

CLIFFS NATURAL RESOURCES INC.

FORM 10-Q (Quarterly Report)

Filed 05/02/95 for the Period Ending 03/31/95

Address	200 PUBLIC SQUARE STE. 3300 CLEVELAND, OH 44114-2315
Telephone	216-694-5700
CIK	0000764065
Symbol	CLF
SIC Code	1000 - Metal Mining
Industry	Metal Mining
Sector	Basic Materials
Fiscal Year	12/31

CLEVELAND CLIFFS INC

FORM 10-Q (Quarterly Report)

Filed 5/2/1995 For Period Ending 3/31/1995

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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C.20549

FORM 10-Q

X QUARTERLY REPORT PURSUANT TO

-- SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 For the quarterly period ended March 31, 1995 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

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

YES X NO

As of April 28, 1995, there were 11,965,842 Common Shares (par value \$1.00 per share) outstanding.

PART I - FINANCIAL INFORMATION

CLEVELAND-CLIFFS INC

STATEMENT OF CONSOLIDATED INCOME

	(In Millions, Except Per Share Amounts) Three Months Ended March 31,	
	1995	1994
	-----	-----
REVENUES:		
Product sales and services	\$51.3	\$40.1
Royalties and management fees	8.9	8.0
	-----	-----
Total operating revenues	60.2	48.1
Investment income (securities)	2.6	1.2
Other income	0.8	0.2
	-----	-----
TOTAL REVENUES	63.6	49.5
	-----	-----
COSTS AND EXPENSES:		
Cost of goods sold and operating expenses	49.8	39.5
Administrative, selling and general expenses	3.1	4.2
Interest expense	1.7	1.6
Other expenses	1.9	1.2
	-----	-----
TOTAL COSTS AND EXPENSES	56.5	46.5
	-----	-----
INCOME BEFORE INCOME TAXES	7.1	3.0
Income taxes		
Currently payable	1.9	0.8
Deferred	0.2	-
	-----	-----
TOTAL INCOME TAXES	2.1	0.8
	-----	-----
NET INCOME	\$5.0	\$2.2
	=====	=====
INCOME PER COMMON SHARE	\$0.41	\$0.18
	=====	=====

See notes to financial statements

CLEVELAND-CLIFFS INC

STATEMENT OF CONSOLIDATED FINANCIAL POSITION

		(In Millions)	
ASSETS		March 31, 1995	December 31, 1994
-----		-----	-----
CURRENT ASSETS			
Cash and cash equivalents		\$137.8	\$140.6
Marketable securities		0.7	0.8
		-----	-----
Accounts receivable - net		138.5	141.4
Inventories:		23.9	65.9
Finished products		52.5	24.5
Work in process		0.8	0.6
Supplies		13.5	14.6
		-----	-----
Deferred income taxes		66.8	39.7
Other		14.7	14.7
		6.0	7.4
		-----	-----
	TOTAL CURRENT ASSETS	249.9	269.1
PROPERTIES			
Less allowances for depreciation and depletion		251.5	248.7
		(139.6)	(138.3)
		-----	-----
	TOTAL PROPERTIES	111.9	110.4
INVESTMENTS IN ASSOCIATED COMPANIES			
		150.7	151.7
OTHER ASSETS			
Long-term investments		25.7	27.1
Deferred income taxes		8.7	8.7
Other		51.7	49.5
		-----	-----
	TOTAL OTHER ASSETS	86.1	85.3
		-----	-----
	TOTAL ASSETS	\$598.6	\$616.5
		=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY			

CURRENT LIABILITIES			
Current portion of long-term obligations		\$5.0	\$5.0
Other		80.2	94.6
		-----	-----
	TOTAL CURRENT LIABILITIES	85.2	99.6
LONG-TERM OBLIGATIONS			
		70.0	70.0
POST EMPLOYMENT BENEFITS			
		74.5	74.4
RESERVE FOR CAPACITY RATIONALIZATION			
		24.0	25.7
OTHER LIABILITIES			
		35.9	35.4
SHAREHOLDERS' EQUITY			
Preferred Stock			
Class A - No Par Value			
Authorized - 500,000 shares; Issued - None		-	-
Class B - No Par Value			
Authorized - 4,000,000 shares; Issued - None		-	-
Common Shares - Par Value \$1 a share			
Authorized - 28,000,000 shares		16.8	16.8
Issued - 16,827,941 shares			
Capital in excess of par value of shares		64.9	63.1
Retained income		344.9	343.8
Foreign currency translation adjustments		0.4	0.9
Net unrealized (loss) on marketable securities		0.9	1.5
Cost of 4,796,549 Common Shares in treasury			
(1994 - 4,728,081)		(116.1)	(113.4)
Unearned Compensation		(2.8)	(1.3)
		-----	-----
	TOTAL SHAREHOLDERS' EQUITY	309.0	311.4
		-----	-----
	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$598.6	\$616.5
		=====	=====

See notes to financial statements

CLEVELAND-CLIFFS INC

CONSOLIDATED STATEMENT OF CASH FLOWS

	Increase (Decrease) in Cash and Cash Equivalents for Three Months Ended March 31, (In Millions)	
	1995	1994
OPERATING ACTIVITIES		
Net income	\$5.0	\$2.2
Depreciation and amortization:		
Consolidated	1.4	0.5
Share of associated companies	2.7	2.7
Provision for deferred income taxes	0.3	
Charges to capacity rationalization reserve	(1.1)	0.7
Other	(2.4)	1.4
	-----	-----
Total Before Changes in Operating Assets and Liabilities	5.9	7.5
Changes in operating assets and liabilities		
Marketable securities decrease	0.1	0.6
Other	(1.3)	(6.8)
	-----	-----
NET CASH FROM OPERATING ACTIVITIES	4.7	1.3
INVESTMENT ACTIVITIES		
Sale (Purchase) of long-term investments-net	0.8	(1.0)
Capital expenditures:		
Consolidated	(2.9)	(0.3)
Share of associated companies	(0.8)	(0.6)
	-----	-----
NET CASH (USED BY) INVESTMENT ACTIVITIES	(2.9)	(1.9)
FINANCING ACTIVITIES		
Dividends	(3.9)	(3.6)
Other	(0.2)	0.3
	-----	-----
NET CASH (USED BY) FINANCING ACTIVITIES	(4.1)	(3.3)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	(0.5)	(0.4)
	-----	-----
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2.8)	(4.3)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	140.6	67.9
	-----	-----
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$137.8	\$63.6
	=====	=====
Income taxes paid	\$2.5	\$3.8
Interest paid on debt obligations	\$1.6	\$1.6

See notes to financial statements

CLEVELAND-CLIFFS INC

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 1995

NOTE A - BASIS OF PRESENTATION

The accompanying unaudited financial statements have been prepared in accordance with the instructions to Form 10-Q and should be read in conjunction with the financial statement footnotes and other information in the Company's 1994 Annual Report on Form 10-K. In management's opinion, the quarterly unaudited financial statements present fairly the Company's financial position and results. References to the "Company" mean Cleveland-Cliffs Inc and consolidated subsidiaries, unless otherwise indicated. Quarterly results are not necessarily representative of annual results due to seasonal and other factors.

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

NOTE B - SHAREHOLDERS' EQUITY

The 1987 Incentive Equity Plan authorizes the Company to make grants and awards of stock options, stock appreciation rights and restricted or deferred stock awards to officers and key employees, for up to 839,045 Common Shares. The 1992 Incentive Equity Plan authorizes the Company to issue up to 595,000 Common Shares upon the exercise of Option 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 with respect to awards made under the Plan. Such shares may be shares of original issuance or treasury shares or a combination of both. Transactions since December 31, 1994 are summarized as follows:

Stock Options:	1987 Plan -----	1992 Plan -----
Options outstanding as of 12/31/94	68,682	13,500
Granted	-0-	-0-
Exercised	(4,532)	(500)
Cancelled	-0-	-0-
	-----	-----
Options outstanding as of 3/31/95	64,150	13,000
Options exercisable as of 3/31/95	64,150	13,000
 Restricted Awards:		
Awarded and restricted as of 12/31/94	3,996	9,268
Awarded	-0-	-0-
Vested	(180)	(208)
Cancelled	-0-	-0-
	-----	-----
Awarded and Restricted as of 3/31/95	3,816	9,060
 Performance Shares:		
Allocated as of 12/31/94	-0-	41,317
Allocated	-0-	47,450
Forfeited	-0-	-0-
	-----	-----
Performance Shares as of 3/31/95	-0-	88,767
 Reserved for future grants or awards as of 3/31/95	 4,501	 469,956

NOTE C - INVESTMENTS IN ASSOCIATED COMPANIES

In February, 1994, the Company reached general agreement with Algoma Steel Inc. ("Algoma") and Stelco Inc. to restructure and simplify the Tilden Mine operating agreement effective January 1, 1994. The principal terms of the new agreement are (1) the participants' tonnage entitlements and cost-sharing are based on a 6.0 million ton target normal production level instead of the previous 4.0 million ton base production level, (2) the Company's interest in the Tilden Magnetite Partnership has increased from 33.33% to 40.0% with an associated increase in the Company's obligation for its share of mine costs,

(3) the Company is receiving a higher royalty, (4) the Company has the right to supply any additional iron ore pellet requirements of Algoma from Tilden or the Company, and (5) any partner may take additional production with payment of certain fees to the Partnership. The parties implemented the general agreement effective January 1, 1994 and are resolving the detailed provisions of the definitive agreement. The agreement has not had a material financial effect on the Company's consolidated financial statements.

NOTE D - ENVIRONMENTAL MATTERS

The Company's policy is to conduct business in a manner that promotes environmental quality. The Company's obligations for any environmental problems at wholly-owned active mining operations and idle and closed mining and other sites have been recognized based on specific estimates for known conditions and required investigations. Environmental costs of associated companies for active operations are included in current operating and capital costs. Any potential insurance recoveries have not been reflected in the determination of the financial reserve.

At March 31, 1995, the Company has an environmental reserve of \$8.1 million, of which \$1.5 million is current. The reserve includes the Company's obligations related to:

o Federal and State Superfund and Clean Water Act sites where the Company is named as a potential responsible party, including Cliffs-Dow and Kipling sites in Michigan, the Arrowhead Refinery site in Minnesota, the Summitville mine site in Colorado, and the Rio Tinto mine site in Nevada, all of which sites are independent of the Company's iron mining operations. The reserves are based on the Company's share of engineering study estimates prepared by outside consultants engaged by the potential 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 Cliffs-Dow since late-1993. An agreement in principle has been reached among the federal and state governments and approximately 224 individuals and companies wherein clean-up at the Arrowhead site will begin in 1995 with significant funding provided by the federal and state governments. The agreement has been lodged with the U.S. District Court. The Company's share of Arrowhead costs is expected to total approximately \$145,000 which includes \$31,000 of funded remediation costs and \$114,000 of incurred legal and other costs.

o Wholly-owned active and idle operations, including the recently acquired Northshore mine and Silver Bay power plant in Minnesota and the idled Republic mine and processing facilities in Michigan. The Northshore/Silver Bay reserve is based on an environmental investigation conducted by the Company and an outside consultant in connection with the purchase and reflects expected future Company expenditures, primarily for asbestos abatement and power plant fly ash disposal. The Republic Mine reserve primarily reflects the cost of underground fuel oil storage tank removal and related soil remediation.

o Other sites, including former operations, for which reserves are based on the Company's estimated cost of investigation and remediation of sites where expenditures may be incurred.

Environmental expenditures under current laws and regulations are not expected to materially impact the Company's consolidated financial statements.

NOTE E - ACCOUNTING CHANGES

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

NOTE F - INVESTMENTS

On October 4, 1994, the Financial Accounting Standards Board issued Statement 119 entitled, "Disclosure about Derivative Financial Instruments and Fair Value of Financial Instruments", which requires expanded footnote disclosure about certain financial instruments. Presently, the Company's exposure to risk associated with derivative instruments is limited to forward foreign exchange contracts. These forward exchange contracts are hedging transactions that have been entered into with the objective of managing the risk associated with currency fluctuations with respect to the on-going obligations of the Company's Australian and Canadian operations denominated in those currencies. Gains and losses are recognized in the same period as the hedged transactions. At March 31, 1995, the Company had \$27.2 million of forward exchange contracts with a fair value, based on the March 31, 1995 forward rate, of \$26.6 million.

On March 20, 1995, the Company received a second and final distribution of 22,689 shares of LTV Common Stock from the Company's bankruptcy claim against LTV Steel Company. This brings the total number of shares retained by the Company as an available-for-sale investment to approximately 842,000 shares with a market value at March 31, 1995 of \$12.8 million.

MANAGEMENT'S DISCUSSION AND ANALYSIS
RESULTS OF OPERATIONS

COMPARISON OF FIRST QUARTER - 1995 AND 1994

Net income for the first quarter of 1995 was \$5.0 million, or \$.41 per share. Comparable earnings in the first quarter of 1994 were \$2.2 million, or \$.18 per share. First quarter results are traditionally not representative of annual results due to seasonal effects.

The increase of \$2.8 million in first quarter results was mainly due to higher North American sales volume, lower operating and administrative costs, increased investment income, and higher royalties and management fees, partially offset by lower Australian earnings and increased mine development expenses. An extension of the 1994 Great Lakes shipping season into January, 1995, and the acquisition of Northshore Mining Company on September 30, 1994, contributed to the improvement in first quarter earnings.

* * *

The Company's North American pellet sales in the first quarter of 1995 were 1.2 million tons versus .7 million tons in 1994. Pellet inventory at March 31, 1995 was 1.7 million tons versus 1.2 million tons one year ago. The Company's pellet sales, including resale of purchased ore, for the year 1995 are estimated to be 10.0 million tons versus 8.2 million tons in 1994. Sales volume in excess of production volume in 1994 was satisfied from inventory and purchased ore.

The Company's managed mines in North America produced 9.0 million tons of iron ore pellets in the first quarter of 1995 versus 7.7 million tons in 1994. Production nominations for the full year 1995, which have not changed from the beginning of the year, total 39.6 million tons, a 13 percent increase from the 35.2 million tons produced in 1994. The Company's share of scheduled production is 10.0 million tons in 1995 compared with 6.8 million tons in 1994.

Capital and leasing outlays for mining and processing equipment are being significantly increased in 1995 to satisfy orebody development requirements and reduce operating costs. The Company's share of capital equipment additions is expected to approximate \$24 million, including a \$6 million Northshore expansion.

LIQUIDITY

At March 31, 1995, the Company had cash and marketable securities of \$138.5 million, including \$12.1 million dedicated to fund Australian mine obligations.

Annual payments on the Company's \$75.0 million, medium-term, unsecured senior notes will commence on May 1, 1995. Payments of principal in 1995 and 1996 are \$5.0 million and \$12.1 million, respectively.

Effective March 1, 1995, the Company terminated its \$75 million three-year revolving credit agreement, due to expire on April 30, 1995, and entered into a five-year, \$100 million agreement. No borrowings are outstanding under the agreement.

Since December 31, 1994, cash and marketable securities have decreased \$2.9 million due to dividends, \$3.9 million, and capital expenditures, \$3.7 million, partially offset by cash flow from operating activities, \$4.7 million. These changes since year-end 1994 reflect the normal seasonal pattern.

As announced in January, 1995, the Company commenced the periodic repurchase of up to 600,000 shares of its common stock. As of March 31, 1995, 73,500 shares have been repurchased.

Pursuant to the Coal Industry Retiree Health Benefit Act of 1992 ("Benefit Act"), the Trustees of the UMWA Combined Benefit Fund have assigned responsibility to the Company for premium payments with respect to retirees, dependents and "orphans" (unassigned beneficiaries), representing less than one-half of one percent of all "assigned beneficiaries". The Company is making premium payments under protest and is contesting the assignments that it believes were incorrect. At March 31, 1995, the Company continues to pay premiums on 338 assigned retirees and dependents and 116 "orphans". Additionally, in December, 1993, a complaint was filed in U. S. District Court by the Trustees of the United Mine Workers of America 1992 Benefit Plan against the Company demanding the payment of premiums on an additional 79 beneficiaries related to two formerly operated joint venture coal mines. The Company is actively contesting the complaint. Monthly premium payments are being paid into an escrow account (80% by a former joint venture participant and 20% by the Company) by joint agreement with the Trustees, pending outcome of the litigation. At March 31, 1995, the coal retiree reserve maintained by the Company is \$11.0 million, of which \$.9 million is current. In the first quarter of 1995, the Company increased its coal retiree reserve by \$.2 million (reflecting accretion of discount), and made payments of \$.2 million. The reserve is reflected at present value, utilizing an assumed discount rate of 8.5%. Constitutional and other legal challenges to various provisions of the Benefit Act by other former coal producers are pending in the Federal Courts.

CAPITALIZATION

Long-term obligations effectively serviced by the Company at March 31, 1995, including the current portion, totalled \$85.1 million. The Company guarantees Empire mine debt obligations of LTV and Wheeling-Pittsburgh Steel Corporation ("Wheeling") which totalled \$13.7 million at March 31, 1995. The following table sets forth information concerning long-term obligations guaranteed and effectively serviced by the Company.

	(Millions)			
	March 31, 1995		December 31, 1994	
	Obligations Effectively Serviced	Total Long-Term Obligations and Guarantees	Obligations Effectively Serviced	Total Long-Term Obligations and Guarantees
CONSOLIDATED	\$ 75.0	\$ 75.0	\$ 75.0	\$ 75.0
SHARE OF UNCONSOLIDATED AFFILIATES	10.1	23.8*	9.2	22.9*
TOTAL	\$ 85.1	\$ 98.8	\$ 84.2	\$ 97.9
RATIO TO SHAREHOLDERS' EQUITY	.3:1	.3:1	.3:1	.3:1

* Includes \$13.7 million of Empire Mine debt obligations which are serviced by LTV and Wheeling.

At March 31, 1995, the Company was in compliance with all financial covenants and restrictions related to its \$75.0 million, medium-term, unsecured senior note agreement.

The fair value of the Company's long term debt (which had a carrying value of \$75.0 million) at March 31, 1995, was estimated at \$77.0 million based on a discounted cash flow analysis and estimates of current borrowing rates.

In addition, on March 1, 1995, the Company terminated its existing \$75 million three-year revolving credit agreement, originally due to expire on April 30, 1995, and entered into a five-year, \$100 million agreement.

Following is a summary of common shares outstanding:

	1995	1994	1993
	-----	-----	-----
March 31	12,031,392	12,079,885	11,992,804
June 30		12,080,560	12,008,065
September 30		12,091,310	12,038,092
December 31		12,099,860	12,064,117

OUTLOOK FOR 1995

There has been little change from the 1995 outlook described in the Company's recent Annual Report. While there have been some signs of a slowdown in the automotive industry and there are surplus inventories in some steel products, North American steel producers continue to operate at high levels and the forecasts of industry shipments remain level with the 110 million tons shipped in 1994. Declining U.S. and Canadian currency exchange rates and strengthening offshore economies are increasing the price of offshore imports while improving export opportunities.

The North American iron ore industry continues to schedule the production of 85 million tons of pellets in 1995, equal to full capacity. Company-managed mines are expected to produce 39.6 million tons, or 47 percent of the industry total. The Company's related sales projection remains at 10.0 million tons versus the 8.2 million tons sold in 1994. Therefore, higher operating earnings in 1995 are expected.

OTHER DEVELOPMENTS

The \$6 million expansion of Northshore Mining Company, which will raise the mine's annual production capacity by 25 percent, is progressing on schedule and budget.

Development of a commercial reduced iron project is a significant pursuit of the Company. Various activities continue toward this objective as described in the Annual Report.

PART II - OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

- (a) List of Exhibits - Refer to Exhibit Index on page 12.
- (b) There were no reports on Form 8-K filed during the three months ended March 31, 1995.

SIGNATURE

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

CLEVELAND-CLIFFS INC

Date May 2, 1995

By /s/ J. S. Brinzo

J. S. Brinzo
Senior Executive-Finance and
Principal Financial Officer

EXHIBIT INDEX

Exhibit Number	Exhibit	
10(a)	Cleveland-Cliffs Inc Voluntary Non-Qualified Deferred Compensation Plan, Amended and Restated as of January 1, 1995	Filed Herewith
10(b)	Cleveland-Cliffs Inc Supplemental Retirement Benefit Plan, Amended and Restated Effective January 1, 1995	Filed Herewith
11	Statement re computation of earnings per share	Filed Herewith
27	Consolidated Financial Data Schedule submitted for Securities and Exchange Commission information	--

EXHIBIT 10(a)

CLEVELAND-CLIFFS INC

**VOLUNTARY NON-QUALIFIED
DEFERRED COMPENSATION PLAN**

(AMENDED AND RESTATED AS OF JANUARY 1, 1995)

ARTICLE I

PURPOSE

1.1 STATEMENT OF PURPOSE; EFFECTIVE DATE. This is the Cleveland-Cliffs Inc Voluntary Non-Qualified Deferred Compensation Plan (the "Plan") made in the form of this Plan and in related agreements between an Employer and certain management and highly compensated employees. The purpose of the Plan is to provide management and highly compensated employees of the Employers with the option to defer the receipt of a portion of their regular compensation or bonuses payable for services rendered to the Employer. It is intended that the Plan will assist in attracting and retaining qualified individuals to serve as officers and key managers of the Employers. The Plan, originally effective as of June 1, 1989, as amended, is amended and restated as of January 1, 1995.

ARTICLE II

DEFINITIONS

When used in this Plan and initially capitalized, the following words and phrases shall have the meanings indicated:

2.1 ACCOUNT. "Account" means the sum of a Participant's Deferral Account and Matching Account under the Plan.

2.2 BASE SALARY. "Base Salary" means a Participant's base earnings paid by an Employer to a Participant without regard to any increases or decreases in base earnings as a result of an election to defer base earnings under this Plan, or an election between benefits or cash provided under a plan of an Employer maintained pursuant to Section 125 or 401(k) of the Code.

2.3 BENEFICIARY. "Beneficiary" means the person or persons designated or deemed to be designated by the Participant pursuant to Article VII to receive benefits payable under the Plan in the event of the Participant's death.

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

2.5 BONUS. "Bonus" means a Participant's annual bonus paid by an Employer to a Participant under the Cleveland-Cliffs Inc Management Performance Incentive Plan without regard to any decreases as a result of an election to defer all or any portion of a bonus under this Plan, or an election between benefits or cash provided under a plan of an Employer maintained pursuant to Section 401(k) of the Code.

2.6 CHANGE IN CONTROL. "Change in Control" means the date on which any of the following is effective:

- (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 transfer to one or more persons, corporations or entities, in a single transaction or a series of related transactions, more than one-half of the assets accounted for on the Statement of Consolidated Financial Position of the Company as "properties" or "investments in associated companies" (or such replacements for these accounts as may be adopted from time to time) unless by an affirmative vote of two-thirds of the members of the Board of Directors, the transaction or transactions are exempted from the operation of this provision based on a good faith finding that the transaction or transactions are not within the intended scope of this definition for purposes of this instrument;
- (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 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.

2.7 CODE. "Code" means the Internal Revenue Code of 1986, as amended.

2.8 COMMITTEE. "Committee" has the meaning set forth in Section 8.1.

2.9 COMPANY. "Company" means Cleveland-Cliffs Inc and any successor thereto.

2.10 COMPENSATION. "Compensation" means the Base Salary and Bonus payable with respect to an Eligible Employee for each calendar year.

2.11 DECLARED RATE. "Declared Rate" for any period means the Moody's Corporate Average Bond Yield, as adjusted on the first business day of each January, April, July and October.

2.12 DEFERRAL ACCOUNT. "Deferral Account" means the account maintained on the books of the Employer for the purpose of accounting for (i) the amount of Compensation that each Participant elects to defer under the Plan, (ii) an Employment Agreement Contribution (if any) made on behalf of a Participant, and (iii) the amount of interest credited thereto for each Participant pursuant to Article V.

2.13 DEFERRAL BENEFIT. "Deferral Benefit" means the benefit payable to a Participant or his or her Beneficiary pursuant to Article VI.

2.14 DETERMINATION DATE. "Determination Date" means a date on which the amount of a Participant's Account is determined as provided in Article V. The 15th day and the last day of each month shall be a Determination Date.

2.15 ELIGIBLE EMPLOYEE. "Eligible Employee" means a senior corporate officer of the Company or a full-time salaried employee of an Employer who has a Management Performance Incentive Plan Salary Grade EX-28 or above.

2.16 EMERGENCY BENEFIT. "Emergency Benefit" has the meaning set forth in Section 6.2.

2.17 EMPLOYER. "Employer" means, with respect the Participant, the Company or the Selected Affiliate which pays such Participant's Compensation.

- 2.17A EMPLOYMENT AGREEMENT. "Employment Agreement" means a written agreement between an Employer and an Eligible Employee that provides for the deferral of compensation, and that may also provide for vesting, the crediting of earnings and other terms and conditions with respect to such deferred compensation.
- 2.17B EMPLOYMENT AGREEMENT CONTRIBUTION. "Employment Agreement Contribution" means any amount contributed to the Plan by an Employer pursuant to an Employment Agreement.
- 2.18 MATCHING ACCOUNT. "Matching Account" means the account maintained on the books of an Employer for the purpose of accounting for the Matching Amount and for the amount of interest credited thereto for each Participant pursuant to Article V.
- 2.19 MATCHING AMOUNT. "Matching Amount" means the amount credited to a Participant's Matching Account under Section 4.3.
- 2.20 MATCHING PERCENTAGE. "Matching Percentage" means the matching contribution percentage in effect for a specific Plan Year under the Savings Plan.
- 2.21 PARTICIPANT. "Participant" means any Eligible Employee who elects to participate by filing a Participation Agreement as provided in Section 3.2.
- 2.22 PARTICIPATION AGREEMENT. "Participation Agreement" means the agreement filed by a Participant, in the form prescribed by the Committee, pursuant to Section 3.2.
- 2.23 PLAN. "Plan" means the Cleveland-Cliffs Inc Voluntary Non-Qualified Deferred Compensation Plan, as amended from time to time.
- 2.24 PLAN YEAR. "Plan Year" means a twelve-month period commencing January 1 and ending the following December 31.
- 2.25 SAVINGS PLAN. "Savings Plan" means, with respect to a Participant, the Cliffs and Associated Employers Salaried Employees Supplemental Retirement Savings Plan for which he is eligible to contribute.
- 2.26 SELECTED AFFILIATE. "Selected Affiliate" means (1) any corporation in an unbroken chain of corporations beginning with the Company if each of the corporations other than the last corporation in the chain owns or controls, directly or indirectly, stock possessing not less than 50 per cent of the total combined voting power of all classes of stock in one of the other corporations, or (2) any partnership or joint venture in

which one or more of such corporations is a partner or venturer, each of which shall be selected by the Committee.

ARTICLE III

ELIGIBILITY AND PARTICIPATION

3.1 **ELIGIBILITY.** Eligibility to participate in the Plan for any Plan Year is limited to those Eligible Employees who have elected to make the maximum elective contributions permitted them under the terms of the Savings Plan for such Plan Year.

3.2 **PARTICIPATION.** Participation in the Plan shall be limited to Eligible Employees who elect to participate in the Plan by filing a Participation Agreement with the Committee, or on whose behalf an Employment Agreement Contribution is made to the Plan by an Employer. A properly completed and executed Participation Agreement shall be filed on or prior to the December 31 immediately preceding the Plan Year in which the Participant's participation in the Plan will commence. The election to participate shall be effective on the first day of the Plan Year following receipt by the Committee of the Participation Agreement. In the event that an Eligible Employee first becomes eligible to participate in the Plan or first commences employment during the course of a Plan Year, a Participation Agreement shall be filed with the Committee not later than 30 days following his eligibility date or date of employment. Each Participation Agreement shall be effective only with regard to Compensation earned and payable following the later of the effective date of the Participation Agreement or the date the Participation Agreement is filed with the Committee.

3.3 **TERMINATION OF PARTICIPATION.** A Participant may elect to terminate his or her participation in the Plan by filing a written notice thereof with the Committee. The termination shall be effective at any time specified by the Participant in the notice but not earlier than the first day of the Plan Year immediately succeeding the Plan Year in which such notice is filed with the Committee. Amounts credited to such Participant's Account with respect to periods prior to the effective date of such termination shall continue to be payable pursuant to, receive interest on, and otherwise governed by, the terms of the Plan.

3.4 **INELIGIBLE PARTICIPANT.** Notwithstanding any other provisions of this Plan to the contrary, if the Committee 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, the Committee 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 the vested amount credited to his Account. Upon such payment no benefit shall thereafter be payable under this Plan either to the Participant or any Beneficiary of the Participant, and all of the Participant's elections as to the time and manner of payment of his Account will be deemed to be cancelled.

ARTICLE IV

DEFERRAL OF COMPENSATION

4.1 AMOUNT OF DEFERRAL. With respect to each Plan Year, a Participant may elect to defer a specified dollar amount or percentage of his or her Compensation, provided the amount the Participant elects to defer under this Plan and the Savings Plan shall not exceed, in the aggregate, the sum of 25% of his or her Base Salary net of such Participant's pretax elective deferrals under the Savings Plan, if any, plus 100% of his or her Bonus. A Participant may choose to have amounts deferred under this Plan deducted from his Base Salary, Bonus or a combination of both. A Participant may change the percentage of his or her Compensation to be deferred by filing a written notice thereof with the Committee. Any such change shall be effective as of the first day of the Plan Year immediately succeeding the Plan Year in which such notice is filed with the Committee. Notwithstanding the foregoing, any Employment Agreement Contribution shall be deferred in accordance with the terms of the Employment Agreement.

4.2 MATCHING AMOUNTS. An Employer shall provide Matching Amounts under this Plan with respect to each Participant who is eligible to be allocated matching contributions under the Savings Plan. The total Matching Amounts under this Plan on behalf of a Participant for each Plan Year shall not exceed (i) the Matching Percentage of the Compensation deferred by a Participant under Section 4.1, up to a maximum of 7% of Compensation, less (ii) the Employer matching contributions allocated to the Participant under the Savings Plan for such Plan Year.

4.3 CREDITING DEFERRED COMPENSATION, MATCHING AMOUNTS AND EMPLOYMENT AGREEMENT CONTRIBUTIONS. The amount of Compensation that a Participant elects to defer under the Plan shall be credited by the Employer to the Participant's Deferral Account semi-monthly. The amount of the Employment Agreement

Contribution (if any) contributed for a Participant shall be credited by the Employer to the Participant's Deferral Account in accordance with the terms of the Employment Agreement. To the extent that the Employer is required to withhold any taxes or other amounts from a Participant's deferred Compensation or Employment Agreement Contribution pursuant to any state, federal or local law, such amounts shall be withheld from the Participant's Compensation before such amounts are credited hereunder. The Matching Amount under the Plan for each Participant shall be credited by the Employer at the same time that matching contributions are allocated under the Savings Plan.

ARTICLE V

BENEFIT ACCOUNTS

5.1 INVESTMENT OF ACCOUNTS. As soon as practicable after the crediting of any amount to a Participant's Account, the Company may, in its sole discretion, direct that the Company invest the amount credited, in whole or in part, in such property (real, personal, tangible or intangible), other than securities of the Company, (collectively the "Investments"), as the Committee shall direct, or may direct that the Company retain the amount credited as cash to be added to its general assets. The Committee may, but is under no obligation to, direct the investment of amounts credited to a Participant's Account in accordance with requests made by the Participant and communicated to the Committee. Earnings from Investments shall be credited to a Participant's Account and shall be reinvested, as soon as practicable, in the manner provided above. The Company shall be the sole owner and beneficiary of all Investments, and all contracts and other evidences of the Investments shall be registered in the name of the Company. The Company, under the direction of the Committee, shall have the unrestricted right to sell any of the Investments included in any Participant's Account, and the unrestricted right to reinvest the proceeds of the sale in other Investments or to credit the proceeds of the sale to a Participant's Account as cash. Amounts credited to a Participant's Account that are not invested in Investments shall be credited to a Participant's Account as cash.

5.2 DETERMINATION OF ACCOUNT. As of each Determination Date, a Participant's Account shall consist of the following: (i) the balance of the Participant's Account as of the immediately preceding Determination Date, plus (ii) the Participant's deferred Compensation, Matching Amounts and Employment Agreement Contribution (if any) credited pursuant to Section 4.3 since the immediately preceding Determination Date and any earnings and/or income credited to such amounts pursuant

to Sections 5.1 and 5.3 as of such Determination Date, minus (iii) any losses or other diminution in the value of assets in such Account since the immediately preceding Determination Date, minus (iv) the aggregate amount of distributions, if any, made from such Participant's Account since the immediately preceding Determination Date.

5.3 CREDITING OF INTEREST. As of each Determination Date, the amounts credited to a Participant's Account as cash shall be increased by the amount of interest earned since the immediately preceding Determination Date. Interest shall be credited at the Declared Rate as of such Determination Date based on the balance of the cash amounts credited to the Account since the immediately preceding Determination Date, but after such 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 Determination Date applicable to a Participant's Account shall be deemed earned ratably over such period.

5.4 STATEMENT OF ACCOUNTS. The Committee shall cause to be kept a detailed record of all transactions affecting each Participant's Account and shall provide to each Participant, within 120 days after the close of each Plan Year, a written statement setting forth a description of the Investments in such Participant's Account and the cash balance, if any, of such Participant's Account as of the last day of the preceding Plan Year and showing all adjustments made thereto during such Plan Year.

5.5 VESTING OF ACCOUNT. Subject to the provisions of any Employment Agreement relating to an Employment Agreement Contribution (if any), a Participant shall be 100% vested in his or her Account at all times.

ARTICLE VI

PAYMENT OF BENEFITS

6.1 PAYMENT OF DEFERRAL BENEFIT ON TERMINATION OF SERVICE OR DEATH. Upon the earlier of (i) termination of service of the Participant as an employee of the Employer and all Selected Affiliates, for reasons other than death, or (ii) the death of a Participant, the Employer shall, in accordance with this Article VI, pay to the Participant or his Beneficiary, as the case may be, a Deferral Benefit equal to the balance of his or her vested Account determined pursuant to Article V, less any amounts previously distributed.

6.2 EMERGENCY BENEFIT. In the event that the Committee, upon written petition of a Participant, determines, in its sole discretion, that the Participant has suffered an unforeseeable financial emergency, the Employer shall pay to the Participant, as soon as practicable following such determination, an amount necessary to meet the emergency (the "Emergency Benefit"), but not exceeding the aggregate balance of such Participant's vested Deferral Account and Matching Account as of the date of such payment. For purposes of this Section 6.2, an "unforeseeable financial emergency" shall mean an unexpected need for cash arising from an illness, disability, casualty loss, sudden financial reversal or other such unforeseeable occurrence. Cash needs arising from foreseeable events such as the purchase of a house or education expenses for children shall not be considered to be the result of an unforeseeable financial emergency. The amount of the Deferral Benefit otherwise payable under the Plan to such Participant shall be adjusted to reflect the early payment of the Emergency Benefit.

6.3 IN-SERVICE DISTRIBUTION. A Participant may elect to receive an in-service distribution of his or her deferred Compensation beginning at any time at least four years after the date such Compensation otherwise would have been first payable. A Participant's election for an in-service distribution shall be filed in writing with the Committee before the date his or her deferred Compensation otherwise would have been first payable. The Participant may elect to receive such Compensation as an in-service distribution as provided in Section 6.4(a); provided, however, that Section 6.4(b) of the Plan shall not apply to an in-service distribution. Any benefits paid to the Participant as an in-service distribution shall reduce the amount of Deferral Benefit otherwise payable to the Participant under the Plan.

6.4 FORM OF PAYMENT.

(a) The Deferral Benefit payable pursuant to Section 6.1 or Section 6.3 shall be paid in one of the following forms, as elected by the Participant in his or her Participation Agreement or by written notice as provided in subsection (b) below:

(1) Annual payments of a fixed amount which shall amortize the vested Account balance, or the in-service distribution portion thereof, as of the payment commencement date elected by the Participant over a period not to exceed ten years (together, in the case of each annual payment, with interest thereon credited after the payment commencement date pursuant to Section 5.2).

(2) A lump sum.

(3) A combination of (1) and (2) above. The Participant shall designate the percentage payable under each option.

(b) The Participant's election of the form of payment shall be made by written notice filed with the Committee at least one (1) year prior to the Participant's voluntary termination of employment with, or retirement from, the Company and any affiliate of the Company, whether or not such affiliate is a Selected Affiliate. 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 Committee; provided that any election made less than one (1) year prior to the Participant's voluntary termination of employment or retirement shall not be valid, and in such case payment shall be made in accordance with the Participant's prior election.

(c) The amount of each installment shall be equal to the quotient obtained by dividing the Participant's 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 Participant at the time of calculation.

(d) If a Participant fails to make an election in a timely manner as provided in this Section 6.4, distribution shall be made in cash in ten (10) annual installments.

(e) A Participant's Deferral Benefit (or the remaining portion thereof if payment to the Participant had commenced) shall be distributed to his or her Beneficiary in the form of a single lump sum payment following his or her death.

6.5 COMMENCEMENT OF PAYMENTS. Commencement of payments under Section 6.1 of the Plan shall begin as soon as practicable, and in accordance with the payment commencement date elected by the Participant, following receipt of notice by the Committee of an event which entitles a Participant (or a Beneficiary) to payments under the Plan. Thereafter, a Participant who has elected the installment form pursuant to Section 6.4(a) shall be permitted to make an election to receive the balance of his Deferral Benefit in the form of a lump sum payment if (and only if) the balance of his Deferral Benefit is reduced by ten percent (10%).

6.6 SMALL BENEFIT. In the event the Committee determines that the balance of the Participant's Account is less

than \$50,000 at the time of commencement of payments, the Employer may pay the benefit in the form of a lump sum payment, notwithstanding any provision of the Plan to the contrary. Such lump sum payment shall be equal to the balance of the Participant's Account, or the portion thereof payable to a beneficiary.

ARTICLE VII

BENEFICIARY DESIGNATION

7.1 BENEFICIARY DESIGNATION. Each Participant shall have the right, at any time, to designate any person or persons as his Beneficiary to whom payment under the Plan shall be made in the event of his or her death prior to complete distribution to the Participant of his or her Deferral Benefit. Any Beneficiary designation shall be made in a written instrument filed with the Committee and shall be effective only when received in writing by the Committee.

7.2 AMENDMENTS. Any Beneficiary designation may be changed by a Participant by the filing of a new Beneficiary designation, which will cancel all Beneficiary designations previously filed.

7.3 NO DESIGNATION. If a Participant fails to designate a Beneficiary as provided above, or if all designated Beneficiaries predecease the Participant, then the Participant's designated Beneficiary shall be deemed to be the Participant's estate.

7.4 EFFECT OF PAYMENT. Payment to a Participant's Beneficiary (or, upon the death of a Beneficiary, to the Beneficiary's estate) shall completely discharge the Employer's obligations under the Plan.

ARTICLE VIII

ADMINISTRATION

8.1 COMMITTEE. The administrative committee for the Plan (the "Committee") shall be those members of the Compensation Committee of the Board who are not Participants, as long as there are at least three such members. If there are not at least three such non-participating persons on the Compensation Committee, the chief executive officer of the Company shall appoint other non-participating Directors or Company officers to serve on the Committee. The Committee shall supervise the administration and

operation of the Plan, may from time to time adopt rules and procedures governing the Plan and shall have authority to give interpretive rulings with respect to the Plan.

8.2 AGENTS. The Committee may appoint an individual, who may be an employee of the Company, to be the Committee's agent with respect to the day-to-day administration of the Plan. In addition, the Committee may, from time to time, employ other agents and delegate to them such administrative duties as it sees fit, and may from time to time consult with counsel who may be counsel to the Company.

8.3 BINDING EFFECT OF DECISIONS. Any decision or action of the Committee with respect to any question arising out of or in connection with the administration, interpretation and application of the Plan shall be final and binding upon all persons having any interest in the Plan.

8.4 INDEMNITY OF COMMITTEE. The Company shall indemnify and hold harmless the members of the Committee and their duly appointed agents under Section 8.2 against any and all claims, loss, damage, expense or liability arising from any action or failure to act with respect to the Plan, except in the case of gross negligence or willful misconduct by any such member or agent of the Committee.

ARTICLE IX

AMENDMENT AND TERMINATION OF PLAN

9.1 AMENDMENT. The Company, on behalf of itself and of each Selected Affiliate may at any time amend, suspend or reinstate any or all of the provisions of the Plan, except that no such amendment, suspension or reinstatement may adversely affect any Participant's Account, as it existed as of the effective date of such amendment, suspension or reinstatement, without such Participant's prior written consent. Written notice of any amendment or other action with respect to the Plan shall be given to each Participant.

9.2 TERMINATION. The Company, on behalf of itself and of each Selected Affiliate, in its sole discretion, may terminate this Plan at any time and for any reason whatsoever. Upon termination of the Plan, the Committee shall take those actions necessary to administer any Accounts existing prior to the effective date of such termination; provided, however, that a termination of the Plan shall not adversely affect the value of a Participant's Account, the earnings from Investments credited to a Participant's Account under Section 5.1, the interest on cash

amounts credited to a Participant's Account under Section 5.3, or the timing or method of distribution of a Participant's Account, without the Participant's prior written consent.

ARTICLE X

MISCELLANEOUS

10.1 FUNDING. Participants, their Beneficiaries, and their heirs, successors and assigns, shall have no secured interest or claim in any property or assets of the Employer. The Employer's obligation under the Plan shall be merely that of an unfunded and unsecured promise of the Employer to pay money in the future. Notwithstanding the foregoing, in the event of a Change in Control, the Company shall create an irrevocable trust to hold funds to be used in payment of the obligations of Employers under the Plan, and the Company shall fund such trust in an amount equal to no less than the total value of the Participants' Accounts under the Plan as of the Determination Date immediately preceding the Change in Control, provided that any funds contained therein shall remain liable for the claims of the respective Employer's general creditors.

10.2 NONASSIGNABILITY. No right or interest under the Plan of a Participant or his or her Beneficiary (or any person claiming through or under any of them), other than the surviving spouse of any deceased Participant, 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 Beneficiary. If any Participant or Beneficiary (other than the surviving spouse of any deceased Participant) shall attempt to or shall transfer, assign, alienate, anticipate, sell, pledge or otherwise encumber his or her benefits hereunder or any part thereof, or if by reason of his or her bankruptcy or other event happening at any time such benefits would devolve upon anyone else or would not be enjoyed by him or her, then the Committee, in its discretion, may terminate his or her interest in any such benefit to the extent the Committee considers necessary or advisable to prevent or limit the effects of such occurrence. Termination shall be effected by filing a written "termination declaration" with the Secretary of the Company and making reasonable efforts to deliver a copy to the Participant or Beneficiary whose interest is adversely affected (the "Terminated Participant").

As long as the Terminated Participant is alive, any benefits affected by the termination shall be retained by the Employer and, in the Committee's sole and absolute judgment, may

be paid to or expended for the benefit of the Terminated Participant, his or her spouse, his or her children or any other person or persons in fact dependent upon him or her in such a manner as the Committee shall deem proper. Upon the death of the Terminated Participant, all benefits withheld from him or her and not paid to others in accordance with the preceding sentence shall be disposed of according to the provisions of the Plan that would apply if he or she died prior to the time that all benefits to which he or she was entitled were paid to him or her.

10.3 LEGAL FEES AND EXPENSES. It is the intent of the Company and each Selected Affiliate that no Eligible Employee or former Eligible Employee be required to incur the expenses associated with the enforcement of his rights under this Plan by litigation or other legal action because the cost and expense thereof would substantially detract from the benefits intended to be extended to an Eligible Employee hereunder. Accordingly, if it should appear that the Employer has failed to comply with any of its obligations under this Plan or in the event that the Employer or any other person takes any action to declare this Plan void or unenforceable, or institutes any litigation designed to deny, or to recover from, the Eligible Employee the benefits intended to be provided to such Eligible Employee hereunder, the Employer irrevocably authorizes such Eligible Employee from time to time to retain counsel of his choice, at the expense of the Employer as hereafter provided, to represent such Eligible Employee in connection with the initiation or defense of any litigation or other legal action, whether by or against the Employer or any director, officer, stockholder or other person affiliated with the Employer in any jurisdiction. Notwithstanding any existing or prior attorney-client relationship between the Employer and such counsel, the Employer irrevocably consents to such Eligible Employee's entering into an attorney-client relationship with such counsel, and in that connection the Employer and such Eligible Employee agree that a confidential relationship shall exist between such Eligible Employee and such counsel. The Employer shall pay and be solely responsible for any and all attorneys' and related fees and expenses incurred by such Eligible Employee as a result of the Employer's failure to perform under this Plan or any provision thereof; or as a result of the Employer or any person contesting the validity or enforceability of this Plan or any provision thereof.

10.4 CAPTIONS. The captions contained herein are for convenience only and shall not control or affect the meaning or construction hereof.

10.5 GOVERNING LAW. The provisions of the Plan shall be construed and interpreted according to the laws of the State of Ohio.

10.6 SUCCESSORS. The provisions of the Plan shall bind and inure to the benefit of the Company, its selected Affiliates, and their respective successors and assigns. The term successors as used herein shall include any corporate or other business entity which shall, whether by merger, consolidation, purchase or otherwise, acquire all or substantially all of the business and assets of the Company or a Selected Affiliate and successors of any such corporation or other business entity.

10.7 RIGHT TO CONTINUED SERVICE. Nothing contained herein shall be construed to confer upon any Eligible Employee the right to continue to serve as an Eligible Employee of the Employer or in any other capacity.

10.8 PRIOR PLAN PROVISIONS. The provisions of the Plan in effect prior to January 1, 1995 shall govern periods prior to such date.

Executed this 24th day of February, 1995.

CLEVELAND-CLIFFS INC

By: /s/ Richard F. Novak

Vice President-Human Resources

EXHIBIT 10(b)

CLEVELAND-CLIFFS INC
SUPPLEMENTAL RETIREMENT BENEFIT PLAN

(as Amended and Restated Effective January 1, 1995)

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 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.

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 an Incentive Bonus 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. "PARTICIPATION AGREEMENT" shall mean the agreement filed by the Participant, in the form prescribed by Cleveland-Cliffs, pursuant to paragraph 3.

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

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

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

M. "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 Retirement Plan Augmentation Benefit included therein for purposes of the Deferred Compensation Plan prior to such amendment.

3. PAYMENT OF THE SUPPLEMENTAL PENSION PLAN BENEFIT. A

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 any 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 and the Pension Benefit Guaranty Corporation interest rate for immediate annuities then in effect. 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 last day of work and on each anniversary thereafter until the Ten Installment Payments have been made. A Participant may elect to receive his Supplemental Pension Plan Benefit in one of the following forms in lieu of the Ten Installment Payments:

- (a) Lump sum payment at the end of the first month of retirement or following death.
- (b) Annual installments over 5 years, beginning with the first day of the month following the Participant's last day of work.
- (c) Annual installments over 15 years, beginning with the first day of the month following the Participant's last day of work.

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 used to calculate the Ten Installment Payments. 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. 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 termination of employment or retirement, or prior to the Participant's termination of employment because of involuntary termination or 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 termination of employment or retirement shall not be valid, and in such case payment shall be made in accordance with the Participant's prior election.

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 Cleveland-Cliffs, during the period of 10 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 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 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 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 any 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 any 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, 1995.

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 7th day of February, 1995.

CLEVELAND-CLIFFS INC

By /s/ R. F. Novak

Vice President - Human Resources

Exhibit A

Pension Plans

Pension Plan for Salaried Employees of Cleveland-Cliffs Inc

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

COMPUTATION OF EARNINGS PER SHARE
CLEVELAND-CLIFFS INC AND CONSOLIDATED SUBSIDIARIES

	(In Millions, Except Per Share Amounts) Three Months Ended March 31,	
	----- 1995 -----	----- 1994 -----
Primary and fully diluted earnings per share:		
Average shares outstanding	12.1	12.1
Net effect of dilutive stock options - based on treasury stock method using average mark	-	-
	-----	-----
Average shares and equivalents	12.1	12.1
	=====	=====
Net income applicable to average shares and equivalents:	\$5.0	\$2.2
	=====	=====
Income per share:	\$0.41	\$0.18
	=====	=====

ARTICLE 5

This schedule contains summary financial information extracted from statements of consolidated income, consolidated financial position and computation of earnings per share and is qualified in its entirety by reference to such financial statements.

CIK: 0000764065

NAME: Cleveland Cliffs Inc

MULTIPLIER: 1,000,000

PERIOD TYPE	3 Mos
FISCAL YEAR END	Dec 31 1995
PERIOD START	Jan 01 1995
PERIOD END	Mar 31 1995
CASH	138
SECURITIES	1
RECEIVABLES	24
ALLOWANCES	20
INVENTORY	67
CURRENT ASSETS	250
PP&E	252
DEPRECIATION	(140)
TOTAL ASSETS	599
CURRENT LIABILITIES	85
BONDS	0
PREFERRED MANDATORY	0
PREFERRED	0
COMMON	17
OTHER SE	292
TOTAL LIABILITY AND EQUITY	599
SALES	51
TOTAL REVENUES	64
CGS	50
TOTAL COSTS	53
OTHER EXPENSES	2
LOSS PROVISION	0
INTEREST EXPENSE	2
INCOME PRETAX	7
INCOME TAX	2
INCOME CONTINUING	5
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	5
EPS PRIMARY	0.41
EPS DILUTED	0.41

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