.5 Form of Distribution - Deferred Shares. As soon as practicable after the end of the Accounting Period in which a Director's Settlement Date occurs, but in no event later than thirty days following the end of such Accounting Period, the Company shall distribute or cause to be distributed, to the Director a number of Shares equal to the number of Deferred Shares in the Director's Deferred Share Account as determined under Section 7.2, under one of the forms provided in this Section 7.5. Notwithstanding the foregoing, if elected by the Director, the distribution of all or a portion of the Director's Deferred Share Account may be made or may commence at the beginning of the Plan Year next following his or her Settlement Date. In the event of a Director's death, the number of Shares equal to the number of Deferred Shares in his or her Deferred Share Account shall be distributed to his or her Beneficiary in a single distribution.

Distribution of a Director's Deferred Share Account shall be made in one of the following forms as elected by the Director.

(a) by payment in Shares or cash in a single distribution;

(b) by payment in Shares or cash in not greater than ten annual installments; or

(c) a combination of (a) and (b) above. The Director shall designate the percentage payable under each option.

The Director's election of the form of distribution shall be made by written notice filed with the Administrator at least one year prior to the Director's voluntary retirement as a Director. Any such election may be changed by the Director at any time and from time to time without the consent of any other person by filing a later signed written election with the Administrator, provided that any election made less than one year prior to the Director's voluntary termination as a Director shall not be valid, and in such case payment shall be made in accordance with the Director's prior election.

The number of Shares to be distributed in each installment shall be equal to the quotient obtained by dividing the number of Deferred Shares in the Director's Deferred Share Account as of the date of such installment payment by the number of installment payments remaining to be made to or in respect of such Director at the time of calculation. Fractional Shares shall be rounded down to the nearest whole Share, and such fractional amount shall be re-credited as a fractional Deferred Share in the Director's Deferred Share Account.

If a Director elects payment in a single distribution in cash, the amount of the payout shall be equal to the Fair Market Value of the Deferred Shares in the Director's Deferred Share Account on the Settlement Date. If such Director elects payout in installments in cash, an amount equal to the Fair Market Value of the Deferred Shares in the Director's Deferred Share Account on the Settlement Date shall be transferred to the Director's Deferred Fee Account pending distribution.

If a Director fails to make an election in a timely manner as provided in this Section 7.5, distribution of the Director's Deferred Share Account shall be made in Shares in a single distribution.

7.6 Special Distributions. Notwithstanding any other provision of this Article VII, a Director may elect to receive a distribution of part or all of his or her Deferred Fee Account and/or Deferred Share Account in one or more distributions if (and only if) the amount in the Director's Deferred Fee Account and/or the number of the Shares in the Director's Deferred Share Account subject to such distribution is reduced by 10 percent. Any distribution made pursuant to such an election shall be made within sixty days of the date such election is submitted to the Administrator. The remaining 10 percent of the portion of the electing Director's Deferred Fee Account and/or Deferred Share Account subject to such distribution shall be forfeited.

7.7 Beneficiary Designation. As used in the Plan the term "Beneficiary" means:

(a) The person last designated as Beneficiary by the Director in writing on a form prescribed by the Administrator;

(b) If there is no designated Beneficiary or if the person so designated shall not survive the Director, such Director's spouse; or

(c) If no such designated Beneficiary and no such spouse is living upon the death of a Director, or if all such persons die prior to the distribution of the Director's balance in his or her Deferred Fee Account and Deferred Share Account, then the legal representative of the last survivor of the Director and such persons, or, if the Administrator shall not receive notice of the appointment of any such legal representative within one year after such death, the heirs-at-law of such survivor shall be the Beneficiaries to whom the then remaining balance of such Accounts shall be distributed (in the proportions in which they would inherit his or her intestate personal property).

Any Beneficiary designation may be changed from time to time by the filing of a new form. No notice given under this Section 7.7 shall be effective unless and until the Administrator actually receives such notice.

7.8 Facility of Payment. Whenever and as often as any Director or his or her Beneficiary entitled to payments hereunder shall be under a legal disability or, in the sole judgment of the Administrator, shall otherwise be unable to apply such payments to his or her own best interests and advantage, the Administrator in the exercise of its discretion may direct all or any portion of such payments to be made in any one or more of the following ways: (i) directly to him or her; (ii) to his or her legal guardian or conservator, or (iii) to his or her spouse or to any other person, to be expended for his or her benefit; and the decision of the Administrator, shall in each case be final and binding upon all persons in interest.

#### ARTICLE VIII. ADMINISTRATION, AMENDMENT AND TERMINATION

8.1 Administration. The Plan shall be administered by the Administrator. The Administrator shall have such powers as may be necessary to discharge its duties hereunder. The Administrator may, from time to time, employ, appoint or delegate to an agent or agents (who may be an officer or officers of the Company) 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 the Company. 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 or her own Deferred Fee Account or his or her own Deferred Share Account. All decisions and determinations by the Administrator shall be final and binding on all parties. No member of the Administrator shall be liable for any such action taken or determination made in good faith. All decisions of the Administrator shall be made by the vote of the majority, including actions and writing taken without a meeting. All elections, notices and directions under the Plan by a Director shall be made on such forms as the Administrator shall prescribe.

8.2 Amendment and Termination. The Board may alter or amend this Plan from time to time or may terminate it in its entirety; provided, however, that no such action shall, without the consent of a Director, affect the rights in any Shares issued or to be issued to such Director, in any Deferred Shares in a Director's Deferred Share Account or in any amounts in a Director's Deferred Fee Account; and further provided, that, without further approval by the shareholders of the Company no such action shall (a) increase the total number of Shares available for issuance under this Plan specified in Article X or (b) otherwise cause Rule 16b-3 to become inapplicable to this Plan.

#### ARTICLE IX. FINANCING OF BENEFITS

9.1 Financing of Benefits. The Shares and benefits payable in cash under the Plan to a Director or, in the event of his or her death, to his or her Beneficiary shall be paid by the Company from its general assets. The right to receive payment of the Shares and benefits payable in cash represents an unfunded, unsecured obligation of the Company. No person entitled to payment under the Plan shall have any claim, right, security interest or other interest in any fund, trust, account, insurance contract, or asset of the Company which may be responsible for such payment.

9.2 Security for Benefits. Notwithstanding the provisions of Section 9.1, nothing in this Plan shall preclude the Company from setting aside Shares or funds in trust ("Trust") pursuant to one or more trust agreements between a trustee and the Company. However, no Director or Beneficiary shall have any secured

interest or claim in any assets or property of the Company or the Trust and all Shares or funds contained in the Trust shall remain subject to the claims of the Company's general creditors.

#### ARTICLE X. SHARES SUBJECT TO PLAN

10.1 Shares Subject to Plan. Subject to adjustment as provided in this Plan, the total number of Shares which may be issued under this Plan shall be 50,000.

10.2 Adjustments. In the event of any change in the outstanding Shares by reason of (a) any stock dividend, stock split, combination of shares, recapitalization or any other change in the capital structure of the Company, (b) any merger, consolidation, spin-off, split-off, spin-out, split-up, reorganization, partial or complete liquidation or other distribution of assets, issuance of rights or warrants to purchase securities, or (c) any other corporate transaction or event having an effect similar to any of the foregoing, the number and kind of shares specified in Article III, the number or kind of Shares that may be issued under the Plan as specified in Article X and the number of Deferred Shares in a Director's Deferred Share Account shall automatically be adjusted so that the proportionate interest of the Directors shall be maintained as before the occurrence of such event. Such adjustment shall be conclusive and binding for all purposes with respect to the Plan.

#### ARTICLE XI. PRIOR PLANS

11.1 1992 Incentive Equity Plan. No further options shall be issued to the Directors under Section 8 of the Company's 1992 Incentive Equity Plan on or after July 1, 1996.

11.2 Plan for Deferred Payment of Director's Fees. Upon the approval of this Plan by the shareholders of the Company, the Prior Plan shall be discontinued, except that any amount remaining payable to former Directors in the Prior Plan shall be paid in accordance with its terms. Participants in the Prior Plan who are currently Directors shall be covered by this Plan and the bookkeeping entries representing Shares theretofore credited to the account of any current Director in the Prior Plan prior to such discontinuance shall be transferred to a Deferred Share Account for such Director. Any deferral election by a Director in force under the Prior Plan shall continue in effect in accordance with its terms.

#### ARTICLE XII. GENERAL PROVISIONS

12.1 Interests Not Transferable; Restrictions on Shares and Rights to Shares. No rights to Shares or other benefits payable in cash shall be assigned, pledged, hypothecated or otherwise transferred by a Director or any other person, voluntarily or involuntarily, other than (i) by will or the laws of descent and distribution, or (ii) pursuant to a domestic relations order meeting the definition of a qualified domestic relations order under the Code. No person shall have any right to commute, encumber, pledge or dispose of any other interest herein or right to receive payments hereunder, nor shall such interests or payments be subject to seizure, attachment or garnishment for the payments of any debts, judgments, alimony or separate maintenance obligations or be transferable by operation of law in the event of bankruptcy, insolvency or otherwise, all payments and rights hereunder being expressly declared to be nonassignable and nontransferable.

12.2 Governing Law. The provisions of this Plan shall be governed by and construed in accordance with the laws of the State of Ohio.

12.3 Withholding Taxes. To the extent that the Company is required to withhold Federal, state or local taxes in connection with any component of a Director's compensation in cash or Shares and the amounts available to the Company for such withholding are insufficient, it shall be a condition to the receipt of any Shares that the Director make arrangements satisfactory to the Company for the payment of the balance of such taxes required to be withheld, which arrangement may include relinquishment of the Shares. The Company and a Director may also make similar arrangements with respect to payment of any other taxes derived from or related to the payment of Shares with the respect to which withholding is not required.

12.4 Rule 16b-3. This Plan is intended to comply with Rule 16b-3 as in effect prior to May 1, 1991. The Administrator may, however, elect at any time to have some other version of Rule 16b-3 apply if permitted by

applicable law. If at any time Rule 16b-3 as promulgated on February 8, 1991 or at any later date shall become applicable to the Plan, if necessary for acquisition of Shares under the Plan to continue to be exempt under Rule 16b-3, no election to have Fees paid in Shares shall become effective pursuant to Section 3.2 (b) hereof until 6 months after such election is made. In addition, the Board may make such other changes in the terms or operation of the Plan as may then be necessary or appropriate to comply with such Rule including, without limitation, by eliminating any restriction originally included in the Plan to comply with Rule 16b-3 that may no longer be required. Without limiting

the generality of the foregoing, the Board may change the number of Restricted Shares to be awarded under Section 3.1 from time to time if such change would not cause Directors participating in the Plan to cease to be "disinterested persons" within the meaning of Rule 16b-3, and the Board may provide for annual election of Voluntary Shares pursuant to Section 3.2 if such election would be permitted by Rule 16b-3.

12.5 Miscellaneous. Headings are given to the sections of this Plan solely as a convenience to facilitate reference. Such headings, numbering and paragraphing shall not in any case be deemed in any way material or relevant to the construction of this Plan or any provision thereof. The use of the singular shall also include within its meaning the plural, and vice versa.

FIRST AMENDMENT  
TO  
CLEVELAND-CLIFFS INC NONEMPLOYEE DIRECTORS'  
-----  
COMPENSATION PLAN  
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RECITALS  
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WHEREAS, Cleveland-Cliffs Inc ("Company"), with approval of the Company's shareholders on May 14, 1996, established the Cleveland-Cliffs Inc Nonemployee Directors' Compensation Plan ("Plan"), effective July 1, 1996; and

WHEREAS, the Company desires to amend the Plan to (i) provide that the 10% reduction for Special Distributions under Section 7.6 of the Plan be changed to a 6% reduction and (ii) require that a Director who elects a Special Distribution terminate participation in the deferral portion of the Plan for two full calendar years ("Amendment"); and

WHEREAS, the Board of Directors of the Company has approved the Amendment in accordance with the provisions of Section 8.2 of the Plan and such Amendment does not require approval by the shareholders of the Company.

NOW, THEREFORE, the Plan is hereby amended by the First Amendment, such First Amendment to be effective as of the date set forth herein as follows:

1. The Plan is amended, effective as of November 12, 1996, by deleting in its entirety Section 7.6 and substituting the following therein:

"7.6 Special Distributions. Notwithstanding any other provision of this Article VII, a Director may elect to receive a distribution of part or all of his or her Deferred Fee Account and/or Deferred Share Account in one or more distributions if (and only if) the amount in the Director's Deferred Fee Account and/or the number of the Shares in the Director's

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Deferred Share Account subject to such distribution is reduced by 6 percent. Any distribution made pursuant to such an election shall be made within sixty days of the date such election is submitted to the Administrator. The remaining 6 percent of the portion of the electing Director's Deferred Fee Account and/or Deferred Share Account subject to such distribution shall be forfeited. Notwithstanding any other provision of this Article VII, a Director who is currently serving as a Director and who elects a distribution pursuant to Section 7.6 shall immediately terminate his or her participation in the deferral portion of the Plan for the balance, if any, of the Plan Year during which the Director's election is submitted to the Committee and for the next two Plan Years."

2. Except as amended by this First Amendment, the Plan shall remain in full force and effect.

Executed in Cleveland, Ohio, as of November 12, 1996.

CLEVELAND-CLIFFS INC

By /s/ M.T. Moore  
-----  
Chairman and Chief Executive Officer

And /s/ J.E. Lenhard  
-----  
Secretary

SECOND AMENDMENT  
TO  
CLEVELAND-CLIFFS INC NONEMPLOYEE DIRECTORS'  
-----  
COMPENSATION PLAN  
-----

RECITALS  
-----

WHEREAS, Cleveland-Cliffs Inc ("Company"), with approval of the Company's shareholders on May 14, 1996, established the Cleveland-Cliffs Inc Nonemployee Directors' Compensation Plan ("Plan"), effective July 1, 1996;

WHEREAS, with the approval of the Board of Directors of the Company, the Plan was amended by the First Amendment to the Plan on November 12, 1996;

WHEREAS, the Company desires to amend the Plan further to provide for an election to defer receipt of dividends declared and paid on Restricted Shares ("Second Amendment"); and

WHEREAS, the Board of Directors of the Company has approved the Second Amendment in accordance with the provisions of Section 8.2 of the Plan and such Second Amendment does not require approval by the shareholders of the Company.

NOW, THEREFORE, the Plan is hereby amended as follows:

1. The Plan is amended, effective May 13, 1997, by adding the following paragraph (e) to Section 3.1 of the Plan:

"(e) A Director who was awarded Restricted Shares on or before May 13, 1997, may elect within 30 days after such date that all cash dividends declared after May 13, 1997 with respect to such Restricted Shares during the period of such restrictions shall be deferred and reinvested in additional Common Shares which shall be subject to the same restrictions as the underlying award. All such deferred dividends (based on the number

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of Restricted Shares, including the then determined reinvested additional Common Shares) shall be reinvested and shall be delivered as additional unrestricted Common Shares on the applicable Vesting Date, subject to proration as provided in Section 3.1(c) hereof. A Director who receives an award of Restricted Shares after May 13, 1997, may likewise elect such deferral not later than 30 days after becoming a Director."

2. Except as amended by the First Amendment and this Second Amendment, the Plan shall remain in full force and effect.

Executed in Cleveland, Ohio, as of May 13, 1997.

CLEVELAND-CLIFFS INC  
  
By /s/ M.T. Moore  
-----  
Chairman and Chief Executive Officer  
  
And /s/ J.E. Lenhard  
-----  
Secretary

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<TABLE>  
<CAPTION>

Subsidiaries of Cleveland-Cliffs Inc -----	Jurisdiction of Incorporation or Organization -----
Name of Subsidiary -----	
<S>	<C>
CALipso Sales Company (3)	Delaware
Cleveland-Cliffs Ore Corporation (1), (2)	Ohio
Cliffs and Associates Limited (3)	Trinidad
Cliffs Biwabik Ore Corporation (2)	Minnesota
Cliffs Copper Corp.	Ohio
Cliffs Empire, Inc. (1), (4), (14)	Michigan
Cliffs Erie L.L.C. (10)	Delaware
Cliffs Forest Products Company (1)	Michigan
Cliffs IH Empire, Inc. (1), (14)	Michigan
Cliffs Marquette, Inc. (1), (2)	Michigan
Cliffs MC Empire, Inc. (1), (4)	Michigan
Cliffs Mining Company	Delaware
Cliffs Mining Services Company	Delaware
Cliffs Minnesota Minerals Company	Minnesota
Cliffs Oil Shale Corp. (2)	Colorado
Cliffs of Canada Limited (1)	Ontario, Canada
Cliffs Reduced Iron Corporation	Delaware
Cliffs Reduced Iron Management Company (5)	Delaware
Cliffs Resources, Inc.	Delaware
Cliffs Synfuel Corp. (2)	Utah
Cliffs TIOP, Inc. (1), (6)	Michigan
Empire-Cliffs Partnership (4)	Michigan
Empire Iron Mining Partnership (7)	Michigan
Escanaba Properties Company (1)	Michigan
Hibbing Taconite Company, a joint venture (8)	Minnesota
IronUnits LLC	Delaware
Kentucky Coal Company	Delaware
Lake Superior & Ishpeming Railroad Company (9)	Michigan
Lasco Development Corporation (9)	Michigan
Marquette Iron Mining Partnership (2)	Michigan
Minerais Midway Ltee-Midway Ore Company Ltd. (10)	Quebec, Canada
Northshore Mining Company (11)	Delaware
Northshore Sales Company (12)	Ohio
Pickands Hibbing Corporation (8)	Minnesota
Pickands Radio Co. Ltd. (10)	Quebec, Canada
Seignelay Resources, Inc. (10)	Delaware
Silver Bay Power Company (12)	Delaware
Syracuse Mining Company (10)	Minnesota
The Cleveland-Cliffs Iron Company	Ohio
The Cleveland-Cliffs Steamship Company (1)	Delaware
Tilden Mining Company L.C. (6)	Michigan
Wabush Iron Co. Limited (13)	Ohio
Wheeling-Pittsburgh/Cliffs Partnership (14)	Michigan

</TABLE>

See footnote explanation on page 63.

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- (1) The named subsidiary is a wholly-owned subsidiary of The Cleveland-Cliffs Iron Company, which in turn is a wholly-owned subsidiary of Cleveland-Cliffs Inc.
- (2) Marquette Iron Mining Partnership ("Marquette Partnership") is a Michigan partnership. Cleveland-Cliffs Ore Corporation and Cliffs Marquette, Inc., wholly-owned subsidiaries of The Cleveland-Cliffs Iron Company, have a combined 100% interest in the Marquette Partnership. Cleveland-Cliffs Ore Corporation also owns 100% of Cliffs Biwabik Ore Corporation. The Marquette Partnership owns 100% of Cliffs Oil Shale Corp. and Cliffs Synfuel Corp.
- (3) Cliffs and Associates Limited is a Trinidad corporation. Cliffs Reduced Iron Corporation has an 82.39% interest in Cliffs and Associates Limited. CALipso Sales Company is a wholly-owned subsidiary of Cliffs and Associates Limited.
- (4) Empire-Cliffs Partnership is a Michigan partnership. Cliffs MC Empire, Inc. and Cliffs Empire, Inc., wholly-owned subsidiaries of The Cleveland-Cliffs Iron Company, have a combined 100% interest in Empire-Cliffs Partnership.

- (5) The named subsidiary is a wholly-owned subsidiary of Cliffs Reduced Iron Corporation, which in turn is a wholly-owned subsidiary of Cleveland-Cliffs Inc.
- (6) Tilden Mining Company L.C. is a Michigan limited liability company. Cliffs TIOP, Inc., a wholly-owned subsidiary of The Cleveland-Cliffs Iron Company, has a 40% interest in Tilden Mining Company L.C.
- (7) Empire Iron Mining Partnership is a Michigan partnership. The Cleveland-Cliffs Iron Company has a 35% indirect interest in the Empire Iron Mining Partnership.
- (8) Cliffs Mining Company has a 10% and Pickands Hibbing Corporation, a wholly-owned subsidiary of Cliffs Mining Company, has a 5% interest in Hibbing Taconite Company, a joint venture.
- (9) Lake Superior & Ishpeming Railroad Company is a wholly-owned subsidiary of Cliffs Resources Inc., which in turn is a wholly-owned subsidiary of Cleveland-Cliffs Inc. Lasco Development Corporation is a wholly-owned subsidiary of Lake Superior & Ishpeming Railroad Company.
- (10) The named subsidiary is a wholly-owned subsidiary of Cliffs Mining Company, which in turn is a wholly-owned subsidiary of Cleveland-Cliffs Inc.
- (11) The named subsidiary is a wholly-owned subsidiary of Cliffs Minnesota Minerals Company, which in turn is a wholly-owned subsidiary of Cleveland-Cliffs Inc.
- (12) The named subsidiary is a wholly-owned subsidiary of Northshore Mining Company, which in turn is a wholly-owned subsidiary of Cliffs Minnesota Minerals Company.
- (13) Wabush Iron Co. Limited is an Ohio corporation. Cliffs Mining Company owns a 60.16% interest in Wabush Iron Co. Limited, which owns a 37.87% interest in Wabush Mines.
- (14) Wheeling-Pittsburgh/Cliffs Partnership ("W-P/Cliffs Partnership") is a Michigan partnership. Cliffs Empire, Inc. and Cliffs IH Empire, Inc., wholly-owned subsidiaries of The Cleveland-Cliffs Iron Company, have a combined 100% interest in W-P/Cliffs Partnership.



CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in Post-Effective Amendment Number 1 to the Registration Statement (Form S-8 No. 33-4555) pertaining to the Restricted Stock Plan of Cleveland-Cliffs Inc; in the Registration Statement (Form S-8 No. 33-208033) pertaining to the 1987 Incentive Equity Plan of Cleveland-Cliffs Inc and the related prospectus; in the Registration Statement (Form S-8 No. 333-30391) pertaining to the 1992 Incentive Equity Plan (as amended and restated as of May 13, 1997) and the related prospectus; in the Post-Effective Amendment Number 1 to the Registration Statement (Form S-8 No. 33-56661) pertaining to the Northshore Mining Company and Silver Bay Power Company Retirement Savings Plan and the related prospectus; in the Registration Statement (Form S-8 No. 333-06049) pertaining to the Cleveland-Cliffs Inc Nonemployee Directors' Compensation Plan; in the Registration Statement (Form S-8 No. 333-84479) pertaining to the 1992 Incentive Equity Plan (as amended as of May 11, 1999); and in the Registration Statement (Form S-8 No. 333-64008) pertaining to the Cleveland-Cliffs Inc Nonemployee Directors' Compensation Plan (as amended as of May 8, 2001) and related prospectus of our report dated January 23, 2002, with respect to the consolidated financial statements and schedule of Cleveland-Cliffs Inc and consolidated subsidiaries included in the Annual Report (Form 10-K) for the year ended December 31, 2001.

/s/ Ernst & Young LLP

Cleveland, Ohio  
February 5, 2002

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the undersigned Directors and officers of Cleveland-Cliffs Inc, an Ohio corporation ("Company"), hereby constitute and appoint John S. Brinzo, Cynthia B. Bezik, and John E. Lenhard and each of them, their true and lawful attorney or attorneys-in-fact, with full power of substitution and revocation, for them and in their name, place and stead, to sign on their behalf as a Director or officer of the Company, or both, as the case may be, an Annual Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 on Form 10-K for the fiscal year ended December 31, 2001, and to sign any and all amendments to such Annual Report, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorney or attorneys-in-fact, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as they might or could do in person, hereby ratifying and confirming all that said attorney or attorneys-in-fact or any of them or their substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Executed as of the 5th day of February, 2002.

<TABLE>  
<CAPTION>  
<S>

<C>

/s/ J. S. Brinzo  
-----  
J. S. Brinzo  
Chairman and Chief  
Executive Officer and Director  
(Principal Executive Officer)

/s/ F. R. McAllister  
-----  
F. R. McAllister, Director

/s/ J. C. Morley  
-----  
J. C. Morley, Director

/s/ R. C. Cambre  
-----  
R. C. Cambre, Director

/s/ S. B. Oresman  
-----  
S. B. Oresman, Director

/s/ R. Cucuz  
-----  
R. Cucuz, Director

/s/ A. Schwartz  
-----  
A. Schwartz, Director

/s/ D. H. Gunning  
-----  
D. H. Gunning  
Vice Chairman and Director

/s/ C. B. Bezik  
-----  
C. B. Bezik  
Senior Vice President-Finance  
(Principal Financial Officer)

/s/ J. D. Ireland  
-----  
J. D. Ireland III, Director

/s/ R. J. Leroux  
-----  
R. J. Leroux

/s/ L. L. Kanuk  
-----  
L. L. Kanuk, Director

Vice President and Controller  
(Principal Accounting Officer)

</TABLE>

Cleveland-Cliffs Inc and Consolidated Subsidiaries  
 Schedule II - Valuation and Qualifying Accounts  
 (Dollars in Millions)

<TABLE>  
 <CAPTION>

Balance at End of Year	Classification -----	Balance at Beginning of Year -----	Additions -----		Deductions -----
			Charged to Cost And Expenses	Charged to Other Accounts	
<S>		<C>	<C>	<C>	<C>
<C>					
Year Ended December 31, 2001:					
Allowance for Doubtful Accounts		\$ 1.0	\$ .9	\$ --	\$ .7
\$ 1.2					
Other		4.0	--	--	--
4.0					
Year Ended December 31, 2000:					
Allowance for Doubtful Accounts		2.2	--	--	1.2
1.0					
Other		3.9	.1	--	--
4.0					
Year Ended December 31, 1999:					
Allowance for Doubtful Accounts		2.2	--	--	--
2.2					
Other		4.1	--	--	.2
3.9					

</TABLE>