

# CLIFFS NATURAL RESOURCES INC.

## FORM 10-K (Annual Report)

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

**FORM 10-K**

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

For the fiscal year ended December 31, 2011

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



**CLIFFS NATURAL RESOURCES INC.**

*(Exact Name of Registrant as Specified in Its Charter)*

**Ohio**

*(State or Other Jurisdiction of  
Incorporation or Organization)*

**200 Public Square, Cleveland, Ohio**

*(Address of Principal Executive Offices)*

**34-1464672**

*(I.R.S. Employer  
Identification No.)*

**44114-2315**

*(Zip Code)*

**Registrant's Telephone Number, Including Area Code: (216) 694-5700**

**Securities registered pursuant to Section 12(b) of the Act:**

<u>Title of Each Class</u>	<u>Name of Each Exchange on Which Registered</u>
Common Shares, par value \$0.125 per share	New York Stock Exchange and Professional Segment of NYSE Euronext Paris

**Securities registered pursuant to Section 12(g) of the Act:**

NONE

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES  NO

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. YES  NO

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 whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES  NO

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) 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.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). YES  NO

As of June 30, 2011, the aggregate market value of the voting and non-voting stock held by non-affiliates of the registrant, based on the closing price of \$92.45 per share as reported on the New York Stock Exchange — Composite Index, was \$13,430,571,403 (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 Common Shares, par value \$0.125 per share, was 142,013,534 as of February 13, 2012.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's proxy statement for its annual meeting of shareholders scheduled to be held on May 8, 2012 are incorporated by reference into Part III.

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Definitions

The following abbreviations or acronyms are used in the text. References in this report to the “Company,” “we,” “us,” “our” and “Cliffs” are to Cliffs Natural Resources Inc. and subsidiaries, collectively. References to “A\$” or “AUD” refer to Australian currency, “C\$” to Canadian currency and “\$” to United States currency.

<u>Abbreviation or acronym</u>	<u>Term</u>
Algoma	Essar Steel Algoma Inc.
Amapá	Anglo Ferrous Amapá Mineração Ltda. and Anglo Ferrous Logística Amapá Ltda.
Anglo	Anglo American plc
APBO	Accumulated Postretirement Benefit Obligation
ArcelorMittal	ArcelorMittal (as the parent company of ArcelorMittal Mines Canada, ArcelorMittal USA and ArcelorMittal Dofasco, as well as, many other subsidiaries)
ArcelorMittal USA	ArcelorMittal USA LLC (including many of its North American affiliates, subsidiaries and representatives. References to ArcelorMittal USA comprise all such relationships unless a specific ArcelorMittal USA entity is referenced)
ASC	Accounting Standards Codification
AusQuest	AusQuest Limited
BART	Best Available Retrofit Technology
BHP	BHP Billiton
Bloom Lake	Bloom Lake Iron Ore Mine Limited Partnership
BNSF	Burlington Northern Santa Fe, LLC
CAC	Cliffs Australia Coal Pty Ltd.
CAWO	Cliffs Australian Washplant Operations Pty Ltd
CERCLA	Comprehensive Environmental Response, Compensation and Liability Act
C.F.R.	Cost and Freight
C.I.F.	Cost, Insurance and Freight
CLCC	Cliffs Logan County Coal LLC
Clean Water Act	Federal Water Pollution Control Act
Cliffs Erie	Cliffs Erie LLC
CN	Canadian Railway Company
Cockatoo Island	Cockatoo Island Joint Venture
Compensation Committee	Compensation and Organization Committee
Consent Order	Administrative Order by Consent
Consolidated Thompson	Consolidated Thompson Iron Mining Limited (now known as Cliffs Quebec Iron Mining Limited)
CSAPR	Cross State Air Pollution Rule
CSXT	CSX Transportation
DEP	Department of Environment Protection
Directors’ Plan	Nonemployee Directors’ Compensation Plan, as amended and restated 12/31/2008
Dodd-Frank Act	Dodd-Frank Wall Street Reform and Consumer Protection Act
Dofasco	ArcelorMittal Dofasco Inc.
EBIT	Earnings before interest and taxes
EBITDA	Earnings before interest, taxes, depreciation and amortization
EMPI	Executive Management Performance Incentive Plan
Empire	Empire Iron Mining Partnership
EPA	U.S. Environmental Protection Agency
EPS	Earnings per share
Exchange Act	Securities Exchange Act of 1934
FASB	Financial Accounting Standards Board
FMSH Act	Federal Mine Safety and Health Act 1977

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<u>Abbreviation or acronym</u>	<u>Term</u>
F.O.B.	Free on board
Freewest	Freewest Resources Canada Inc. (now known as Cliffs Chromite Ontario Inc.)
GAAP	Accounting principles generally accepted in the United States
GHG	Greenhouse gas
Hibbing	Hibbing Taconite Company
IASB	International Accounting Standards Board
ICE Plan	Amended and Restated Cliffs 2007 Incentive Equity Plan, As Amended
IFRS	International Financial Reporting Standards
INR	INR Energy, LLC
IRS	U.S. Internal Revenue Service
Ispat	Ispat Inland Steel Company
JORB	Joint Ore Reserves Code
LIBOR	London Interbank Offered Rate
LIFO	Last-in, first-out
LTVSMC	LTV Steel Mining Company
MDEQ	Michigan Department of Environmental Quality
MMBtu	Million British Thermal Units
MP	Minnesota Power, Inc.
MPCA	Minnesota Pollution Control Agency
MPI	Management Performance Incentive Plan
MPSC	Michigan Public Service Commission
MRRT	Minerals Resource Rent Tax
MSHA	Mine Safety and Health Administration
NAAQS	National Ambient Air Quality Standards
NBCWA	National Bituminous Coal Wage Agreement
NDEP	Nevada Department of Environmental Protection
NO <sub>2</sub>	Nitrogen dioxide
NO <sub>x</sub>	Nitrogen oxide
Northshore	Northshore Mining Company
NPDES	National Pollutant Discharge Elimination System
NRD	Natural Resource Damages
NYSE	New York Stock Exchange
Oak Grove	Oak Grove Resources, LLC
OCI	Other comprehensive income
OPEB	Other postretirement benefits
OPIP	Operations Performance Incentive Plan
PBO	Projected benefit obligation
Pinnacle	Pinnacle Mining Company, LLC
PinnOak	PinnOak Resources, LLC
Pluton Resources	Pluton Resources Limited
PM <sub>10</sub>	Particulate matter with a diameter smaller than 10 micron
Portman	Portman Limited (now known as Cliffs Asia Pacific Iron Ore Holdings Pty Ltd)
PPACA	Patient Protection and Affordable Care Act
PRP	Potentially responsible party
Qcoal	Qcoal Pty Ltd
Reconciliation Act	Health Care and Education Reconciliation Act
renewaFUEL	renewaFUEL, LLC (now known as Cliffs Michigan Biomass, LLC)
Ring of Fire properties	Black Thor, Black Label and Big Daddy chromite deposits
RTWG	Rio Tinto Working Group
SARs	Stock Appreciation Rights

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<u>Abbreviation or acronym</u>	<u>Term</u>
SEC	U.S. Securities and Exchange Commission
Severstal	Severstal North America, Inc.
Silver Bay Power	Silver Bay Power Company
SIP	State Implementation Plan
SMCRA	Surface Mining Control and Reclamation Act
SMM	Sonoma Mine Management
SO <sub>2</sub>	Sulfur dioxide
Sonoma	Sonoma Coal Project
Spider	Spider Resources Inc. (now known as Cliffs Chromite Far North Inc.)
TCR	The Climate Registry
Tilden	Tilden Mining Company L.C.
TMDL	Total Maximum Daily Load
TSR	Total Shareholder Return
UMWA	United Mineworkers of America
United Taconite	United Taconite LLC
UP 1994	1994 Uninsured Pensioner Mortality Table
U.S.	United States of America
U.S. Steel	United States Steel Corporation
USW	United Steelworkers
Vale	Companhia Vale do Rio Doce
VEBA	Voluntary Employee Benefit Association trusts
VIE	Variable interest entity
VNQDC Plan	2005 Voluntary NonQualified Deferred Compensation Plan
Wabush	Wabush Mines Joint Venture
Weirton	ArcelorMittal Weirton Inc.
WEPCO	Wisconsin Electric Power Company
Wheeling	Wheeling-Pittsburgh Steel Corporation
WISCO	Wuhan Iron and Steel (Group) Corporation

PART I

Item 1. *Business.*

**Introduction**

Cliffs Natural Resources Inc. traces its corporate history back to 1847. Today, we are an international mining and natural resources company. A member of the S&P 500 Index, we are a major global iron ore producer and a significant producer of high- and low-volatile metallurgical coal. Driven by the core values of safety, social, environmental and capital stewardship, our Company's associates across the globe endeavor to provide all stakeholders operating and financial transparency. Our Company is organized through a global commercial group responsible for sales and delivery of our products and a global operations group responsible for the production of the minerals that we market. Our Company's operations are organized according to product category and geographic location: U.S. Iron Ore, Eastern Canadian Iron Ore, North American Coal, Asia Pacific Iron Ore, Asia Pacific Coal, Latin American Iron Ore, Ferroalloys, and our Global Exploration Group.

In the U.S., we operate five iron ore mines in Michigan and Minnesota, five metallurgical coal mines located in West Virginia and Alabama and one thermal coal mine located in West Virginia. We also operate two iron ore mines in Eastern Canada that primarily provide iron ore to the seaborne market for Asian steel producers. Our Asia Pacific operations are comprised of two iron ore mining complexes in Western Australia, serving the Asian iron ore markets with direct-shipping fines and lump ore, and a 45 percent economic interest in a coking and thermal coal mine located in Queensland, Australia. In Latin America, we have a 30 percent interest in Amapá, a Brazilian iron ore project, and in Ontario, Canada, we have a major chromite project in the pre-feasibility stage of exploration. In addition, our Global Exploration Group is focused on early involvement in exploration activities to identify new world-class projects for future development or projects that add significant value to existing operations.

**Industry Overview**

Our business is largely driven by global demand for steelmaking raw materials in both developed and emerging economies. The environment for steelmaking in the U.S. and Canada during 2011 improved over the previous year, but still remained at levels lower than production capability. Steelmaking in Asia, led by China's economy, reached historically high levels in 2011. Global crude steel production, the primary driver of our business, was up approximately five percent in 2011 as compared to 2010. This included increases of approximately nine and seven percent in China and the U.S., respectively, which are the two largest markets for the Company. China produced approximately 683 million metric tons of crude steel in 2011, representing approximately 46 percent of global production.

The rapid growth in steel production in China over recent years has only been partially met by a corresponding increase in domestic Chinese iron ore production. Chinese iron ore deposits, although substantial, are of a lower grade (less than half of the equivalent iron ore content) than the current iron ore supplied from Brazil and Australia.

The world price of iron ore is influenced heavily by international demand, and rising spot market prices for iron ore have reflected this trend in recent years. The rapid growth in Chinese demand has created a market imbalance, which continues to indicate demand is outpacing supply. As a result of increasing spot prices for iron ore, there has been a shift in the industry toward shorter-term pricing arrangements linked to the spot market. Toward the latter half of 2011, spot prices for iron ore partially were impacted by the uncertainty in the world's equity markets, the ongoing sovereign debt crisis in Europe and tighter credit markets in Asia. At the end of 2011 and into 2012, the Chinese monetary policy appears to have somewhat eased and many participants have returned to the market, leading to stabilization of spot prices.

The world market for metallurgical coal is also influenced by international demand. Throughout 2011, reported spot prices in Asia Pacific remained high by historical standards, at times trading above announced quarterly settlement price ranges of \$225 to \$330 per metric ton.

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During 2011, capacity utilization among steelmaking facilities in North America demonstrated continued improvement, reaching an average rate of approximately 75 percent at year-end up from an average rate of approximately 70 percent for 2010. The U.S. economy remained stable, sustaining a healthy North American business. High year-over-year crude steel production and iron ore imports in Asia supported demand for our products in the seaborne markets. As a result, we increased production at most of our facilities during 2011.

### Growth Strategy and Recent Developments

In 2011, we continued to increase our operating scale and presence as an international mining and natural resources company by maintaining our focus on integration and execution, including the integration of our acquisition of Consolidated Thompson. In addition, we have a number of capital projects underway in all of our reportable business segments. We believe these projects will continue to improve our operational performance, diversify our customer base and extend the reserve life of our portfolio of assets, all of which are necessary to sustain continued growth. As we continue to successfully grow our core mining businesses, we center our decision making on areas that will allow our management focus and allocation of capital resources to be deployed where we believe we can have the most impact for our stakeholders. Throughout 2011, we also reinforced our global reorganization, as our leadership moved to an integrated global management structure.

Specifically, we continued our strategic growth as an international mining and natural resources company through the following transactions in 2011:

*Cliffs Chromite Project.* In February 2011, we released preliminary project information for potential development of our Black Thor chromite deposit in the McFaulds Lake area of Northern Ontario. This project involves the largest known North American chromite deposit, located in one of the most remote areas of Ontario, the Far North. To date, exploration has consisted of geophysics and diamond drilling to delineate the Black Thor chromite zone. The released project information presented a base case reflecting one set of realistic options for the major inter-related components of the project, from mining of the chromite ore to ferrochrome production. During the course of pre-feasibility, feasibility and detailed design studies, other viable options may be identified and considered.

*Consolidated Thompson.* In May 2011, we acquired all of the outstanding common shares of Consolidated Thompson for C\$17.25 per share in an all-cash transaction including net debt. The acquisition reflects our strategy to build scale by owning expandable and exportable steelmaking raw material assets serving international markets. The properties acquired through the acquisition are in proximity to our existing Canadian operations and will allow us to leverage our port facilities and supply the iron ore produced to the seaborne market. The acquisition also is expected to further diversify our existing customer base. Approval for capital investments totaling over \$1.3 billion over the 2011 to 2016 timeframe have been obtained from our Board of Directors for the expansion of the Bloom Lake mine and processing capabilities in order to ramp-up production capacity from 8.0 million to 16.0 million metric tons of iron ore concentrate per year. The approved capital investments also include common infrastructure necessary to support the mine's future production levels.

We also continued to pursue growth opportunities through early involvement in exploration and development activities by partnering with junior mining companies, which provide us low-cost entry points for potentially significant reserve additions.

### Business Segments

As a result of the acquisition of Consolidated Thompson, we revised the number of our operating and reportable segments as determined under ASC 280 in 2011. Our company's primary operations are organized and managed according to product category and geographic location: U.S. Iron Ore, Eastern Canadian Iron Ore, North American Coal, Asia Pacific Iron Ore, Asia Pacific Coal, Latin American Iron Ore, Ferroalloys, and Global Exploration Group. Our historical presentation of segment information consisted of three reportable segments: North American Iron Ore, North American Coal and Asia Pacific Iron Ore. Our restated presentation consists of four reportable segments: U.S. Iron Ore, Eastern Canadian Iron Ore, North American Coal and Asia

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Pacific Iron Ore. The Asia Pacific Coal, Latin American Iron Ore, Ferroalloys and Global Exploration Group operating segments do not meet reportable segment disclosure requirements and therefore are not separately reported.

The U.S. Iron Ore, Eastern Canadian Iron Ore, and North American Coal business segments are headquartered in Cleveland, Ohio. Our Asia Pacific headquarters is located in Perth, Australia, and our Latin American headquarters has been relocated to Santiago, Chile. In addition, the Ferroalloys and Global Exploration Group operating segments currently are managed from our Cleveland, Ohio location.

We evaluate segment performance based on sales margin, defined as revenues less cost of goods sold and operating expenses identifiable to each segment. This measure of operating performance is an effective measurement as we focus on reducing production costs throughout the Company. Financial information about our segments, including financial information about geographic areas, is included in Item 7 and NOTE 2 — SEGMENT REPORTING included in Item 8 of this Annual Report on Form 10-K.

### U.S. Iron Ore and Eastern Canadian Iron Ore

We are a major global iron ore producer, primarily selling production from U.S. Iron Ore to integrated steel companies in the U.S. and Canada, and production from Eastern Canadian Iron Ore to the seaborne market for Asian steel producers. We manage and operate five iron ore mines located in Michigan and Minnesota and two iron ore mines in Eastern Canada. The U.S.-based mines and one of the mines in Eastern Canada currently have an annual rated capacity of 38.5 million gross tons of iron ore pellet production, representing 45.4 percent of total pellet production capacity in the U.S. and Canada. Based on our equity ownership in these mines, our share of the annual rated production capacity is currently 30.0 million gross tons, representing 35.4 percent of total annual pellet capacity in the U.S. and Canada. The second iron ore mine that we manage and operate in Eastern Canada currently has an annual rated capacity of 8.0 million gross tons of iron ore concentrate.

The following chart summarizes the estimated annual pellet production capacity and percentage of total U.S. and Canadian pellet production capacity for each of the respective iron ore producers in the U.S. and Canada as of December 31, 2011:

U.S. and Canadian Iron Ore Pellet  
Annual Rated Capacity Tonnage

	Current Estimated Capacity (Gross Tons in Millions)	Percent of Total U.S. and Canadian Capacity
All Cliffs' managed mines	38.5	45.4%
Other U.S. mines		
U.S. Steel's Minnesota ore operations		
Minnesota Taconite	16.0	18.9
Keewatin Taconite	5.2	6.1
Total U.S. Steel	21.2	25.0
ArcelorMittal USA Minorca mine	2.8	3.3
Total other U.S. mines	24.0	28.3
Other Canadian mines		
Iron Ore Company of Canada	13.0	15.3
ArcelorMittal Mines Canada	9.3	11.0
Total other Canadian mines	22.3	26.3
<b>Total U.S. and Canadian mines</b>	<b>84.8</b>	<b>100.0%</b>

Our U.S. iron ore production generally is sold pursuant to term supply agreements with various price adjustment provisions, whereas our Eastern Canadian iron ore production is sold pursuant to multi-year and short-term pricing arrangements that are linked to the spot market.

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For the year ended December 31, 2011, we produced a total of 31.0 million tons of iron ore pellets at U.S. Iron Ore, including 23.7 million tons for our account and 7.3 million tons on behalf of steel company partners of the mines. At Eastern Canadian Iron Ore, we produced a total of 6.9 million metric tons of iron ore pellets and concentrate for the same period, with concentrate production measured from the date of our acquisition of Consolidated Thompson in 2011.

We produce various grades of iron ore pellets, including standard, fluxed and high manganese, for use in our customers' blast furnaces as part of the steelmaking process. The variation in grades results from the specific chemical and metallurgical properties of the ores at each mine and whether or not fluxstone is added in the process. Although the grade or grades of pellets currently delivered to each customer are based on that customer's preferences, which depend in part on the characteristics of the customer's blast furnace operation, in many cases our iron ore pellets can be used interchangeably. Industry demand for the various grades of iron ore pellets depends on each customer's preferences and changes from time to time. In the event that a given mine is operating at full capacity, the terms of most of our pellet supply agreements allow some flexibility in providing our customers iron ore pellets from different mines.

Standard pellets require less processing, are generally the least costly pellets to produce and are called "standard" because no ground fluxstone, such as limestone or dolomite, is added to the iron ore concentrate before turning the concentrates into pellets. In the case of fluxed pellets, fluxstone is added to the concentrate, which produces pellets that can perform at higher productivity levels in the customer's specific blast furnace and will minimize the amount of fluxstone the customer may be required to add to the blast furnace. "High manganese" pellets are the pellets produced at our Wabush operation in Eastern Canada, where there is more natural manganese in the crude ore than is found at our other operations. The manganese contained in the iron ore mined at Wabush cannot be removed entirely during the concentrating process. Wabush produces manganese pellets, both in standard and fluxed grades.

It is not possible to produce pellets with identical physical and chemical properties from each of our mining and processing operations. The grade or grades of pellets purchased by and delivered to each customer are based on that customer's preferences and availability.

Each of our U.S. Iron Ore mines is located near the Great Lakes and both of our Eastern Canadian Iron Ore mines are located near the St. Lawrence Seaway, which is connected to the Great Lakes. The majority of our iron ore pellets and concentrate are transported via railroads to loading ports for shipment via vessel to steelmakers in the U.S., Canada or into the international seaborne market.

Our U.S. Iron Ore sales are influenced by seasonal factors in the first quarter of the year as shipments and sales are restricted by weather conditions on the Great Lakes. During the first quarter, we continue to produce our products, but we cannot ship those products via lake vessel until the conditions on the Great Lakes are navigable, which causes our first quarter inventory levels to rise. Our limited practice of shipping product to ports on the lower Great Lakes or to customers' facilities prior to the transfer of title has somewhat mitigated the seasonal effect on first quarter inventories and sales, as shipment from this point to the customers' operations is not limited by weather-related shipping constraints. At December 31, 2011 and 2010, we had approximately 1.2 million and 0.8 million tons of pellets, respectively, in inventory at lower lakes or customers' facilities.

### *U.S. Iron Ore Customers*

Our U.S. Iron Ore revenues primarily are derived from sales of iron ore pellets to the North American integrated steel industry, consisting of seven major customers. Generally, we have multi-year supply agreements with our customers. Sales volume under these agreements largely is dependent on customer requirements, and in many cases, we are the sole supplier of iron ore to the customer. Historically, each agreement has contained a base price that is adjusted annually using one or more adjustment factors. Factors that could result in a price adjustment include international pellet prices, measures of general industrial inflation and steel prices. Additionally, certain of our supply agreements have a provision that limits the amount of price increase or decrease in any given year. In 2010, the world's largest iron ore producers moved away from the annual international benchmark pricing mechanism referenced in certain of our customer supply agreements, resulting in

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a shift in the industry toward shorter-term pricing arrangements linked to the spot market. These changes caused us to assess the impact a change to the historical annual pricing mechanism would have on certain of our larger existing U.S. Iron Ore customer supply agreements and resulted in modifications to certain of our U.S. Iron Ore customer supply agreements for the 2011 contract year. We reached final pricing settlements with a majority of our U.S. Iron Ore customers for the 2011 contract year. However, in some cases we are still working to revise components of the pricing calculations referenced within our supply agreements to incorporate new pricing mechanisms as a result of the changes to historical benchmark pricing.

During 2011, 2010 and 2009, we sold 24.2 million, 23.0 million and 13.7 million tons of iron ore pellets, respectively, from our share of the production from our U.S. Iron Ore mines. The segment's five largest customers together accounted for a total of 83 percent, 91 percent and 92 percent of U.S. Iron Ore product revenues for the years 2011, 2010 and 2009, respectively. Refer to *Concentration of Customers* within Item 1 — *Business*, for additional information regarding our major customers.

### *Eastern Canadian Iron Ore Customers*

Our Eastern Canadian Iron Ore revenues are derived from sales of iron ore pellets and concentrate to the seaborne market for Asian steel producers, consisting of one major customer for iron ore concentrate. The iron ore pellets produced by Eastern Canadian Iron Ore are sold to various customers, none of which are considered individually significant. Pricing for our Eastern Canadian Iron Ore customers consists of a mix of multi-year and short-term pricing arrangements that are linked to the spot market. The arrangements primarily use short-term pricing mechanisms of various durations based on spot prices.

During 2011, 2010 and 2009, we sold 7.4 million, 3.3 million and 2.7 million metric tons of iron ore pellets and concentrate, respectively, from our Eastern Canadian Iron Ore mines, with the segment's five largest customers together accounting for a total of 59 percent, 67 percent and 82 percent of Eastern Canadian Iron Ore product revenues, respectively. Refer to *Concentration of Customers* within Item 1 — *Business*, for additional information regarding our major customers.

### *North American Coal*

We own and operate five metallurgical coal mines located in West Virginia and Alabama and one thermal coal mine located in West Virginia that currently have a rated capacity of 9.4 million tons of production annually. In 2011, we sold a total of 4.2 million tons, compared with 3.3 million tons in 2010 and 1.9 million tons in 2009. Each of our North American coal mines are positioned near rail or barge lines providing access to international shipping ports, which allows for export of our coal production.

### *North American Coal Customers*

North American Coal's metallurgical coal production is sold to global integrated steel and coke producers in Europe, Latin America and North America, and its thermal coal production is sold to energy companies and distributors in North America and Europe. Approximately 79 percent of our 2011 production and 72 percent of our 2010 production was committed under one-year contracts. At December 31, 2011, approximately 69 percent of our projected 2012 production has been committed under one-year contracts. North American contract negotiations are largely completed, and international contract negotiations recently have begun. The remaining tonnage primarily is pending price negotiations with our international customers, which typically is dependent on settlements of Australian pricing for metallurgical coal. International customer contracts typically are negotiated on a fiscal year basis extending from April 1 through March 31, whereas customer contracts in North America are typically negotiated on a calendar year basis extending from January 1 through December 31.

International and North American sales represented 54 percent and 46 percent, respectively, of our North American Coal sales in 2011. This compares with 55 percent and 45 percent, respectively, in 2010 and 65 percent and 35 percent, respectively, in 2009. The segment's five largest customers together accounted for a total of 58 percent, 62 percent and 75 percent of North American Coal product revenues for the years 2011, 2010 and 2009, respectively. Refer to *Concentration of Customers* within Item 1 — *Business*, for additional information regarding our major customers.

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### *Asia Pacific Iron Ore*

Our Asia Pacific Iron Ore operations are located in Western Australia and include our wholly owned Koolyanobbing complex and our 50 percent equity interest in Cockatoo Island. We serve the Asian iron ore markets with direct-shipping fines and lump ore. Production in 2011 was 8.9 million metric tons, compared with 9.3 million metric tons in 2010 and 8.3 million metric tons in 2009.

These two operations supply a total of three direct-shipping export products to Asia via the global seaborne trade market. Koolyanobbing produces a standard lump and fines product. Cockatoo Island produces a single premium fines product. The lump products are fed directly to blast furnaces, while the fines products are used as sinter feed. The variation in the three export product grades reflects the inherent chemical and physical characteristics of the ore bodies mined as well as the supply requirements of the customers.

Koolyanobbing is a collective term for the operating deposits at Koolyanobbing, Mount Jackson and Windarling. There are approximately 60 miles separating the three mining areas. Banded iron formations host the mineralization, which is predominately hematite and goethite. Each deposit is characterized with different chemical and physical attributes, and in order to achieve customer product quality, ore in varying quantities from each deposit must be blended together. In September 2010, our Board of Directors approved a capital project at our Koolyanobbing operation that is expected to increase production output at Koolyanobbing to approximately 11 million metric tons annually. These improvements are expected to be implemented fully by the beginning of the second half of 2012.

Crushing and blending is undertaken at Koolyanobbing, where the crushing and screening plant is located. Once the blended ore has been crushed and screened into a direct lump and fines shipping product, it is transported by rail approximately 360 miles south to the Port of Esperance for shipment to our customers in Asia.

Cockatoo Island is located off the Kimberley coast of Western Australia, approximately 1,200 miles north of Perth and is only accessible by sea and air. Cockatoo Island produces a single high-grade iron ore product known as Cockatoo Island Premium Fines. The deposit is almost pure hematite and contains very few contaminants enabling the shipping grade to be above 66 percent iron. Ore is mined below the sea level on the southern edge of the island. This is facilitated by a sea wall, which enables mining to a depth of approximately 160 feet below sea level. Ore is crushed and screened on-site to the final product sizing. Vessels berth at the island and the fines product is loaded directly to the ship. Cockatoo Island Premium Fines are highly sought in the global marketplace due to their extremely high iron grade and low valueless mineral content. Production at Cockatoo Island ended during 2008 due to construction on Phase 3 of the seawall, and in April 2009, an unanticipated subsidence of the seawall occurred. As a result, production from the mine was delayed and was not expected to resume until the first half of 2011 once the seawall was completed. However, production at Cockatoo Island resumed earlier than expected during the third quarter of 2010 and continued throughout 2011.

In August 2011, we entered into a term sheet with our joint venture partner, HWE Cockatoo Pty Ltd., to sell our beneficial interest in the mining tenements and certain infrastructure of Cockatoo Island to Pluton Resources. The potential transaction is expected to occur at the end of the current stage of mining, Phase 3, which is anticipated to be complete in late 2012. Due diligence has been completed and the definitive sale agreement is being drafted and negotiated. The definitive sale agreement will be conditional on the receipt of regulatory and third-party consents and the satisfaction of other customary closing conditions.

### *Asia Pacific Iron Ore Customers*

Asia Pacific Iron Ore's production is under contract with steel companies primarily in China and Japan through 2012. Historically, a limited spot market existed for seaborne iron ore as most production has been sold under supply contracts with annual benchmark prices driven from negotiations between the major suppliers and Chinese, Japanese and other Asian steel mills. As discussed above, in 2010, the world's largest iron ore producers moved away from the annual international benchmark pricing mechanism referenced in our customer supply agreements, resulting in a shift in the industry toward shorter-term pricing arrangements linked to the spot market. These changes caused us to assess and renegotiate the terms of our supply agreements with our customers.

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Asia Pacific Iron Ore has five-year term supply agreements with steel producers in China and Japan for the sale of production from its Koolyanobbing operations. Production from Cockatoo Island is sold under short-term supply agreements with steel producers in China, Japan, Korea and Taiwan that run to the end of the 2012 production period. The agreements with steel producers in China and Japan account for approximately 75 percent and 25 percent, respectively, of sales volume. Sales volume under the agreements partially is dependent on customer requirements. As a result of the move away from the annual international benchmark pricing mechanism in 2010, we renegotiated the terms of our supply agreements with our Chinese and Japanese Asia Pacific Iron Ore customers, moving to shorter-term pricing mechanisms of various durations based on the average daily spot prices, with certain pricing mechanisms that have a duration of up to a quarter. This change was effective in the first quarter of 2010 for our Chinese customers and the second quarter of 2010 for our Japanese customers. The existing contracts are due to expire at the end of 2012 for our Chinese customers and the end of March 2013 for our Japanese customers. Asia Pacific Iron Ore will be negotiating new contracts in 2012 to cover an extended period.

During 2011, 2010 and 2009, we sold 8.6 million, 9.3 million and 8.5 million metric tons of iron ore, respectively, from our Western Australia mines. No customer comprised more than 10 percent of our consolidated sales in 2011, 2010 or 2009. Asia Pacific Iron Ore's five largest customers accounted for approximately 50 percent of the segment's sales in 2011, 36 percent in 2010 and 39 percent in 2009.

### Investments

In addition to our reportable business segments, we are partner to a number of projects, including Amapá in Brazil and Sonoma in Australia, which comprise our Latin American Iron Ore and Asia Pacific Coal operating segments, respectively.

#### *Amapá*

We are a 30 percent minority interest owner in Amapá, which consists of an iron ore deposit, a 120-mile railway connecting the mine location to an existing port facility and 71 hectares of real estate on the banks of the Amazon River, reserved for a loading terminal. Amapá initiated production in late December 2007. The remaining 70 percent of Amapá is owned by Anglo.

During 2011, Amapá's annual production totaled 4.8 million metric tons of iron ore fines, compared with 4.0 million metric tons and 2.7 million metric tons in 2010 and 2009, respectively. Anglo has indicated that it expects Amapá will produce and sell 5.7 million metric tons of iron ore fines products in 2012 and 6.1 million metric tons annually once fully operational, which is expected to occur in 2013, based on current capital expenditure levels. The majority of Amapá's production is committed under a long-term supply agreement with an operator of an iron oxide pelletizing plant in the Kingdom of Bahrain.

#### *Sonoma*

We own a 45 percent economic interest in Sonoma, located in Queensland, Australia. Production and sales totaled approximately 3.5 million and 3.1 million metric tons of coal, respectively, in 2011. This compares with production and sales of approximately 3.5 million metric tons in 2010, and production and sales of approximately 2.8 million and 3.1 million metric tons, respectively, in 2009. The project is expected to produce approximately 3.7 million metric tons of coal annually in 2012 and beyond. Production is expected to include a mix of approximately two-thirds thermal and one-third metallurgical grade coal. In 2009, Sonoma experienced intrusions in the coal seams, which affected raw coal quality, recoverability in the washing process and ultimately the quantity of metallurgical coal in the production mix. As a result, the geological model for Sonoma has been enhanced to reflect the presence of the intrusions and to refine the mining sequence in order to optimize the mix of metallurgical and thermal coal despite being lower than initially planned levels. On a 100 percent basis, Sonoma has economically recoverable reserves of 21.3 million metric tons. Of the 3.5 million metric tons produced in 2011, approximately 3.1 million metric tons were committed under supply agreements. It is expected that approximately 90 percent of the 3.7 million metric tons expected to be produced in 2012 will be committed under supply agreements.

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### Research and Development

We have been a leader in iron ore mining technology for more than 160 years. We operated some of the first mines on Michigan's Marquette Iron Range and pioneered early open-pit and underground mining methods. From the first application of electrical power in Michigan's underground mines to the use of today's sophisticated computers and global positioning satellite systems, we have been a leader in the application of new technology to the centuries-old business of mineral extraction. Today, our engineering and technical staffs are engaged in full-time technical support of our operations and improvement of existing products.

We are expanding our leadership position in the industry by focusing on high product quality, technical excellence, superior relationships with our customers and partners and improved operational efficiency through cost-saving initiatives. We operate a fully equipped research and development facility in Ishpeming, Michigan, which supports each of our global operations. Our research and development group is staffed with experienced engineers and scientists and is organized to support the geological interpretation, process mineralogy, mine engineering, mineral processing, pyrometallurgy, advanced process control and analytical service disciplines. Our research and development group also is utilized by iron ore pellet customers for laboratory testing and simulation of blast furnace conditions.

### Exploration

Our exploration program is integral to our growth strategy. We have several projects and potential opportunities to diversify our products, expand our production volumes and develop large-scale ore bodies through early involvement in exploration activities. We achieve this by partnering with junior mining companies, which provide us low-cost entry points for potentially significant reserve additions. Our global exploration group is led by professional geologists who have the knowledge and experience to identify new projects for future development or projects that add significant value to existing operations. We spent approximately \$48.4 million on exploration activities in 2011, and we expect cash expenditures of approximately \$90 million on exploration activities in 2012, which we anticipate will provide us with opportunities for significant future potential reserve additions globally.

### Concentration of Customers

We had one customer that individually accounted for more than 10 percent of our consolidated product revenue in 2011. In 2010 and 2009, we had three and two customers, respectively, that individually accounted for more than 10 percent of our consolidated product revenue. Total revenue from those customers represented approximately \$1.4 billion, \$1.8 billion, and \$0.8 billion of our total consolidated product revenue in 2011, 2010 and 2009, respectively, and is attributable to our U.S. Iron Ore, Eastern Canadian Iron Ore and North American Coal business segments. The following represents sales revenue from each of those customers as a percentage of our total consolidated product revenue, as well as the portion of product sales for U.S. Iron Ore, Eastern Canadian Iron Ore, and North American Coal that is attributable to each of those customers in 2011, 2010 and 2009, respectively:

Customer (2)	Percentage of Total Product Revenue (1)		
	2011	2010	2009
ArcelorMittal	21%	19%	28%
Algoma	8	11	10
Severstal	5	11	8
Total	34%	41%	46%

(1) Excluding freight and venture partners' cost reimbursements.

(2) Includes subsidiaries of each customer.

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Customer (2)	Percentage of U.S. Iron Ore Product Revenue (1)			Percentage of Eastern Canadian Iron Ore Product Revenue (1)			Percentage of North American Coal Product Revenue (1)		
	2011	2010	2009	2011	2010	2009	2011	2010	2009
ArcelorMittal	38%	31%	48%	10%	15%	16%	7%	28%	28%
Algoma	15	21	20	—	—	—	—	2	—
Severstal	8	17	14	4	19	2	—	—	4
Total	61%	69%	82%	14%	34%	18%	7%	30%	32%

(1) Excluding freight and venture partners' cost reimbursements.

(2) Includes subsidiaries of each customer.

**ArcelorMittal USA**

On April 8, 2011, we entered into an Omnibus Agreement with ArcelorMittal USA in order to settle pending arbitrations. The Omnibus Agreement, among other things, amends the Pellet Sale and Purchase Agreement dated December 31, 2002 (the "Supply Agreement") covering the Indiana Harbor East facility. Under the terms of the settlement, the parties established specific pricing levels for 2009 and 2010 pellet sales and revised the pricing calculation for the remainder of the term of the Supply Agreement. It was also agreed that a world market-based pricing mechanism would be used beginning in 2011 and through the remainder of the contract term for the Supply Agreement. As a result of this new pricing, both parties agreed to forego future price re-openers.

Prior to the execution of the Omnibus Agreement, we executed on March 19, 2007 an umbrella agreement with ArcelorMittal USA that covered significant price and volume matters under three separate pre-existing iron ore pellet supply agreements for ArcelorMittal USA's Cleveland and Indiana Harbor West, Indiana Harbor East and Weirton facilities. Under the umbrella agreement, ArcelorMittal USA was obligated to purchase specified minimum tonnages of iron ore pellets on an aggregate basis from 2006 through 2010. The umbrella agreement set the minimum annual tonnage for ArcelorMittal USA through 2010, with pricing based on the facility to which the pellets were delivered. The terms of the umbrella agreement contained buy-down provisions, which permitted ArcelorMittal USA to reduce its tonnage purchase obligation each year at a specified price per ton, as well as deferral provisions, which permitted ArcelorMittal USA to defer a portion of its annual tonnage purchase obligation. In addition, ArcelorMittal USA was permitted to nominate tonnage for export out of the U.S. to any facility owned by ArcelorMittal USA, but pricing needed to be agreed to by the parties. This ability to nominate tonnage for export ceased upon the expiration of the umbrella agreement at the end of 2010, and most of our contracts have reverted back to a requirements basis.

Our pellet supply agreements with ArcelorMittal USA that were in place prior to executing the umbrella agreement have again become the basis for supplying pellets to ArcelorMittal USA, which is based on customer requirements, except for the Indiana Harbor East facility, which is based on customer excess requirements. As discussed above, the Omnibus Agreement amended the Supply Agreement covering the Indiana Harbor East facility in April 2011. The following table outlines the expiration dates for each of the respective agreements.

Facility	Agreement
	Expiration
Cleveland Works and Indiana Harbor West facilities	2016
Indiana Harbor East facility	2015
Weirton facility	2018

ArcelorMittal USA is a 62.3 percent equity participant in Hibbing and a 21 percent equity partner in Empire with limited rights and obligations. ArcelorMittal was a 28.6 percent participant in Wabush through its subsidiary Dofasco. On February 1, 2010, we acquired the remaining interest in Wabush, including Dofasco's 28.6 percent interest.

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In 2011, 2010 and 2009, our U.S. Iron Ore pellet sales to ArcelorMittal USA were 8.7 million, 9.8 million and 7.3 million tons, respectively, and our Eastern Canadian Iron Ore pellet sales to ArcelorMittal USA were 0.7 million, 0.6 million and 0.4 million metric tons, respectively.

Our North American Coal supply agreements with ArcelorMittal run through March 31, and are based on an annual tonnage commitment for the 12-month fiscal period. Contracts are priced on a quarterly basis, with pricing generally in line with Australian pricing for metallurgical coal. In 2011, 2010 and 2009, our North American Coal sales to ArcelorMittal were 0.2 million, 0.8 million and 0.6 million tons, respectively.

### *Algoma*

Algoma is a Canadian steelmaker and a subsidiary of Essar Steel Holdings Limited. We have a 15-year term supply agreement under which we are Algoma's sole supplier of iron ore pellets through 2016. Our annual obligation is limited to 4.0 million tons with our option to supply additional pellets. Historically, pricing under the agreement with Algoma has been based on a formula that includes international pellet prices. During 2010, international pellet prices for blast furnace pellets were redefined through arbitration to use an increase in excess of 95 percent over 2009 prices for seaborne blast furnace pellets. The agreement provides that, in 2011 and 2014, either party may request a price re-opener if prices under the agreement with Algoma differ from a specified benchmark price for the year the price re-opener is requested. We sold 3.7 million, 3.4 million and 2.9 million tons to Algoma in 2011, 2010 and 2009, respectively.

### *Severstal*

Under the agreement with Severstal, we supply all of the customer's blast furnace pellet requirements for its Dearborn, Michigan facility through 2022, subject to specified minimum and maximum requirements in certain years. The terms of the agreement also require supplemental payments to be paid by the customer during the period 2009 through 2013. Pursuant to an amended term sheet entered into on June 19, 2009, the customer exercised the option to defer a portion of the 2009 monthly supplemental payment up to \$22.3 million in exchange for interest payments until the deferred amount is repaid in 2013.

On March 31, 2011, Severstal sold its Sparrows Point, Warren and Wheeling facilities to The Renco Group, Inc. The sale of these facilities resulted in the decrease in our sales to this customer as a percentage of our consolidated product revenue in 2011 when compared to 2010 and 2009.

We sold 3.8 million, 5.3 million and 2.3 million tons to Severstal in 2011, 2010 and 2009, respectively.

## Competition

Throughout the world, we compete with major and junior mining companies, as well as metals companies, both of which produce steelmaking raw materials, including iron ore and metallurgical coal.

### *North America*

In our U.S. Iron Ore business segment, we primarily sell our product to steel producers with operations in North America. In our Eastern Canadian Iron Ore business segment, we primarily provide our product to the seaborne market for Asian steel producers. We compete directly with steel companies that own interests in iron ore mines, including ArcelorMittal Mines Canada and U.S. Steel Canada Inc., and with major iron ore exporters from Australia.

In the coal industry, our North American Coal business segment competes with many metallurgical coal producers of various sizes, including Alpha Natural Resources, Inc., Patriot Coal Corporation, CONSOL Energy Inc., Arch Coal, Inc., Walter Energy, Inc., Peabody Energy Corp. and other producers located in North America and globally.

A number of factors beyond our control affect the markets in which we sell our coal. Continued demand for our coal and the prices obtained by us primarily depend on the coal consumption patterns of the steel industry in the U.S. and elsewhere around the world, as well as the availability, location, cost of transportation and price of

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competing coal. Coal consumption patterns are primarily affected by demand, environmental and other governmental regulations, and technological developments. The most important factors on which we compete are delivered price, coal quality characteristics such as heat value, sulfur, ash and moisture content, and reliability of supply. Metallurgical coal, which primarily is used to make coke, a key component in the steelmaking process, generally sells at a premium over steam coal due to its higher quality and value in the steelmaking process.

### *Asia Pacific*

In our Asia Pacific Iron Ore business segment, we export iron ore products to China and Japan in the world seaborne trade. In the Asia Pacific marketplace, we compete with major iron ore exporters from Australia, Brazil and India. These include Anglo, BHP and Fortescue Metals Group Ltd., Rio Tinto plc and Vale, among others.

Sonoma, in which Cliffs owns a 45 percent economic interest, competes with many other global metallurgical and thermal coal producers, including Anglo, Rio Tinto plc, BHP, Teck Resources Limited and Xstrata plc.

Competition in steelmaking raw materials is predicated upon the usual competitive factors of price, availability of supply, product performance, service and transportation cost to the consumer of the raw materials.

As the global steel industry continues to consolidate, a major focus of the consolidation is on the continued life of the integrated steel industry's raw steelmaking operations, including blast furnaces and basic oxygen furnaces that produce raw steel. In addition, other competitive forces have become a large factor in the iron ore business. In particular, electric arc furnaces built by mini-mills, which are steel recyclers, generally produce steel by using scrap steel and reduced-iron products rather than iron ore pellets.

### **Environment**

Our mining and exploration activities are subject to various laws and regulations governing the protection of the environment. We conduct our operations in a manner that is protective of public health and the environment and believe our operations are in compliance with applicable laws and regulations in all material respects.

Environmental issues and their management continued to be an important focus at each of our operations throughout 2011. In the construction of our facilities and in their operation, substantial costs have been incurred and will continue to be incurred to avoid undue effect on the environment. Our capital expenditures relating to environmental matters totaled approximately \$36 million, \$21 million, and \$7 million, in 2011, 2010, 2009, respectively. It is estimated that capital expenditures for environmental improvements will total approximately \$60 million in 2012. Estimated expenditures in 2012 are comprised of approximately \$37 million for projects at our Eastern Canadian Iron Ore operations, \$15 million for projects in our U.S. Iron Ore operations and \$8 million in our North American Coal operations. Of the \$37 million in capital budgeted for Eastern Canadian Iron Ore operations, approximately \$23 million is for water treatment and tailings management improvements and fish habitat compensation at the Wabush operations, \$10 million is for water treatment improvements at our Bloom Lake operations, and the remaining is for other miscellaneous projects. Of the \$15 million in capital budgeted for U.S. Iron Ore operations, approximately \$10 million is for air pollution control equipment upgrades at the various mines, with the remaining \$5 million for wetland mitigation, water treatment and other miscellaneous projects. The \$8 million in capital expenditures budgeted for the North American Coal operations primarily is for water treatment equipment upgrades and miscellaneous projects at Oak Grove and the other mines.

### *Regulatory Developments*

Various governmental bodies are continually promulgating new or amended laws and regulations that affect our company, our customers and our suppliers in many areas, including waste discharge and disposal, the classification of materials and products, air and water discharges, and many other environmental, health and safety matters. Although we believe that our environmental policies and practices are sound and do not expect that the application of any current laws or regulations would reasonably be expected to result in a material adverse effect on our business or financial condition, we cannot predict the collective adverse impact of the expanding body of laws and regulations.

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Specifically, there are several notable proposed or potential rulemakings or activities that could potentially have a material adverse impact on our facilities in the future depending on their ultimate outcome: Climate Change and GHG Regulation, Regional Haze, NO<sub>2</sub> and SO<sub>2</sub> National Ambient Air Quality Standards, Cross State Air Pollution Rule, Increased Administrative and Legislative Initiatives related to Coal Mining Activities, the Minnesota Mercury Total Maximum Daily Load Implementation, and Selenium Discharge Regulation.

*Climate Change and GHG Regulation.* With the complexities and uncertainties associated with the U.S. and global navigation of the climate change issue as a whole, one of our significant risks for the future is mandatory carbon legislation. Policymakers are in the design process of carbon regulation at the state, regional, national and international levels. The current regulatory patchwork of carbon compliance schemes present a challenge for multi-facility entities to identify their near-term risks. Amplifying the uncertainty, the dynamic forward outlook for carbon regulation presents a challenge to large industrial companies to assess the long-term net impacts of carbon compliance costs on their operations. Our exposure on this issue includes both the direct and indirect financial risks associated with the regulation of GHG emissions, as well as potential physical risks associated with climate change. We are continuing to review the physical risks related to climate change utilizing a formal risk management process.

Internationally, mechanisms to reduce emissions are being implemented in various countries, with differing designs and stringency, according to resources, economic structure and politics. We expect that momentum to extend carbon regulation following the expiration in 2012 of the first commitment period under the Kyoto Protocol will continue. Australia, Canada and Brazil are all signatories to the Kyoto Protocol. As such, our facilities in each of these countries will be impacted by the Kyoto Protocol, but in varying degrees according to the mechanisms each country establishes for compliance and each country's commitment to reducing emissions. Australia and Canada are considered Annex 1 countries, meaning that they are obligated to reduce their emissions under the Protocol. In contrast, Brazil is not an Annex 1 country and is, therefore, not currently obligated to reduce its GHG emissions. The impact of the Kyoto Protocol on our Canadian operations has recently been brought into question by the December 2011 announcement by the Canadian Environment Minister that Canada would withdraw from the Kyoto Protocol and, furthermore, that Canada would repeal its Kyoto Protocol Implementation Act.

In November 2011, legislation for a carbon tax was passed by the Australian Parliament. The legislation will take effect beginning in July 2012. The carbon tax will apply a fixed price of A\$23 per metric ton of CO<sub>2</sub> emissions, with a transition to an emissions trading scheme in 2015 following a fixed-price period of three years. The price will rise by 2.5 percent a year during the fixed-price period. The direct impact of the carbon tax on Cliffs Asia Pacific operations primarily will occur through increased fuel costs. Based on an expected cost, at commencement, the tax is estimated to result in an increase in direct costs of approximately A\$5 million per year.

On December 15, 2011, Quebec issued final GHG cap-and-trade regulation based on the Western Climate Initiative guidelines which become effective January 1, 2013. The Quebec GHG emission reduction objective is to reduce GHG emissions by 20 percent below 1990 levels by 2020 (Phase 1). The mining and utility sectors, among others, are sectors included in the cap-and-trade program. The Quebec framework has provisions for "free" allocations for our sector, which will minimize the impact to our business. The estimated direct impact to Cliffs Quebec operations begin at \$1 million per year in 2013 and escalate to an estimated \$3 million per year in 2020 (Phase 1 of the GHG cap-and-trade program). Additional indirect "pass-through" financial impacts related to energy rates and transportation fuel consumption are estimated to increase our exposure, however, the overall impact is not anticipated to have a material impact on our business.

In the U.S., federal carbon regulation potentially presents a significantly greater impact to our operations. To date, the U.S. has not implemented regulated carbon constraints. In the absence of comprehensive federal carbon regulation, numerous state and regional regulatory initiatives are under development or are becoming effective, thereby creating a disjointed approach to carbon control.

Furthermore, on September 22, 2009, the EPA issued a final GHG Reporting Rule requiring the mandatory reporting of annual GHG emissions from our U.S. iron and coal mining facilities. Sources covered by the rule

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were required to begin collecting emission data by no later than January 1, 2010. The first annual emission report was submitted to the EPA in September 2011 and will be reported annually. As a founding member of TCR, we have reported our emissions to TCR and published GHG emission information within our Sustainability Reports, following the reporting protocols established by the Global Reporting Initiative.

As an energy-intensive business, our GHG emissions inventory captures a broad range of emissions sources, such as iron ore furnaces and kilns, coal thermal driers, diesel mining equipment and a wholly owned power generation plant, among others. As such, our most significant regulatory risks are: (1) the costs associated with on-site emissions levels and (2) the costs passed through to us from power generators and distillate fuel suppliers.

We believe our exposure can be reduced substantially by numerous factors, including currently contemplated regulatory flexibility mechanisms, such as allowance allocations, fixed process emissions exemptions, offsets, and international provisions; emissions reduction opportunities, including energy efficiency, biofuels, fuel flexibility and methane reduction; and business opportunities associated with new products and technology.

We have proactively worked to develop a comprehensive, enterprise-wide GHG management strategy aimed at considering all significant aspects associated with GHG initiatives to effectively plan for and manage climate change issues, including the risks and opportunities as they relate to the environment, stakeholders, including shareholders and the public, legislative and regulatory developments, operations, products and markets.

*Regional Haze.* In June 2005, the EPA finalized amendments to its regional haze rules. The rules require states to establish goals and emission reduction strategies for improving visibility in all Class I national parks and wilderness areas. Among the states with Class I areas are Michigan, Minnesota, Alabama and West Virginia where we currently own and manage mining operations. The first phase of the regional haze rule (2008-2018) requires analysis and installation of BART on eligible emission sources and incorporation of BART and associated emission limits into state implementation plans.

Late in 2011, MPCA published a draft supplement to the Regional Haze SIP, which was on public notice until January 2012 and goes before the MPCA Board in March 2012. The EPA must now review and formally approve the Regional Haze SIP. If approved, these requirements will become effective five years after approval.

The supplemental Regional Haze SIP recently put on notice by MPCA also raises questions for the Hibbing and United Taconite facilities. Despite information provided by Hibbing and United Taconite, MPCA proposed NOx emissions limits for these facilities, which past performance testing would show as unachievable. Retrofit NOx controls are not technically and economically available for existing taconite furnaces according to BART criteria. Cliffs will be providing further comments to the MPCA on limits during the public notice period and anticipates resolution of the matter without having to appeal the rule.

*NO<sub>2</sub> and SO<sub>2</sub> National Ambient Air Quality Standards.* During the first half of 2010, the EPA promulgated rules that require states to use a combination of air quality monitoring and computer modeling to determine areas of each state that are in attainment with new NO<sub>2</sub> and SO<sub>2</sub> standards (attainment areas) and those areas that are not in attainment with such standards (nonattainment areas). During the third quarter of 2011, the EPA issued guidance to the regulated community on conducting refined air quality dispersion modeling and implementing the new NO<sub>2</sub> and SO<sub>2</sub> standards. The NO<sub>2</sub> and SO<sub>2</sub> standards have been challenged by various large industry groups. Accordingly, at this time, we are unable to predict the final impact of these standards. During June 2011, our Minnesota iron ore mining operations received a request from the MPCA to develop modeling and compliance plans and timelines by which each facility will demonstrate compliance with present and proposed NAAQS as well as Regional Haze requirements outlined in the State SIP. Compliance must be achieved by June 30, 2017. Cliffs continues to assess options by which to achieve compliance.

*Cross State Air Pollution Rule.* On July 6, 2011, the EPA promulgated the CSAPR. This rule identifies and limits emissions of SO<sub>2</sub> and NOx from electric generating units in 27 states. Silver Bay Power is subject to a SO<sub>2</sub> and NOx emission cap under this rule, which is designed to assist downwind states in attaining and maintaining compliance with NAAQS for fine particulate matter and ozone. The CSAPR established a Federal Implementation Plan that requires emission reductions in phases, which commence January 1, 2012, and January 1, 2014. Silver Bay Power must meet the allocations for its emissions set by the CSAPR through

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emission reductions achieved by installing additional controls or fuel switching and/or acquiring additional allocations through an allowance trading program authorized by the CSAPR. Although the D.C. Circuit Court stayed the rule in December 2011, we have analyzed the rule and identified viable options available to Silver Bay Power to minimize financial impacts from the CSAPR once the Court reaches a decision and lifts the stay. The potential direct impact from CSAPR and other new environmental regulations applicable to Silver Bay Power have been assessed and determined not to be material. We will be implementing the strategic plan to minimize the economic impact to Silver Bay Power over the next five years.

*Increased Administrative and Legislative Initiatives Related to Coal Mining Activities.* Although the focus of significantly increased government activity related to coal mining in the U.S. is generally targeted at eliminating or minimizing the adverse environmental impacts of mountaintop coal mining practices, these initiatives have the potential to impact all types of coal operations, including subsurface longwall mining typically deployed for recovering metallurgical coal. Specifically, the coordinated efforts by various federal agencies to minimize adverse environmental consequences of mountaintop mining have effectively stopped issuance of new permits required by most mining projects in Appalachia. Due to the developing nature of these initiatives and their potential to disrupt even routine necessary mining and water permit practices in the coal industry, we are unable to predict whether these initiatives could have a material effect on our coal operations in the future. We are working closely with our trade associations to monitor the various rulemaking developments in an effort to enable us to develop viable strategies to minimize the financial impact to the business.

*Mercury TMDL and Minnesota Taconite Mercury Reduction Strategy.* Mercury TMDL regulations are contained in the U.S. Federal Clean Water Act. As a part of Minnesota's Mercury TMDL Implementation Plan, in cooperation with the MPCA, the taconite industry developed a Taconite Mercury Reduction Strategy and signed a voluntary agreement to effectuate its terms. The strategy includes a 75 percent reduction of mercury air emissions from Minnesota pellet plants by 2025 as a target. It recognizes that mercury emission control technology currently does not exist and will be pursued through a research effort. Any developed technology must be economically feasible, not impact pellet quality and not cause excessive corrosion in pellet furnaces, associated duct work and existing wet scrubbers on the furnaces.

According to the voluntary agreement, the mines must proceed with medium- and long-term testing of possible technologies beginning in 2010. Initial testing will be completed on one straight-grate and one grate-kiln furnace among the mines. If technically and economically feasible, developed mercury emission control technology must then be installed on taconite furnaces by 2025. For us, the requirements in the voluntary agreement will apply to our United Taconite and Hibbing facilities. At this point in time, we are unable to predict the potential impacts of the Taconite Mercury Reduction Strategy, as it is just in its research phase with no proven technology yet identified. However, a number of research projects commenced during 2011 as the industry continues to assess options for reduction.

*Selenium Discharge Regulation.* In West Virginia, new selenium discharge limits became effective on April 5, 2010. State legislation was passed that gives the West Virginia DEP the authority to extend the deadline for facilities to comply with new selenium discharge limits to July 1, 2012, based on application and approval of the extension. We have successfully implemented solutions that manage the discharge of selenium in our coal operations. We do not believe this issue is likely to result in material impacts to North American Coal.

In Michigan, the MDEQ issued a renewed NPDES permit for our Empire Mine in December 2011 and is scheduled to renew the Tilden NPDES permit in 2012. Our Michigan operations at Empire and Tilden are developing compliance strategies to meet new selenium process water limits according to the permit conditions. Empire and Tilden submitted the Selenium Storm Water Management Plan to the MDEQ on December 22, 2011. The Selenium Storm Water Management Plan outlines the activities that will be undertaken from 2011 to 2015 to address selenium in storm water discharges from our Michigan operations. The activities include the evaluation of structural controls, non-structural controls, site specific standards and evaluation of potential impacts to groundwater. Preliminary selenium treatability results from studies in 2011 were positive for the utilization of treatment systems. An initial estimate for full scale implementation of treatment systems as structural selenium controls at both facilities is \$35 million dollars and is expected to be expended between 2012 and 2015.

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### *Other Developments*

*Clean Water Act Section 404.* In the U.S., Section 404 of the Clean Water Act requires permits from the U.S. Army Corps of Engineers to construct mines and associated projects, such as freshwater impoundments and refuse disposal fills, in areas that affect jurisdictional waters. Any coal mining activity requiring both a Section 404 permit and a SMCRA permit in the Appalachian region currently undergoes an enhanced review from the Army Corps of Engineers, the EPA and the Office of Surface Mining. With the acquisition of the CLCC properties during the third quarter of 2010, we obtained a development surface coal mine project, the Toney Fork No. 3, which is subject to the enhanced review process adopted by federal agencies in 2009 for Section 404 permitting. There are currently two proposed valley fills in the Toney Fork No. 3 plan; therefore, an extensive review process can be expected. We expect ongoing negotiations with the EPA will conclude with the issuance of the required Section 404 permit well before construction of the mine is scheduled. The other development surface mine project acquired through the acquisition of CLCC, Toney Fork West, does not require Section 404 permitting. The renewal date for the existing Toney Fork No. 2 permit is May 28, 2015.

For additional information on our environmental matters, refer to Item 3. *Legal Proceedings* and NOTE 9 — ENVIRONMENTAL AND MINE CLOSURE OBLIGATIONS in Item 8.

## Energy

### *Electricity*

WEPCO is the sole supplier of electric power to our Empire and Tilden mines. WEPCO currently provides 300 megawatts of electricity to Empire and Tilden at rates that are regulated by the MPSC. The Empire and Tilden mines are subject to changes in WEPCO's rates, such as base interim rate changes that WEPCO may self-implement and final rate changes that are approved by the MPSC in response to applications filed by WEPCO. These procedures have resulted in several rate increases since 2008, when Empire and Tilden's special contracts for electric service with WEPCO expired. Additionally, Empire and Tilden are subject to frequent changes in WEPCO's power supply adjustment factor. For additional information on the Empire and Tilden rate cases with WEPCO, refer to Item 3. *Legal Proceedings*.

Electric power for the Hibbing and United Taconite mines is supplied by MP. On September 16, 2008, the mines finalized agreements with terms from November 1, 2008 through December 31, 2015. The agreements were approved by the Minnesota Public Utilities Commission in 2009.

Silver Bay Power Company, a wholly owned subsidiary of ours, with a 115 megawatt power plant, provides the majority of Northshore's energy requirements. Silver Bay Power had an interconnection agreement with MP for backup power. Silver Bay Power entered into an agreement to sell 40 megawatts of excess power capacity to Xcel Energy under a contract that expired in 2011. In March 2008, Northshore reactivated one of its furnaces, resulting in a shortage of electrical power of approximately 10 megawatts. As a result, supplemental electric power is purchased by Northshore from MP under an agreement that is renewable yearly with one-year termination notice required. The contract expired on June 30, 2011, which coincided with the expiration of Silver Bay Power's 40 megawatt sales agreement with Xcel Energy.

Wabush has a 20-year agreement with Newfoundland Power, which continues until December 31, 2014. This agreement allows an interchange of water rights in return for the power needs for Wabush's mining operations. The Wabush pelletizing operations and Bloom Lake operations in Quebec are served by Quebec Hydro, which provides power under non-negotiated rates that are set on an annual basis.

The Oak Grove mine and Concord Preparation Plant are supplied electrical power by Alabama Power under a five-year contract that continues in effect until terminated by either party providing written notice to the other in accordance with applicable rules, regulations and rate schedules. Rates of the contract are subject to change during the term of the contract as regulated by the Alabama Public Service Commission.

Electrical power to the Pinnacle Complex is supplied by the Appalachian Power Company under two contracts. The electrical power to the Green Ridge No. 1 mine was also supplied by the Appalachian Power Company through its closure date in February 2010. The Indian Creek contract was revised in 2008 to include service under Appalachian Power's lower cost Large Capacity Power Primary Schedule. On January 15, 2010, we entered into an amended agreement with Appalachian Power related to the Indian Creek contract that resulted

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in Pinnacle receiving reduced electrical power rates under the American Electric Power's Large Capacity Power Transmission Code 389 tariff for a contract capacity of 15 megawatts. The Pinnacle Creek contract was not affected. The next renewal dates are January 15, 2013 for Indian Creek and July 4, 2012 for Pinnacle Creek. Both contracts specify the applicable rate schedule, minimum monthly charge and power capacity furnished. Rates, terms and conditions of the contracts are subject to the approval of the Public Service Commission of West Virginia.

CLCC is also supplied electrical power by Appalachian Power under two contracts. The Buffalo Creek Road contract was entered into on May 4, 2010 for a two-year period and is for a supply of 5,800 kilowatts under American Electric Power's Large Capacity Power Code 388 tariff. The Craneco Aly contract began on February 4, 2011 for a one-year period and supplies 2,300 kilowatts of electrical power under the American Electric Power's Large Capacity Power Code 388. Both contracts remain in effect until twelve months written notice is given by either party of its intent to terminate the contract.

Koolyanobbing and its associated satellite mines draw power from independent diesel fueled power stations and generators. Temporary diesel power generation capacity has been installed at the Koolyanobbing operations, allowing sufficient time for a detailed investigation into the viability of long-term options such as connecting into the Western Australian South West Interconnected System or provision of natural gas or dual fuel (natural gas and diesel) generating capacity. These options are not economic for the satellite mines, which will continue being powered by diesel generators.

Electrical supply on Cockatoo Island is diesel generated. The powerhouse adjacent to the processing plant powers the shiploader, fuel farm and the processing plant. The workshop and administration office is powered by a separate generator.

### Process Fuel

We have contracts providing for the transport of natural gas for our U.S. and Eastern Canadian Iron Ore operations, as well as our North American Coal operations. At U.S. Iron Ore, the Empire and Tilden mines have the capability of burning natural gas, coal, or to a lesser extent, oil. The Hibbing and Northshore mines have the capability to burn natural gas and oil. The United Taconite mine has the ability to burn coal, natural gas and coke breeze. Although all of the U.S. iron ore mines have the capability of burning natural gas, the pelletizing operations for the U.S. iron ore mines utilize alternate fuels when practicable. At Eastern Canadian Iron Ore, the Wabush mine has the capability to burn oil and coke breeze and the Bloom Lake mine has the ability to burn No. 2 heating oil. Our North American Coal operations use natural gas and coal to fire thermal dryers at the Pinnacle Complex and Oak Grove mines as well as the CLCC operations.

### Employees

As of December 31, 2011, we had a total of 7,404 employees.

	U.S. Iron Ore (1)	Eastern Canadian Iron Ore (3)	North American Coal	Asia Pacific Iron Ore (3)	Corporate & Support Services	Other (2)	Total
Salaried	760	350	462	130	564	24	2,290
Hourly	2,989	847	1,278	—	—	—	5,114
<b>Total</b>	<b>3,749</b>	<b>1,197</b>	<b>1,740</b>	<b>130</b>	<b>564</b>	<b>24</b>	<b>7,404</b>

(1) Includes our employees and the employees of the U.S. Iron Ore joint ventures.

(2) Includes the employees in our Latin American Iron Ore, Asia Pacific Coal and Ferroalloys operating segments, with the exception of contracted mining employees.

(3) Excludes contracted mining employees.

As of December 31, 2011, approximately 84.1 percent of our U.S. Iron Ore hourly employees, approximately 78.0 percent of our Eastern Canadian Iron Ore hourly employees and approximately 63.4 percent of our North American Coal hourly employees were covered by collective bargaining agreements.

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Hourly employees at our Michigan and Minnesota iron ore mining operations, excluding Northshore, are represented by the USW. The four-year labor agreements, effective September 1, 2008 through August 31, 2012, cover approximately 2,400 USW-represented workers at our Empire and Tilden mines in Michigan, and our United Taconite and Hibbing mines in Minnesota. We expect to begin negotiations with the USW with respect to these agreements in the summer of 2012.

Hourly employees at our Eastern Canadian Iron Ore operations, excluding Bloom Lake, also are represented by the USW. The five-year labor agreement for our Wabush mine, effective March 1, 2009 through February 28, 2014, provides for a 15 percent increase in labor costs over the term of the agreement, inclusive of benefits.

Hourly employees at our Lake Superior and Ishpeming railroads are represented by seven unions covering approximately 120 employees. These employees negotiate under the Railway Labor Act and the moratorium on bargaining expired on December 31, 2009. We have currently reached labor agreements with four of these unions and we are continuing to renegotiate with the other three unions. Bargaining with these unions normally proceeds long after the moratorium on bargaining expires. Work stoppages cannot occur until the parties have mediated under the Railway Labor Act and that process has not occurred.

Hourly production and maintenance employees at our Pinnacle Complex and Oak Grove mines are represented by the UMWA. We entered into collective bargaining agreements with the UMWA effective July 1, 2011 that expire on December 31, 2016. Those collective bargaining agreements are identical in all material respects to the NBCWA of 2011 between the UMWA and the Bituminous Coal Operators' Association. Employees at our CLCC operations are not represented under collective bargaining agreements.

Employees at our Asia Pacific, Corporate & Support Services, Latin American Iron Ore and Ferroalloys operations are not represented under collective bargaining agreements.

### *Safety*

Safe production is our primary core value. Our U.S. Iron Ore segment had a total reportable incident rate, as defined by MSHA, of 2.22 in 2011, compared with the prior year result of 2.16. Our U.S. Iron Ore segment finished the year with a 24 percent improvement in the total severity rate from 2010. Our Eastern Canadian Iron Ore segment had a total reportable incident rate, as defined by MSHA, of 4.58 in 2011, compared with the prior year result of 4.79. This rate includes Bloom Lake since the date of acquisition. Our North American Coal operations had a total reportable incident rate of 4.28 compared with a rate of 6.49 in 2010 and recorded a 37 percent improvement in total severity rates from the prior year. We have developed close collaboration between our North American segments to drive further improvements in our safety results.

At our Asia Pacific Iron Ore operations, the total reportable incident rate for 2011 was 2.24, compared with the 2010 result of 1.89. Asia Pacific Iron Ore's safety statistics include employees and contractors.

### **Available Information**

Our headquarters are located at 200 Public Square, Cleveland, Ohio 44114-2315, and our telephone number is (216) 694-5700. We are subject to the reporting requirements of the Exchange Act and its rules and regulations. The Exchange Act requires us to file reports, proxy statements and other information with the SEC. Copies of these reports and other information can be read and copied at:

SEC Public Reference Room  
100 F Street N.E.  
Washington, D.C. 20549

Information on the operation of the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330.

The SEC maintains a website that contains reports, proxy statements and other information regarding issuers that file electronically with the SEC. These materials may be obtained electronically by accessing the SEC's home page at [www.sec.gov](http://www.sec.gov).

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We use our website, [www.cliffsnaturalresources.com](http://www.cliffsnaturalresources.com), as a channel for routine distribution of important information, including news releases, investor presentations and financial information. We also make available, free of charge on our website, our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to these reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act, as soon as reasonably practicable after we electronically file these documents with, or furnish them to, the SEC. These documents are posted on our website at [www.cliffsnaturalresources.com](http://www.cliffsnaturalresources.com) — under “Investors”. In addition, our website allows investors and other interested persons to sign up to receive automatic email alerts when we post news releases and financial information on our website.

We also make available, free of charge on our website, the charters of the Audit Committee, Governance and Nominating Committee, Compensation and Organization Committee and Strategy and Sustainability Committee (formerly known as the Strategy and Operations Committee) as well as the Corporate Governance Guidelines and the Code of Business Conduct & Ethics adopted by our Board of Directors. These documents are posted on our website at [www.cliffsnaturalresources.com](http://www.cliffsnaturalresources.com) — under “Investors” and may be found by selecting the “Corporate Governance” link.

References to our website or the SEC’s website do not constitute incorporation by reference of the information contained on such websites, and such information is not part of this Form 10-K.

Copies of the above-referenced information are also available, free of charge, by calling (216) 694-5700 or upon written request to:

Cliffs Natural Resources Inc.  
Investor Relations  
200 Public Square  
Cleveland, OH 44114-2315

## EXECUTIVE OFFICERS OF THE REGISTRANT

Set forth below are: (1) the names and ages of all executive officers of the Company at February 16, 2012, (2) all positions with the Company presently held by each such person and (3) the positions held by, and principal areas of responsibility of, each such person during the last five years.

<u>Name</u>	<u>Position(s) Held</u>	<u>Age</u>
Joseph A. Carrabba	Chairman, President and Chief Executive Officer	59
Laurie Brlas	Executive Vice President, Finance and Administration and Chief Financial Officer	54
Donald J. Gallagher	Executive Vice President, President — Global Commercial	59
Duncan P. Price	Executive Vice President, President — Global Operations	56
P. Kelly Tompkins	Executive Vice President, Legal, Government Affairs and Sustainability and Chief Legal Officer	55
Clifford Smith	Senior Vice President, Global Business Development	52
William A. Brake, Jr.	Executive Vice President, Global Metallics	51
David B. Blake	Senior Vice President, Operations, North American Iron Ore	43
William C. Boor	Senior Vice President, Global Ferroalloys	45
Terrence R. Mee	Senior Vice President, Global Iron Ore and Metallic Sales	41
James Michaud	Senior Vice President, Human Resources	56
Terrance M. Paradie	Senior Vice President, Corporate Controller and Chief Accounting Officer	43
Steven M. Raguz	Senior Vice President, Corporate Strategy and Treasurer	44
Duke D. Vctor	Senior Vice President, Global Operations Services	53
David Webb	Senior Vice President, Global Coal	54

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

*Joseph A. Carrabba* has been Chairman, President and Chief Executive Officer of Cliffs since May 8, 2007. Mr. Carrabba served as Cliffs' President and Chief Executive Officer from September 2006 through May 8, 2007 and as Cliffs' President and Chief Operating Officer from May 2005 to September 2006. Mr. Carrabba previously served as President and Chief Operating Officer of Diavik Diamond Mines, Inc. from April 2003 to May 2005, a subsidiary of Rio Tinto plc, an international mining group. Mr. Carrabba is a Director of KeyCorp and Newmont Mining Corporation.

*Laurie Brlas* has been Executive Vice President, Finance and Administration and Chief Financial Officer of Cliffs since July 2010. Ms. Brlas previously served as Executive Vice President — Chief Financial Officer of Cliffs from March 2008 through July 2010 and as Cliffs' Senior Vice President — Chief Financial Officer from October 2007 through March 2008. From December 2006 to October 2007, Ms. Brlas served as Senior Vice President — Chief Financial Officer and Treasurer of Cliffs. From April 2000 to December 2006, Ms. Brlas was Senior Vice President — Chief Financial Officer of STERIS Corporation, a global manufacturer and supplier of infection prevention, contamination control, decontamination, microbial reduction, and surgical and critical care support products, technologies and services. Ms. Brlas is a Director of Perrigo Company.

*Donald J. Gallagher* has been Executive Vice President and President — Global Commercial since January 2011. Mr. Gallagher served as President, North American Business Unit of Cliffs from November 2007 to January 2011. From December 2006 to November 2007, Mr. Gallagher served as President, North American Iron Ore. From July 2006 to December 2006, Mr. Gallagher served as President, North American Iron Ore, and Acting Chief Financial Officer and Treasurer of Cliffs. From May 2005 to July 2006, Mr. Gallagher was Executive Vice President, Chief Financial Officer and Treasurer of Cliffs. From July 2003 to May 2005, Mr. Gallagher served as Senior Vice President, Chief Financial Officer and Treasurer of Cliffs.

*Duncan P. Price* has been Executive Vice President and President — Global Operations of Cliffs since January 2011. Mr. Price served as Senior Vice President — Managing Director of Asia Pacific Iron Ore from

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March 2009 to January 2011, and Mr. Price served as Chief Executive Officer, Portman Limited from 2007 to 2009. Prior to joining Cliffs, Mr. Price served as Project Director at Sinosteel/Midwest Joint Venture, an iron ore joint venture formed by Sinosteel Corporation, a major supplier of raw materials to Chinese steel mills, and Midwest Corporation Limited, an Australian-based iron ore mining company, to develop the Koolanooka deposit and the Weld Range in Western Australia from 2006 to 2007 and Managing Director at Rio Tinto Group, an international mining company, from 1996 to 2006.

*P. Kelly Tompkins* has served as Executive Vice President, Legal, Government Affairs and Sustainability and Chief Legal Officer of Cliffs since January 2011. Mr. Tompkins joined Cliffs in May of 2010 as Executive Vice President — Legal, Government Affairs and Sustainability until January 2011. Prior to joining Cliffs, Mr. Tompkins was Executive Vice President and Chief Financial Officer for RPM International Inc., a specialty coatings and sealants manufacturer, from June 2008 to May 2010 and served as Executive Vice President and Chief Administrative Officer from October 2006 to May 2010. Mr. Tompkins served as Senior Vice President and General Counsel for RPM International Inc. from October 2002 to October 2006.

*Clifford Smith* has served as Senior Vice President, Global Business Development of Cliffs since January 2011. He has served as Vice President, Latin American Operations from September 2009 to January 2011. From October 2006 to September 2009, Mr. Smith served as General Manager — Business Development of Cliffs. Mr. Smith served as Vice President and General Manager of Cliffs' Tilden Mine, Empire Mine, and Lake Superior and Ishpeming railroad from April 2004 to September 2006. Prior to joining Cliffs, Mr. Smith held mine management positions with Asarco, a subsidiary of Grupo Mexico, Mexico's largest mining company, and Southern Peru Copper Corporation, a copper mining company.

*William A. Brake, Jr.* has served as Executive Vice President, Global Metallurgy since January 2011. Mr. Brake served as Cliffs' Executive Vice President, Strategic Alternatives and Chief Technology Officer from July 2010 to January 2011 and as Executive Vice President, Human and Technical Resources from November 2008 to July 2010. From April 2007 until November 2008, Mr. Brake served as Executive Vice President, Cliffs Metallurgy and Chief Technical Officer. From March 2005 to August 2006, Mr. Brake served in several management positions with Mittal Steel USA, an international steel and processing and manufacturing company, most recently as Executive Vice President — Operations. From March 2003 to March 2005, Mr. Brake was Vice President and General Manager of International Steel Group, an international steel processing and manufacturing company.

*David B. Blake* has served as Senior Vice President, Operations, North American Iron Ore since March 2009. Mr. Blake served as Vice President, Operations North American Iron Ore from November 2007 to March 2009 and as General Manager, Michigan Operations from November 2005 to November 2007. Prior to joining Cliffs, Mr. Blake served as Production Manager for Diavik Diamond Mines, a subsidiary of Rio Tinto plc, an international mining group, from October 2003 to November 2005.

*William C. Boor* has served as Senior Vice President, Global Ferroalloys since January 2011. Mr. Boor served as Senior Vice President, President — Ferroalloys from May 2010 to January 2011. Prior to that time, Mr. Boor served as Senior Vice President, Business Development of Cliffs from May 2007 to May 2010. Mr. Boor served as Executive Vice President — Strategy and Development at American Gypsum Co. (a subsidiary of Eagle Materials Inc.), a manufacturer of building materials, from February 2005 to April 2007. Mr. Boor is a Director of Cavco Industries, Inc.

*Terrence R. Mee* has served as Senior Vice President, Global Iron Ore and Metallic Sales since January 2011. From September 2007 to January 2011, Mr. Mee served as Vice President, Sales and Transportation for the North American business unit and as General Manager — Sales and Traffic from August 2003 to September 2007.

*James Michaud* has served as Senior Vice President, Human Resources since January 2011 and was Vice President, Human Resources from September 2010 to January 2011. Prior to joining Cliffs, Mr. Michaud was a partner in a Chicago-based human resources consulting company, Laurus Strategies, from February 2009 to September 2010. From March 2006 to October 2008, Mr. Michaud held the position of Vice President Human Resources — Americas with ArcelorMittal, a steel company engaged in the production and marketing of finished and semi-finished carbon steel and stainless steel products worldwide.

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*Terrance M. Paradie* has served as Senior Vice President, Corporate Controller and Chief Accounting Officer since January 2011 and served as Vice President, Corporate Controller and Chief Accounting Officer of Cliffs from July 2009 to January 2011. Mr. Paradie served as Cliffs' Vice President — Corporate Controller from October 2007 through July 2009. Prior to joining Cliffs, Mr. Paradie worked for international accounting and consulting firm KPMG LLP since 1992 in a variety of roles, most recently as an audit partner.

*Steven M. Raguz* has served as Senior Vice President, Corporate Strategy and Treasurer since January 2011. Mr. Raguz served as Vice President, Corporate Strategy and Treasurer from August 2010 to January 2011 and as Vice President, Corporate Planning and Treasurer from October 2007 to August 2010, and Vice President, Financial Planning and Strategy Analysis from March 2007 to October 2007. Prior to joining Cliffs, Mr. Raguz was Senior Director, Financial Planning and Analysis of STERIS Corporation.

*Duke D. Vektor* has served as Senior Vice President, Global Operations Services since July 2011. From November 2007 to July 2011, he served as Senior Vice President, North American Coal of Cliffs and from July 2006 to November 2007, he served as Vice President — Operations — North American Iron Ore of Cliffs. Mr. Vektor was General Manager of Safety and Operations Improvement of Cliffs from December 2005 to July 2006. From 2003 to November 2005, Mr. Vektor served as Vice President — Operations of Diavik Diamond Mines, a subsidiary of Rio Tinto plc, an international mining group.

*David Webb* has served as Senior Vice President, Global Coal since joining Cliffs in July 2011. Prior to joining Cliffs, Mr. Webb served as Vice President and General Manager of Mid-West Operations for Patriot Coal Corp., a producer of thermal and metallurgical coal, from 2007 to June 2011. Mr. Webb also previously served in director-level positions for Peabody Energy and Freeman United Corp., both coal companies.

### **Item 1A. Risk Factors.**

#### **Uncertainty or weaknesses in global economic conditions and reduced economic growth in China could adversely affect our business.**

The world prices of iron ore and coal are influenced strongly by international demand and global economic conditions. Uncertainties or weaknesses in global economic conditions, including the ongoing sovereign debt crisis in Europe, could adversely affect our business and negatively impact our financial results. In addition, the current level of international demand for raw materials used in steel production is driven largely by rapid industrial growth in China. If the economic growth rate in China slows for an extended period of time, less steel would be used in construction and manufacturing. If the economic growth rate in China slows for an extended period of time, or if another global economic downturn were to occur, we would likely see decreased demand for our products and decreased prices, resulting in lower revenue levels and decreasing margins. We are not able to predict whether the global economic conditions will continue or worsen and the impact it may have on our operations and the industry in general going forward.

#### **Negative economic conditions may adversely impact the ability of our customers to meet their obligations to us on a timely basis or at all.**

Although we have contractual commitments for sales in our U.S. Iron Ore and Eastern Canadian Iron Ore business for 2012 and beyond, the uncertainty in global economic conditions may adversely impact the ability of our customers to meet their obligations. As a result of economic and pricing volatility, we are in continual discussions with our customers regarding our supply agreements. These discussions may result in the modification of our supply agreements. Any modifications to our supply agreements could adversely impact our sales, margins, profitability and cash flows. These discussions or actions by our customers could also result in contractual disputes, which could ultimately require arbitration or litigation, either of which could be time consuming and costly. Any such disputes could adversely impact our sales, margins, profitability and cash flows.

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### **A substantial majority of our sales are made under term supply agreements to a limited number of customers that are subject to changing international pricing conditions and that could negatively affect the stability and profitability of our operations.**

In 2011, a majority of our U.S. Iron Ore and Eastern Canadian Iron Ore sales, the majority of our North American Coal sales, and virtually all of our Asia Pacific Iron Ore sales were made under term supply agreements to a limited number of customers. In 2011, five customers together accounted for approximately 64 percent of our U.S. Iron Ore, Eastern Canadian Iron Ore and North America coal sales revenues (representing more than 48 percent of our consolidated revenues). For North American Coal, prices are typically agreed upon for a twelve-month period and are typically adjusted each year. Our Asia Pacific Iron Ore contracts expire in 2012. Our U.S. Iron Ore and Eastern Canadian Iron Ore contracts have an average remaining duration of four years. We cannot be certain that we will be able to renew or replace existing term supply agreements at the same volume levels, prices or with similar profit margins when they expire. A loss of sales to our existing customers could have a substantial negative impact on our sales, margins and profitability.

Our U.S. Iron Ore term supply agreements contain a number of price adjustment provisions, or price escalators, including adjustments based on general industrial inflation rates, the price of steel and the international price of iron ore pellets, among other factors, that allow us to adjust the prices under those agreements generally on an annual basis. Several of our Eastern Canadian Iron Ore customers have multi-year pricing arrangements that contain pricing adjustments that reference certain published market prices for iron ore. During the first quarter of 2010, the world's largest iron ore producers moved away from the annual international benchmark pricing mechanism in favor of a shorter-term, more flexible pricing system. The change in the international pricing system has, in most instances, required that our sales contracts be modified to take into account the new international pricing methodology. We finalized shorter-term pricing arrangements with our Asia Pacific Iron Ore customers. We reached final pricing settlements with a majority of our U.S. Iron Ore customers through the end of 2011 for the 2011 contract year. However, in some cases we are still working to revise components of the pricing calculations referenced within our supply agreements to incorporate new pricing mechanisms as a result of the changes to historical benchmark pricing.

### **Any defects in title of leasehold interests in our properties could limit our ability to mine these properties or could result in significant unanticipated costs.**

We conduct a significant part of our mining operations on properties that we lease. These leases were entered into over a period of many years by certain of our predecessors and title to our leased properties and mineral rights may not be thoroughly verified until a permit to mine the property is obtained. Our right to mine some of our proven and probable ore reserves may be materially adversely affected if there were defects in title or boundaries. In order to obtain leases or mining contracts to conduct our mining operations on property where these defects exist, we may in the future have to incur unanticipated costs, which could adversely affect our profitability.

### **Coal mining is complex due to geological characteristics of the region.**

The geological characteristics of coal reserves, such as depth of overburden and coal seam thickness, make them complex and costly to mine. As mines become depleted, replacement reserves may not be available when required or, if available, may not be capable of being mined at costs comparable to those characteristic of the depleting mines, and in turn, decisions to defer mine development activities may adversely impact our ability to substantially increase future coal production. These factors could materially adversely affect our mining operations and cost structures, which could adversely affect our sales, profitability and cash flows.

### **Capacity expansions within the mining industry could lead to lower global iron ore and coal prices or impact our production.**

The increased demand for iron ore and coal, particularly from China, has resulted in the major iron ore and metallurgical coal suppliers announcing plans to increase their capacity. In the current economic environment,

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any increase in our competitors' capacity could result in excess supply of iron ore and coal, resulting in increased downward pressure on prices. A decrease in pricing due to this issue would impact adversely our sales, margins and profitability.

**If steelmakers use methods other than blast furnace production to produce steel, or if their blast furnaces shut down or otherwise reduce production, the demand for our iron ore and coal products may decrease.**

Demand for our iron ore and coal products is determined by the operating rates for the blast furnaces of steel companies. However, not all finished steel is produced by blast furnaces; finished steel also may be produced by other methods that do not require iron ore products. For example, steel mini-mills, which are steel recyclers, generally primarily produce steel by using scrap steel and other iron products, not iron ore pellets, in their electric furnaces. Production of steel by steel mini-mills was approximately 60 percent of North American total finished steel production in 2011. North American steel producers also can produce steel using imported iron ore or semi-finished steel products, which eliminates the need for domestic iron ore. Environmental restrictions on the use of blast furnaces also may reduce our customers' use of their blast furnaces. Maintenance of blast furnaces may require substantial capital expenditures. Our customers may choose not to maintain, or may not have the resources necessary to maintain, their blast furnaces. If our customers use methods to produce steel that do not use iron ore and coal products, demand for our iron ore and coal products will decrease, which would affect adversely our sales, margins and profitability.

**The availability of capital for exploration, acquisitions and mine development may be limited.**

We expect to grow our business and presence as an international mining company by continuing to expand both geographically and through the minerals that we mine and market. To execute on this strategy, we will need to have access to the capital markets to finance exploration, acquisitions and development of mining properties. During the global economic crisis, access to capital to finance new projects and acquisitions was extremely limited. We cannot predict the general availability or accessibility of capital to finance such projects in the future. If we are unable to continue to access the capital markets, our ability to execute on our growth strategy will be impacted negatively.

**Our ability to collect payments from our customers depends on their creditworthiness.**

Our ability to receive payment for products sold and delivered to our customers depends on the creditworthiness of our customers. With respect to our Asia Pacific and Eastern Canadian Iron Ore business units and North American Coal business unit, payment typically is received as the products are shipped and much of the product is secured by bank letters of credit. However, in our U.S. Iron Ore business unit, generally, we deliver iron ore products to our customers' facilities in advance of payment for those products. Although title and risk of loss with respect to U.S. Iron Ore products does not pass to the customer until payment for the pellets is received, there is typically a period of time in which pellets, for which we have reserved title, are within our customers' control. Consolidations in some of the industries in which our customers operate have created larger customers. These factors have caused some customers to be less profitable and increased our exposure to credit risk. Current credit markets remain highly volatile, and some of our customers are highly leveraged. A significant adverse change in the financial and/or credit position of a customer could require us to assume greater credit risk relating to that customer and could limit our ability to collect receivables. Failure to receive payment from our customers for products that we have delivered adversely could affect our results of operations, financial condition and liquidity.

**We rely on estimates of our recoverable reserves, which is complex due to geological characteristics of the properties and the number of assumptions made.**

We regularly evaluate our U.S. iron ore, Eastern Canadian iron ore and coal reserves based on revenues and costs and update them as required in accordance with SEC Industry Guide 7 and Canada's National Instrument 43-101. In addition, Asia Pacific Iron Ore and Sonoma have published reserves that follow JORC in Australia and changes have been made to the Asia Pacific Iron Ore and Sonoma reserve values to make them comply with SEC requirements. There are numerous uncertainties inherent in estimating quantities of reserves of our mines, including many factors beyond our control.

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Estimates of reserves and future net cash flows necessarily depend upon a number of variable factors and assumptions, such as production capacity, effects of regulations by governmental agencies, future prices for iron ore and coal, future industry conditions and operating costs, severance and excise taxes, development costs and costs of extraction and reclamation, all of which may in fact vary considerably from actual results. For these reasons, estimates of the economically recoverable quantities of mineralized deposits attributable to any particular group of properties, classifications of such reserves based on risk of recovery and estimates of future net cash flows prepared by different engineers or by the same engineers at different times may vary substantially as the criteria change. Estimated ore and coal reserves could be affected by future industry conditions, geological conditions and ongoing mine planning. Actual production, revenues and expenditures with respect to our reserves will likely vary from estimates, and if such variances are material, our sales and profitability adversely could be affected.

**We rely on our joint venture partners in our mines to meet their payment obligations and we are subject to risks involving the acts or omissions of our joint venture partners when we are not the manager of the joint venture.**

We co-own and manage three of our five U.S. iron ore mines and one of our two Eastern Canadian iron ore mines with various joint venture partners that are integrated steel producers or their subsidiaries, including ArcelorMittal, U.S. Steel Canada Inc. and WISCO. We also own minority interests in mines located in Brazil and Australia that we do not manage. We rely on our joint venture partners to make their required capital contributions and to pay for their share of the iron ore pellets that each joint venture produces. Our U.S. iron ore and Eastern Canadian iron ore joint venture partners are also our customers. If one or more of our joint venture partners fail to perform their obligations, the remaining joint venturers, including ourselves, may be required to assume additional material obligations, including significant pension and postretirement health and life insurance benefit obligations. The premature closure of a mine due to the failure of a joint venture partner to perform its obligations could result in significant fixed mine-closure costs, including severance, employment legacy costs and other employment costs, reclamation and other environmental costs, and the costs of terminating long-term obligations, including energy contracts and equipment leases.

We cannot control the actions of our joint venture partners, especially when we have a minority interest in a joint venture and are not designated as the manager of the joint venture. Further, in spite of performing customary due diligence prior to entering into a joint venture, we cannot guarantee full disclosure of prior acts or omissions of the sellers or those with whom we enter into joint ventures. Such risks could have a material adverse effect on the business, results of operations or financial condition of our joint venture interests.

**Our expenditures for postretirement benefit and pension obligations could be materially higher than we have predicted if our underlying assumptions prove to be incorrect, there are mine closures or our joint venture partners fail to perform their obligations that relate to employee pension plans.**

We provide defined benefit pension plans and OPEB to eligible union and non-union employees in North America, including our share of expense and funding obligations with respect to unconsolidated ventures. Our pension expense and our required contributions to our pension plans directly are affected by the value of plan assets, the projected and actual rate of return on plan assets and the actuarial assumptions we use to measure our defined benefit pension plan obligations, including the rate at which future obligations are discounted.

We cannot predict whether changing market or economic conditions, regulatory changes or other factors will increase our pension expenses or our funding obligations, diverting funds we would otherwise apply to other uses.

We have calculated our unfunded pension and OPEB obligations based on a number of assumptions. If our assumptions do not materialize as expected, cash expenditures and costs that we incur could be materially higher. Moreover, we cannot be certain that regulatory changes will not increase our obligations to provide these or additional benefits. These obligations also may increase substantially in the event of adverse medical cost trends or unexpected rates of early retirement, particularly for bargaining unit retirees for whom there is currently no retiree healthcare cost cap. Early retirement rates likely would increase substantially in the event of a mine closure.

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### **Our sales and competitive position depend on the ability to transport our products to our customers at competitive rates and in a timely manner.**

In our U.S. and Eastern Canadian iron ore operations, disruption of the lake and ocean-going freighter and rail transportation services because of weather-related problems, including ice and winter weather conditions on the Great Lakes or St. Lawrence Seaway, strikes, lock-outs or other events, could impair our ability to supply iron ore pellets to our customers at competitive rates or in a timely manner and, thus, could adversely affect our sales and profitability. Similarly, our North American coal operations depend on international freighter and rail transportation services, as well as the availability of dock capacity, and any disruptions to those services or the lack of dock capacity could impair our ability to supply coal to our customers at competitive rates or in a timely manner and, thus, could adversely affect our sales and profitability. Further, less dredging, particularly at Great Lakes ports, could impact negatively our ability to move our iron ore and coal products because less dredging results in lower water levels, which restricts the tonnage that freighters can haul, resulting in higher freight rates.

Our Asia Pacific iron ore and coal operations are also dependent upon rail and port capacity. Disruptions in rail service or availability of dock capacity could similarly impair our ability to supply iron ore and coal to our customers, thereby adversely affecting our sales and profitability. In addition, our Asia Pacific iron ore operations are also in direct competition with the major world seaborne exporters of iron ore and our customers face higher transportation costs than most other Australian producers to ship our products to the Asian markets because of the location of our major shipping port on the south coast of Australia. Further, increases in transportation costs, decreased availability of ocean vessels or changes in such costs relative to transportation costs incurred by our competitors, could make our products less competitive, restrict our access to certain markets and have an adverse effect on our sales, margins and profitability.

### **Our operating expenses could increase significantly if the price of electrical power, fuel or other energy sources increases.**

Operating expenses at all of our mining locations are sensitive to changes in electricity prices and fuel prices, including diesel fuel and natural gas prices. These items make up approximately 19 percent in the aggregate of our operating costs in our U.S. Iron Ore and Eastern Canadian Iron Ore locations. Prices for electricity, natural gas and fuel oils can fluctuate widely with availability and demand levels from other users. During periods of peak usage, supplies of energy may be curtailed and we may not be able to purchase them at historical rates. While we have some long-term contracts with electrical suppliers, we are exposed to fluctuations in energy costs that can affect our production costs. As an example, our Empire and Tilden mines are subject to changes in WEPCO's rates, such as base interim rate changes that WEPCO may self-implement and final rate changes that are approved by the MPSC in response to an application filed by WEPCO. These procedures have resulted in several rate increases since 2008, when Empire and Tilden's special contracts for electric service with WEPCO expired. We enter into forward fixed-price supply contracts for natural gas and diesel fuel for use in our operations. Those contracts are of limited duration and do not cover all of our fuel needs, and price increases in fuel costs could cause our profitability to decrease significantly.

In addition, U.S. public utilities are expected to pass through additional capital and operating cost increases related to new U.S. pending environmental regulations that are expected to require significant capital investment and use of cleaner fuels over the next five years and may impact U.S. coal-fired generation capacity. We are estimating that power rates for our electricity-intensive operations could increase above 2011 levels by up to 33 percent by 2016, representing an annual power spend increase of approximately \$80 million by 2016.

### **Natural disasters, weather conditions, disruption of energy, unanticipated geological conditions, equipment failures, and other unexpected events may lead our customers, our suppliers, or our facilities to curtail production or shut down operations.**

Operating levels within the mining industry are subject to unexpected conditions and events that are beyond the industry's control. Those events could cause industry members or their suppliers to curtail production or shut down a portion or all of their operations, which could reduce the demand for our iron ore and coal products, and could affect adversely our sales, margins and profitability.

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Interruptions in production capabilities inevitably will increase our production costs and reduce our profitability. We do not have meaningful excess capacity for current production needs, and we are not able to quickly increase production at one mine to offset an interruption in production at another mine.

A portion of our production costs are fixed regardless of current operating levels. As noted, our operating levels are subject to conditions beyond our control that can delay deliveries or increase the cost of mining at particular mines for varying lengths of time. These conditions include weather conditions (for example, extreme winter weather, tornados, floods and availability of process water due to drought) and natural disasters, pit wall failures, unanticipated geological conditions, including variations in the amount of rock and soil overlying the deposits of iron ore and coal, variations in rock and other natural materials and variations in geologic conditions and ore processing changes. For example, a tornado disrupted certain mining operations in Alabama, where our Oak Grove coal operation has been negatively impacted.

The manufacturing processes that take place in our mining operations, as well as in our processing facilities, depend on critical pieces of equipment. This equipment may, on occasion, be out of service because of unanticipated failures. In addition, many of our mines and processing facilities have been in operation for several decades, and the equipment is aged. In the future, we may experience additional material plant shutdowns or periods of reduced production because of equipment failures. Further, remediation of any interruption in production capability may require us to make large capital expenditures that could have a negative effect on our profitability and cash flows. Our business interruption insurance would not cover all of the lost revenues associated with equipment failures. Longer-term business disruptions could result in a loss of customers, which adversely could affect our future sales levels, and therefore our profitability.

Regarding the impact of unexpected events happening to our suppliers, many of our mines are dependent on one source for electric power and for natural gas. A significant interruption in service from our energy suppliers due to terrorism, weather conditions, natural disasters or any other cause can result in substantial losses that may not be fully recoverable, either from our business interruption insurance or responsible third parties.

### **We are subject to extensive governmental regulation, which imposes, and will continue to impose, significant costs and liabilities on us, and future regulation could increase those costs and liabilities or limit our ability to produce iron ore and coal products.**

We are subject to various federal, provincial, state and local laws and regulations in each jurisdiction in which we have operations on matters such as employee health and safety, air quality, water pollution, plant and wildlife protection, reclamation and restoration of mining properties, the discharge of materials into the environment, and the effects that mining has on groundwater quality and availability. Numerous governmental permits and approvals are required for our operations. We cannot be certain that we have been or will be at all times in complete compliance with such laws, regulations and permits. If we violate or fail to comply with these laws, regulations or permits, we could be fined or otherwise sanctioned by regulators.

Prior to commencement of mining, we must submit to and obtain approval from the appropriate regulatory authority of plans showing where and how mining and reclamation operations are to occur. These plans must include information such as the location of mining areas, stockpiles, surface waters, haul roads, tailings basins and drainage from mining operations. All requirements imposed by any such authority may be costly and time-consuming and may delay commencement or continuation of exploration or production operations. Specifically, there are several notable proposed or recently enacted rulemakings or activities to which we would be subject or that would further regulate and/or tax our customers, namely the North American integrated steel producer customers that may also require us or our customers to reduce or otherwise change operations significantly or incur additional costs depending on their ultimate outcome. These proposed rules and regulations include: Climate Change and GHG Regulation, Regional Haze, NO<sub>2</sub> and SO<sub>2</sub> National Ambient Air Quality Standards, various National Emission Standards for Hazardous Air Pollutants/Maximum Achievable Control Technologies standards, new water quality standards and the CSAPR, as well as increased administrative and Legislative Initiatives related to Coal Mining Activities, the Minnesota Mercury Total Maximum Daily Load Implementation and Selenium Discharge Regulation. Such new legislation, regulations or orders, if enacted, could have a material adverse effect on our business, results of operations, financial condition or profitability.

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Further, we are subject to a variety of potential liability exposures arising at certain sites where we do not currently conduct operations. These sites include sites where we formerly conducted iron ore mining or processing or other operations, inactive sites that we currently own, predecessor sites, acquired sites, leased land sites and third-party waste disposal sites. We may be named as a responsible party at other sites in the future and we cannot be certain that the costs associated with these additional sites will not be material.

We also could be held liable for any and all consequences arising out of human exposure to hazardous substances used, released or disposed of by us or other environmental damage, including damage to natural resources. In particular, we and certain of our subsidiaries are involved in various claims relating to the exposure of asbestos and silica to seamen who sailed on the Great Lakes vessels formerly owned and operated by certain of our subsidiaries. The full impact of these claims, as well as whether insurance coverage will be sufficient and whether other defendants named in these claims will be able to fund any costs arising out of these claims, continues to be unknown.

### **Our North American coal operations are subject to increasing levels of regulatory oversight, making it more difficult to obtain and maintain necessary operating permits.**

The current political and regulatory environment in the U.S. is disposed negatively toward coal mining, with particular focus on certain categories of mining such as mountaintop removal techniques. Therefore, our coal mining operations in North America are subject to increasing levels of scrutiny. U.S. regulatory efforts targeted at eliminating or minimizing the adverse environmental impacts of mountaintop coal mining practices have impacted all types of coal operations. These regulatory initiatives could cause material impacts, delays or disruptions to our coal operations due to our inability to obtain new or renewed permits or modifications to existing permits.

### **Underground mining is subject to increased safety regulation and may require us to incur additional compliance costs.**

Recent mine disasters have led to the enactment and consideration of significant new federal and state laws and regulations relating to safety in underground coal mines. These laws and regulations include requirements for constructing and maintaining caches for the storage of additional self-contained self rescuers throughout underground mines; installing rescue chambers in underground mines; constant tracking of and communication with personnel in the mines; installing cable lifelines from the mine portal to all sections of the mine to assist in emergency escape; submission and approval of emergency response plans; and new and additional safety training. Additionally, new requirements for the prompt reporting of accidents and increased fines and penalties for violations of these and existing regulations have been implemented. These new laws and regulations may cause us to incur substantial additional costs, which may impact adversely our results of operations, financial condition or profitability.

### **Our profitability could be affected negatively if we fail to maintain satisfactory labor relations.**

The USW represents all hourly employees at our U.S. Iron Ore and Eastern Canadian Iron Ore operations owned and/or managed by Cliffs or its subsidiary companies except for Northshore and Bloom Lake. Effective September 1, 2008, our Empire and Tilden mines in Michigan, and United Taconite and Hibbing mines in Minnesota, entered into four-year labor agreements with the USW that cover approximately 2,400 USW-represented employees at those mines. Those agreements are effective through August 31, 2012. Effective March 1, 2009, Wabush entered into a five-year labor agreement with the USW that covers approximately 660 hourly employees, which is effective through February 28, 2014. The UMWA represents approximately 810 hourly employees at our Pinnacle location in West Virginia and our Oak Grove location in Alabama. A new five and one-half year labor agreement with respect to those mines was entered into with the UMWA effective July 1, 2011 through December 31, 2016. Approximately 120 hourly employees at the railroads we own that transport products among our facilities are represented by seven separate rail unions. The moratorium for bargaining as to each of those unions under the Railway Labor Act expired on December 31, 2009. Since then five-year agreements have been reached with four of the unions, and the moratorium on bargaining expires as to each on December 31, 2014. Negotiations are actively underway with the remaining three unions and it is common for

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bargaining under this Act to last a number of years after the moratorium has expired before a new agreement is reached. With respect to Railway Labor Act bargaining, work stoppages cannot occur until the matter has been mediated before a federal mediator. With respect to agreements with the USW, work stoppages are possible if new agreements are not reached before the existing agreements expire. As is customary, bargaining with the USW as to the Empire, Tilden, United Taconite and Hibbing mines is scheduled for the summer of 2012 prior to August 31, 2012, which is the date through which the agreements are effective. Four new labor agreements have been negotiated with the USW for those mines since the last work stoppage in 1993. If the collective bargaining agreements relating to the employees at our mines or railroads are not renegotiated successfully prior to their expiration, we could face work stoppages or labor strikes.

**We may encounter labor shortages for critical operational positions, which could affect adversely our ability to produce our products.**

We are predicting a long-term shortage of skilled workers for the mining industry and competition for the available workers limits our ability to attract and retain employees. At our mining locations, many of our mining operational employees are approaching retirement age. As these experienced employees retire, we may have difficulty replacing them at competitive wages. As a result, wages are increasing to address the turnover.

**Our profitability could be affected adversely by the failure of outside contractors to perform.**

Asia Pacific Iron Ore, Sonoma and Eastern Canadian Iron Ore, use contractors to handle many of the operational phases of their mining and processing operations and therefore are subject to the performance of outside companies on key production areas.

**We may be unable to successfully identify, acquire and integrate strategic acquisition candidates.**

Our ability to grow successfully through acquisitions depends upon our ability to identify, negotiate, complete and integrate suitable acquisitions and to obtain necessary financing. It is possible that we will be unable to successfully complete potential acquisitions. In addition, the costs of acquiring other businesses could increase if competition for acquisition candidates increases. Additionally, the success of an acquisition is subject to other risks and uncertainties, including our ability to realize operating efficiencies expected from an acquisition, the size or quality of the resource, delays in realizing the benefits of an acquisition, difficulties in retaining key employees, customers or suppliers of the acquired businesses, difficulties in maintaining uniform controls, procedures, standards and policies throughout acquired companies, the risks associated with the assumption of contingent or undisclosed liabilities of acquisition targets, the impact of changes to our allocation of purchase price, and the ability to generate future cash flows or the availability of financing. We cannot provide assurance that we will be able to successfully identify strategic candidates or acquire any such businesses and if we do identify and acquire any such business, we cannot provide assurance that we would be able to successfully integrate such acquired business in a timely manner or at all.

**We continually must replace reserves depleted by production. Our exploration activities may not result in additional discoveries.**

Our ability to replenish our ore reserves is important to our long-term viability. Depleted ore reserves must be replaced by further delineation of existing ore bodies or by locating new deposits in order to maintain production levels over the long term. Resource exploration and development are highly speculative in nature. Our exploration projects involve many risks, require substantial expenditures and may not result in the discovery of sufficient additional mineral deposits that can be mined profitably. Once a site with mineralization is discovered, it may take several years from the initial phases of drilling until production is possible, during which time the economic feasibility of production may change. Substantial expenditures are required to establish recoverable proven and probable reserves and to construct mining and processing facilities. As a result, there is no assurance that current or future exploration programs will be successful. There is a risk that depletion of reserves will not be offset by discoveries or acquisitions.

**The proposed Minerals Resource Rent Tax by the Australian Federal Government could affect adversely our results of operations in Australia.**

In July 2010, the Australian Federal Government announced its intention to introduce a new MRRT applicable to the mining of iron ore and coal. The MRRT is proposed to apply from July 1, 2012 to existing and future projects at an effective tax rate of 22.5 percent. In December 2010, the Australian government's taskforce that was charged with recommending design principles for the new taxes delivered its recommendations on the MRRT to the Australian government. The recommendations paper provided detail about key features of the MRRT and includes industry and public input that assisted in final development of the framework. The first release of the government's exposure draft legislation came out on June 10, 2011. Upon consideration of the public's comments and recommendations, the second exposure draft was released on September 18, 2011, with a closing date of October 5, 2011 for public consultation. The MRRT bill was introduced into the lower house of Parliament on November 2, 2011 where it was passed on November 23, 2011. The MRRT bill is now scheduled for debate by the Senate in early 2012. This momentum by the Australian government indicates its aim to pass the bill through both houses of Parliament in time for the proposed July 1, 2012 start date. If implemented as proposed, the MRRT may have a significant impact on our financial statements. The impacts of the MRRT will be recorded in the financial period during which the legislation is enacted.

**Changes in laws or regulations or the manner of their interpretation or enforcement adversely could impact our financial performance and restrict our ability to operate our business or execute our strategies.**

New laws or regulations, or changes in existing laws or regulations, or the manner of their interpretation or enforcement, could increase our cost of doing business and restrict our ability to operate our business or execute our strategies. This includes, among other things, the possible taxation under U.S. law of certain income from foreign operations, compliance costs and enforcement under the Dodd-Frank Act, and costs associated with complying with the PPACA and the Reconciliation Act and the regulations promulgated thereunder. The impact of the U.S. health care reform will be phased in between 2011 and 2014 and will likely have a significant adverse impact on our costs of providing employee health benefits. In addition, as a result of the health care reform legislation that has been passed, our results of operations were negatively impacted by a non-cash income tax charge of approximately \$16.1 million in the first quarter of 2010 to reflect the reduced deductibility of the postretirement prescription drug coverage. As with any significant government action, the provisions of the health care reform legislation are still being assessed and may have additional financial accounting and reporting ramifications. The impact of any such changes, which we continue to evaluate on our business operations and financial statements, remains uncertain.

**Mine closures entail substantial costs, and if we close one or more of our mines sooner than anticipated, our results of operations and financial condition may be affected significantly and adversely.**

If we close any of our mines, our revenues would be reduced unless we were able to increase production at our other mines, which may not be possible. The closure of a mining operation involves significant fixed closure costs, including accelerated employment legacy costs, severance-related obligations, reclamation and other environmental costs, and the costs of terminating long-term obligations, including energy contracts and equipment leases. We base our assumptions regarding the life of our mines on detailed studies we perform from time to time, but those studies and assumptions are subject to uncertainties and estimates that may not be accurate. We recognize the costs of reclaiming open pits and shafts, stockpiles, tailings ponds, roads and other mining support areas based on the estimated mining life of our property. If we were to significantly reduce the estimated life of any of our mines, the mine-closure costs would be applied to a shorter period of production, which would increase production costs per ton produced and could significantly and adversely affect our results of operations and financial condition.

A North American mine permanent closure could significantly increase and accelerate employment legacy costs, including our expense and funding costs for pension and other postretirement benefit obligations. A number of employees would be eligible for immediate retirement under special eligibility rules that apply upon a mine closure. All employees eligible for immediate retirement under the pension plans at the time of the permanent mine closure also would be eligible for postretirement health and life insurance benefits, thereby

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accelerating our obligation to provide these benefits. Certain mine closures would precipitate a pension closure liability significantly greater than an ongoing operation liability. Finally, a permanent mine closure could trigger severance-related obligations, which can equal up to eight weeks of pay per employee, depending on length of service. However, no employee entitled to an immediate pension upon closure of a mine is entitled to severance. As a result, the closure of one or more of our mines could adversely affect our financial condition and results of operations.

### **We are subject to risks involving operations and sales in multiple countries.**

We have a strategy to broaden our scope as a supplier of iron ore and other raw materials to the global integrated steel industry. As we expand beyond our traditional North American base business, we will be subject to additional risks beyond those risks relating to our North American operations, such as fluctuations in currency exchange rates; potentially adverse tax consequences due to overlapping or differing tax structures; burdens to comply with multiple and potentially conflicting foreign laws and regulations, including export requirements, tariffs and other barriers, environmental health and safety requirements and unexpected changes in any of these laws and regulations; the imposition of duties, tariffs, import and export controls and other trade barriers impacting the seaborne iron ore and coal markets; difficulties in staffing and managing multi-national operations; political and economic instability and disruptions, including terrorist attacks; disadvantages of competing against companies from countries that are not subject to U.S. laws and regulations, including the Foreign Corrupt Practices Act; and uncertainties in the enforcement of legal rights and remedies in multiple jurisdictions. If we are unable to manage successfully the risks associated with expanding our global business, these risks could have a material adverse effect on our business, results of operations or financial condition.

### **We may have additional tax liabilities if proposed U.S. income tax law changes are adopted.**

The Budget Control Act of 2011, which was signed into law by President Obama on August 2, 2011, placed a cap on U.S. Federal Government discretionary spending of \$917 billion, raised the debt ceiling and created the Joint Select Committee on Deficit Reduction, the so-called "Supercommittee". The Supercommittee was to develop a deficit reduction package that would bring about \$1.2 trillion in savings over ten years. The President, on September 19, 2011, unveiled the Administration's plan to reduce the U.S. Federal Government deficit by an additional \$3 trillion over the next decade, largely through tax and healthcare policy changes that include many of the revenue offset proposals included in the Administration's fiscal year 2012 budget proposal, such as international tax reform and repeal of the LIFO method of accounting. The President's plan also proposed repealing percentage depletion for hard mineral fossil fuels and the ability to claim the domestic manufacturing deduction against income derived from the production of coal and other hard mineral fossil fuels. In as much as the Supercommittee failed to meet its deadline, the passage of any legislation as a result of these proposals or any other similar changes in U.S. federal income tax laws is unclear. However, any changes could eliminate certain tax deductions that are available currently to Cliffs. The loss of these tax deductions would affect adversely our taxable income and without a corresponding reduction in the U.S. statutory rate, would generate additional tax liabilities.

### **We are subject to a variety of market risks.**

Market risks include those caused by changes in the value of equity investments, changes in commodity prices, interest rates and foreign currency exchange rates. We have established policies and procedures to manage such risks; however, certain risks are beyond our control.

### **Estimates relating to new development projects are uncertain and we may incur higher costs and lower economic returns than estimated.**

Mine development projects typically require a number of years and significant expenditures during the development phase before production is possible. Such projects could experience unexpected problems and delays during development, construction and mine start-up.

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Our decision to develop a project typically is based on the results of feasibility studies, which estimate the anticipated economic returns of a project. The actual project profitability or economic feasibility may differ from such estimates as a result of any of the following factors, among others:

- changes in tonnage, grades and metallurgical characteristics of ore to be mined and processed;
- higher input commodity and labor costs;
- the quality of the data on which engineering assumptions were made;
- adverse geotechnical conditions;
- availability of adequate labor force;
- availability and cost of water and power;
- fluctuations in inflation and currency exchange rates;
- availability and terms of financing;
- delays in obtaining environmental or other government permits or changes in the laws and regulations related to those permits;
- weather or severe climate impacts; and
- potential delays relating to social and community issues.

Our future development activities may not result in the expansion or replacement of current production with new production, or one or more of these new production sites or facilities may be less profitable than currently anticipated or may not be profitable at all, any of which could have a material adverse effect on our results of operations and financial position.

**Item 1B. Unresolved Staff Comments.**

We have no unresolved comments from the SEC.

**Item 2. Properties.**

The following map shows the locations of our operations:



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**General Information about the Mines**

All iron ore mining operations are open-pit mines that are in production. Additional pit development is underway at each mine as required by long-range mine plans. At our U.S. Iron Ore, Eastern Canadian Iron Ore and Asia Pacific Iron Ore mines, drilling programs are conducted periodically for the purpose of refining guidance related to ongoing operations.

North American Coal operations consist of both underground and surface mines that are in production. Drilling programs are conducted periodically for the purpose of refining guidance related to ongoing operations.

Geologic models are developed for all mines to define the major ore and waste rock types. Computerized block models for iron ore and stratigraphic models for coal are constructed that include all relevant geologic and metallurgical data. These are used to generate grade and tonnage estimates, followed by detailed mine design and life of mine operating schedules.

**U.S. Iron Ore**

We directly or indirectly own and operate interests in five U.S. Iron Ore mines located in Michigan and Minnesota from which we produced 23.7 million, 21.6 million and 15.0 million long tons of iron ore pellets in 2011, 2010 and 2009, respectively, for our account. We produced 7.3 million, 6.6 million and 1.9 million long tons, respectively, on behalf of the steel company partners of the mines.

Our U.S. Iron Ore mines produce from deposits located within the Biwabik and Negaunee Iron Formation which are classified as Lake Superior type iron-formations that formed under similar sedimentary conditions in shallow marine basins approximately two billion years ago. Magnetite and hematite are the predominant iron oxide ore minerals present, with lesser amounts of goethite and limonite. Quartz is the predominant waste mineral present, with lesser amounts of other chiefly iron bearing silicate and carbonate minerals. The ore minerals liberate from the waste minerals upon fine grinding.

<u>Mine</u>	<u>Cliffs Ownership</u>	<u>Infrastructure</u>	<u>Mineralization</u>	<u>Operating Since</u>	<u>Historical Cost of Mine Plant and Equipment (In Millions) (1)</u>	<u>Current Annual Capacity (Tons in Millions) (2)</u>
Empire	79%	Mine, Concentrator, Pelletizer	Negaunee Iron Formation (Magnetite)	1963	\$ 51.6	5.5
Tilden	85%	Mine, Concentrator, Pelletizer, Railroad	Negaunee Iron Formation (Hematite, Magnetite)	1974	\$ 213.1	8.0
Hibbing Taconite	23%	Mine, Concentrator, Pelletizer	Biwabik Iron Formation (Magnetite)	1976	\$ 27.0	8.0
Northshore	100%	Mine, Concentrator, Pelletizer, Railroad	Biwabik Iron Formation (Magnetite)	1990	\$ 142.9	6.0
United Taconite	100%	Mine, Concentrator, Pelletizer	Biwabik Iron Formation (Magnetite)	1965	\$ 96.1	5.4

(1) Net of Accumulated Amortization and Depreciation. Hibbing Taconite is reflected at our 23 percent ownership interest.

(2) Tons are long tons of 2,240 pounds.

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### *Empire Mine*

The Empire mine is located on the Marquette Iron Range in Michigan's Upper Peninsula approximately 15 miles southwest of Marquette, Michigan. Over the past five years, the Empire mine has produced between 2.6 million and 4.9 million tons of iron ore pellets annually.

We own 79.0 percent of Empire and a subsidiary of ArcelorMittal USA has retained the remaining 21 percent ownership in Empire with limited rights and obligations, which it has a unilateral right to put to us at any time subsequent to the end of 2007. This right has not been exercised. Each partner takes its share of production pro rata; however, provisions in the partnership agreement allow additional or reduced production to be delivered under certain circumstances. We own directly approximately one-half of the remaining ore reserves at the Empire mine and lease them to Empire. A subsidiary of ours leases the balance of the Empire reserves from other owners of such reserves and subleases them to Empire. Operations consists of an open pit truck and shovel mine, a concentrator that utilizes single stage crushing, Autogenous Grinding (AG) mills, magnetic separation, and floatation to produce a magnetic concentrate that is then supplied to the on-site pellet plant.

### *Tilden Mine*

The Tilden mine is located on the Marquette Iron Range in Michigan's Upper Peninsula approximately five miles south of Ishpeming, Michigan. Over the past five years, the Tilden mine has produced between 5.6 million and 9.1 million tons of iron ore pellets annually. We own 85 percent of Tilden, with the remaining minority interest owned by a subsidiary of U.S. Steel Canada Inc. Each partner takes its share of production pro rata; however, provisions in the partnership agreement allow additional or reduced production to be delivered under certain circumstances. We own all of the ore reserves at the Tilden mine and lease them to Tilden. Operations consists of an open pit truck and shovel mine, a concentrator that utilizes single stage crushing, AG mills, magnetic separation, and floatation to produce a magnetic concentrate that is then supplied to the on-site pellet plant.

The Empire and Tilden mines are located adjacent to each other. The logistical benefits include a consolidated transportation system, more efficient employee and equipment operating schedules, reduction in redundant facilities and workforce and best practices sharing. Two railroads, one of which is wholly owned by us, link the Empire and Tilden mines with Lake Michigan at the loading port of Escanaba, Michigan and with the Lake Superior loading port of Marquette, Michigan.

In the third quarter of 2010, an expansion project was approved at our Empire and Tilden mines for capital investments on equipment. The expansion project is expected to allow the Empire mine to produce at three million tons annually through 2014 and increase Tilden mine production by an additional two million tons annually.

### *Hibbing Mine*

The Hibbing mine is located in the center of Minnesota's Mesabi Iron Range and is approximately ten miles north of Hibbing, Minnesota and five miles west of Chisholm, Minnesota. Over the past five years, the Hibbing mine has produced between 1.7 million and 8.2 million tons of iron ore pellets annually. We own 23.0 percent of Hibbing, a subsidiary of ArcelorMittal has a 62.3 percent interest and a subsidiary of U.S. Steel has a 14.7 percent interest. Each partner takes its share of production pro rata; however, provisions in the joint venture agreement allow additional or reduced production to be delivered under certain circumstances. Mining is conducted on multiple mineral leases having varying expiration dates. Mining leases are routinely renegotiated and renewed as they approach their respective expiration dates. Hibbing operations consists of an open pit truck and shovel mine, a concentrator that utilizes single stage crushing, AG mills and magnetic separation, and an on-site pellet plant. From the site, pellets are transported by BNSF rail to a ship loading port at Superior, Wisconsin operated by BNSF.

### *Northshore Mine*

The Northshore mine is located in northeastern Minnesota, approximately two miles south of Babbitt, Minnesota on the northeastern end of the Mesabi Iron Range. Northshore's processing facilities are located in

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Silver Bay, Minnesota, near Lake Superior. Crude ore is shipped by a wholly owned railroad from the mine to the processing and dock facilities at Silver Bay. Over the past five years, the Northshore mine has produced between 3.2 million and 5.8 million tons of iron ore pellets annually. The Northshore mine began production under our management and ownership on October 1, 1994. We own 100 percent of the mine. Mining is conducted on multiple mineral leases having varying expiration dates. Mining leases routinely are renegotiated and renewed as they approach their respective expiration dates. Northshore operations consist of an open pit truck and shovel mine where two stages of crushing occurs before the ore is transported along a Company-owned 47-mile rail line to the plant site in Silver Bay. At the plant site, two additional stages of crushing occurs before the ore is sent to the concentrator. The concentrator utilizes rod mills and magnetic separation to produce a magnetite concentrate, which is delivered to the pellet plant located on-site. The plant site has its own ship loading port located on Lake Superior.

### United Taconite Mine

The United Taconite mine is located on Minnesota's Mesabi Iron Range in and around the city of Eveleth, Minnesota. The United Taconite concentrator and pelletizing facilities are located ten miles south of the mine, near the town of Forbes, Minnesota. Over the past five years, the United Taconite mine has produced between 3.8 million and 5.3 million tons of iron ore pellets annually. In 2008, we completed the acquisition of the remaining 30 percent interest in United Taconite. Mining is conducted on multiple mineral leases having varying expiration dates. Mining leases routinely are renegotiated and renewed as they approach their respective expiration dates. United Taconite operations consists of an open pit truck and shovel mine where two stages of crushing occurs before the ore is transported by rail to the plant site located ten miles to the south. At the plant site an additional stage of crushing occurs before the ore is sent to the concentrator. The concentrator utilizes rod mills and magnetic separation to produce a magnetite concentrate, which is delivered to the pellet plant. From the site, pellets are transported by CN rail to a ship loading port at Duluth, MN operated by CN.

### Eastern Canadian Iron Ore

We own and operate interests in two iron ore mines in the Provinces of Quebec and Labrador from which we produce a product mix of iron ore pellets and concentrate. We produced 6.9 million, 3.9 million and 2.1 million metric tons of iron ore product in 2011, 2010 and 2009, respectively. In 2011 we acquired Consolidated Thompson along with its 75 percent interest in the Bloom Lake property.

Our Eastern Canadian Mines produce from deposits located within the area known as the Labrador Trough and is composed of iron-formations, which are classified as Lake Superior type. Lake Superior type iron-formations consist of banded sedimentary rocks that formed under similar conditions in shallow marine basins approximately two billion years ago. The Labrador Trough region has experienced considerable metamorphism and folding of the original iron deposits. Magnetite and hematite are the predominant iron oxide ore minerals present, with lesser amounts of goethite and limonite. Quartz is the predominant waste mineral present, with lesser amounts of other chiefly iron bearing silicate minerals. The ore minerals liberate from the waste minerals upon fine grinding.

Mine	Cliffs Ownership	Infrastructure	Mineralization	Operating Since	Historical Cost of Mine Plant and Equipment (In Millions) (1)	Current Annual Capacity (Metric tons in Millions) (2)
Wabush	100%	Mine, Concentrator, Pelletizer, Railroad	Sokoman Iron Formation (Hematite)	1965	\$ 148.0	5.6
Bloom Lake	75%	Mine, Concentrator, Railroad	Sokoman Iron Formation (Hematite)	2010	\$ 1,410.9	8.0

(1) Net of Accumulated Amortization and Depreciation.

(2) Tons are metric tons of 2,205 pounds.

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### Wabush Mines

The Wabush mine has been in operation since 1965. Over the past five years, the Wabush mine has produced between 2.7 million and 4.6 million tons of iron ore pellets annually. On October 12, 2009, we exercised our right of first refusal to acquire the remaining interest in Wabush, including U.S. Steel subsidiary's 44.6 percent interest and ArcelorMittal's subsidiary's 28.6 percent interest. Ownership transfer to Cliffs was completed on February 1, 2010. Mining is conducted on several mineral leases having varying expiration dates. Mining leases are routinely renegotiated and renewed as they approach their respective expiration dates. The Wabush mine and concentrator are located in Wabush, Labrador, Newfoundland, and the pellet plant and dock facility is located in Pointe Noire, Quebec, Canada. At the mine, operations consist of an open pit truck and shovel mine, a concentrator that utilizes single stage crushing, AG mills and gravity separation to produce an iron concentrate. Concentrates are shipped by rail 300 miles to Pointe Noire where they are pelletized for shipment via vessel within Canada, to the United States and other international destinations. Additionally, concentrates may be shipped directly from Pointe Noire for sinter feed.

### Bloom Lake

The Bloom Lake mine and concentrator are located approximately nine miles southwest of Fermont, Quebec, Canada. As previously mentioned, our acquisition of Consolidated Thompson included a 75 percent majority ownership in the Bloom Lake operation. Phase I of the Bloom Lake mine was commissioned in March 2010 and it consists of an open pit truck and shovel mine, a concentrator that utilizes single stage crushing, an AG mill and gravity separation to produce an iron concentrate. Phase II currently is under construction and consists of an additional concentrator and support facilities. The expansion project upon completion of Phase II will result in a ramp-up of production capabilities from 8.0 million to 16.0 million metric tons of iron ore concentrate per year. The open pit mine and mining fleet will be expanded to support the required ore delivery for both Phase I and II. From the site, concentrate is transported by rail to a ship loading port in Pointe Noire, Quebec.

### Asia Pacific Iron Ore

In Australia, we own and operate interests in the Koolyanobbing and Cockatoo Island iron ore mines from which we produced 8.9 million metric tons, 9.3 million metric tons and 8.3 million metric tons in 2011, 2010 and 2009, respectively.

The mineralization at the Koolyanobbing operations is predominantly hematite and goethite replacements in greenstone-hosted banded iron-formations. Individual deposits tend to be small with complex ore-waste contact relationships. The reserves at the Koolyanobbing operations are derived from 14 separate mineral deposits distributed over a 70-mile operating radius. The mineralization at Cockatoo Island is predominantly soft, hematite-rich sandstone that produces premium high grade, low impurity direct shipping fines.

Mine	Cliffs Ownership	Infrastructure	Mineralization	Operating Since	Historical Cost of Mine Plant and Equipment (In Millions) (1)	Current Annual Capacity (Metric tons in Millions) (2)
Koolyanobbing	100%	Mine, Road Train Haulage, Crushing-Screening Plant	Banded Iron Formations Southern Cross Terrane Yilgarn Mineral Field (Hematite, Goethite)	1994	\$ 472.6	8.5
Cockatoo Island	50%	Mine, Crushing-Screening Plant, Shiploader	Sandstone, Yampi Formation Kimberly Mineral Field (Hematite)	1994	\$ 15.2	1.4

(1) Net of Accumulated Amortization and Depreciation. Cockatoo Island is reflected at our 50 percent ownership interest.

(2) Tons are metric tons of 2,205 pounds.

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### *Koolyanobbing*

The Koolyanobbing operations are located 250 miles east of Perth and approximately 30 miles northeast of the town of Southern Cross. Koolyanobbing produces lump and fines iron ore. Ongoing exploration programs targeting extensions to the iron ore resource base, including regional exploration targets in the Yilgarn Mineral Field, were active in 2011. In 2011, a significant permitting milestone was achieved with the granting of regulatory approvals necessary to develop above the water table at Windarling's W1 deposit. Over the past five years, the Koolyanobbing operation has produced between 7.3 million and 8.9 million tons annually. Ore material is sourced from eight separate open pit mines and delivered by typical production trucks or road trains to a crushing and screening facility located at Koolyanobbing. In 2011 we received regulatory approvals necessary for the development of the Deception deposit located approximately 12 miles north of Windarling. All of the ore from the Koolyanobbing operations is transported by rail to the Port of Esperance, 360 miles to the south, for shipment to Asian customers.

In September 2010, our Board of Directors approved a capital project at our Koolyanobbing operation that is expected to increase production output at Koolyanobbing to approximately 11 million metric tons annually. The expansion project requires a capital investment of \$275 million, of which \$202 million has been spent as of December 31, 2011. These improvements are expected to be fully implemented by the second half of 2012.

### *Cockatoo Island*

The Cockatoo Island operation is located four miles to the west of Yampi Peninsula in the Buccaneer Archipelago, and 90 miles north of Derby in the West Kimberley region of Western Australia. The island has been mined for iron ore since 1951, with a break in operations between 1985 and 1993. During the past five years, Cockatoo Island has ranged from no production to 1.4 million tons annually.

We own a 50 percent interest in this joint venture to mine remnant iron ore deposits. Mining from this phase of the operation commenced in late 2000. Production at Cockatoo Island ended during 2008 due to construction on Phase 3 of the seawall, which at the time was expected to extend production for an additional two years. In April 2009, an unanticipated subsidence of the seawall occurred and, as a result, production from the mine was delayed. Production at Cockatoo Island resumed earlier than expected, resulting in the production of 0.7 million metric tons in the second half of 2010. Production continued throughout 2011, resulting in the production of 1.4 million metric tons for the year. Ore is hauled by haul truck to the stockpiles, crushed and screened, and then transferred by conveyor to the ship loader where the ore is loaded onto ships for export to customers in Asia.

In August 2011, we entered into a term sheet with our joint venture partner, HWE Cockatoo Pty Ltd., to sell our beneficial interest in the mining tenements and certain infrastructure of Cockatoo Island to Pluton Resources. The potential transaction is expected to occur at the end of the current stage of mining, Phase 3, which is anticipated to be complete in late 2012. Due diligence has been completed and the definitive sale agreement is being drafted and negotiated. The definitive sale agreement will be conditional on the receipt of regulatory and third-party consents and the satisfaction of other customary closing conditions.

## **Latin American Iron Ore**

### *Amapá*

Mineralized material at the Amapá mine is predominantly hematite occurring in weathered and leached greenstone-hosted banded iron-formation of the Archean Vila Nova Group. Variable degrees of leaching generate soft hematite mineralization suitable for either sinter feed production via crushing and gravity separation or pelletizing feed production via grinding and flotation. Amapá operations consist of an open pit mine and a concentrator that utilizes crushing, milling and gravity separation, to produce various iron products. From the site, products are transported by rail to the Port of Santana. Over the past four years, the Amapá mine has produced between 1.2 million and 4.8 million metric tons annually.

Ore reserves for Amapá, in which we have a 30 percent ownership interest, have not been estimated by Cliffs. The ore reserve estimation process is controlled and managed by Anglo as the parent company and mine operator. Sufficient technical data on the processing of Amapá mineralized material does not exist at this time.

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precluding estimation of recoverable product and grade, and therefore economic reserves as defined by SEC Industry Guide 7.

Mine	Cliffs Ownership	Infrastructure	Operating Since	Historical Cost of Mine Plant and Equipment (In Millions) (1)	Current Annual Capacity (Metric tons in Millions) (2)
Amapá	30%	Mine, Concentrator	2007	\$189.5	6.1

(1) Net of Accumulated Amortization and Depreciation. Amapá is reflected at our 30 percent ownership interest.

(2) Tons are metric tons of 2,205 pounds.

### North American Coal

We directly own and operate three North American coal mining complexes from which we produced a total of 5.0 million, 3.2 million and 1.7 million short tons of coal in North America in 2011, 2010 and 2009, respectively. Our coal production at each mine is shipped within the U.S. by rail or barge. Coal for international customers is shipped through the ports of Mobile, Alabama, Newport News, Virginia and New Orleans, Louisiana.

Coal seams mined at all of our North American Coal operations are Pennsylvanian Age and derived from the Pocahontas 3 and 4 seams at the Pinnacle Complex and the Blue Creek Seam at Oak Grove, which produce high quality, low ash metallurgical products, while multiple seams are mined at the CLCC underground and surface mines producing both metallurgical and thermal products.

Mine	Cliffs Ownership	Infrastructure	Primary Coal Type	Operating Since	Historical Cost of Mine Plant and Equipment (In Millions) (1)	Current Annual Capacity (Tons in Millions) (2)
Pinnacle Complex	100%	Underground Mine, Preparation Plant, Load-out	Low-Vol Metallurgical	1969	\$ 138.9	4.0
Oak Grove	100%	Underground Mine, Preparation Plant, Load-out	Low-Vol Metallurgical	1972	\$ 147.3	2.5
Cliffs Logan County Coal	100%	Underground and Surface Mine, Preparation Plant, Load-out	High-Vol Metallurgical & Thermal	2008 Underground 2005 Surface	\$ 111.1	2.9

(1) Net of Accumulated Amortization and Depreciation.

(2) Tons are short tons of 2,000 pounds.

#### Pinnacle Complex

The Pinnacle Complex includes the Pinnacle and Green Ridge mines and is located approximately 30 miles southwest of Beckley, West Virginia. The Pinnacle mine has been in operation since 1969. Over the past five years, the Pinnacle mine has produced between 0.7 million and 2.1 million tons of coal annually. The Green Ridge mines have been in operation since 2004 and have produced between 0.1 million and 0.4 million tons of coal annually. In February 2010, the Green Ridge No. 1 mine was closed permanently due to exhaustion of the economic reserves at the mine. In addition, the Green Ridge No. 2 mine was idled in January 2012. Primary access to the Pinnacle mine is by shaft, while a drift entry is used at Green Ridge. Pinnacle utilizes continuous miners and a longwall plow system, Green Ridge utilizes only continuous miners. Both facilities share preparation, processing and load-out facilities.

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*Oak Grove*

The Oak Grove mine is located approximately 25 miles southwest of Birmingham, Alabama. The mine has been in operation since 1972. Over the past five years, the Oak Grove mine has produced between 0.9 million and 1.2 million tons of coal annually. In 2011 a new shaft and support facilities were commissioned in order to reduce the transport time for supplies and personnel to the working face. The previous shaft still is utilized in a support role. Oak Grove utilizes a long wall shear with continuous miners. Preparation, processing and rail load-out facilities are located on-site. As previously disclosed, the preparation plant at Oak Grove incurred significant tornado damage during 2011. The plant rebuild includes new equipment and improvements to the process design that will enhance the performance of the plant. The preparation plant achieved partial operating capacity in January 2012.

*Cliffs Logan County Coal*

Cliffs Logan County Coal (CLCC) property is located within Boone, Logan and Wyoming counties in southern West Virginia. CLCC currently produces metallurgical and thermal coal from surface and underground mines that are served by a preparation plant and unit-train load out facility on the CSXT. Two underground mines, the Powellton No. 1 and Dingess-Chilton Mines, produce high-volatile metallurgical coal using room and pillar retreat mining methods using continuous miner equipment. The Toney Fork No. 2 surface mine, produces thermal coal with a combination of contour strip area mining and point removal methods.

The Powellton and Dingess-Chilton mines have been in operation since 2008. Over the past four years, the Powellton mine has produced between 0.1 million and 0.7 million tons of coal annually and the Dingess-Chilton mine production has ranged from no production to 0.6 million tons of coal annually due to the ramp-up to full production. The Toney Fork No. 2 mine has been in operation since 2005. Over the past four years, the Toney Fork No. 2 mine has produced between 1.2 million and 1.5 million tons of coal annually. The Lower War Eagle and Elklick Chilton mines currently are under development and expected to produce approximately 0.2 million tons and 0.1 million tons, respectively, in 2012.

**Asia Pacific Coal**

*Sonoma*

Mine	Cliffs Ownership	Infrastructure	Primary Coal Type	Operating Since	Historical Cost of Mine Plant and Equipment (In Millions) (1)	Current Annual Capacity (Metric tons in Millions) (2)
Sonoma	45%	Surface Mine, Preparation Plant, Load-out	Metallurgical & Thermal	2008	\$ 88.3	4.0

(1) Net of Accumulated Amortization and Depreciation.

(2) Tons are metric tons of 2,205 pounds.

We have a 45 percent interest in the Sonoma joint venture, which owns the mine. Development began in 2007 with the first load of coal shipped in early 2008. The Sonoma operation is located in the northern section of Queensland's Bowen Basin, four miles south of Collinsville. A mix of high-quality metallurgical coal and thermal coal is recovered from the B and C seams of the Permian Mooranbah Coal Measures. The operation consists of an open pit truck shovel mine, a preparation/processing plant and rail load-out facility, which are located on-site. Product is delivered via rail 65 miles east to the Abbot Point Coal Terminal in Bowen. Product is shipped primarily to customers located in Asia. Over the past four years, the Sonoma mine has produced between 2.4 million and 3.5 million tons of coal annually.

**Mineral Reserves**

*Policy*

We have a corporate policy relating to internal control and procedures with respect to auditing and estimating mineral reserves. The procedures include the calculation of mineral reserves at each mine by

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professional mining engineers and geologists. We evaluate and analyze reserve estimates every three years in accordance with our mineral reserve policy or earlier if conditions merit. Management compiles and reviews the calculations, and once finalized, such information is used to prepare the disclosures for our annual and quarterly reports. The disclosures are reviewed and approved by management, including our Chief Executive Officer and Chief Financial Officer. Additionally, the long-range mine planning and mineral reserve estimates are reviewed annually by our Audit Committee. Furthermore, all changes to mineral reserve estimates, other than those due to production, are adequately documented and submitted to our Chief Executive Officer for review and approval. Finally, we perform periodic reviews of long-range mine plans and mineral reserve estimates at mine staff meetings and senior management meetings. In 2012, we will be revising our policy in regards to the estimation and reporting of mineral reserves to better align with international best practices. As we continue to grow as an international mining company with a diversified mineral portfolio, our policies must be able to support the Company as it evolves.

Reserves are defined by SEC Industry Standard Guide 7 as that part of a mineral deposit that could be economically and legally extracted and produced at the time of the reserve determination. All reserves are classified as proven or probable and are supported by life-of-mine plans.

Reserve estimates are based on pricing that does not exceed the three-year trailing average of benchmark prices. For United States Iron Ore operations, prices are based on iron ore pellets delivered to the Lower Great Lakes, and for our Eastern Canadian and Asia Pacific operations, iron ore prices represent the three-year trailing average of international benchmark pricing. Our North American Coal operations utilize a combination of domestic and international benchmarks.

For the fiscal year ended December 31, 2011, commodity prices vary based on the date of the last reserve analysis. The table below identifies the reserve analysis date and the respective three-year trailing price for each of our mines as of December 31, 2011.

Mine	Date of Base Economic Ore Reserve Analysis	Commodity Pricing (1)
<b>Iron Ore:</b>		
<b>U.S. Iron Ore</b>		
Empire	2009(2)	\$89.19
Hibbing Taconite (3)	2008	\$90.42
Northshore	2009(2)	\$90.42
Tilden	2011(2)	\$127.67
United Taconite	2010(2)	\$96.49
<b>Eastern Canadian Iron Ore</b>		
Bloom Lake	2011	\$95.42
Wabush	2010	\$101.81
<b>Asia Pacific Iron Ore</b>		
Koolyanobbing	2011	Lump - \$104.00 Fines - \$84.00
Cockatoo Island (4)	2008	Fines - \$46.00
<b>Coal:</b>		
<b>North American Coal</b>		
Pinnacle Complex	2009	\$85.00
Oak Grove	2009	\$85.00
CLCC	2011	Metallurgical - \$109.88 Thermal - \$71.26

(1) Pricing for our U.S. Iron Ore mines and Wabush reflects US\$ per long tons of pellets F.O.B. port, except for Empire and Tilden, which are F.O.B. mine. Pricing for our Asia Pacific Iron Ore mines and Bloom Lake reflects US\$ per metric ton of product. Pricing for our North American Coal mines reflects US\$ per short ton.

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- (2) The decision was made to exclude anomalous 2008 Benchmark Pricing from the three-year trailing average price used in determining our U.S. Iron Ore reserve estimates. The unique economic conditions experienced during 2008 did not accurately reflect normal pricing conditions and unduly skewed the three-year trailing average. Therefore, the three-year trailing average for the 2009 reserve analysis reflects 2005-2007 prices, the 2010 reserve analyses reflects 2006-2009 prices, excluding 2008 and the 2011 reserve analysis reflects 2007-2010 prices, excluding 2008.
- (3) The decision was made to delay the update to Hibbing's economic reserve analyses until 2012 while we are currently revising our mineral reserve policy.
- (4) As previously mentioned, we are in the process of selling our interest in the Cockatoo Island and as such we have made the decision not to update the reserve analyses.

*Iron Ore Reserves*

Ore reserve estimates for our iron ore mines as of December 31, 2011 were estimated from fully designed open pits developed using three-dimensional modeling techniques. These fully designed pits incorporate design slopes, practical mining shapes and access ramps to assure the accuracy of our reserve estimates. New estimates were completed in 2011 for the following operations: Tilden, Bloom Lake and Koolyanobbing. All other operations reserves are net 2011 production.

**United States Iron Ore**

Mine	Recoverable Reserves (1) Long Tons in Millions (2)			Previous Year Total	Mineral Rights	
	Proven	Current Year Probable	Total		Owned	Leased
Empire (3)	7.5	—	7.5	10.0	53%	47%
Tilden (4)	207.7	49.6	257.3	266.0	100%	0%
Hibbing Taconite (5)	89.6	9.6	99.2	107.0	3%	97%
Northshore	293.8	15.9	309.7	316.0	0%	100%
United Taconite	119.2	11.8	131.0	136.0	0%	100%
<b>Totals</b>	<b>717.8</b>	<b>86.9</b>	<b>804.7</b>	<b>835.0</b>		

- (1) Estimated standard equivalent pellets, including both proven and probable reserves based on life-of-mine operating schedules.
- (2) Long tons equal 2,240 pounds.
- (3) Reserves listed on 100 percent basis. Cliffs has a 79 percent interest in Empire.
- (4) Reserves listed on 100 percent basis. Cliffs has a 85 percent interest in Tilden.
- (5) Reserves listed on 100 percent basis. Cliffs has a 23 percent interest in Hibbing Taconite.

A new economic reserve analysis was completed for the Tilden operations in 2011. Based on the analysis, Tilden pellet reserves decreased slightly by 0.4 million long tons when compared to 2010. The decrease is due to an updated geological model. The Tilden pellet reserves were further reduced by 2011 production.

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### Eastern Canadian Iron Ore

An economic reserve analysis was completed for the Bloom Lake operations in 2011. As previously mentioned, we acquired a controlling interest in Bloom Lake through the purchase of Consolidated Thompson in 2011. As such, 2011 is the first year that we are reporting reserves for Bloom Lake.

Mine	Recoverable Reserves (1) Metric tons in Millions (2)			Previous Year Total	Mineral Rights	
	Proven	Current Year Probable	Total		Owned	Leased
Wabush (3)	62.0	7.2	69.2	72.1	0%	100%
Bloom Lake (4)	101.5	259.6	361.1	n/a	100%	0%
<b>Totals</b>	<b>163.5</b>	<b>266.8</b>	<b>430.3</b>	<b>72.1</b>		

- (1) Estimated standard equivalent pellets or concentrate, including both proven and probable reserves based on life-of-mine operating schedules.
- (2) Metric tons equal 2,205 pounds.
- (3) Prior year reserves for Wabush were reported in long tons. Long ton equals 2,240 pounds.
- (4) As previously mentioned we acquired the Bloom Lake property as part of the acquisition of Consolidated Thompson. 2011 is the first year in which we are reporting a reserve for this property. Reserves listed on 100 percent basis. Cliffs has a 75 percent interest in Bloom Lake.

### Asia Pacific Iron Ore

A new economic reserve analysis was completed for the Koolyanobbing operations in 2011. Total reserves decreased 1.8 million metric tons, net 2011 production. The decrease is due to updated geological models.

Mine (4)	Recoverable Reserves (1) Metric tons in Millions (2)			Previous Year Total
	Proven	Current Year Probable	Total	
Koolyanobbing	0.5	88.6	89.1	99.3
Cockatoo Island (3)	0.1	0.8	0.9	2.0
<b>Totals</b>	<b>0.6</b>	<b>89.4</b>	<b>90.0</b>	<b>101.3</b>

- (1) Reported ore reserves restricted to proven and probable tonnages based on life of mine operating schedules. 0.51 million metric tons of the Koolyanobbing reserves are sourced from current stockpiles.
- (2) Metric tons of 2,205 pounds.
- (3) Reserves listed on 100 percent basis. Cliffs has a 50 percent interest in the Cockatoo Island joint venture.
- (4) The mineral rights for these mines are 100% leased.

### Coal Reserves

Coal reserves estimates for our North American underground and surface mines as of December 31, 2011 were estimated using three-dimensional modeling techniques, coupled with scheduled mine plans. The Pinnacle and Oak Grove coal reserves have not changed net of 2011 mine production.

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**North American Coal**

A new economic reserve analysis was completed for Cliffs Logan County Coal operations in 2011. Total recoverable coal reserves decreased 6.2 million short tons, net 2011 production. The decrease is due to updated fully scheduled mine plans for both underground and surface operations. Reserve figures for our Pinnacle Complex and Oak Grove operations are based on economic analyses completed in 2009, and based upon our reserve estimate policy, are scheduled to be updated in 2012 with updated cost and pricing information.

Mine (1) (5)	Category (3)	Coal Type	Recoverable Reserves Short Tons in Millions (2)			Previous Year Total	Sulfur Content %	As Received Btu/lb
			Proven	Probable	Total			
<b>Pinnacle Complex</b>								
Pocahontas No 3	Assigned	Metallurgical	33.1	18.1	51.2	52.4	0.77	14,900
Pocahontas No 4	Unassigned	Metallurgical	9.0	0.8	9.8	9.8	0.58	14,000
<b>Oak Grove</b>								
Blue Creek Seam	Assigned	Metallurgical	37.1	3.8	40.9	42.1	0.57	14,000
<b>Cliffs Logan County Coal</b>								
Multi-Seam Underground	Assigned	Metallurgical	35.8	19.0	54.8	58.9	1.00	15,500
Multi-Seam Surface	Assigned	Metallurgical	5.2	1.0	6.1	—	0.90	15,300
Multi-Seam Surface (4)	Assigned	Thermal	43.8	7.4	51.2	61.8	0.89	13,300
<b>Totals</b>			<b>164.0</b>	<b>50.1</b>	<b>214.0</b>	<b>225.0</b>		

- (1) All coal extracted by underground mining using longwall and continuous miner equipment except for CLCC Surface, which is mined by contour and highwall mining methods.
- (2) Short tons of 2,000 pounds.
- (3) Assigned reserves represent coal reserves that can be mined without a significant capital expenditure for mine development, whereas unassigned reserves will require significant capital expenditures to mine the reserves.
- (4) CLCC thermal reserves do not meet U.S. compliance standards as defined by Phase II of the Clean Air Act as coal having a sulfur dioxide content of 1.2 pounds or less per million Btu.
- (5) The mineral rights for these mines are 100 percent leased.

**Asia Pacific Coal**

The coal reserve estimate for our Asia Pacific mine (Sonoma) as of December 31, 2011 is based on a JORC compliant resource estimate and an optimized pit design completed as part of the 2007 feasibility study. These estimates are updated by the manager of the Sonoma joint venture yearly by way of production depletion, reconciliation of mined coal to product shipped and updated geological models. As a result of the 2011 estimate update, recoverable coal reserves increased by 1.1 million metric tons. Coal pricing for the reserve estimate is based upon international benchmark pricing at the time of investment in 2007, which was \$71 per metric ton F.O.B. port for the range of products generated at Sonoma. Coal pricing at Sonoma has increased significantly since 2007, with the three-year trailing average price for 2008 to 2010 at \$121 per ton.

Mine (2), (4)	Category (3)	Coal Type	Recoverable Reserves Metric tons in Millions (1)			Previous Year Total	Sulfur Content %	As Received Btu/lb
			Proven	Probable	Total			
<b>Sonoma</b>								
Moranbah Coal B,C, and E seams	Assigned	Metallurgical	4.5	2.5	7.0	7.0	0.48	13,800
		Thermal	9.3	5.0	14.3	13.2	0.55	10,800
<b>Totals</b>			<b>13.8</b>	<b>7.5</b>	<b>21.3</b>	<b>20.2</b>		

- (1) Metric tons of 2,205 pounds. Recoverable clean coal at 9 percent moisture. Reserves listed on 100 percent basis. Cliffs has a 45 percent interest in the Sonoma joint venture.

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- (2) All coal extracted by conventional surface mining techniques.
- (3) Assigned reserves represent coal reserves that can be mined without a significant capital expenditure for mine development, whereas unassigned reserves will require significant capital expenditures to mine the reserves.
- (4) The mineral rights for these mines are 100 percent leased.

### Item 3. Legal Proceedings.

*Alabama Dust Litigation.* There are currently four cases in the Alabama state court system that comprise the Alabama Dust Litigation, the first of which was filed in 1997 and styled *White, et al. v. USX Corporation, et al.* Similar cases were filed in 2004 (*Waid, et al v. Cliffs North American Coal LLC*), 2009 (*Alexander, et al. v. Cliffs North American Coal LLC, et al.*), and 2011 (*Brown, et al. v. Cliffs North American Coal LLC et al.*). Generally, these claims are brought by nearby homeowners who allege that dust emanating from the Concord Preparation Plant causes damage to their properties. These cases are in different procedural stages and we intend to defend all of these cases vigorously. It is possible that these types of complaints may continue to be filed in the future, but the overall impact of these cases is not anticipated currently to have a material impact on our business.

*Fugitive Dust / PM<sub>10</sub> at Northshore Mining Silver Bay Plant Site.* Northshore and the MPCA have entered into a Stipulation Agreement dated January 20, 2012. The Stipulation Agreement pertains to alleged violations at Northshore's Silver Bay facility that were discovered during a review of ambient air monitoring results and in response to complaints to the MPCA. The allegations include violations of National and State Ambient Air Quality Standards for PM<sub>10</sub>. As part of the Stipulation Agreement, the MPCA will assess a civil penalty in the amount of approximately \$240,000 and a Supplemental Environmental Project to cost at least \$80,000.

*Maritime Asbestos Litigation.* The Cleveland-Cliffs Iron Company and/or The Cleveland-Cliffs Steamship Company have been named defendants in 489 actions brought from 1986 to date by former seamen in which the plaintiffs claim damages under federal law for illnesses in varying levels of severity allegedly suffered as the result of exposure to airborne asbestos fibers while serving as crew members aboard the vessels previously owned or managed by our entities until the mid-1980s. All of these actions have been consolidated into multidistrict proceedings in the Eastern District of Pennsylvania, along with approximately 30,000 other cases from various jurisdictions throughout the United States that were filed by seamen against ship-owners and other defendants. Through a series of court orders, the docket has been reduced to approximately 3,500 active cases, of which we are a named defendant in 76. These cases are in the discovery phase. The court has dismissed the remainder of the cases without prejudice. Those dismissed cases could be reinstated upon application by plaintiffs' counsel. The claims against our entities are insured in amounts that vary by policy year; however, the manner in which these retentions will be applied remains uncertain. Our entities continue to vigorously contest these claims and have made no settlements on them.

*Pinnacle Mine Environmental Litigation.* On June 24, 2010, the West Virginia DEP filed a lawsuit against the Pinnacle Mine and other West Virginia coal mining operations alleging non-compliance with its NPDES discharge permit. The complaint alleges various exceedances of the permit's effluent quality limits and seeks injunctive relief and penalties. Pinnacle has had preliminary discussions with DEP and proposed a Consent Order documenting Pinnacle Mine's selenium control commitments. DEP has yet to respond, but at this time, we do not believe this suit will have a material impact on the mine's operations.

*The Rio Tinto Mine Site.* The Rio Tinto Mine Site is a historic underground copper mine located near Mountain City, Nevada, where tailings were placed in Mill Creek, a tributary to the Owyhee River. Site investigation and remediation work is being conducted in accordance with a Consent Order between the NDEP and the RTWG composed of Cliffs, Atlantic Richfield Company, Teck Cominco American Incorporated, and E. I. du Pont de Nemours and Company. The Consent Order provides for technical review by the U.S. Department of the Interior Bureau of Indian Affairs, the U.S. Fish & Wildlife Service, U.S. Department of Agriculture Forest Service, the NDEP and the Shoshone-Paiute Tribes of the Duck Valley Reservation (collectively, "Rio Tinto Trustees"). The Consent Order is currently projected to continue with the objective of supporting the selection of the final remedy for the site. As of December 31, 2011, the estimated costs of the available remediation

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alternatives currently range from approximately \$10.0 million to \$30.5 million in total for all potentially responsible parties. In recognition of the potential for an NRD claim, the parties actively pursued a global settlement that would include the EPA and encompass both the remedial action and the NRD issues.

On May 29, 2009, the RTWG entered into a Rio Tinto Mine Site Work and Cost Allocation Agreement (the "Allocation Agreement") to resolve differences over the allocation of any negotiated remedy. The Allocation Agreement contemplates that the RTWG will enter into an insured fixed-price cleanup agreement, or IFC, pursuant to which a contractor would assume responsibility for the implementation and funding of the remedy in exchange for a fixed price. We are obligated to fund 32.5 percent of the IFC. In the event an IFC is not implemented, the RTWG has agreed on allocation percentages in the Allocation Agreement, with Cliffs being committed to fund 32.5 percent of any remedy. We have a current reserve that we believe is adequate to fund our anticipated portion of the IFC. Due to the duration of the negotiations and costs associated with delays Cliffs increased its reserve by approximately one million dollars in 2011 to a total of \$10.0 million as of December 31, 2011. While a global settlement with the EPA has not been finalized, we expect an agreement will be reached in early 2012.

*Wisconsin Electric Power Company Rate Cases* . On July 2, 2009, WEPCO filed a new rate case at the MPSC wherein WEPCO proposed to increase its rates for electric service. On August 18, 2009, the judge granted our petition to intervene in the new rate case. Testimony in the case was completed in early February 2010. On July 1, 2010, the MPSC approved new rates, effective on July 2, 2010, that were projected to increase Tilden and Empire's electric costs by approximately \$14.4 million per year, or 13.6 percent, as compared to the rates that were in effect when the case was filed. Because WEPCO had self-implemented an interim rate increase in February 2010, the actual increase in rates beginning in July 2010 was much lower than 13.6 percent. Tilden and Empire's rates increased by approximately \$2.5 million, or 2.1 percent, on an annual basis in July 2010 over the rates in effect since February 2010. On August 2, 2010, Tilden and Empire filed a petition for rehearing with respect to certain issues in the rate case. On October 14, 2010, the MPSC granted, in part, Tilden and Empire's petition for rehearing and directed that WEPCO's rates implemented in July 2010 be reduced. The rate reduction is projected to lower Tilden and Empire's annual electric costs by approximately \$200,000 below the annual electric costs that Tilden and Empire would have incurred under the rates implemented in July 2010. On November 12, 2010, Tilden and Empire filed a Claim of Appeal with the Michigan Court of Appeals raising two issues, which if decided favorably to the mines could further reduce the mines' annual electric costs. On December 28, 2010, the MPSC filed a motion for remand with the Court of Appeals requesting that the case be sent back to the MPSC for further clarification. This motion was denied in March 2011 and the briefing phase now has been completed. A final decision from the Court of Appeals is expected in mid-2012.

#### **Item 4. Mine Safety Disclosures.**

We are committed to protecting the occupational health and well-being of each of our employees. Safety is one of our company's core values, and we strive to ensure that safe production is the first priority for all employees. Our internal objective is to achieve zero injuries and incidents across the Company, by focusing on proactively identifying needed prevention activities, establishing standards and evaluating performance to mitigate any potential loss to people, equipment, production and the environment. We have implemented intensive employee training that is geared toward maintaining a high level of awareness and knowledge of safety and health issues in the work environment through the development and coordination of requisite information, skills and attitudes. We believe that through these policies, our Company has developed an effective safety management system.

Under the recently enacted Dodd-Frank Act, each operator of a coal or other mine is required to include certain mine safety results within its periodic reports filed with the SEC. As required by the reporting requirements included in §1503(a) of the Dodd-Frank Act, the required mine safety results regarding certain mining safety and health matters for each of our mine locations that are covered under the scope of the Dodd-Frank Act are included in Exhibit 95 of Item 15 of the Annual Report on Form 10-K.

PART II

Item 5. *Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.*

Stock Exchange Information

Our common shares (ticker symbol CLF) are listed on the NYSE and the Professional Segment of NYSE Euronext Paris.

Common Share Price Performance and Dividends

The following table sets forth, for the periods indicated, the high and low sales prices per common share as reported on the NYSE and the dividends declared per common share:

	2011			2010		
	High	Low	Dividends	High	Low	Dividends
First Quarter	\$ 101.62	\$ 79.15	\$ 0.14	\$ 73.95	\$ 39.13	\$ 0.0875
Second Quarter	102.48	80.37	0.14	76.17	46.40	0.1400
Third Quarter	102.00	51.08	0.28	68.83	44.20	0.1400
Fourth Quarter	74.38	47.31	0.28	80.40	61.93	0.1400
Year	102.48	47.31	\$ 0.84	80.40	39.13	\$ 0.5075

At February 13, 2012, we had 1,432 shareholders of record.

Shareholder Return Performance

The following graph shows changes over the past five-year period in the value of \$100 invested in: (1) Cliffs' common shares; (2) S&P 500 Stock Index; (3) S&P 500 Steel Group Index; and (4) S&P Midcap 400 Index. The values of each investment are based on price change plus reinvestment of all dividends report to shareholders.

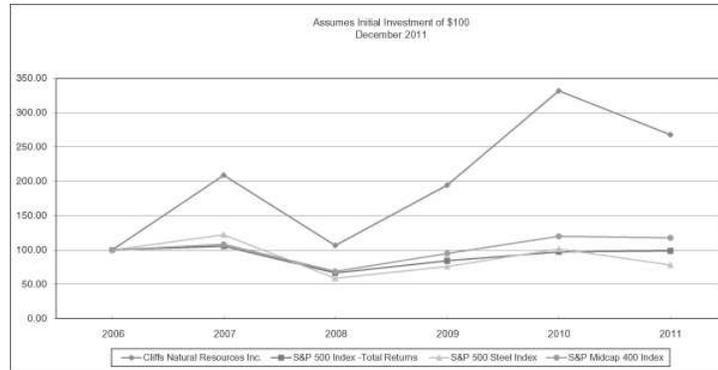


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		2006	2007	2008	2009	2010	2011
<b>Cliffs Natural Resources Inc.</b>	Return %		108.77	-48.90	81.92	70.69	<b>-19.24</b>
	Cum \$	100.00	208.77	106.69	194.09	331.29	<b>267.56</b>
<b>S&amp;P 500 Index - Total Returns</b>	Return %		5.49	-36.99	26.47	15.07	<b>2.11</b>
	Cum \$	100.00	105.49	66.47	84.06	96.73	<b>98.77</b>
<b>S&amp;P 500 Steel Index</b>	Return %		21.72	-51.73	28.88	33.86	<b>-23.01</b>
	Cum \$	100.00	121.72	58.75	75.72	101.37	<b>78.04</b>
<b>S&amp;P Midcap 400 Index</b>	Return %		7.97	-36.24	37.37	26.64	<b>-1.74</b>
	Cum \$	100.00	107.97	68.84	94.57	119.76	<b>117.67</b>

Issuer Purchases of Equity Securities

Period	Total Number of Shares (or Units) Purchased	Average Price Paid per Share (or Unit) \$	Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs (1)	Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet be Purchased Under the Plans or Programs (1)
October 1 — 31, 2011	—	—	—	991,200
November 1 — 30, 2011	991,200	\$ 68.44	991,200	0
December 1 — 31, 2011	—	—	—	0
Total	991,200	—	991,200	0

(1) On August 15, 2011, the Board of Directors approved a new share repurchase plan pursuant to which we may purchase up to an aggregate of four million common shares. All of the shares authorized to be repurchased have been repurchased.

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Item 6. Selected Financial Data.

Summary of Financial and Other Statistical Data  
Cliffs Natural Resources Inc. and Subsidiaries

	2011 (g)	2010 (e)	2009	2008 (b)	2007 (a)
<b>Financial data (in millions, except per share amounts) (h)</b>					
Revenue from product sales and services	\$ 6,794.3	\$ 4,682.1	\$ 2,342.0	\$ 3,609.1	\$ 2,275.2
Cost of goods sold and operating expenses	(4,105.7)	(3,155.6)	(2,030.3)	(2,449.4)	(1,813.2)
Other operating expense (i)	(340.0)	(256.3)	(75.6)	(217.9)	(80.4)
Operating income	2,348.6	1,270.2	236.1	941.8	381.6
Income from continuing operations (f)	1,831.1	1,023.0	208.5	538.7	285.4
Income from discontinued operations	(18.5)	(3.1)	(3.4)	(1.2)	0.2
Net income	1,812.6	1,019.9	205.1	537.5	285.6
Less: Net income attributable to noncontrolling interest	193.5	—	—	21.7	15.6
Net income attributable to Cliffs shareholders	1,619.1	1,019.9	205.1	515.8	270.0
Preferred stock dividends	—	—	—	(1.1)	(5.2)
Income attributable to Cliffs common shareholders	1,619.1	1,019.9	205.1	514.7	264.8
Earnings per common share attributable to Cliffs shareholders — basic (c)					
Continuing operations	11.68	7.56	1.67	5.08	3.19
Discontinued operations	(0.13)	(0.02)	(0.03)	(0.01)	—
Earnings per common share attributable to Cliffs shareholders — basic (c)	11.55	7.54	1.64	5.07	3.19
Earnings per common share attributable to Cliffs shareholders — diluted (c)					
Continuing operations	11.61	7.51	1.66	4.77	2.57
Discontinued operations	(0.13)	(0.02)	(0.03)	(0.01)	—
Earnings per common share attributable to Cliffs shareholders — diluted (c)	11.48	7.49	1.63	4.76	2.57
Total assets	14,541.7	7,778.2	4,639.3	4,111.1	3,075.8
Long-term obligations	3,821.5	1,881.3	644.3	580.2	490.9
Net cash from operating activities	2,288.8	1,320.0	185.7	853.2	288.9
Redeemable cumulative convertible perpetual preferred stock	—	—	—	0.2	134.7
Distributions to preferred shareholders cash dividends	—	—	—	1.1	5.5
Distributions to common shareholders cash dividends (d)					
- Per share (c)	0.84	0.51	0.26	0.35	0.25
- Total	118.9	68.9	31.9	36.1	20.9
Repurchases of common shares	289.8	—	—	—	2.2
Iron ore and coal production and sales statistics (tons in millions — U.S. iron ore and North American coal; metric tons in millions — Asia Pacific iron ore and Eastern Canadian iron ore)					
Production tonnage - U.S. iron ore	31.0	28.1	16.9	31.0	30.0
- Eastern Canadian iron ore	6.9	3.9	2.7	4.3	4.7
- North American coal	5.0	3.2	1.7	3.5	1.1
- Asia Pacific iron ore	8.9	9.3	8.3	7.7	8.4
Production tonnage — (Cliffs' share)					
- U.S. iron ore	23.7	21.5	15.0	21.8	20.6
- Eastern Canadian iron ore	6.9	3.9	2.1	1.1	1.2
Sales tonnage - U.S. iron ore	24.2	23.0	13.7	21.7	21.5
- Eastern Canadian iron ore	7.4	3.3	2.7	1.0	0.8
- North American coal	4.2	3.3	1.9	3.2	1.2
- Asia Pacific iron ore	8.6	9.3	8.5	7.8	8.1
Common shares outstanding — basic (millions) (c)					
- Average for year	140.2	135.3	125.0	101.5	83.0
- At year-end	142.0	135.5	131.0	113.5	87.2

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- (a) On July 31, 2007, we completed the acquisition of Cliffs North American Coal LLC (formerly PinnOak), a producer of high-quality, low-volatile metallurgical coal. Results for 2007 include PinnOak's results since the acquisition.
- (b) On May 21, 2008, Portman authorized a tender offer to repurchase shares, and as a result, our ownership interest in Portman increased from 80.4 percent to 85.2 percent on June 24, 2008. On September 10, 2008, we announced an off-market takeover offer to acquire the remaining shares in Portman, which closed on November 3, 2008. We subsequently proceeded with a compulsory acquisition of the remaining shares and attained full ownership of Portman as of December 31, 2008. Results for 2008 reflect the increase in our ownership of Portman since the date of each step acquisition.
- (c) On March 11, 2008, our Board of Directors declared a two-for-one stock split of our common shares. The record date for the stock split was May 1, 2008 with a distribution date of May 15, 2008. Accordingly, all common shares and per share amounts for all periods presented have been adjusted retroactively to reflect the stock split.
- (d) On May 12, 2009, our Board of Directors enacted a 55 percent reduction in our quarterly common share dividend to \$0.04 from \$0.0875 for the second and third quarters of 2009 in order to enhance financial flexibility. The \$0.04 common share dividends were paid on June 1, 2009 and September 1, 2009 to shareholders of record as of May 22, 2009 and August 14, 2009, respectively. In the fourth quarter of 2009, the dividend was reinstated to its previous level. On May 11, 2010, our Board of Directors increased our quarterly common share dividend from \$0.0875 to \$0.14 per share. The increased cash dividend was paid on June 1, 2010, September 1, 2010 and December 1, 2010 to shareholders on record as of May 14, 2010, August 13, 2010 and November 19, 2010, respectively. In addition, the increased cash dividend was paid on March 1, 2011 and June 1, 2011 to shareholders on record as of February 15, 2011 and April 29, 2011, respectively. On July 12, 2011, our Board of Directors increased the quarterly common share dividend by 100 percent to \$0.28 per share. The increased cash dividend was paid on September 1, 2011 and December 1, 2011 to shareholders on record as of the close of business on August 15, 2011 and November 18, 2011, respectively.
- (e) On January 27, 2010, we acquired all of the remaining outstanding shares of Freewest, including its interest in the Ring of Fire properties in Northern Ontario Canada. On February 1, 2010, we acquired entities from our former partners that held their respective interests in Wabush, thereby increasing our ownership interest from 26.8 percent to 100 percent. On July 30, 2010, we acquired all of the coal operations of privately owned INR, and since that date, the operations acquired from INR have been conducted through our wholly owned subsidiary known as CLCC. Results for 2010 include Freewest's, Wabush's and CLCC's results since the respective acquisition dates. As a result of acquiring the remaining ownership interest in Freewest and Wabush, our 2010 results were impacted by realized gains of \$38.6 million primarily related to the increase in fair value of our previous ownership interest in each investment held prior to the business acquisition.
- (f) In December 2010, we completed a legal entity restructuring that resulted in a change to deferred tax liabilities of \$78.0 million on certain foreign investments to a deferred tax asset of \$9.4 million for tax basis in excess of book basis on foreign investments as of December 31, 2010. A valuation allowance of \$9.4 million was recorded against this asset due to the uncertainty of realization. The deferred tax changes were recognized as a reduction to our income tax provision in 2010.
- (g) On May 12, 2011, we completed our acquisition of Consolidated Thompson by acquiring all of the outstanding common shares of Consolidated Thompson for C\$17.25 per share in an all-cash transaction including net debt. Results for 2011 include the results for Consolidated Thompson since the acquisition date.
- (h) On September 27, 2011, we announced our plans to cease and dispose of the operations at the renewaFUEL biomass production facility in Michigan. On January 4, 2012, we entered into an agreement to sell the renewaFUEL assets to RNFL Acquisition LLC. The results of operations of the renewaFUEL operations are reflected in the accompanying consolidated financial statements for all periods presented.
- (i) Upon performing our annual goodwill impairment test in the fourth quarter of 2011, a goodwill impairment charge of \$27.8 million was recorded for our CLCC reporting unit, within the North American Coal operating segment.

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**Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.**

**Overview**

Cliffs Natural Resources Inc. traces its corporate history back to 1847. Today, we are an international mining and natural resources company. A member of the S&P 500 Index, we are a major global iron ore producer and a significant producer of high- and low-volatile metallurgical coal. Our company's operations are organized according to product category and geographic location: U.S. Iron Ore, Eastern Canadian Iron Ore, North American Coal, Asia Pacific Iron Ore, Asia Pacific Coal, Latin American Iron Ore, Ferroalloys, and our Global Exploration Group.

We have been executing a strategy designed to achieve scale in the mining industry and focused on serving the world's largest and fastest growing steel markets. In the U.S. we operate five iron ore mines in Michigan and Minnesota, five metallurgical coal mines located in West Virginia and Alabama and one thermal coal mine located in West Virginia. We also operate two iron ore mines in Eastern Canada that provide iron ore to the seaborne market for Asian steel producers. Our Asia Pacific operations primarily are comprised of two iron ore mining complexes in Western Australia, serving the Asian iron ore markets with direct-shipping fines and lump ore, and a 45 percent economic interest in a coking and thermal coal mine located in Queensland, Australia. In Latin America, we have a 30 percent interest in Amapá, a Brazilian iron ore operation, and in Ontario, Canada, we have a major chromite project in the pre-feasibility stage of exploration. In addition, our Global Exploration Group is focused on early involvement in exploration activities to identify new world-class projects for future development or projects that add significant value to existing operations.

Our 2011 results were driven by increased steel production, higher demand and rising prices. Global crude steel production, the primary driver of our business, was up approximately five percent from 2010. This included increases of approximately nine and seven percent in China and the U.S., respectively, which are the two largest markets for the Company. China produced approximately 683 million metric tons of crude steel in 2011, representing approximately 46 percent of global production. The world price of iron ore is influenced heavily by international demand; and rising spot market prices for iron ore has reflected this trend.

Our consolidated revenues for 2011 increased to \$6.8 billion, with net income from continuing operations per diluted share of \$11.61. This compares with revenues of \$4.7 billion and net income from continuing operations per diluted share of \$7.51 in 2010. Based upon the recent shift in the industry toward shorter-term pricing arrangements linked to the spot market and away from the annual international benchmark pricing mechanism historically referenced in our customer supply agreements, pricing has continued to increase during 2011 compared to 2010. We have finalized short-term pricing arrangements with our Asia Pacific Iron Ore customers and we have reached final pricing settlements with the majority of our U.S. Iron Ore customers for the 2011 contract year. However, in some cases we are still working to revise components of the pricing calculations referenced within our supply agreements to incorporate new pricing mechanisms as a result of the changes to historical benchmark pricing. In addition, in April 2011, we reached a negotiated settlement with ArcelorMittal USA with respect to our previously disclosed arbitrations and litigation resulting in additional revenue recorded in 2011. Revenues during 2011 were also impacted by higher iron ore sales volumes in Eastern Canada and higher metallurgical and thermal coal sales volumes in the U.S. that were made available through our acquisition of Consolidated Thompson and CLCC during the second quarter of 2011 and the third quarter of 2010, respectively. In Asia Pacific, the demand for steelmaking raw materials remained strong throughout 2011 primarily led by demand from China.

Results in 2011 reflect strong performance at our operations around the world and improved pricing for our products. Our strong cash flow generation and positive outlook for our business are allowing us to resume our focus on investments in our assets, which will enable us to continue to pursue strategic objectives and enhance our long-term operating performance, while also providing us with greater confidence and the ability to increase our cash payouts to shareholders.

In 2011, we continued to align our balance sheet and enhance our financial flexibility to be consistent with our long-term financial growth goals and objectives, including the completion of a public offering of senior notes in the aggregate principal amount of \$1.0 billion, the completion of a \$1.25 billion five-year term loan, the

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completion of a public offering of 10.35 million of our common shares that raised approximately \$854 million and the execution of a five-year unsecured amended and restated multicurrency credit agreement that resulted in, among other things, a \$1.75 billion revolving credit facility. The senior notes offering consisted of a \$700 million 10-year tranche and a \$300 million 30-year tranche completed in March and April 2011, respectively. The net proceeds from the senior notes offering and the term loan were used to fund a portion of the purchase price for the acquisition of Consolidated Thompson and to pay the related fees and expenses. A portion of the net proceeds from the public offering of our common shares were used to repay the \$750 million of borrowings under the bridge credit facility, with the remainder of the net proceeds to be used for general corporate purposes. Proceeds from the revolving credit facility will be used to refinance existing indebtedness, to finance general working capital needs and for other general corporate purposes, including the funding of acquisitions. In August 2011, \$250 million was drawn against the revolving credit facility in order to pay down a portion of the term loan. All amounts outstanding under the revolving credit facility were repaid in December 2011.

### *Segments*

As a result of the acquisition of Consolidated Thompson, we have revised the number of our operating and reportable segments as determined under ASC 280. Our Company's primary operations are organized and managed according to product category and geographic location and now include: U.S. Iron Ore, Eastern Canadian Iron Ore, North American Coal, Asia Pacific Iron Ore, Asia Pacific Coal, Latin American Iron Ore, Ferroalloys and our Global Exploration Group. Our historical presentation of segment information consisted of three reportable segments: North American Iron Ore, North American Coal and Asia Pacific Iron Ore. Our restated presentation consists of four reportable segments: U.S. Iron Ore, Eastern Canadian Iron Ore, North American Coal and Asia Pacific Iron Ore. The amounts disclosed in NOTE 2 — SEGMENT REPORTING reflects this restatement.

### *Growth Strategy and Strategic Transactions*

Throughout 2011, we continued to increase our operating scale and presence as an international mining and natural resources company by maintaining our focus on integration and execution. Our strategy includes the continuing integration of our acquisition of Consolidated Thompson, which was acquired on May 12, 2011.

The acquisition reflects our strategy to build scale by owning expandable and exportable steelmaking raw material assets serving international markets. Through our acquisition of Consolidated Thompson, we now own and operate an iron ore mine and processing facility near Bloom Lake in Quebec, Canada that produces high quality iron ore concentrate. WISCO is a 25 percent partner in Bloom Lake. The initial design of Bloom Lake operations is to achieve a production rate of 8.0 million metric tons of iron ore concentrate per year. Additional capital investments were approved by our Board of Directors in January 2012 in order to increase the initial production rate to 16.0 million metric tons of iron ore concentrate per year. We also own two additional development properties, Lam  le and Pepler Lake, in Quebec. All three of these properties are in proximity to our existing Canadian operations and will allow us to leverage our port facilities and supply this iron ore to the seaborne market. The acquisition also is expected to further diversify our existing customer base.

In addition to the integration of Consolidated Thompson, we have a number of capital projects underway in all of our reportable business segments. We believe these projects will continue to improve our operational performance, diversify our customer base and extend the reserve life of our portfolio of assets, all of which are necessary to sustain continued growth. Throughout 2012, we also will reinforce our global reorganization, as our leadership moves to an integrated global management structure.

We also expect to achieve growth through early involvement in exploration and development activities by partnering with junior mining companies, which provide us low-cost entry points for potentially significant reserve additions.

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**Results of Operations — Consolidated**

**2011 Compared to 2010**

The following is a summary of our consolidated results of operations for 2011 compared with 2010:

	(In Millions)		
	2011	2010	Variance Favorable/ (Unfavorable)
Revenues from product sales and services	\$ 6,794.3	\$ 4,682.1	\$ 2,112.2
Cost of goods sold and operating expenses	(4,105.7)	(3,155.6)	(950.1)
Sales Margin	<u>\$ 2,688.6</u>	<u>\$ 1,526.5</u>	<u>\$ 1,162.1</u>
Sales Margin %	<u>39.6%</u>	<u>32.6%</u>	<u>7.0%</u>

**Revenue from Product Sales and Services**

Sales revenue in 2011 increased \$2.1 billion, or 45.1 percent from 2010. The increase in sales revenue primarily was due to higher pricing related to our iron ore segments. At our U.S. Iron Ore operating segment, in April 2011, we reached a negotiated settlement with ArcelorMittal USA with respect to our previously disclosed arbitrations and litigation regarding price re-opener entitlements for 2009 and 2010 and pellet nominations for 2010 and 2011. The settlement included a pricing “true-up” for pellet volumes delivered to certain ArcelorMittal USA steelmaking facilities in North America during both 2009 and 2010 and resulted in an additional \$280.9 million of revenue at our U.S. Iron Ore operating segment during 2011. Revenues also included the impact of \$23.4 million related to the finalization of pricing on sales for Algoma’s 2010 pellet nomination that occurred during the first half of 2011. Our realized sales price for our U.S. Iron Ore operations during 2011 was an average increase per ton of 40 percent over 2010, or an increase per ton of 28 percent excluding the impact of the arbitration settlement with ArcelorMittal USA. The realized sales price for our Eastern Canadian Iron Ore operations was on average a nine percent increase per metric ton for 2011 when compared to 2010. In 2011, our Eastern Canadian Iron Ore sales included both iron ore pellets and concentrate, whereas our 2010 sales only included iron ore pellets. The increase in our realized price during 2011 at our Asia Pacific Iron Ore operating segment was on average a 38 percent and 24 percent increase for lump and fines, respectively, over the prior year.

Higher sales volumes at our Eastern Canadian Iron Ore and North American Coal operating segments also contributed to the increase in our consolidated revenue for 2011. Compared to 2010, sales volumes increased over 100 percent at Eastern Canadian Iron Ore in 2011 due to increased sales of iron ore concentrate made available through our acquisition of Consolidated Thompson during the second quarter of 2011. In addition, sales volumes increased 26.6 percent at North American Coal in 2011 due to increased sales of metallurgical and thermal coal made available through our acquisition of CLCC during the third quarter of 2010.

Refer to “Results of Operations — Segment Information” for additional information regarding the impact of specific factors that impacted revenue during the period.

**Cost of Goods Sold and Operating Expenses**

Cost of goods sold and operating expenses was \$4.1 billion in 2011, an increase of \$1.0 billion, or 30 percent compared with 2010. The increase primarily was attributable to higher sales volumes at our Eastern Canadian Iron Ore and North American Coal business operations as a result of acquisitions in 2011 and 2010, respectively. The increase in the sales volumes at Eastern Canadian Iron Ore, due to the acquisition of Consolidated Thompson, resulted in \$431.0 million of additional costs in 2011, and the increase in sales volumes at North American Coal, due to the acquisition of CLCC, resulted in incremental cost increases of \$138.7 million when compared to 2010. Cost of goods sold and operating expenses also were impacted by cost rate increases of \$112.1 million, \$61.6 million and \$75.8 million, respectively, at U.S. Iron Ore, Eastern Canadian Iron Ore and Asia Pacific Iron Ore segments. These cost increases were primarily a result of higher expenditures on plant

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repairs and maintenance, increased mining costs and higher energy costs in 2011. In addition, costs were negatively impacted by \$72.2 million and \$18.4 million of unfavorable foreign exchange rates at our Asia Pacific Iron Ore and Eastern Canadian Iron Ore segments, respectively, when compared to 2010.

Refer to "Results of Operations — Segment Information" for additional information regarding the impact of specific factors that impacted our operating results during the period.

### Other Operating Income (Expense)

Following is a summary of other operating income (expense) for 2011 and 2010:

	(In Millions)		Variance Favorable/ (Unfavorable)
	2011	2010	
Selling, general and administrative expenses	\$ (274.4)	\$ (202.1)	\$ (72.3)
Exploration costs	(80.5)	(33.7)	(46.8)
Impairment of goodwill	(27.8)	—	(27.8)
Consolidated Thompson acquisition costs	(25.4)	—	(25.4)
Miscellaneous — net	68.1	(20.5)	88.6
	<b>\$ (340.0)</b>	<b>\$ (256.3)</b>	<b>\$ (83.7)</b>

Selling, general and administrative expenses in 2011 increased \$72.3 million over the same periods in 2010. These increases primarily were due to additional selling, general and administrative expenses of \$14.9 million related to our Montreal office and service activities related to our Bloom Lake operations, which we acquired in May 2011, and \$29.1 million of higher employee compensation in 2011. 2011 also was impacted by \$27.0 million of higher technology and office-related costs and higher outside services costs, primarily comprised of legal and information technology consulting. The increases to selling, general and administrative expenses were offset slightly by a \$4.5 million decrease in our partner profit-sharing expenses incurred during 2011.

The increase in exploration costs of \$46.8 million for year ended December 31, 2011 over the prior year primarily was due to increases in costs at our Global Exploration Group and our Ferroalloys operating segment. Our Global Exploration Group had cost increases of \$28.3 million in 2011 related to our involvement in exploration activities, as the group focuses on identifying mineral resources for future development or projects that are intended to add significant value to existing operations. The increases at our Ferroalloys operating segment primarily were comprised of increases in environmental and engineering costs and other pre-feasibility costs in 2011 of \$22.5 million.

Upon performing our annual goodwill impairment test in the fourth quarter of 2011, a goodwill impairment charge of \$27.8 million was recorded for our CLCC reporting unit within the North American Coal operating segment. The fair value was determined using a combination of a discounted cash flow model and valuations of comparable businesses. The impairment charge for the CLCC reporting unit was driven by our overall outlook on coal pricing in light of economic conditions, increases in our anticipated costs to bring the Lower War Eagle mine into production and increases in our anticipated sustaining capital cost for the lives of the CLCC mines that currently are operating.

During the year ended December 31, 2011, we incurred acquisition costs related to our acquisition of Consolidated Thompson of \$25.4 million. The acquisition costs primarily were comprised of investment banker fees and legal fees incurred throughout the negotiation and completion of the acquisition.

Miscellaneous — net income increased \$88.6 million for the year ended December 31, 2011 over 2010. The increase primarily was attributable to the \$20.0 million gain we recognized on foreign currency remeasurement of monetary assets and liabilities in our Australian and Canadian operations during 2011 as compared to the \$39.1 million loss recognized in 2010. Additionally, we recognized incremental income of \$16.1 million during 2011 from the sale of certain assets, including those assets related to our ownership of Cliffs Erie. We also recognized \$13.7 million of insurance recoveries net of casualty losses related to the tornado damage at our Oak Grove mine in April 2011.

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**Other income (expense)**

Following is a summary of other income (expense) for 2011 and 2010:

	(In Millions)		
	2011	2010	Variance Favorable/ (Unfavorable)
Gain on acquisition of controlling interest	\$ —	\$ 40.7	\$ (40.7)
Changes in fair value of foreign currency contracts, net	101.9	39.8	62.1
Interest income	9.5	9.9	(0.4)
Interest expense	(216.5)	(70.1)	(146.4)
Other non-operating income (expense)	(2.0)	12.5	(14.5)
	<u>\$ (107.1)</u>	<u>\$ 32.8</u>	<u>\$ (139.9)</u>

As a result of acquiring the remaining ownership interests in Freewest and Wabush during the first quarter of 2010, our 2010 results were impacted by realized gains of \$38.6 million primarily related to the increase in fair value of our previous ownership interest in each investment held prior to the business acquisition. The fair value of our previous 12.4 percent interest in Freewest was \$27.4 million on January 27, 2010, the date of acquisition, resulting in a gain of \$13.6 million being recognized in 2010. The fair value of our previous 26.8 percent equity interest in Wabush was \$38.0 million on February 1, 2010, resulting in a gain of \$25.0 million also being recognized in 2010. Refer to NOTE 4 — ACQUISITIONS AND OTHER INVESTMENTS for further information.

The favorable changes in the fair value of our foreign-currency exchange contracts held as economic hedges during 2011 in the Statements of Consolidated Operations primarily were a result of hedging a portion of the purchase price for the acquisition of Consolidated Thompson through Canadian dollar foreign-currency exchange forward contracts and an option contract. The favorable changes in fair value of these Canadian dollar foreign currency exchange forward contracts and option contract for the year ended December 31, 2011 were a result of net realized gains of \$93.1 million realized upon the maturity of the related contracts during the second quarter of 2011. In addition, favorable changes in the fair value of our Australian dollar foreign currency contracts resulted in net realized gains of \$43.0 million for the year ended December 31, 2011, based upon the maturity of \$215 million of outstanding contracts during the period. Of these gains, \$34.9 million were recognized in previous periods as mark-to-market adjustments as part of the changes in fair value of these instruments. Favorable changes in the fair value of our outstanding Australian dollar foreign-currency contracts resulted in mark-to-market adjustments of \$0.7 million for the year ended December 31, 2011, based upon the Australian to U.S. dollar spot rate of 1.02 as of December 31, 2011. The spot rate as of the end of 2011 remained flat when compared to the Australian to U.S. dollar spot rate of 1.02 as of December 31, 2010.

The following table represents our Australian dollar foreign currency exchange contract position for contracts held as economic hedges as of December 31, 2011:

Contract Maturity	(\$ in Millions)			
	Notional Amount	Weighted Average Exchange Rate	Spot Rate	Fair Value
Contract Portfolio (1):				
Contracts expiring in the next 12 months	\$ 15.0	0.86	1.02	\$ 2.8
Total Hedge Contract Portfolio	<u>\$ 15.0</u>			<u>\$ 2.8</u>

(1) Includes collar options.

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Refer to NOTE 3 — DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES for further information.

The increase in interest expense in 2011 compared with 2010 is attributable to higher debt levels to support acquisition activity. This included the recognition of a full year of interest expense in 2011 related to the \$1 billion public offering of senior notes that was completed in September 2010 consisting of two tranches: a \$500 million 10-year tranche at a 4.80 percent fixed interest rate and a \$500 million 30-year tranche at a 6.25 percent fixed interest rate. We completed an additional \$1 billion public offering of senior notes during the first half of 2011 consisting of two tranches: a \$700 million 10-year tranche at a 4.875 percent fixed interest rate and a \$300 million 30-year tranche at a 6.25 percent fixed interest rate. These 2011 public offerings were completed in March and April 2011, respectively. During the second quarter of 2011, we borrowed \$1.25 billion under the five-year term loan and we terminated the bridge credit facility that we entered into to provide a portion of the financing for the acquisition of Consolidated Thompson. The termination of the bridge credit facility resulted in the realization of \$38.3 million of debt issuance cost related to the bridge credit facility during 2011. In August 2011, we entered into a five-year unsecured amended and restated multicurrency credit agreement that resulted in, among other things, a \$1.75 billion revolving credit facility that was used to pay down \$250 million of the term loan. The weighted average annual interest rate under the revolving credit facility and the term loan was 1.84 percent and 1.40 percent, respectively, from each of the respective borrowing dates through December 31, 2011. All amounts outstanding under the revolving credit facility were repaid in full on December 12, 2011. See NOTE 7 — DEBT AND CREDIT FACILITIES for further information.

### Income Taxes

Our tax rate is affected by recurring items, such as depletion and tax rates in foreign jurisdictions and the relative amount of income we earn in our various jurisdictions with tax rates that differ from the U.S. statutory rate. It is also affected by discrete items that may occur in any given year, but are not consistent from year to year. The following represents a summary of our tax provision and corresponding effective rates for the years ended December 31, 2011 and 2010:

	(In Millions)	
	2011	2010
Income tax expense	\$420.1	\$293.50
Effective tax rate	18.7%	22.5%

A reconciliation of the statutory tax rate to the effective tax rate for the years ended December 31, 2011 and 2010 is as follows:

	2011	2010
U.S. statutory rate	35.0%	35.0%
Increases/(Decreases) due to:		
Non-taxable income related to noncontrolling interests	(2.8)	—
Percentage depletion	(6.9)	(7.9)
Impact of foreign operations	(2.2)	(6.9)
Income not subject to tax	(3.0)	—
Non-taxable hedging income	(1.5)	—
State taxes	0.3	—
Manufacturer's deduction	(0.5)	—
Valuation allowance	2.4	6.6
Tax uncertainties	0.3	—
Other items — net	0.9	1.0
Effective income tax rate before discrete items	22.0	27.8
Discrete items	(3.3)	(5.3)
Effective income tax rate	18.7%	22.5%

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Our tax provision for the years ended December 31, 2011 and 2010 was \$420.1 million, for an 18.7 percent effective tax rate, and \$293.5 million, for a 22.5 percent effective tax rate, respectively. The difference in the effective tax rate for 2011 compared with 2010 is primarily a result of the inclusion of the remeasurement of foreign deferred tax assets and liabilities related to the Consolidated Thompson acquisition, the non-taxable income related to our noncontrolling interest in partnerships, income not subject to tax and the change in the valuation allowance relating to ordinary losses of certain foreign operations for which utilization is currently uncertain.

Discrete items as of December 31, 2011 relate to foreign exchange remeasurement, prior year adjustments related to the filing of the 2010 tax returns in multiple jurisdictions, audit closures, statute expiration and interest related to unrecognized tax benefits. Discrete items for 2010 related to expenses resulting from the PPACA and the Reconciliation Act that were signed into law in March 2010, expenses related to prior year U.S. and foreign income tax provisions recognized in 2010 and interest related to unrecognized tax benefits.

As mentioned above, the PPACA and the Reconciliation Act were signed into law in 2010. As a result of these two acts, tax benefits available to employers that receive the Medicare Part D subsidy are reduced beginning in years ending after December 31, 2012. The income tax effect related to the acts for year ended 2010 was an increase to expense, recorded discretely, of \$16.1 million, representing approximately 1.2 percent of the effective tax rate. The amount recorded was related to the postretirement prescription drug benefits computed after the elimination of the deduction for the Medicare Part D subsidy beginning in taxable years ending after December 31, 2012.

The valuation allowance of \$223.9 million as of December 31, 2011 reflects an increase of \$51.2 million from December 31, 2010. This primarily relates to ordinary losses of certain foreign operations for which utilization is uncertain.

See NOTE 12 — INCOME TAXES for further information.

### ***Equity Income (Loss) from Ventures***

Equity income (loss) from ventures primarily is comprised of our share of the results from Amapá and AusQuest, for which we have a 30 percent ownership interest in each. The equity income (loss) from ventures for the year ended December 31, 2011 of \$9.7 million compares to equity income (loss) from ventures for year ended December 31, 2010 of \$13.5 million. The equity income for 2011 primarily is comprised of our share of the operating results of our equity method investment in Amapá, which consisted of operating income of \$32.4 million for year ended December 31, 2011, compared with operating income of \$17.2 million for 2010. Amapá's equity income increased during 2011 due to increased sales volume and higher pricing. This equity income was offset partially by the impairment taken on our investment in AusQuest of \$19.1 million during 2011 related to the decline in the fair value of our ownership interest, which was determined to be other than temporary. We evaluated the severity of the decline in the fair value of the investment as compared to our historical carrying amount, considering the broader macroeconomic conditions and the status of current exploration prospects, and could not reasonably assert that the impairment period would be temporary.

### ***Noncontrolling Interest***

Noncontrolling Interest is comprised of the 25 percent noncontrolling interest related to Bloom Lake and the 21 percent noncontrolling interest related to the Empire mining venture. WISCO is a 25 percent partner in Bloom Lake, resulting in a noncontrolling interest adjustment of \$56.9 million for the year ended December 31, 2011 for WISCO's ownership percentage. A subsidiary of ArcelorMittal USA is a 21 percent partner in the Empire mining venture, resulting in a noncontrolling interest adjustment of \$136.6 million for the year ended December 31, 2011 for ArcelorMittal USA's ownership percentage. The noncontrolling interest adjustment for ArcelorMittal USA's ownership percentage has been recognized prospectively as of September 30, 2011. See NOTE 1 — BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES for further information.

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### 2010 Compared to 2009

The following is a summary of our consolidated results of operations for 2010 compared with 2009:

	(In Millions)		Variance Favorable/ (Unfavorable)
	2010	2009	
Revenues from product sales and services	\$ 4,682.1	\$ 2,342.0	\$ 2,340.1
Cost of goods sold and operating expenses	(3,155.6)	(2,030.3)	(1,125.3)
Sales Margin	\$ 1,526.5	\$ 311.7	\$ 1,214.8
Sales Margin %	32.6%	13.3%	19.3%

#### Revenue from Product Sales and Services

Sales revenue in 2010 increased \$2.3 billion, or 100 percent from 2009. The increase in sales revenue primarily was due to higher sales volume and pricing related to our Asia Pacific and North American business operations. Sales volume increased 68 percent at U.S. Iron Ore and 22 percent at Eastern Canadian Iron Ore in 2010 when compared to 2009. Sales volume for North American Coal was 75 percent higher than 2009. Improved market conditions throughout 2010 led to increased production in the North American steel industry, and in turn higher demand for iron ore and metallurgical coal. Higher sales volumes in 2010 also were attributable to increased sales of Wabush pellets, made available through our acquisition of full ownership of the mine during the first quarter of 2010, and increased sales of metallurgical and thermal coal, made available through our acquisition of CLCC during the third quarter of 2010.

Higher sales prices also contributed to the increase in our consolidated revenue for the year ended 2010 compared to year ended 2009. During 2010, a shift in the industry toward shorter-term pricing arrangements that were linked to the spot market and elimination of the annual benchmark system caused us to reassess and, in some cases, renegotiate the terms of certain of our supply agreements, primarily with our U.S. Iron Ore and Asia Pacific Iron Ore customers. We renegotiated the terms of our supply agreements with our Chinese and Japanese Asia Pacific Iron Ore customers and moved to shorter-term pricing mechanisms of various durations based on the average daily spot prices, with certain pricing mechanisms that have a duration of up to a quarter. The change was affective in the first quarter of 2010 for our Chinese customers and the second quarter of 2010 for our Japanese customers. The increase in 2010 pricing was on average an 87 percent and 98 percent increase for lump and fines, respectively. In North America, we reached final pricing settlement with some of our U.S. Iron Ore and Eastern Canadian Iron Ore customers through the fourth quarter of 2011. The increase in 2010 pricing was an average increase of 98 percent over 2009 prices for contracts based on world pellet prices. Although pricing had been settled with some of our North American customers for 2010 for the 2010 contract year, we were still in the process of assessing the impact a change to the historical annual pricing mechanism would have on certain of our larger existing U.S. Iron Ore and Eastern Canadian Iron Ore customer supply agreements that extend over multiple years, and negotiations were still ongoing with these customers.

Refer to "Results of Operations — Segment Information" for additional information regarding the impact of specific factors that impacted revenue during the period.

#### Cost of Goods Sold and Operating Expenses

Cost of goods sold and operating expenses were \$3.2 billion in 2010, an increase of \$1.1 billion, or 55 percent compared with 2009. The increase in 2010 primarily was attributable to higher costs at our U.S. Iron Ore, Eastern Canadian Iron Ore and Asia Pacific business operations as a result of higher sales volume, offset partially by lower idle expense at our U.S. Iron Ore and Eastern Canadian businesses as a result of higher production levels in 2010 to meet increasing customer demand. Costs also were negatively impacted in 2010 by approximately \$125.3 million related to unfavorable foreign exchange rates compared with the same period in

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2009, \$35.3 million of inventory step-up and amortization of purchase price adjustments related to the accounting for the acquisition of the remaining interest in Wabush and \$143.3 million related to higher royalty expenses, maintenance and repairs spending, energy and labor rates and stripping and recovery costs at our U.S. Iron Ore and Eastern Canadian Iron Ore operations.

Refer to “Results of Operations — Segment Information” for additional information regarding the impact of specific factors that impacted our operating results during the period.

### Other Operating Income (Expense)

Following is a summary of other operating income (expense) for 2010 and 2009:

	(In Millions)		Variance
	2010	2009	Favorable/ (Unfavorable)
Selling, general and administrative expenses	\$ (202.1)	\$ (117.6)	\$ (84.5)
Exploration costs	(33.7)	—	(33.7)
Miscellaneous — net	(20.5)	42.0	(62.5)
	<u>\$ (256.3)</u>	<u>\$ (75.6)</u>	<u>\$ (180.7)</u>

The increase in selling, general and administrative expense of \$84.5 million in 2010 compared with 2009 primarily was due to higher compensation costs of \$25.8 million, additional performance royalty expense for our investment in Sonoma of \$26.3 million and various other costs totaling \$19.7 million. These various other costs consisted of outside professional service costs associated with 2010 acquisition activity and related arbitrations, higher insurance premiums and higher technology costs.

The exploration costs of \$33.7 million for 2010 primarily were due to costs incurred at our Global Exploration Group and our Ferroalloys operating segment. We incurred costs of \$16.6 million related to the Ferroalloys operating segment that primarily were comprised of feasibility study costs of \$11.0 million, drilling costs of \$1.6 million and other administrative expenses of \$1.6 million. In addition, we incurred \$13.1 million in 2010 related to our involvement in exploration activities, as our Global Exploration Group focuses on identifying new world-class projects for future development or projects that are intended to add significant value to existing operations.

Miscellaneous — net losses of \$20.5 million in 2010 primarily related to foreign exchange losses on our Australian bank accounts that are denominated in U.S. dollars and short-term intercompany loans that are denominated in Australian dollars, as a result of the increased exchange rates during the period from A\$0.90 at December 31, 2009 to A\$1.02 at December 31, 2010. In 2009, we had gains on foreign currency transactions related to short-term intercompany loans to our Australian subsidiaries denominated in Australian dollars, as a result of the increased exchange rates during the period from A\$0.69 at December 31, 2008 to A\$0.90 at December 31, 2009. Additionally, in 2009, there was a gain on sales of assets of \$13.2 million primarily related to the Asia Pacific Iron Ore sale of its 50 percent interest in Irvine Island iron ore project to its joint venture partner, Pluton Resources. The consideration received consisted of a cash payment of approximately \$5.0 million and the issuance of 19.4 million shares in Pluton Resources, all of which resulted in recognition of a gain on sale amounting to \$12.1 million.

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**Other income (expense)**

Following is a summary of other income (expense) for 2010 and 2009:

	(In Millions)		
	2010	2009	Variance Favorable/ (Unfavorable)
Gain on acquisition of controlling interest	\$ 40.7	\$ —	\$ 40.7
Changes in fair value of foreign currency contracts, net	39.8	85.7	(45.9)
Interest income	9.9	10.8	(0.90)
Interest expense	(70.1)	(39.0)	(31.1)
Other non-operating income	12.5	2.9	9.6
	<u>\$ 32.8</u>	<u>\$ 60.4</u>	<u>\$ (27.6)</u>

As a result of acquiring the remaining ownership interests in Freewest and Wabush during the first quarter of 2010, our 2010 results were impacted by realized gains of \$38.6 million primarily related to the increase in fair value of our previous ownership interest in each investment held prior to the business acquisition. The fair value of our previous 12.4 percent interest in Freewest was \$27.4 million on January 27, 2010, the date of acquisition, resulted in a gain of \$13.6 million recognized in 2010. The fair value of our previous 26.8 percent equity interest in Wabush was \$38.0 million on February 1, 2010, resulted in a gain of \$25.0 million also recognized in 2010. Refer to NOTE 4 — ACQUISITIONS AND OTHER INVESTMENTS for further information.

The impact of changes in the fair value of our foreign currency exchange contracts held as economic hedges in the Statements of Consolidated Operations was due to fluctuations in foreign currency exchange rates during 2010. The favorable changes in fair value of our foreign currency contracts of \$39.8 million in 2010 related to the Australian to the U.S. dollar spot rate of A\$1.02 as of December 31, 2010, which increased from the Australian to U.S. dollar spot rate of A\$0.90 as of December 31, 2009. The changes in the spot rates were correlated to the appreciation of the Australian dollar relative to the U.S. dollar during 2010. In addition, we entered into additional foreign exchange contracts during 2010 that resulted in the notional amount of outstanding contracts in our foreign exchange hedge book increasing from \$108.5 million at December 31, 2009 to \$230.0 million at December 31, 2010. During 2010, approximately \$228.5 million of outstanding contracts matured and resulted in a cumulative net realized gain of \$12.2 million since inception of the contracts. The following table represents our foreign currency derivative contract position for contracts that were held as economic hedges as of December 31, 2010:

Contract Maturity	(\$ in Millions)			
	Notional Amount	Weighted Average Exchange Rate	Spot Rate	Fair Value
<b>Contract Portfolio (excluding AUD Call Options) (1):</b>				
Contracts expiring in the next 12 months	\$205.0	0.86	1.02	\$ 32.3
Contracts expiring in the next 13 to 24 months	15.0	0.86	1.02	2.0
Total	<u>\$220.0</u>	0.86	1.02	<u>\$ 34.3</u>
<b>AUD Call Options (2)</b>				
Contracts expiring in the next 12 months	\$ 10.0	0.85	1.02	\$ 1.9
Total	<u>\$ 10.0</u>	0.85	1.02	<u>\$ 1.9</u>
<b>Total Hedge Contract Portfolio</b>	<u>\$230.0</u>			<u>\$ 36.2</u>

(1) Includes collar options and forward contracts.

(2) AUD call options are excluded from the weighted average exchange rate used for the remainder of the contract portfolio due to the unlimited downside participation associated with these instruments.

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The increase in interest expense in 2010 compared with 2009 was attributable to the completion of two public offerings of senior notes during the year. In the first quarter of 2010, we completed a \$400 million public offering of 10-year senior notes at a 5.90 percent fixed interest rate. In addition, a \$1 billion public offering of senior notes was completed in the third quarter of 2010 consisting of two tranches: a \$500 million 10-year tranche at a 4.80 percent fixed interest rate and a 500 million 30 year tranche at a 6.25 percent fixed interest rate. See NOTE 7 — DEBT AND CREDIT FACILITIES for further information.

### Income Taxes

Our tax rate is affected by recurring items, such as depletion and tax rates in foreign jurisdictions and the relative amount of income we earn in our various jurisdictions with tax rates that differ from the U.S. statutory rate. It is also affected by discrete items that may occur in any given year, but are not consistent from year to year. The following represents a summary of our tax provision and corresponding effective rates for the years ended December 31, 2010 and 2009:

	(In Millions)	
	2010	2009
Income tax expense	\$293.5	\$22.5
Effective tax rate	22.5%	7.6%

A reconciliation of the statutory tax rate to the effective tax rate for the years ended December 31, 2010 and 2009 is as follows:

	2010	2009
U.S. statutory rate	35.0%	35.0%
Increases/(Decreases) due to:		
Percentage depletion	(7.9)	(11.4)
Impact of foreign operations	(6.9)	(8.9)
Valuation allowance	6.6	11.6
Other items — net	1.0	0.4
Effective income tax rate before discrete items	27.8	26.7
Discrete items	(5.3)	(19.1)
Effective income tax rate	22.5%	7.6%

Our tax provision for the years ended December 31, 2010 and 2009 was \$293.5 million, for a 22.5 percent effective tax rate, and \$22.5 million, for a 7.6 percent effective tax rate, respectively. The difference in the effective tax rate for 2010 compared with 2009 primarily was a result of discrete items that occurred during the year, as discussed below.

Discrete items included the expense that resulted from the PPACA and the Reconciliation Act signed into law in March 2010. The income tax effect related to the acts for the year ended 2010 was an increase to expense, recorded discretely, of \$16.1 million, representing approximately 1.2 percent of the effective tax rate. Other discrete items related to legal entity restructuring, prior year U.S. and foreign provision benefits recognized in 2010 and interest expense related to unrecognized tax benefits. Discrete items for 2009 related to the benefits associated with the settlement of tax audits and filings for prior years.

The valuation allowance of \$172.7 million against certain deferred tax assets as of December 31, 2010 primarily related to ordinary losses of certain foreign operations.

See NOTE 12 — INCOME TAXES for further information.

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**Equity Income (Loss) in Ventures**

Equity income (loss) from ventures primarily was comprised of our share of the results from Amapá and AusQuest, for which we have a 30 percent ownership interest in each. The equity income (loss) from ventures for the year ended December 31, 2010 of \$13.5 million primarily represented our share of the operating results of our equity method investment in Amapá. Such results consisted of income of \$17.2 million. During 2010, we recorded income of \$12.9 million related to the reversal of certain accruals. In addition, during the second quarter of 2010, Amapá repaid its total project debt outstanding, for which we provided a several guarantee on our 30 percent share. Upon repayment of the project debt, our obligations under the provisions of the guarantee arrangement were relieved, and our estimate of the aggregate fair value of the outstanding guarantee of \$6.7 million was reversed through Equity income (loss) from ventures for year ended December 31, 2010. Apart from the reversal of the debt guarantee and the reversal of certain accruals, our investment in Amapá realized nearly break-even operating results in 2010. This compared with equity losses related to Amapá of \$62.2 million in 2009. The negative operating results in 2009 primarily were due to slower than anticipated ramp-up of operations and product yields.

**Results of Operations — Segment Information**

Our company is organized and managed according to product category and geographic location. Segment information reflects our strategic business units, which are organized to meet customer requirements and global competition. We evaluate segment performance based on sales margin, defined as revenues less cost of goods sold and operating expenses identifiable to each segment. This measure of operating performance is an effective measurement as we focus on reducing production costs throughout the Company.

**2011 Compared to 2010**

**U.S. Iron Ore**

Following is a summary of U.S. Iron Ore results for 2011 and 2010:

			(In Millions)					Total change
	2011	2010	Change due to			Idle cost/ Production volume variance	Freight and reimbursements	
			ArcelorMittal Settlement	Sales Price and Rate	Sales Volume			
Revenues from product sales and services	\$ 3,509.9	\$ 2,443.7	\$ 280.9	\$ 662.9	\$ 121.5	\$ —	\$ 0.9	\$ 1,066.2
Cost of goods sold and operating expenses	(1,830.6)	(1,655.3)	—	(112.1)	(76.0)	13.7	(0.9)	(175.3)
Sales margin	\$ 1,679.3	\$ 788.4	\$ 280.9	\$ 550.8	\$ 45.5	\$ 13.7	\$ —	\$ 890.9
Sales tons (1)	24.2	23.0						
Production tons (1):								
Total	31.0	28.1						
Cliffs' share of total	23.7	21.5						

(1) Long tons of pellets (2,240 pounds).

Sales margin for U.S. Iron Ore was \$1.7 billion for 2011, compared with a sales margin of \$788.4 million for 2010. The improvement over the prior year is attributable to an increase in revenue of \$1.1 billion, offset partially by an increase in cost of goods sold and operating expenses of \$175.3 million. The increase in revenue was a result of improvements in sales prices and volumes, as well as the ArcelorMittal USA price re-opener settlement, which caused revenue to increase \$662.9 million, \$121.5 million and \$280.9 million, respectively, over 2010. The increase in sales price was driven by higher market pricing during 2011. Sales prices realized at U.S. Iron Ore were positively impacted by the industry's shift toward shorter-term pricing arrangements linked to

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the spot market and by sales tons to seaborne customers at market-based rates. Historically, U.S. Iron Ore has not provided sales tons to seaborne customers. We provided 1.2 million sales tons to seaborne customers in 2011 compared to 0.3 million sales tons in 2010. In addition, revenue in 2011 included \$178.0 million related to supplemental contract payments compared with \$120.2 million in 2010. The overall increase between years relates to the estimated rise in average annual hot band steel pricing for one of our U.S. Iron Ore customers. As previously disclosed, we reached a negotiated settlement with ArcelorMittal USA in April 2011 with respect to our previously disclosed arbitrations and litigation regarding price re-opener entitlements for 2009 and 2010 and pellet nominations for 2010 and 2011. The financial results for the first half of 2011 included \$255.6 million of the price re-opener settlement, with an additional \$25.3 million recognized during the latter half of 2011 upon the shipment of additional tons under the 2010 pellet nomination. Sales prices for 2011 also increased by \$23.4 million as a result of finalizing prices on sales for Algoma's 2010 pellet nomination, due to the previously announced arbitration agreement. Our realized sales price during 2011 was an average increase per ton of 40 percent over 2010, or an increase per ton of 28 percent excluding the impact of the arbitration settlement with ArcelorMittal USA.

The increase in sales volume was partially due to 652 thousand tons related to a subsidiary of ArcelorMittal USA's noncontrolling interest in the Empire mining venture that has been prospectively recognized through product revenue. In addition, sales volumes increased during 2011 due to increases in customer demand that were driven primarily by increased blast furnace utilization rates at several of our customer locations, and due to incremental sales volumes that also were recognized over 2010 due to sales tons to seaborne customers during the 2011 period, as discussed earlier. We also recognized \$24.1 million of additional revenue on a customer shipment as the related payments were made in the fourth quarter of 2011, compared to the fourth quarter of 2010 shipments for the same customer that were not recognized due to the timing of cash receipts. These increases during 2011 were offset partially when comparing to 2010 by 785 thousand carryover tons from 2009 that were recognized as sales in 2010 due to timing of shipments.

Cost of goods sold and operating expenses in 2011 increased \$175.3 million from the prior year predominantly as a result of:

- Higher cost rates of \$112.1 million during 2011 primarily due to:
  - Increased mining costs of \$40.0 million;
  - Higher spending for maintenance and repair projects of \$29.6 million;
  - Increased depreciation of \$30.5 million and;
  - Higher energy rates of \$50.9 million;
  - Offset partially by improved cost leverage driving down the cost rate by \$43.6 million at some of our mines as production volume increased and by the liquidation of \$10.6 million of previous LIFO layers that were at lower rates.
- Higher sales volumes also resulted in higher costs of \$76.0 million compared to 2010.

See NOTE 1 — BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES for further information regarding the accounting adjustments for the Empire partnership arrangement.

### Production

We increased production at all of our facilities during 2011 to ensure we are positioned to meet customer demand. During 2011, Northshore operated all of its four furnaces, compared to the three furnaces that were operating during most of 2010 as the fourth furnace was not restarted until September 2010. Additionally, 2010 results at Northshore and Tilden were impacted by repair activities. Production also increased at Hibbing in 2011 as compared to 2010 due to the shutdown of this location through April 1, 2010, as a result of the economic downturn. The production results for 2011 also include 652 thousand tons related to a subsidiary of ArcelorMittal USA's noncontrolling interest in the Empire mining venture that has been prospectively included

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within our share of the mine's production results. As previously announced, we plan to curtail production at Empire during 2012 as a result of planned blast furnace maintenance at one of our customer's facilities.

**Eastern Canadian Iron Ore**

Following is a summary of Eastern Canadian Iron Ore results for 2011 and 2010:

	(In Millions)							
	2011 (1)	2010 (2)	Consolidated Thompson	Sales Price and Rate	Change due to			Total change
				Sales Volume	Idle cost/Production volume variance	Exchange Rate		
Revenues from product sales and services	<b>\$ 1,178.1</b>	\$ 477.7	\$ 571.0	\$ 91.9	\$ 37.5	\$ —	\$ —	\$ 700.4
Cost of goods sold and operating expenses	<b>(887.2)</b>	(344.1)	(431.0)	(61.6)	(22.4)	(9.7)	(18.4)	(543.1)
Sales margin	<b>\$ 290.9</b>	\$ 133.6	\$ 140.0	\$ 30.3	\$ 15.1	\$ (9.7)	\$ (18.4)	\$ 157.3
Sales metric tons (3)	<b>7.4</b>	3.3						
Production metric tons (3)	<b>6.9</b>	3.9						

(1) Results include Consolidated Thompson since the May 12, 2011 acquisition date.

(2) Results include our 100 percent ownership of Wabush since our acquisition of the remaining 73.2 percent interest on February 1, 2010.

(3) Metric tons (2,205 pounds).

Sales margin for Eastern Canadian Iron Ore was \$290.9 million for 2011, compared with a sales margin of \$133.6 million for 2010. The improvement over last year is attributable to an increase in revenue of \$700.4 million, primarily due to the acquisition of Consolidated Thompson. Eastern Canadian Iron Ore sold 7.4 million metric tons during 2011 compared with 3.3 million metric tons during 2010. This increase in sales volume is attributable directly to 3.9 million metric tons of additional sales due to the acquisition of Consolidated Thompson, resulting in \$571.0 million of additional revenue for 2011. In addition, sales volumes at Wabush resulted in \$37.5 million of additional revenue over 2010 driven largely by increases in demand and the timing of our acquisition of the remaining interest in Wabush during February 2010. The increase in revenue is also a result of improvement in sales price, which caused revenue to increase \$91.9 million over the comparable prior year period. Our realized sales price for 2011 over 2010 was on average a nine percent increase per metric ton, due to higher prices for iron ore due to worldwide demand.

The increase in revenue was offset partially by increases in cost of goods sold and operating expenses during 2011, which increased by \$543.1 million primarily due to:

- Significant increase in sales volume as a result of the acquisition of Consolidated Thompson, resulting in \$431.0 million of additional cost for 2011. This includes the impact of expensing \$59.8 million of stepped-up value inventory that resulted from the purchase accounting for the acquisition of Consolidated Thompson.
- Increase in costs at our Eastern Canadian pellet operations during 2011 as a result of:
  - Higher spending of \$40.2 million related to plant structures and repairs;
  - Unfavorable fixed cost leverage driving up the cost rate by \$18.2 million as pellet production volume decreased.
- Higher pellet sales volumes also resulted in higher costs of \$22.4 million compared to 2010.
- \$18.4 million related to unfavorable foreign exchange rate variances.

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**Production**

The increase in production levels over the prior year is the result of our acquisition of Consolidated Thompson during the second quarter of 2011. Since the acquisition date, Bloom Lake produced 3.5 million metric tons of iron ore concentrate. Production at Wabush remained relatively flat for 2011; however, operational setbacks were experienced at Wabush during the fourth quarter of 2011, causing a slight production shortfall compared to the same period in 2010.

**North American Coal**

Following is a summary of North American Coal results for 2011 and 2010:

	(In Millions)							
	2011	2010 (1)	Change due to			Idle cost/ Production volume variance	Freight and reimbursements	Total change
			CLCC Acquisition	Sales Price and Rate	Sales Volume			
Revenues from product sales and services	\$ 512.1	\$ 438.2	\$ 151.7	\$ 31.1	\$ (85.3)	\$ —	\$ (23.6)	\$ 73.9
Cost of goods sold and operating expenses	(570.5)	(466.8)	(138.7)	(22.4)	82.7	(48.9)	23.6	(103.7)
Sales margin	\$ (58.4)	\$ (28.6)	\$ 13.0	\$ 8.7	\$ (2.6)	\$ (48.9)	\$ —	\$ (29.8)
Sales tons	4.2	3.3						
Production tons (2)	5.0	3.2						

(1) CLCC was acquired on July 30, 2010. Therefore, the 2010 results reflect the impact of the CLCC acquisition since that date.

(2) Tons are short tons (2,000 pounds).

We reported sales margin loss for North American Coal of \$58.4 million and \$28.6 million for the years ended December 31, 2011 and 2010, respectively. Revenue during 2011 increased 17 percent over the prior year to \$512.1 million due to the acquisition of CLCC that occurred during the third quarter of 2010 and due to improvements in sales price during 2011. North American Coal sold 4.2 million tons during 2011 compared with 3.3 million tons during the prior year, which included 1.5 million incremental sales tons made available through the acquisition of CLCC. The additional CLCC sales tons resulted in \$151.7 million of additional revenue in 2011 when compared to 2010. This increase in volume was offset partially by lower availability of coal at our Pinnacle and Oak Grove locations given carbon monoxide levels and significant tornado damage, respectively, that impacted production during 2011, and market softening for CLCC's high volatile metallurgical coal. Volume also was negatively affected by severe shipping congestion caused by demand for export metallurgical coal shipped from port facilities in Virginia and the lack of rail car availability due to supply constraints related to increases in demand experienced during the first quarter of 2011. The sales volume decreases at these locations resulted in lower revenues of \$85.3 million over 2010. In addition, sales prices increased by \$31.1 million when compared to 2010, reflecting increases in our 2011 contract prices as a result of high steel demand and the associated raw material prices. These sale price increases were offset partially by a change in the sales mix from the CLCC acquisition to higher percentages of lower-priced high volatile, metallurgical grade coal and thermal coal.

Cost of goods sold and operating expenses in 2011 increased \$103.7 million or 22 percent from the prior year, primarily due to:

- Significant increase in sales volume attributable to the acquisition of CLCC, which resulted in a cost increase of \$138.7 million.
- Increase in costs during 2011 was also a result of higher idle costs of \$48.9 million over 2010 due to:

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- Significant tornado damage to the Oak Grove preparation plant and overland conveyor system in April 2011;
- Suspension of operations at Pinnacle due to elevated levels of carbon monoxide at the mine in May 2011;
- Ventilation issues at the Oak Grove mine in September 2011 that resulted in reduced longwall run rates.
- Higher contract and outside service costs of \$26.5 million relating to the operational issues at Pinnacle and Oak Grove, higher depreciation costs of \$7.0 million relating to capital additions and higher labor costs of \$13.0 million, offset by lower-of-cost-or-market inventory charge of \$26.1 million taken at our Pinnacle and Oak Grove mines in 2010.

These costs were offset partially by decreases in sales volumes at the Pinnacle and Oak Grove locations, as discussed above, and resulted in cost reductions of \$82.7 million over 2010.

**Production**

The increase in production levels during 2011 over 2010 is the result of the acquisition of CLCC during the third quarter of 2010 and lower production results at Oak Grove and Pinnacle in 2010 due to operational difficulties. Oak Grove production levels in 2011 were negatively impacted by the significant tornado damage to the above-ground operations in April 2011 and ventilation issues in September 2011 that resulted in reduced longwall run rates. Despite the significant tornado damage at Oak Grove, the mine's underground operations continued to run in anticipation of the preparation plant restart. The preparation plant achieved partial operating capacity in January 2012. The underground operations during 2011 mined 1.9 million tons of raw coal which has been stockpiled on site, or 746 thousand tons of clean coal equivalent. Pinnacle's production during the year was also impacted by a longwall move during February and March 2011, lower belt availability and electrical problems during April 2011, and the suspension of operations at Pinnacle due to elevated levels of carbon monoxide in May 2011. In June 2011, we announced that regulatory agencies denied our plan designed to address the detected levels of carbon monoxide at Pinnacle. The continuous miners at Pinnacle were permitted to resume operations in July 2011 and longwall operations were permitted to resume at the end of September 2011. Pinnacle's production returned to conventional levels as evidenced by producing 673 thousand tons of its 1.3 million total 2011 production tons during the fourth quarter of 2011. Production at the Green Ridge No. 2 mine recommenced in January 2011 from the 2010 idling and was once again idled in January 2012.

**Asia Pacific Iron Ore**

Following is a summary of Asia Pacific Iron Ore results for 2011 and 2010:

	(In Millions)		Change due to			Total change
	2011	2010	Sales Price and Rate	Sales Volume	Exchange Rate	
Revenues from product sales and services	\$ 1,363.5	\$ 1,123.9	\$ 316.5	\$ (74.8)	\$ (2.1)	\$ 239.6
Cost of goods sold and operating expenses	(664.0)	(557.7)	(75.8)	41.7	(72.2)	(106.3)
Sales margin	\$ 699.5	\$ 566.2	\$ 240.7	\$ (33.1)	\$ (74.3)	\$ 133.3
Sales metric tons (1)	8.6	9.3				
Production metric tons (1)	8.9	9.3				

(1) Metric tons (2,205 pounds). Cockatoo Island production and sales reflects our 50 percent share.

Sales margin for Asia Pacific Iron Ore increased to \$699.5 million during 2011 compared with \$566.2 million in 2010. Revenue increased 21 percent in 2011 primarily as a result of higher lump and fines iron ore prices. In 2010, the world's largest iron ore producers moved away from the annual international benchmark

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pricing mechanism referenced in our customer supply agreements, resulting in a shift in the industry toward shorter-term pricing arrangements linked to the spot market. As previously discussed, we renegotiated the terms of our supply agreements with our Chinese and Japanese Asia Pacific Iron Ore customers moving to shorter-term pricing mechanisms of various durations based on the average daily spot prices, with certain pricing mechanisms that have a duration of up to a quarter. This change was effective in the first quarter of 2010 for our Chinese customers and the second quarter of 2010 for our Japanese customers. We finalized quarterly pricing arrangements with our Asia Pacific Iron Ore customers during the second quarter of 2010. The increase in our realized price for 2011 over 2010 was on average a 38 percent and 24 percent increase per wet metric ton for lump and fines, respectively. Pricing settlements in 2011 reflect the increase in steel demand and spot prices for iron ore. In addition, sales prices increased during 2011 due to the sale of approximately 400 thousand additional metric tons of premium fines produced at Cockatoo Island during the period.

Sales volume during 2011 decreased to 8.6 million metric tons compared with 9.3 million metric tons for the prior year, resulting in decrease in revenue of \$74.8 million. The lower sales volume was driven by a planned extended shutdown of the Esperance Port as part of the 11 million metric ton per year expansion project and third-party labor disputes at both port and rail facilities that were settled in July and November 2011, respectively. These events impacted shipments during 2011 and caused shipment timing delays from December 2011 into January 2012. The decrease in sales volume was offset partially by higher sales from our Cockatoo Island mine. Cockatoo Island sales volumes were lower in the prior year as the mine production was resumed during the third quarter of 2010.

Cost of goods sold and operating expenses in 2011 increased \$106.3 million compared with 2010 primarily as a result of:

- \$75.8 million of cost increases mainly related to:
  - Cost increases of \$98.6 million during 2011 due to increases in fuel prices and increases in mining costs as a result of increases in waste mining volumes;
  - Mining costs for Cockatoo Island up \$27.0 million over the prior year given the resumed mine production during third quarter of 2010;
  - Royalty costs also increased \$20.2 million during 2011, as a result of increased revenue;
  - Processing costs were higher by \$8.9 million in 2011 primarily due to increases in fuel prices and maintenance costs compared to 2010 and;
  - Offset partially by inventory movement of \$78.9 million during 2011, due to a reduction in inventory in 2010 from the utilization of long-term stock piles and an increase in inventory in 2011.
- \$72.2 million related to unfavorable foreign exchange rate variances.

These costs were offset partially by \$41.7 million due to lower sales volume during 2011.

### Production

Production at Asia Pacific Iron Ore decreased slightly in 2011 when compared to 2010 due to a seven-day shutdown of the ore handling plant in the fourth quarter of 2011 in order to replenish run of mine stocks, combined with poor weather conditions at Koolyanobbing in January of 2011, including severe wet weather and a tropical storm. The decrease was offset partially by higher production results at the Cockatoo Island mine in 2011 as production at the Cockatoo Island mine did not resume until the third quarter of 2010.

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**2010 Compared to 2009**

***U.S. Iron Ore***

Following is a summary of U.S. Iron Ore results for 2010 and 2009:

	(In Millions)						
	2010	2009	Sales Price and Rate	Sales Volume	Change due to Idle cost/ Production volume variance	Freight and reimbursements	Total change
Revenues from product sales and services	\$ 2,443.7	\$ 1,211.6	\$ 372.0	\$ 730.4	\$ —	\$ 129.7	\$ 1,232.1
Cost of goods sold and operating expenses	(1,655.3)	(998.4)	(131.1)	(490.2)	94.1	(129.7)	(656.9)
Sales margin	<u>\$ 788.4</u>	<u>\$ 213.2</u>	<u>\$ 240.9</u>	<u>\$ 240.2</u>	<u>\$ 94.1</u>	<u>\$ —</u>	<u>\$ 575.2</u>
Sales tons (1)	23.0	13.7					
Production tons (1):							
Total	28.1	16.9					
Cliffs' share of total	21.5	15.0					

(1) Long tons of pellets (2,240 pounds).

Sales margin for U.S. Iron Ore was \$788.4 million for 2010, compared with a sales margin of \$213.2 million for 2009. The improvement over 2009 was attributable to increased revenue of \$1.2 billion, offset partially by an increase in cost of goods sold and operating expenses of \$656.9 million. The increase in revenue was a result of improvements in both sales price and sales volume, which caused revenue to increase \$372.0 million and \$730.4 million, respectively, over 2009 results. Sales volumes for 2010 increased 68 percent at U.S. Iron Ore when compared to 2009 primarily due to an overall increase in customer demand as a result of improved market conditions during 2010.

The increase in pricing in 2010 was attributable to higher demand in 2010 as the market continued to strengthen. There was a shift in the industry toward shorter-term pricing arrangements linked to the spot market and the move away from the annual world pellet pricing mechanism referenced in certain of our supply contracts. We reached final pricing settlement with some of our U.S. Iron Ore customers through the fourth quarter of 2010 for the 2010 contract year, which reflected an average increase of 98 percent over 2009 prices for contracts based on world pellet prices. This compared to the 2009 settled price decrease of 48.3 percent below 2008 prices. Revenue in 2010 also included \$120.2 million related to supplemental contract payments compared with \$22.2 million in 2009. The overall increase between years related to the estimated rise in average annual hot band steel pricing for one of our U.S. Iron Ore customers. The increase in revenue was offset partially by lower prices realized for sales under one of our customer supply agreements that were in arbitration at the end of 2010. Given the early stage of the arbitration at the time, and the uncertainty regarding its outcome as of December 31, 2010, the prices realized for sales under the contract in 2010 did not reflect the estimated increase in 2010 iron ore pricing. The arbitration subsequently was settled during 2011.

In 2010 and 2009, certain customers purchased and paid for approximately 2.4 million tons and 0.9 million tons of pellets, respectively, in order to meet minimum contractual purchase requirements for each year under the terms of take-or-pay contracts. The inventory was stored at our facilities in upper lakes stockpiles. At the request of the customers, the ore was not shipped, resulting in deferred revenue at December 31, 2010 and 2009 of \$155.3 million and \$81.9 million, respectively. As of December 31, 2010, all of the 0.9 million tons that were deferred at the end of 2009 were delivered, resulting in the related revenue being recognized in 2010.

Cost of goods sold and operating expenses in 2010 increased \$656.9 million or 66 percent from the prior year primarily due to:

- Higher sales volumes as noted above, which resulted in cost increases of approximately \$490.2 million.

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- Unfavorable impact during 2010 of \$131.1 million due to:
  - Higher cost rates attributable to higher maintenance and repairs costs of \$42.3 million, higher energy and labor costs of \$55.8 million, higher stripping and recovery costs of \$27.9 million and higher royalty expenses of \$15.2 million.

These costs partially were offset by \$94.1 million related to lower idle expense due to increased production as a result of improving market conditions in the current year.

**Production**

Based on signs of marked improvements in customer demand during 2010, production was increased at all our facilities and employees were called back to work in order to ensure that we were positioned to meet the increased demand. During 2010, Empire, Tilden and United Taconite operated at full capacity. Northshore operated three of its furnaces, with the fourth restarted in September 2010. The shutdown at Hibbing, which began in May 2009, ended on April 1, 2010.

**Eastern Canadian Iron Ore**

Following is a summary of Eastern Canadian Iron Ore results for 2010 and 2009:

			(In Millions)				Total change
	2010 (1)	2009	Change due to				
			Sales Price and Rate	Sales Volume	Idle cost/Production volume variance	Exchange Rate	
Revenues from product sales and services	\$ 477.7	\$ 236.2	\$ 199.5	\$ 42.0	\$ —	\$ —	\$ 241.5
Cost of goods sold and operating expenses	(344.1)	(173.9)	(91.6)	(30.3)	(12.2)	(36.1)	(170.2)
Sales margin	\$ 133.6	\$ 62.3	\$ 107.9	\$ 11.7	\$ (12.2)	\$ (36.1)	\$ 71.3
Sales metric tons (2)	3.3	2.7					
Production metric tons (2)							
Total	3.9	2.7					
Cliffs' share of total	3.9	2.1					

(1) Results include our 100 percent ownership of Wabush since our acquisition of the remaining 73.2 percent interest on February 1, 2010.

(2) Metric tons (2,205 pounds).

Sales margin for Eastern Canadian Iron Ore was \$133.6 million for 2010, compared with a sales margin of \$62.3 million for 2009. The improvement over 2009 was attributable to increased revenue of \$241.5 million, offset partially by an increase in cost of goods sold and operating expenses of \$170.2 million. The increase in revenue was a result of improvements in both sales price and sales volume, which caused revenue to increase \$199.5 million and \$42.0 million, respectively, over 2009 results. The increase in pricing in 2010 was attributable to higher demand in 2010 as the market continued to strengthen. Final pricing settlement with our Eastern Canadian Iron Ore customers reflected an average increase of 98 percent over 2009 prices for contracts based on world pellet prices. This compared to the 2009 settled price decrease of 48.3 percent below 2008 prices. Sales volumes for 2010 increased 22 percent at Eastern Canadian Iron Ore when compared to 2009 primarily due to an overall increase in customer demand as a result of improved market conditions during 2010 and incremental sales of 0.6 million metric tons of Wabush pellets that were made available through our acquisition of the remaining 73.2 percent interest in February 2010. In 2009, sales volumes for 2009 were higher as our joint venture partner in the mine allowed us to take additional tonnage over our ownership percentage.

Cost of goods sold and operating expenses in 2010 increased \$170.2 million or 98 percent from the prior year primarily due to:

- Higher costs of \$91.6 million attributable to:

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- Higher supplies and service costs, as a result of spending limitations in 2009 due to the economic conditions at that time;
- \$98.3 million of additional costs in 2010 associated with Eastern Canadian Iron Ore taking its former partners' share of production but only having to pay variable costs in 2009;
- Costs of \$35.3 million of inventory step-up and amortization of purchase price adjustments related to our acquisition of Wabush in 2010 and;
- Offset partially by favorable fixed cost per ton effect of \$51.9 million due to the increase in production tons.
- \$36.1 million of unfavorable exchange rate variances over 2009.
- Higher sales volumes noted above resulted in cost increases of approximately \$30.3 million.

### Production

Production tonnage at Wabush was higher in 2010 when compared to 2009 as Wabush was operating two of its three furnaces during 2010, with Cliffs taking all of the tonnage since acquiring full ownership on February 1, 2010.

### North American Coal

Following is a summary of North American Coal results for 2010 and 2009:

	(In Millions)							
	2010 <sup>(1)</sup>	2009	CLCC acquisition	Sales Price and Rate	Sales Volume	Idle cost/ Production volume variance	Freight and reimbursements	Total change
Revenues from product sales and services	\$ 438.2	\$ 207.2	\$ 111.7	\$ 82.9	\$ 31.7	\$ —	\$ 4.7	\$ 231.0
Cost of goods sold and operating expenses	(466.8)	(279.1)	(98.3)	(57.1)	(36.2)	8.6	(4.7)	(187.7)
Sales margin	\$ (28.6)	\$ (71.9)	\$ 13.4	\$ 25.8	\$ (4.5)	\$ 8.6	\$ —	\$ 43.3
Sales tons	3.3	1.9						
Production tons (2)	3.2	1.7						

(1) Results include CLCC since the July 30, 2010 acquisition date.

(2) Tons are short tons (2,000 pounds).

We reported a sales margin loss for North American Coal of \$28.6 million and \$71.9 million for the years ended December 31, 2010 and 2009, respectively. Revenue for 2010 was \$231.0 million higher than 2009 due to increases in both sales volume and prices. North American Coal sold 3.3 million tons during 2010 compared with 1.9 million tons during 2009, as a result of improved market conditions in 2010 and 1.1 million tons of additional sales since the acquisition of CLCC. The increase in North American Coal sales volume resulted in an increase in revenues of \$143.4 million over 2009, of which \$111.7 million was related to the acquisition of CLCC. Sales prices were also higher during 2010, reflecting increases in steel demand and the associated raw material prices. The increase in our 2010 contract rates caused revenue for 2010 to increase \$82.9 million over 2009.

Cost of goods sold and operating expenses in 2010 increased \$187.7 million or 67 percent from the prior year primarily due to:

- Significant increase in sales volume as a result of the acquisition of CLCC, resulting in \$98.3 million of additional cost for 2010.

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- \$57.1 million of cost increases mainly related to:
  - A lower-of-cost-or-market inventory charge of \$26.1 million taken at our Pinnacle and Oak Grove mines. Geological and operational issues, higher depreciation and amortization of \$11.7 million, higher royalties and severance taxes of \$8.2 million and purchases of \$6.6 million of third-party coal at our Pinnacle mine to meet shipping requirements.
- Significant increase in sales volume, which resulted in a cost increase of approximately \$36.2 million.

These costs were offset partially by a reduction in idle expense of \$8.6 million. Despite the production issues encountered at our legacy coal mines throughout 2010, we increased production at our mines as a result of improving market conditions in 2010. Idle costs in the first half of 2009 were significantly higher due to production curtailments and delays associated with mine development issues at Oak Grove as a result of unplanned geological conditions.

Production

We increased production levels in 2010 in response to improving market conditions and increases in customer demand. The increase over the prior year primarily was related to production curtailments that occurred in 2009 to match declining market conditions as well as delays in developing the longwall panel at Oak Grove during the first quarter of 2009. In addition, the increase in production levels over 2009 was a direct result of the acquisition of CLCC during the third quarter of 2010. The overall increase in 2010 production at our Pinnacle Complex was offset partially by a decrease in production at Green Ridge due to the closure of Green Ridge No. 1 in February 2010, as well as the idling of Green Ridge No. 2 during 2010. Production recommenced at the Green Ridge No. 2 mine in January 2011. Despite the increase in production over 2009, our Pinnacle mine negatively was impacted during 2010 by adverse geological conditions and delayed longwall operations, resulting in force majeure declared on customer shipments during the third and fourth quarters of 2010. The force majeure declared in the fourth quarter was due to roof falls at the Pinnacle mine and was lifted in January 2011 with the restarting of the longwall.

**Asia Pacific Iron Ore**

Following is a summary of Asia Pacific Iron Ore results for 2010 and 2009:

	(In Millions)					
	2010	2009	Change due to			Total
			Sales Price and Rate	Sales Volume	Exchange Rate	change
Revenues from product sales and services	\$ 1,123.9	\$ 542.1	\$ 517.7	\$ 72.3	\$ (8.2)	\$ 581.8
Cost of goods sold and operating expenses	(557.7)	(454.9)	19.1	(40.6)	(81.3)	(102.8)
Sales margin	<u>\$ 566.2</u>	<u>\$ 87.2</u>	<u>\$ 536.8</u>	<u>\$ 31.7</u>	<u>\$ (89.5)</u>	<u>\$ 479.0</u>
Sales metric tons	9.3	8.5				
Production metric tons (1)	9.3	8.3				

(1) Metric tons (2,205 pounds). Cockatoo Island production reflects our 50 percent share.

Sales margin for Asia Pacific Iron Ore increased to \$566.2 million in 2010 compared with \$87.2 million in 2009. Revenue increased \$581.8 million in 2010 compared with 2009 primarily as a result of higher prices for lump and fines, increased sales volume and favorable sales mix. The price increases during 2010 were attributable to the industry shift toward shorter-term pricing arrangements linked to the spot market, as discussed above. As a result, we renegotiated the terms of our supply agreements with our Chinese and Japanese Asia Pacific Iron Ore customers moving to shorter-term pricing mechanisms of various durations based on the average daily spot prices, with certain pricing mechanisms that have a duration of up to a quarter. The increase in 2010 pricing over 2009 was on average an 87 percent and 98 percent increase per wet metric ton for lump and fines, respectively. This compares to settled price decreases in 2009 of 44 percent and 33 percent for lump and fines, respectively. Pricing settlements in 2010 reflected the increase in steel demand and spot prices for iron ore and were based upon quarterly index pricing mechanisms.

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Sales volume reached 9.3 million metric tons in 2010 compared with 8.5 million metric tons for 2009, resulting in an increase in revenue of \$72.3 million. In addition, revenue favorably was impacted by a positive sales mix variance of \$4.0 million primarily due to the cessation of low-grade fines sales in 2010.

Cost of goods sold and operating expenses in 2010 increased \$102.8 million compared to 2009 primarily due to:

- Unfavorable foreign exchange rate variances of \$81.3 million.
- A nine percent increase in sales volume, which resulted in cost increases of approximately \$40.6 million.

These costs were offset partially by favorable rate variances, driven by lower inventory movement of \$33.2 million primarily due to increased long-term stockpile utilization and \$14.6 million associated with lower shipping and processing costs during 2010. Higher royalties related to the increase in revenue and higher mining costs related to increased mining fleet maintenance due to increased rail volumes of \$27.2 million.

### Production

Production at Asia Pacific Iron Ore in 2010 was higher than 2009 as a result of initiatives taken to improve supply conditions and eliminate certain production and logistics constraints, including upgrades to the rail system. The increase in production over 2009 was also due to reduced availability in 2009 as a result of repairs to the production plant. Production at Cockatoo Island resumed in the third quarter of 2010.

### **Liquidity, Cash Flows and Capital Resources**

Our primary sources of liquidity are cash generated from our operating and financing activities. Our cash flows from operating activities are driven by our operating results and changes in our working capital requirements. Our cash flows from financing activities are dependent upon our ability to access credit or other capital.

Throughout 2011, we have taken a balanced approach to the allocation of our capital resources and free cash flow. In 2011, we continued to strengthen our balance sheet and enhance financial flexibility to be consistent with our long-term financial growth goals and objectives, including the completion of a public offering of senior notes in the aggregate principal amount of \$1.0 billion, the completion of a \$1.25 billion five-year term loan, the completion of a public offering of 10.35 million of our common shares that raised approximately \$854 million and the execution of a five-year unsecured amended and restated multicurrency credit agreement that resulted in, among other things, a \$1.75 billion revolving credit facility. The senior notes offering consisted of a \$700 million 10-year tranche and a \$300 million 30-year tranche completed in March and April 2011, respectively. The net proceeds from the senior notes offering and the term loan were used to fund a portion of the purchase price for the acquisition of Consolidated Thompson and to pay the related fees and expenses. A portion of the net proceeds from the public offering of our common shares were used to repay the \$750 million of borrowings under the bridge credit facility, with the remainder of the net proceeds to be used for general corporate purposes. Proceeds from the revolving credit facility will be used to refinance existing indebtedness, to finance general working capital needs and for other general corporate purposes, including the funding of acquisitions. In August 2011, \$250 million was drawn against the revolving credit facility in order to pay down a portion of the term loan. All amounts outstanding under the revolving credit facility were repaid in full on December 12, 2011. Refer to NOTE 7 — DEBT AND CREDIT FACILITIES for further information.

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The following is a summary of significant sources and uses of cash in 2011 and 2010:

	(In Millions)	
	2011	2010
Cash and cash equivalents — January 1	\$ 1,566.7	\$ 502.7
Net cash provided by operating activities	2,288.8	1,320.0
<i>Significant Investing Transactions</i>		
Net settlements on Canadian dollar foreign exchange contracts	\$ 93.1	\$ —
Investment in Consolidated Thompson senior secured notes	(125.0)	—
Acquisition of Consolidated Thompson, net of cash acquired	(4,423.5)	—
Acquisition of Wabush	—	(101.9)
Acquisition of Freewest	—	(5.3)
Acquisition of Spider	—	(108.0)
Acquisition of CLCC	—	(775.9)
Capital expenditures	(880.7)	(266.9)
Total	(5,336.1)	(1,258.0)
<i>Sources (Uses) of Financing</i>		
Net proceeds from issuance of common shares	853.7	—
Net proceeds from issuance of senior notes	998.1	1,388.1
Borrowing on term loan	1,250.0	—
Repayment of Consolidated Thompson convertible debentures	(337.2)	—
Payments under share buyback program	(289.8)	—
Common Stock Dividends	(118.9)	(68.9)
Total	2,355.9	1,319.2
Other net activity	(353.7)	(317.2)
Cash and cash equivalents — December 31	\$ 521.6	\$ 1,566.7

The following discussion summarizes the significant activities impacting our cash flows during the year as well as those expected to impact our future cash flows over the next 12 months. Refer to the Statements of Consolidated Cash Flows for additional information.

### Operating Activities

Net cash provided by operating activities was \$2.3 billion in 2011, compared with \$1.3 billion in 2010 and \$185.7 million in 2009. Operating cash flows in 2011 were impacted primarily by stronger operating results, as previously noted. Our operating cash flows vary with prices realized from iron ore and coal sales, production levels, production costs, cash payments for income taxes and interest, other working capital changes and other factors. In addition, our cash provided by operating activities was stronger in 2011 due to the receipt of a \$129.0 million payment in January 2011 from Algoma to true-up the portion of revenues from 2010 pellet sales that previously was disputed throughout 2010 and the receipt of a \$275.0 million payment in April 2011 from ArcelorMittal USA to true-up pricing for pellet volumes delivered to certain ArcelorMittal USA steelmaking facilities in North America during both 2009 and 2010. Such receipts will not be recurring in 2012 or in the future.

Our long-term outlook remains stable and we now are focusing on our growth projects with sustained investment in our core businesses. Capacity utilization among steelmaking facilities in North America demonstrated ongoing improvement and held firm during the remainder of the year. We expect the U.S. economy to continue to remain stable, sustaining a healthy North American business. High year-over-year crude steel production and iron ore imports in Asia continue to support demand for our products in the seaborne market. As a result, we have planned increased production at all of our facilities, with the exception of one.

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Based on current mine plans and subject to future iron ore and coal prices, we expect estimated operating cash flows in 2012 to be greater than our budgeted investments and capital expenditures, expected debt payments, dividends and other cash requirements. Refer to "Outlook" for additional guidance regarding expected future results, including projections on pricing, sales volume and production for our various businesses.

Our U.S. operations generate sufficient cash flows and, consequently, we do not need to repatriate earnings from our foreign operations. Our U.S. cash and cash equivalents balance at December 31, 2011 was \$239.6 million, or approximately 45.9 percent of our consolidated total cash and cash equivalents balance of \$521.6 million. Given the recent strategic acquisition of Consolidated Thompson, U.S. cash and cash equivalent balances are lower than at the beginning of 2011; however, we continue to maintain significant liquidity to support all operating activities. We historically have been able to raise additional capital through private financings and public debt and equity offerings, the bulk of which, to date, have been U.S.-based. Additionally, as of December 31, 2011, we had available borrowing capacity of \$1.73 billion under our \$1.75 billion U.S.-based revolving credit facility. In addition, if the U.S. and Asian economies soften, we have the financial and operational flexibility to reduce production, delay capital expenditures and reduce overhead costs.

### *Investing Activities*

Net cash used by investing activities was \$5.3 billion in 2011, compared with \$1.4 billion and \$179.3 million in 2010 and 2009, respectively. In May 2011, we completed our acquisition of Consolidated Thompson for a net acquisition price of \$4.4 billion. In addition, we purchased the outstanding Consolidated Thompson senior secured notes directly from the note holders for \$125.0 million, including accrued and unpaid interest, during April 2011. Capital expenditures were \$880.7 million, \$266.9 million and \$116.3 million in 2011, 2010 and 2009, respectively. During 2011, the net cash used by investing activities was offset partially by \$93.1 million of settlements on the Canadian dollar foreign exchange contracts used to hedge a portion of the purchase price related to the acquisition of Consolidated Thompson. Investing activities in 2010 also included \$26.5 million of capital contributions related to the funding of operations at Amapá as well as \$155 million related to the repayment of all Amapá's debt in 2010. In February 2010, we completed the acquisition of the remaining 73.2 percent interest in Wabush for an aggregate acquisition price of \$103.0 million. We also completed the acquisition of all of the coal operations of CLCC in July 2010 for an aggregate acquisition price of \$774.5 million. During the fourth quarter of 2010, we completed the acquisition of the remaining shares of Spider through an amalgamation, increasing our ownership interest to 100 percent and resulting in a total cash investment in Spider of \$108.0 million as of December 31, 2010. In December 2010, our North American Coal segment sold the new longwall plow system at our Pinnacle mine in West Virginia and subsequently leased the longwall back for a period of five years. In October 2011, North American Coal entered into the second phase of the longwall sale-leaseback arrangement. We received proceeds of \$57.3 million and \$18.6 million, respectively, from the first and second phase sale of the longwall, and the leaseback was accounted for as a capital lease.

Non-cash investing activities during 2010 included the issuance of 4.2 million of our common shares valued at \$173.1 million as part of the purchase consideration for the acquisition of the remaining interest in Freewest, which was completed on January 27, 2010. Non-cash items during 2010 also included gains of \$38.6 million primarily related to the remeasurement of our previous ownership interest in Freewest and Wabush held prior to each business acquisition.

Based upon improving market conditions and a strengthening long-term outlook, we anticipate that total cash used for capital expenditures in 2012 will be approximately \$1 billion. This expectation includes capital expenditures related to Bloom Lake as we assumed capital commitments related to an expansion of the Bloom Lake mine in order to increase production capacity. The project to increase production capacity by 8.0 million metric tons of iron ore concentrate per year has been approved for capital investments of approximately \$1.3 billion, of which approximately \$0.2 billion was spent in 2011. Of the remaining capital investment amount, approximately \$0.6 billion is expected to be spent in 2012, with the remainder expected to be spent between 2013 and 2016. In addition, as we continue to increase production into 2012, capital expenditures will include the expansion of our Empire and Tilden mines in Michigan's Upper Peninsula in order to extend the existing production capacity at our Empire mine and increase production capacity at our Tilden mine. The project requires a capital investment of approximately \$260 million, of which approximately \$140 million was spent

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through 2011. Of the remaining capital investment amount, approximately \$80 million is expected to be spent in 2012 and \$40 million is expected to be spent between 2013 and 2016. In Asia Pacific Iron Ore, an expansion project has been approved at our Koolyanobbing mine in order to increase production capacity to 11 million metric tons per year. We estimate the project to require an initial capital cash outflow of approximately \$275 million, of which approximately \$202 million was spent in 2011 and \$73 million is expected to be spent in 2012. In 2011, we entered into an agreement to upgrade an existing rail line used by our Koolyanobbing operations. Our portion of the related purchase commitment for the upgrade is approximately \$33 million, of which approximately \$7 million was spent in 2011. Of the remaining amount, approximately \$10 million is expected to be spent in 2012 and \$16 million is expected to be spent between 2013 and 2014. In the first quarter of 2011, we began a project to bring Lower War Eagle, a high-volatile metallurgical coal mine in West Virginia, into production. Approximately \$40 million of committed capital was spent in relation to this project throughout 2011 and \$50 million is expected to be spent in 2012. As a result of the significant tornado damage to the above-ground operations at our Oak Grove mine during the second quarter of 2011, we have capital projects to repair the damage of approximately \$52 million, of which approximately \$46 million was spent in 2011 and \$6 million is expected to be spent in 2012. At Pinnacle, a new longwall plow system was purchased to reduce maintenance costs and increase production at the mine. The remaining expenditures for the longwall plow system were completed in 2011. Construction of a new portal at Oak Grove was substantially completed in 2011 in order to improve productivity and support growth and expansion of the mine. As mentioned previously, we have the flexibility to reduce production, capital expenditures and overhead costs if market conditions change in the future.

We have implemented a global exploration program, which is integral to our growth strategy and is focused on identifying and capturing new world-class projects for future development or projects that add significant value to existing operations. Our Global Exploration Group is expected to spend approximately \$90 million on exploration activities in 2012, which we expect will provide us with opportunities for significant future potential reserve additions globally. Throughout 2011, we spent approximately \$48.4 million related to our involvement in exploration and development activities.

We continue to evaluate funding options for our capital needs and expect to be able to fund these requirements through operations and availability under our existing borrowing arrangements. Other funding options may include new lines of credit or other financing arrangements.

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The following represents our future cash commitments and contractual obligations as of December 31, 2011:

Contractual Obligations	Payments Due by Period (1) (In Millions)				
	Total	Less than 1 Year	1 - 3 Year	3 - 5 Year	More Than 5 Years
Long-term debt	\$ 3,683.5	\$ 74.8	\$ 494.3	\$ 727.9	\$ 2,386.5
Interest on debt (2)	2,290.0	169.7	309.6	278.5	1,532.2
Operating lease obligations	111.8	24.2	42.8	19.8	25.0
Capital lease obligations	348.8	87.1	115.4	72.9	73.4
Purchase obligations:					
Asia Pacific rail upgrade	8.0	8.0	—	—	—
Oak Grove portal project	2.7	2.7	—	—	—
Michigan expansion project	35.8	35.8	—	—	—
Koolyanobbing expansion project	57.3	57.3	—	—	—
Bloom Lake expansion project	280.8	280.8	—	—	—
Oak Grove repair project	6.0	6.0	—	—	—
Lower War Eagle development project	14.9	14.9	—	—	—
Open purchase orders	190.6	188.8	0.7	0.8	0.3
Minimum "take or pay" purchase commitments (3)	2,489.1	306.8	374.7	242.2	1,565.4
Total purchase obligations	3,085.2	901.1	375.4	243.0	1,565.7
Other long-term liabilities:					
Pension funding minimums	431.9	66.3	156.3	128.1	81.2
OPEB claim payments	698.7	41.2	52.6	49.6	555.3
Deferred revenue (6)	126.6	43.2	16.7	16.7	50.0
Environmental and mine closure obligations	235.7	13.7	18.7	1.6	201.7
Unrecognized tax benefits (4)	6.5	—	6.5	—	—
Personal injury	7.0	3.2	2.6	0.7	0.5
Other (5)					
Total other long-term liabilities	1,506.4	167.6	253.4	196.7	888.7
<b>Total</b>	<b>\$ 11,025.7</b>	<b>\$ 1,424.5</b>	<b>\$ 1,590.9</b>	<b>\$ 1,538.8</b>	<b>\$ 6,471.5</b>

(1) Includes our consolidated obligations.

(2) For the \$325 million senior notes, interest is calculated for the \$270 million five-year senior notes using a fixed rate of 6.31 percent from 2012 to maturity in June 2013, and the \$55 million seven-year notes, interest is calculated at 6.59 percent from 2012 to maturity in June 2015. For the \$400 million senior notes, interest is calculated using a fixed rate of 5.90 percent from 2012 to maturity in March 2020. For the \$1.3 billion senior notes, interest is calculated for the \$500 million 10-year notes using a fixed rate of 4.80 percent from 2012 to maturity in October 2020, and the \$800 million 30-year notes using a fixed rate of 6.25 percent from 2012 to maturity in October 2040. For the \$700 million senior notes, interest is calculated using a fixed rate of 4.88 percent from 2012 to maturity in April 2021. For the term loan, interest is calculated using a variable rate of 1.40 percent from 2012 to maturity in May 2016.

(3) Includes minimum electric power demand charges, minimum coal, diesel and natural gas obligations, minimum railroad transportation obligations, and minimum port facility obligations.

(4) Includes accrued interest.

(5) Other contractual obligations of approximately \$104.6 million primarily include unrecognized tax benefits and deferred income tax amounts for which timing of payment is non-determinable.

(6) This is for services to be provided in future periods.

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Refer to NOTE 16 — COMMITMENTS AND CONTINGENCIES of the Consolidated Financial Statements for additional information regarding our future purchase commitments and obligations.

### *Financing Activities*

Net cash provided by financing activities in 2011 was \$2.0 billion compared with \$1.1 billion in 2010 and \$304.3 million in 2009. Cash flows from financing activities in 2011 included \$998.1 million in net proceeds from the issuance of two tranches of senior notes in the aggregate principal amount of \$1.0 billion, completed through a public offering in March and April 2011. In addition, we borrowed \$750.0 million under the bridge credit facility and \$1.25 billion under the term loan in May 2011, and incurred \$38.3 million and \$8.7 million, respectively, of issuance costs related to the execution and funding of each arrangement. We used the net proceeds from the public offering of senior notes, the bridge credit facility and the term loan to fund a portion of the cash required upon the consummation of the acquisition of Consolidated Thompson, including the related fees and expenses. A portion of the funds also were used for the repayment of the Consolidated Thompson convertible debentures that were included among the liabilities assumed in the acquisition. We completed a public offering of 10.35 million of our common shares in June 2011. The net proceeds from the offering were approximately \$854 million at a sales price to the public of \$85.63 per share. A portion of the net proceeds were used to repay the \$750.0 million of borrowings under the bridge credit facility, with the remainder of the net proceeds to be used for general corporate purposes.

In July 2011, our Board of Directors increased the quarterly common share dividend by 100 percent to \$0.28 per share. The increased cash dividend was paid on September 1, 2011 and December 1, 2011 to shareholders of record as of the close of business on August 15, 2011 and November 18, 2011, respectively. In May 2010, our Board of Directors had increased our quarterly common share dividend from \$0.0875 to \$0.14 per share, and it was paid on June 1, 2010, September 1, 2010 and December 1, 2010. This increased cash dividend of \$0.14 per share was paid on March 1, 2011 and June 1, 2011 to shareholders of record as of February 15, 2011 and April 29, 2011, respectively.

In August 2011, we entered into a five-year unsecured amended and restated multicurrency credit agreement in order to amend the terms of our existing \$600 million multicurrency credit agreement. The credit agreement resulted in, among other things, a \$1.75 billion revolving credit facility. As a condition of the credit agreement terms, \$250 million was drawn against the revolving credit facility in order to pay down a portion of the term loan. The \$250 million payment was in addition to the scheduled quarterly principal payments on the term loan totaling \$28.0 million. All amounts outstanding under the revolving credit facility were repaid in full on December 12, 2011.

Additionally, our Board of Directors approved a new share repurchase plan that authorized us to purchase up to four million of our outstanding shares. During the second half of 2011, four million common shares were repurchased at a cost of approximately \$289.8 million, or an average price of approximately \$72.44 per share.

Cash flows from financing activities in 2010 primarily included \$397.7 million and \$990.3 million in net proceeds, from two public offerings of senior notes, which we completed in March and September of 2010, respectively. The net proceeds from the first public offering in 2010 were used for the repayment in March 2010 of our \$200 million term loan under our credit facility, the repayment of our share of Amapá's remaining debt outstanding during the second quarter of 2010 and for the financing of a portion of the purchase price for the Spider and CLCC acquisitions. A portion of the net proceeds from the second public offering in 2010 were used for the repayment of the \$350.0 million borrowings outstanding under the credit facility at that time. Other uses of the net proceeds from the \$1.0 billion public offering of senior notes included general corporate purposes and the funding of the acquisition of Consolidated Thompson.

Successful execution of these offerings allowed us to enhance our financial flexibility and better position ourselves to take advantage of possible opportunities as the market continues to improve in 2012.

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### Capital Resources

We expect to fund our business obligations from available cash, current operations and existing borrowing arrangements. The following represents a summary of key liquidity measures as of December 31, 2011 and 2010:

	(In Millions)	
	December 31, 2011	December 31, 2010
Cash and cash equivalents	\$ 521.6	\$ 1,566.7
Credit facility	\$ 1,750.0	\$ 600.0
Revolving loans drawn	—	—
Senior notes	2,725.0	1,725.0
Senior notes drawn	(2,725.0)	(1,725.0)
Term loan	972.0	—
Term loans drawn	(972.0)	—
Letter of credit obligations and other commitments	(23.5)	(64.7)
Borrowing capacity available	\$ 1,726.5	\$ 535.3

Refer to NOTE 7 — DEBT AND CREDIT FACILITIES of our consolidated financial statements for further information regarding our debt and credit facilities.

We are subject to certain financial covenants contained in the agreements governing certain of our debt instruments. As of December 31, 2011 and 2010, we were in compliance with each of our financial covenants.

Our primary sources of funding consist of a \$1.75 billion revolving credit facility, which matures in 2016. This facility has available borrowing capacity of \$1.73 billion as of December 31, 2011. Effective August 11, 2011, we amended our credit facility agreement, which provided more flexible financial covenants and debt restrictions through the amendment of certain customary covenants. We also have cash generated by the business and cash on hand, which totaled \$521.6 million as of December 31, 2011. The combination of cash and the credit facility gives us over \$2.2 billion in liquidity entering the first quarter of 2012, which is expected to be used to fund operations, capital expenditures and finance strategic transactions.

We are party to financing arrangements under which we issue guarantees on behalf of certain of our unconsolidated subsidiaries. In the event of non-payment, we are obligated to make payment in accordance with the provisions of the guarantee arrangement. As of December 31, 2010, Amapá repaid its total project debt outstanding, for which we previously had provided a several guarantee on our 30 percent share. Repayment of our share of the total project debt outstanding consisted of \$54.2 million and \$100.8 million repaid on February 17, 2010 and May 27, 2010, respectively. Upon repayment of the project debt, our obligations under the provisions of the guarantee arrangement have been relieved.

Based on our current borrowing capacity and the actions we have taken to conserve cash, we have adequate liquidity and expect to be able to fund our current business obligations from available cash, current operations and existing borrowing arrangements for the foreseeable future. Other sources of funding may include new lines of credit or other financing arrangements.

Several credit markets may provide additional capacity should that become necessary. The bank market may provide funding through a term loan, bridge loan, revolving credit facility or through exercising the \$250 million accordion in our current credit facility or the \$250 million accordion made through our term loan. Our execution of a five-year unsecured amended and restated multicurrency credit agreement that resulted in, among other things, a \$1.75 billion revolving credit facility in August 2011 provides evidence of funding available through the bank market. The risk associated with this market is significant increases in borrowing costs as a result of limited capacity. As in all debt markets, capacity is a global issue that impacts the bond market. Our issuance of a \$1.0 billion public offering of 10-year and 30-year senior notes in March and April 2011 provides evidence that capacity in the bond markets has improved and remains stable for investment grade companies compared to conditions impacting such markets in previous years. These transactions represent the successful execution of our strategy to increase liquidity and extend debt maturities to align with longer-term capital structure needs. In addition, various capital markets may provide additional sources of funding.

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### Off-Balance Sheet Arrangements

We have operating leases, which primarily are utilized for certain equipment and office space. Aside from these, we do not have any other off-balance sheet financing arrangements.

### Market Risks

We are subject to a variety of risks, including those caused by changes in foreign currency exchange rates, interest rates and commodity prices. We have established policies and procedures to manage such risks; however, certain risks are beyond our control.

#### Foreign Currency Exchange Rate Risk

We are subject to changes in foreign currency exchange rates primarily as a result of our operations in Australia and Canada, which could impact our financial condition. With respect to Australia, foreign exchange risk arises from our exposure to fluctuations in foreign currency exchange rates because our reporting currency is the U.S. dollar, but the functional currency of our Asia Pacific operations is the Australian dollar. Our Asia Pacific operations receive funds in U.S. currency for their iron ore and coal sales and incur costs in Australian currency. We use forward exchange contracts, call options and collar options to hedge our foreign currency exposure for a portion of our sales receipts. The primary objective for the use of these instruments is to reduce exposure to changes in Australian and U.S. currency exchange rates and to protect against undue adverse movement in these exchange rates. At December 31, 2011, we had \$400 million of outstanding exchange rate contracts with varying maturity dates ranging from January 2012 to December 2012 for which we elected hedge accounting, effective October 2010. We also had \$15 million of outstanding exchange rate contracts with maturity dates in January 2012 that we have been holding as economic hedges, entered into prior to October 2010. A 10 percent increase in the value of the Australian dollar from the month-end rate would increase the fair value of these contracts by approximately \$38 million, and a 10 percent decrease would reduce the fair value by approximately \$46 million. We may enter into additional hedging instruments in the near future as needed in order to further hedge our exposure to changes in foreign currency exchange rates.

The following table represents our Australian dollar foreign currency exchange contract position for contracts held as cash flow and economic hedges as of December 31, 2011:

Contract Maturity	(\$ in Millions)			
	Notional Amount	Weighted Average Exchange Rate	Spot Rate	Fair Value
Contract Portfolio (1):				
Contracts expiring in the next 12 months	\$ 415.0	0.99	1.02	\$ 4.5
Total Hedge Contract Portfolio	\$ 415.0			\$ 4.5

(1) Includes collar options and forward contracts.

Refer to NOTE 3 — DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES for further information.

With respect to Canada, we entered into foreign currency exchange contracts and an option contract in order to hedge a portion of the Consolidated Thompson purchase price on the open market in the first half of 2011. The contracts were considered economic hedges that do not qualify for hedge accounting. As of December 31, 2011, these contracts all have matured. In January 2012, in accordance with our policy, we began to enter into Canadian dollar foreign currency exchange contracts in the form of forward contracts that qualify for hedge accounting. Subsequent to December 31, 2011, we have entered into contracts with a notional amount of approximately C\$200 million with varying maturity dates.

The pellets produced at our Wabush operations and the concentrate produced at our Bloom Lake operations in Canada represented approximately 11.2 percent of our total iron ore production in North America as of December 31, 2011. This operation is subject to currency exchange fluctuations between the U.S. and Canadian

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currencies. As of December 31, 2011, we did not hedge our exposure to this currency exchange fluctuation; however, as discussed above, we plan to continue to enter into hedging instruments in the future to hedge such exposures.

### *Interest Rate Risk*

Interest payable on our senior notes is at fixed rates. Interest payable under our revolving credit facility and term credit facility is at a floating rate based upon the base rate or the LIBOR rate plus a margin depending on a leverage ratio. As of December 31, 2011, we had no amounts drawn on the revolving credit facility and \$971 million outstanding on the term credit facility. A 100 basis point change to the base rate or the LIBOR rate under the term credit facility would result in a change of approximately \$10 million to interest expense on an annual basis.

### *Pricing Risks*

#### *Provisional Pricing Arrangements*

During 2010, the world's largest iron ore producers moved away from the annual international benchmark pricing mechanism referenced in certain of our customer supply agreements, resulting in a shift in the industry toward shorter-term pricing arrangements linked to the spot market. Such changes are likely to yield increased volatility in iron ore pricing. This change has impacted certain of our U.S. Iron Ore and Eastern Canadian Iron Ore customer supply agreements for the 2011 contract year. We have reached final pricing settlements with a majority of our U.S. Iron Ore customers through the end of 2011. However, in some cases we are still working to revise components of the pricing calculations referenced within our supply agreements to incorporate new pricing mechanisms as a result of the changes to historical benchmark pricing. As a result, we have recorded certain shipments made to U.S. Iron Ore and Eastern Canadian Iron Ore customers in 2011 on a provisional basis until final settlement is reached. The pricing provisions are characterized as freestanding derivatives, which are marked to fair value as a revenue adjustment each reporting period based upon the estimated forward settlement until prices actually are settled. The fair value of the instrument is determined based on the forward price expectation of the final price settlement for 2011. Therefore, to the extent final prices are higher or lower than what was recorded on a provisional basis, an increase or decrease to revenues is recorded each reporting period until the date of final pricing.

We had a derivative asset of \$1.2 million and a derivative liability of \$19.5 million, respectively, at December 31, 2011 related to our estimate of final pricing in 2011 with our customers representing the incremental difference between the provisional price agreed upon with our customers and our estimate of the ultimate price settlement in 2012. We also have derivatives of \$83.8 million classified as accounts receivable to reflect the amount we provisionally have agreed upon with our customers until a final price is reached. We estimate that a 25 percent change in the settlement prices realized from the December 31, 2011 estimated prices recorded would cause the fair value of the derivative instrument to increase or decrease by approximately \$90 million, thereby impacting our consolidated revenues by the same amount. In addition, final agreement may result in changes to the pricing mechanisms used with our various customers and could impact sales prices realized in current and future periods, which could have a material effect on our results of operations.

#### *Customer Supply Agreements*

Certain supply agreements with one U.S. Iron Ore customer provide for supplemental revenue or refunds based on the customer's average annual steel pricing at the time the product is consumed in the customer's blast furnace. The supplemental pricing is characterized as a freestanding derivative, which is finalized based on a future price, and is marked to fair value as a revenue adjustment each reporting period until the pellets are consumed and the amounts are settled. The fair value of the instrument is determined using an income approach based on an estimate of the annual realized price of hot rolled steel at the steelmaker's facilities.

At December 31, 2011, we had a derivative asset of \$72.9 million, representing the fair value of the pricing factors, based upon the amount of unconsumed tons and an estimated average hot band steel price related to the period in which the tons are expected to be consumed in the customer's blast furnace at each respective steelmaking facility, subject to final pricing at a future date. We estimate that a \$75 change in the average hot

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band steel price realized from the December 31, 2011 estimated price recorded would cause the fair value of the derivative instrument to increase or decrease by approximately \$7 million, thereby impacting our consolidated revenues by the same amount.

We have not entered into any hedging programs to mitigate the risk of adverse price fluctuations, nor do we intend to hedge our exposure to such risks in the future; however, certain of our term supply agreements contain price collars, which typically limit the percentage increase or decrease in prices for our products during any given year.

### *Volatile Energy and Fuel Costs*

The volatile cost of energy is an important issue affecting our production costs, primarily in relation to our iron ore operations. Our consolidated U.S. Iron Ore mining ventures consumed approximately 14.7 million MMBtu's of natural gas at an average delivered price of \$4.52 per MMBtu, and 31.0 million gallons of diesel fuel at an average delivered price of \$3.19 per gallon in 2011. Our consolidated Eastern Canadian Iron Ore mining ventures consumed approximately 12.0 million gallons of diesel fuel at an average delivered price of \$4.54 per gallon in 2011. Our CLCC operations consumed approximately 3.6 million gallons of diesel fuel at an average delivered rate of \$3.27 per gallon during 2011. Consumption of diesel fuel by our Asia Pacific operations was approximately 18.0 million gallons at an average delivered price of \$2.05 per gallon for the same period.

In the ordinary course of business, there also will be likely increases in prices relative to electrical costs at our U.S. mine sites. As the cost of producing electricity increases, energy companies regularly seek to reclaim those costs from the mine sites, which often results in tariff disputes.

Our strategy to address increasing energy rates includes improving efficiency in energy usage and utilizing the lowest cost alternative fuels. At the present time we have no specific plans to enter into hedging activity for 2012 and beyond and do not plan to enter into any new forward contracts for natural gas or diesel fuel in the near term. We will continue to monitor relevant energy markets for risk mitigation opportunities and may make additional forward purchases or employ other hedging instruments in the future as warranted and deemed appropriate by management. Assuming we do not enter into further hedging activity in the near term, a 10 percent change in natural gas and diesel fuel prices would result in a change of approximately \$22 million in our annual fuel and energy costs based on expected consumption for 2012.

### *Supply Concentration Risks*

Many of our mines are dependent on one source each of electric power and natural gas. A significant interruption or change in service or rates from our energy suppliers could impact materially our production costs, margins and profitability.

## Outlook

In 2012, we anticipate selling approximately half of our expected global iron ore sales volume of over 45 million tons to seaborne customers in Asia, with remaining volumes sold to North American customers. We expect modest 2012 growth in the U.S. economy, supporting healthy demand for our U.S. Iron Ore business. Conversely, we expect meaningful growth in emerging economies, specifically China, where crude steel production and iron ore imports are anticipated to reach record annual levels.

We are maintaining our 2012 business segment outlook, as previously disclosed in January, 2012. Assumptions in this outlook include an average 2012 spot price for 62 percent Fe seaborne iron ore of approximately \$150 per ton (C.F.R. China).

### *U.S. Iron Ore 2012 Outlook (Long tons)*

For 2012, we are maintaining our expected sales volume in U.S. Iron Ore of approximately 23 million tons.

U.S. Iron Ore revenue per ton is expected to be approximately \$115 to \$125, based on the following assumptions:

- 2012 U.S. blast furnace utilization of approximately 70 percent to 75 percent; and
- 2012 average hot rolled steel pricing of \$700 to \$750 per ton.

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In addition, the revenue-per-ton expectation also considers various contract provisions, lag-year adjustments and pricing caps and floors contained in certain supply agreements. Actual realized revenue per ton for the full year will depend on iron ore price changes, customer mix, production input costs and/or steel prices (all factors contained in certain of our supply agreements).

Our full-year 2012 U.S. Iron Ore cash cost per ton expectation is approximately \$60 to \$65. Depreciation, depletion and amortization for full-year 2012 is expected to be approximately \$5 per ton. We also expect our U.S. Iron Ore 2012 production volume of approximately 22 million tons.

### *Eastern Canadian Iron Ore 2012 Outlook (Metric Tons, F.O.B. Eastern Canada)*

For 2012, we are maintaining our previously disclosed Eastern Canadian Iron Ore expected sales and production volumes of approximately 12 million tons.

Our full-year 2012 Eastern Canadian Iron Ore revenue-per-ton outlook is approximately \$135 to \$145, assuming a product mix of approximately two-thirds iron ore concentrate and one-third iron ore pellets. Full-year 2012 cash costs per ton in Eastern Canadian Iron Ore are expected to be approximately \$70 to \$75. Depreciation, depletion and amortization is expected to be approximately \$19 per ton for full-year 2012.

### *Asia Pacific Iron Ore 2012 Outlook (Metric tons, F.O.B. the port)*

We are maintaining our full-year 2012 Asia Pacific Iron Ore expected sales and production volumes of approximately 11 million tons. Our full-year 2012 Asia Pacific Iron Ore revenue-per-ton outlook is approximately \$135 to \$145, assuming a product mix of approximately half lump and half fines iron ore.

Full-year 2012 Asia Pacific Iron Ore cash cost per ton is expected to be approximately \$65 to \$70, which assumes a U.S./Australian dollar exchange rate of \$1.03 for 2012. We anticipate depreciation, depletion and amortization to be approximately \$13 per ton for full-year 2012.

### *North American Coal 2012 Outlook (Short tons, F.O.B. the mine)*

We are maintaining our 2012 North American Coal sales and production volume expectations of approximately 7.2 million tons and 6.6 million tons, respectively. Sales volume mix is anticipated to be approximately 4.3 million tons of low-volatile metallurgical coal and 1.8 million tons of high-volatile metallurgical coal, with thermal coal making up the remainder of the expected sales volume.

Our North American Coal 2012 revenue-per-ton expectation is approximately \$140 to \$150. Cash cost per ton is anticipated to be approximately \$105 to \$110, including the impact of sales from higher cost inventory stockpiles at Oak Grove Mine related to the operation's recovery from severe weather in 2011. Full-year 2012 depreciation, depletion and amortization is expected to be approximately \$16 per ton.

The table below summarizes our 2012 outlook by business segment.

	2012 Outlook Summary			
	U.S. Iron Ore (1)	Eastern Canadian Iron Ore (2)	Asia Pacific Iron Ore (3)	North American Coal (4)
<b>Sales volume (million tons)</b>	23	12	11	7.2
<b>Revenue per ton</b>	\$115 - \$125	\$135 - \$145	\$135 - \$145	\$140 - \$150
<b>Cash cost per ton</b>	\$60 - \$65	\$70 - \$75	\$65 - \$70	\$105 - \$110
<b>DD&amp;A per ton</b>	\$5	\$19	\$13	\$16

(1) U.S. Iron Ore tons are reported in long tons.

(2) Eastern Canadian Iron Ore tons are reported in metric tons, F.O.B. Eastern Canada.

(3) Asia Pacific Iron Ore tons are reported in metric tons, F.O.B. the port.

(4) North American Coal tons are reported in short tons, F.O.B. the mine.

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**Table of Contents***Outlook for Sonoma Coal and Amapá (Metric tons, F.O.B. the port)*

We have a 45 percent economic interest in Sonoma Coal. For 2012, we are maintaining our equity sales and production volume expectations of approximately 1.6 million tons. The approximate product mix is expected to be two-thirds thermal coal and one-third metallurgical coal. Cash cost per ton are expected to be approximately \$110. For 2012, depreciation, depletion and amortization is expected to be approximately \$14 per ton.

We expect Amapá to contribute over \$30 million in equity income in 2012.

*Selling, General and Administrative Expenses & Other Expectations*

Our full-year 2012 selling, general and administrative expense expectation is approximately \$325 million. The year-over-year increase in selling, general and administrative expense primarily is driven by an increase in growth-related corporate projects.

We expect to incur cash outflows of approximately \$165 million to support future growth, comprised of approximately \$90 million related to our global exploration activities and approximately \$75 million related to our chromite project in Ontario, Canada.

For 2012, we anticipate a full-year effective tax rate of approximately 25 percent. In addition, we expect our full-year 2012 depreciation, depletion and amortization to be approximately \$620 million.

*2012 Capital Budget Update and Other Uses of Cash*

For 2012, based on our outlook, we anticipate generating cash flow from operations of approximately \$1.9 billion.

We also are maintaining our 2012 capital expenditures outlook, as previously disclosed in January, 2012 of approximately \$1 billion. This is comprised of approximately \$300 million in sustaining capital and \$700 million in growth and productivity-improvement capital.

**Recently Issued Accounting Pronouncements**

Refer to NOTE 1 — BUSINESS SUMMARY AND SIGNIFICANT ACCOUNTING POLICIES of the consolidated financial statements for a description of recent accounting pronouncements, including the respective dates of adoption and effects on results of operations and financial condition.

**Critical Accounting Estimates**

Management's discussion and analysis of financial condition and results of operations is based on our consolidated financial statements, which have been prepared in accordance with GAAP. Preparation of financial statements requires management to make assumptions, estimates and judgments that affect the reported amounts of assets, liabilities, revenues, costs and expenses, and the related disclosures of contingencies. Management bases its estimates on various assumptions and historical experience, which are believed to be reasonable; however, due to the inherent nature of estimates, actual results may differ significantly due to changed conditions or assumptions. On a regular basis, management reviews the accounting policies, assumptions, estimates and judgments to ensure that our financial statements are fairly presented in accordance with GAAP. However, because future events and their effects cannot be determined with certainty, actual results could differ from our assumptions and estimates, and such differences could be material. Management believes that the following critical accounting estimates and judgments have a significant impact on our financial statements.

**Revenue Recognition***U.S. and Eastern Canadian Iron Ore Provisional Pricing Arrangements*

Most of our U.S. Iron Ore long-term supply agreements are comprised of a base price with annual price adjustment factors, some of which are subject to annual price collars in order to limit the percentage increase or decrease in prices for our iron ore pellets during any given year. The base price is the primary component of the purchase price for each contract. The inflation-indexed price adjustment factors are integral to the iron ore supply

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contracts and vary based on the agreement, but typically include adjustments based upon changes in international pellet prices and changes in specified Producers Price Indices, including those for all commodities, industrial commodities, energy and steel. The pricing adjustments generally operate in the same manner, with each factor typically comprising a portion of the price adjustment, although the weighting of each factor varies based upon the specific terms of each agreement. In most cases, these adjustment factors have not been finalized at the time our product is sold. In these cases, we historically have estimated the adjustment factors at each reporting period based upon the best third-party information available. The estimates are then adjusted to actual when the information has been finalized.

Several of our Eastern Canadian Iron Ore customers have multi-year pricing arrangements that contain pricing adjustments that reference certain published market prices for iron ore. To the extent the particular market prices are not published at the end of each reporting period, we estimate the final pricing settlement based upon the best third-party information available. Similar to U.S. Iron Ore, the estimates are then adjusted to actual when the published market prices are available.

During 2010, the world's largest iron ore producers moved away from the annual international benchmark pricing mechanism referenced in certain of our U.S. Iron Ore and Eastern Canadian Iron Ore customer supply agreements, resulting in a shift in the industry toward shorter-term pricing arrangements linked to the spot market. These changes caused us to assess the impact a change to the historical annual pricing mechanism would have on certain of our larger existing U.S. Iron Ore and Eastern Canadian Iron Ore customer supply agreements, and resulted in modifications to certain of our U.S. Iron Ore and Eastern Canadian Iron Ore customer supply agreements for the 2011 contract year. We reached final pricing settlements with a majority of our U.S. Iron Ore customers through the end of 2011 for the 2011 contract year. However, in some cases we are still working to revise components of the pricing calculations referenced within our supply agreements to incorporate new pricing mechanisms as a result of the changes to historical benchmark pricing. As a result, we have recorded certain shipments made to our U.S. Iron Ore and Eastern Canadian Iron Ore customers throughout the 2011 year on a provisional basis until final settlement is reached. With respect to the U.S. Iron Ore and Eastern Canadian Iron Ore customers for which final pricing for the 2011 contract year has not yet been settled as of December 31, 2011, we recorded derivative assets and liabilities of \$1.2 million and \$19.5 million, respectively, related to our estimate of final pricing for the 2011 contract year. This amount represents the incremental difference between the provisional prices agreed upon with our customers and our estimate of the ultimate price settlement for the 2011 contract year. In 2010, we reached final pricing settlement with some of our U.S. Iron Ore customers through the fourth quarter of 2010 for the 2010 contract year. With respect to the U.S. Iron Ore and Eastern Canadian Iron Ore customers for which final pricing for the 2010 contract year was not settled as of December 31, 2010, we did not record shipments on a provisional basis due to pending arbitrations that subsequently were settled during 2011. Based on the timing of the provisional pricing settlements and the quality of our estimates, adjustments of our provisional pricing estimates were not material during 2010 and 2009.

The Producer Price Indices remain a provisional component of the sales price throughout the contract year and are estimated each quarter using publicly available forecasts of such indices. The final indices referenced in certain of the U.S. Iron Ore supply contracts are typically not published by the U.S. Department of Labor until the second quarter of the subsequent year. As a result, we record an adjustment for the difference between the fourth quarter estimate and the final price in the following year. Historically, such adjustments have not been material as they have represented less than half of 1 percent of U.S. Iron Ore's and Eastern Canadian Iron Ore's respective revenues for each of the three preceding fiscal years ended December 31, 2011, 2010 and 2009.

### *U.S. Iron Ore Customer Supply Agreements*

In addition, certain supply agreements with one U.S. Iron Ore customer include provisions for supplemental revenue or refunds based on the customer's average annual steel pricing for the year the product is consumed in the customer's blast furnaces. The supplemental pricing is characterized as a freestanding derivative and is required to be accounted for separately once the product is shipped. The derivative instrument, which is finalized based on a future price, is marked to fair value as a revenue adjustment each reporting period until the pellets are consumed and the amounts are settled. The fair value of the instrument is determined using a market approach

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based on an estimate of the annual realized price of hot rolled steel at the steelmaker's facilities, and takes into consideration current market conditions and nonperformance risk. At December 31, 2011, we had a derivative asset of \$72.9 million, representing the fair value of the pricing factors, based upon the amount of unconsumed tons and an estimated average hot band steel price related to the period in which the tons are expected to be consumed in the customer's blast furnace at each respective steelmaking facility, subject to final pricing at a future date. This compares with a derivative asset of \$45.6 million as of December 31, 2010, based upon the amount of unconsumed tons and the related estimated average hot band steel price.

The customer's average annual price is not known at the time of sale and the actual price is received on a delayed basis at the end of the year, once the average annual price has been finalized. As a result, we estimate the average price and adjust the estimate to actual in the fourth quarter when the information is provided by the customer at the end of each year. Information used in developing the estimate includes such factors as production and pricing information from the customer, current spot prices, third-party analyst forecasts, publications and other industry information. The accuracy of our estimates typically increases as the year progresses based on additional information in the market becoming available and the customer's ability to more accurately determine the average price it will realize for the year. The following represents the historical accuracy of our pricing estimates related to the derivative as well as the impact on revenue resulting from the difference between the estimated price and the actual price for each quarter during 2011, 2010 and 2009 prior to receiving final information from the customer for tons consumed during each year:

	2011			2010			2009		
	Final Price	Estimated Price	Impact on Revenue (in millions)	Final Price	Estimated Price	Impact on Revenue (in millions)	Final Price	Estimated Price	Impact on Revenue (in millions)
First Quarter	\$700	\$715	\$ (0.7)	\$593	\$624	\$ (0.8)	\$528	\$523	\$ 1.2
Second Quarter	700	731	(5.8)	593	634	(12.1)	528	545	(1.3)
Third Quarter	700	716	(4.3)	593	609	(7.0)	528	536	(0.1)
Fourth Quarter	700	700	—	593	593	—	528	528	—

We estimate that a \$75 change in the average hot band steel price realized from the December 31, 2011 estimated price recorded for the unconsumed tons remaining at year-end would cause the fair value of the derivative instrument to increase or decrease by approximately \$7 million, thereby impacting our consolidated revenues by the same amount.

### Asia Pacific Iron Ore Provisional Pricing Arrangements

Historically, certain supply agreements primarily with our Asia Pacific Iron Ore customers provided for revenue or refunds based on the ultimate settlement of annual international benchmark pricing for lump and fines. As a result of the derivative accounting treatment applied to the provisions, revenue reflected the estimated benchmark price until final settlement occurred. Therefore, to the extent final prices were higher or lower than what was recorded on a provisional basis, an increase or decrease to revenues was recorded each reporting period until the date of final pricing. Accordingly, in times of rising iron ore prices, our revenues benefited from higher prices received for contracts priced at the current benchmark price and also from an increase related to the final pricing of provisionally priced sales pursuant to contracts entered into in prior periods; in times of falling iron ore prices, the opposite occurred. Pricing estimates primarily were based upon reported price settlements in the industry and worldwide pressures in the market.

As discussed above, in 2010, the world's largest iron ore producers moved away from the annual international benchmark pricing mechanism referenced in certain of our customer supply agreements, resulting in a shift in the industry toward shorter-term pricing arrangements linked to the spot market. As a result, we renegotiated the terms of our supply agreements with our Chinese and Japanese Asia Pacific Iron Ore customers and moved to shorter-term pricing mechanisms of various durations based on the average daily spot prices, with certain pricing mechanisms that had a duration of up to a quarter. This change was effective in the first quarter of 2010 for our Chinese customers and the second quarter of 2010 for our Japanese customers. Based on timing of these changes, pricing settlements were finalized with customers during each of the 2010 quarters with the exception of the first quarter of 2010. Therefore, provisional pricing estimates were used during the first quarter

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of 2010 and reflected an increase of 26 percent over 2009 settled prices for both lump and fines based on provisional quarterly index pricing. The pricing estimates for the first quarter of 2010 reflected the increase in steel demand and spot prices for iron ore and were based upon index-pricing mechanisms previously reported in the industry. In addition, sales to our Japanese customers during the first quarter of 2010 reflected 2009 prices based upon contract years of April 1 to March 31.

The following represents the historical accuracy of our provisional price estimates, as well as the impact on *Product revenues* resulting from the difference between the estimated change in price and the actual change in price for the quarters during 2010 and 2009 prior to settlement. The derivative instrument recorded during the first quarter of 2010 was settled during the second quarter of 2010 upon the move to short-term pricing arrangements with Asia Pacific Iron Ore customers. The timing of the pricing settlements for 2010 and 2009 is described further in the table below. Provisional pricing arrangements did not occur in 2011. As such, 2011 is not included within the table below.

Customer (geographic location)	Provisional Price - Estimate vs. Actual						Second & Third Quarter Estimated Price Decrease (lump/ fines)
	2010			2009 (1)			
	Final Settled Price Increase (lump/ fines)	First Quarter Estimated Price Increase (lump/ fines)		Final Settled Price Decrease (lump/ fines)	First Quarter Estimated Price Decrease (lump/ fines)		
Japan	N/A	N/A	\$ —	-44%/-33%	-30%/-30%	\$(1.3)	N/A
China	69%/69%	26%/26%	36.7	-44%/-33%	-30%/-30%	\$(17.1)	-44%/-33%
			\$ 36.7			\$(18.4)	

- (1) The 2009 benchmark prices referenced in our Asia Pacific Iron Ore contract settled with Japan in the second quarter of 2009. We agreed to final prices with our customers in China during the fourth quarter of 2009. Prices with our customers in China were settled at the estimated price decreases and therefore no additional revenue impact was realized during 2009.
- (2) The impact of product revenue resulted from the difference between the estimated price and the actual price was recorded in the second quarter of each respective year in the table above.

**Mineral Reserves**

We regularly evaluate our economic mineral reserves and update them as required in accordance with SEC Industry Guide 7. The estimated mineral reserves could be affected by future industry conditions, geological conditions and ongoing mine planning. Maintenance of effective production capacity or the mineral reserve could require increases in capital and development expenditures. Generally, as mining operations progress, haul lengths and lifts increase. Alternatively, changes in economic conditions or the expected quality of mineral reserves could decrease capacity or mineral reserves. Technological progress could alleviate such factors or increase capacity of mineral reserves.

We use our mineral reserve estimates, combined with our estimated annual production levels, to determine the mine closure dates utilized in recording the fair value liability for asset retirement obligations. Refer to NOTE 9 — ENVIRONMENTAL AND MINE CLOSURE OBLIGATIONS, for further information. Since the liability represents the present value of the expected future obligation, a significant change in mineral reserves or mine lives would have a substantial effect on the recorded obligation. We also utilize economic mineral reserves for evaluating potential impairments of mine assets and in determining maximum useful lives utilized to calculate depreciation and amortization of long-lived mine assets. Increases or decreases in mineral reserves or mine lives could significantly affect these items.

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### *Asset Retirement Obligations and Environmental Remediation Costs*

The accrued mine closure obligations for our active mining operations provide for contractual and legal obligations associated with the eventual closure of the mining operations. Our obligations are determined based on detailed estimates adjusted for factors that a market participant would consider (i.e., inflation, overhead and profit), which are escalated at an assumed rate of inflation to the estimated closure dates, and then discounted using the current credit-adjusted risk-free interest rate. The estimate also incorporates incremental increases in the closure cost estimates and changes in estimates of mine lives. The closure date for each location is determined based on the exhaustion date of the remaining iron ore reserves, which is dependent on our estimate of the economically recoverable mineral reserves. The estimated obligations are particularly sensitive to the impact of changes in mine lives given the difference between the inflation and discount rates. Changes in the base estimates of legal and contractual closure costs due to changes in legal or contractual requirements, available technology, inflation, overhead or profit rates also would have a significant impact on the recorded obligations.

We have a formal policy for environmental protection and restoration. Our obligations for known environmental matters 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 obligation can only be estimated as a range of possible amounts, with no specific amount being more likely, the minimum of the range is accrued. Management reviews its environmental remediation sites quarterly to determine if additional cost adjustments or disclosures are required. The characteristics of environmental remediation obligations, where information concerning the nature and extent of clean-up activities is not immediately available and which are subject to changes in regulatory requirements, result in a significant risk of increase to the obligations as they mature. Expected future expenditures are not discounted to present value unless the amount and timing of the cash disbursements can be reasonably estimated. Potential insurance recoveries are not recognized until realized. Refer to NOTE 9 — ENVIRONMENTAL AND MINE CLOSURE OBLIGATIONS, for further information.

### *Income Taxes*

Our income tax expense, deferred tax assets and liabilities and reserves for unrecognized tax benefits reflect management's best assessment of estimated future taxes to be paid. We are subject to income taxes in both the U.S. and numerous foreign jurisdictions. Significant judgments and estimates are required in determining the consolidated income tax expense.

Deferred income taxes arise from temporary differences between tax and financial statement recognition of revenue and expense. In evaluating our ability to recover our deferred tax assets, we consider all available positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax planning strategies and recent financial operations. In projecting future taxable income, we begin with historical results adjusted for the results of discontinued operations and changes in accounting policies and incorporate assumptions including the amount of future state, federal and foreign pretax operating income, the reversal of temporary differences, and the implementation of feasible and prudent tax planning strategies. These assumptions require significant judgment about the forecasts of future taxable income and are consistent with the plans and estimates we are using to manage the underlying businesses. In evaluating the objective evidence that historical results provide, we consider three years of cumulative operating income (loss).

At December 31, 2011 and 2010, we had a valuation allowance of \$223.9 million and \$172.7 million, respectively, against our deferred tax assets. Our losses in certain foreign locations in recent periods represented sufficient negative evidence to require a full valuation allowance against certain of our foreign deferred tax assets. We intend to maintain a valuation allowance against our net deferred tax assets until sufficient positive evidence exists to support the realization of such assets.

Changes in tax laws and rates could also affect recorded deferred tax assets and liabilities in the future. Management is not aware of any such changes that would have a material effect on the Company's results of operations, cash flows or financial position.

The calculation of our tax liabilities involves dealing with uncertainties in the application of complex tax laws and regulations in a multitude of jurisdictions across our global operations.

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Accounting for uncertainty in income taxes recognized in the financial statements requires that a tax benefit from an uncertain tax position be recognized when it is more likely than not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, based on technical merits.

We recognize tax liabilities in accordance with ASC 740, and we adjust these liabilities when our judgment changes as a result of evaluation of new information not previously available. Due to the complexity of some of these uncertainties, the ultimate resolution may result in payment that is materially different from our current estimate of the tax liabilities. These differences will be reflected as increases or decreases to income tax expense in the period in which they are determined.

### *Goodwill Impairment*

Goodwill represents the excess purchase price paid over the fair value of the net assets of acquired companies. We assign goodwill arising from acquired companies to the reporting units that are expected to benefit from the synergies of the acquisition. Our reporting units are either at the operating segment level or a component one level below our operating segments that constitutes a business for which management generally reviews production and financial results of that component. Decisions are often made as to capital expenditures, investments and production plans at the component level as part of the ongoing management of the related operating segment. We have determined that our Asia Pacific Iron Ore and Ferroalloys operating segments constitute separate reporting units, that our Bloom Lake and Wabush mines within our Eastern Canadian Iron Ore operating segment constitute reporting units, that CLCC within our North American Coal operating segment constitutes a reporting unit and that our Northshore mine within our U.S. Iron Ore operating segment constitutes a reporting unit. Goodwill is allocated among and evaluated for impairment at the reporting unit level in the fourth quarter of each year or as circumstances occur that potentially indicate that the carrying amount of these assets may not be recoverable. There were no such events or changes in circumstances during 2011. As of December 31, 2011, the remaining value of goodwill associated with our Eastern Canadian Iron Ore, Asia Pacific Iron Ore, Ferroalloys and U.S. Iron Ore reporting operating segments totaled \$986.2 million, \$83.0 million, \$80.9 million and \$2.0 million, respectively. No goodwill remains within our North American Coal reporting unit as of December 31, 2011.

We use a two-step process to test goodwill for impairment. In the first step, we generally use a discounted cash flow analysis to determine the fair value of each reporting unit, which considers forecasted cash flows discounted at an estimated weighted average cost of capital. In assessing the recoverability of our goodwill, significant assumptions regarding the estimated future cash flows and other factors to determine the fair value of a reporting unit must be made, including among other things, estimates related to long-term price expectations, foreign currency exchange rates, expected capital expenditures and working capital requirements, which are based upon our long-range plan and life of mine estimates. If the discounted cash flow analysis yields a fair value estimate less than the reporting unit's carrying value, we would proceed to step two of the impairment test. In the second step, the implied fair value of the reporting unit's goodwill is determined by allocating the reporting unit's fair value to the assets and liabilities other than goodwill in a manner similar to a purchase price allocation. In performing this allocation of fair value to the assets and liabilities of the reporting unit, we utilize third-party valuation firms to support the fair values allocated. The resulting implied fair value of the goodwill that results from the application of this second step is then compared to the carrying amount of the goodwill and, if the carrying amount exceeds the implied fair value, an impairment charge is recorded for the difference. If these estimates were to change in the future as a result of changes in strategy or market conditions, we may be required to record impairment charges for these assets in the period such determination was made.

After performing our annual goodwill impairment test in the fourth quarter of 2011, we determined that \$27.8 million of goodwill associated with our CLCC reporting unit was impaired as the carrying value within this reporting unit exceeded its fair value. The fair value was determined using a combination of a discounted cash flow model and valuations of comparable businesses. The impairment charge for the CLCC reporting unit was driven by our overall outlook on coal pricing in light of economic conditions, increases in our anticipated costs to bring the Lower War Eagle mine into production and increases in our anticipated sustaining capital cost for the lives of the CLCC mines that are currently operating.

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No impairment charges were identified in connection with our annual goodwill impairment test with respect to our other identified reporting units. However, a 20 percent decrease in the fair value of our Ferroalloys reporting unit could indicate the potential for an impairment of its goodwill. With respect to the Ferroalloys reporting unit, no impairment charges were taken as of December 31, 2011, due in part to the fact that the project within the reporting unit is still in the pre-feasibility stage. As management continues to work through the pre-feasibility stage for the project, higher than anticipated capital costs and our ability to secure regulatory and environmental permitting could impact this determination. The fair value of our Bloom Lake operating unit was not substantially in excess of our carrying values due to the fact that this reporting unit is comprised of the assets acquired and liabilities assumed through our acquisition of Consolidated Thompson in 2011. Therefore, our carrying values of the assets acquired and liabilities assumed for the Bloom Lake operating unit were recorded at fair value through the completion of the acquisition. These fair values are preliminary and subject to modification in the future. A substantial decline in long-term pricing expectations and higher than anticipated costs on expansion projects for Bloom Lake could result in future impairment indicators. We determined that our other identified reporting units were not at risk of failing the first step of the goodwill impairment test as of December 31, 2011. The fair values for our Asia Pacific Iron Ore, Wabush and Northshore reporting units were substantially in excess of our carrying values.

Refer to NOTE 1 — BUSINESS SUMMARY AND SIGNIFICANT ACCOUNTING POLICIES, for further information regarding our policy on goodwill impairment.

### *Asset Impairment*

In assessing the recoverability of our long-lived assets, significant assumptions regarding the estimated future cash flows and other factors to determine the fair value of the respective assets must be made, as well as the related estimated useful lives. If these estimates or their related assumptions change in the future as a result of changes in strategy or market conditions, we may be required to record impairment charges for these assets in the period such determination was made.

We monitor conditions that indicate that the carrying value of an asset or asset group may be impaired. In order to determine if assets have been impaired, assets are grouped and tested at the lowest level for which identifiable, independent cash flows are available. An impairment loss exists when projected undiscounted cash flows are less than the carrying value of the assets. The measurement of the impairment loss to be recognized is based on the difference between the fair value and the carrying value of the assets. Fair value can be determined using a market approach, income approach or cost approach. The impairment analysis and fair value determination can result in substantially different outcomes based on critical assumptions and estimates including the quantity and quality of remaining economic ore reserves, future iron ore prices and production costs. Refer to NOTE 1 — BUSINESS SUMMARY AND SIGNIFICANT ACCOUNTING POLICIES, for further information regarding our policy on asset impairment.

### *Employee Retirement Benefit Obligations*

We offer defined benefit pension plans, defined contribution pension plans and other postretirement benefit plans, primarily consisting of retiree healthcare benefits, to most employees in North America as part of a total compensation and benefits program. This includes employees of CLCC who became employees of the Company through the July 2010 acquisition. Upon the acquisition of the remaining 73.2 percent interest in Wabush in February 2010, we fully consolidated the Canadian plans into our pension and OPEB obligations. We do not have employee retirement benefit obligations at our Asia Pacific Iron Ore operations. The defined benefit pension plans largely are noncontributory and benefits generally are based on employees' years of service and average earnings for a defined period prior to retirement or a minimum formula.

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Following is a summary of our defined benefit pension and OPEB funding and expense for the years 2009 through 2012:

	Pension		OPEB	
	Funding	Expense	Funding	Expense
2009	\$ 18.5	\$ 50.8	\$ 35.7	\$ 25.5
2010	45.6	45.6	38.5	24.2
2011	70.1	37.8	37.4	26.8
2012 (Estimated)	66.3	54.5	41.2	29.4

Assumptions used in determining the benefit obligations and the value of plan assets for defined benefit pension plans and postretirement benefit plans (primarily retiree healthcare benefits) that we offer are evaluated periodically by management. Critical assumptions, such as the discount rate used to measure the benefit obligations, the expected long-term rate of return on plan assets, the medical care cost trend, and the rate of compensation increase are reviewed annually.

As of December 31, 2011 and 2010, we used the following assumptions:

	Pension and Other Benefits	
	2011	2010
U.S. plan discount rate	4.28%	5.11%
Canadian pension plan discount rate	4.00	5.00
Canadian OPEB plan discount rate	4.25	5.00
Rate of compensation increase	4.00	4.00
U.S. expected return on plan assets	8.25	8.50
Canadian expected return on plan assets	7.25	7.50

Additionally, on December 31, 2011, we adopted the IRS 2012 prescribed mortality tables (separate pre-retirement and postretirement) to determine the expected life of our plan participants, replacing the IRS 2011 prescribed mortality tables for our U.S. plans. The assumed mortality remained the same as the previous year for our Canadian plans, UP 1994 with full projection.

Following are sensitivities of potential further changes in these key assumptions on the estimated 2012 pension and OPEB expense and the pension and OPEB benefit obligations as of December 31, 2011:

	Increase in Expense (In Millions)		Increase in Benefit Obligation (In Millions)	
	Pension	OPEB	Pension	OPEB
Decrease discount rate .25 percent	\$ 1.9	\$ 2.0	\$ 32.7	\$16.4
Decrease return on assets 1 percent	7.3	2.1	N/A	N/A
Increase medical trend rate 1 percent	N/A	11.0	N/A	60.0

Changes in actuarial assumptions, including discount rates, employee retirement rates, mortality, compensation levels, plan asset investment performance and healthcare costs, are determined based on analyses of actual and expected factors. Changes in actuarial assumptions and/or investment performance of plan assets may have a significant impact on our financial condition due to the magnitude of our retirement obligations. Refer to NOTE 10 — PENSIONS AND OTHER POSTRETIREMENT BENEFITS in Item 8 for further information.

### Forward-Looking Statements

This report contains statements that constitute “forward-looking statements” within the meaning of the federal securities laws. As a general matter, forward-looking statements relate to anticipated trends and expectations rather than historical matters. These statements speak only as of the date of this report, and we undertake no ongoing obligation, other than that imposed by law, to update these statements. These statements

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appear in a number of places in this report and relate to, among other things, our current expectations with respect to: our future financial condition, results of operations or prospects, estimates of our economic iron ore and coal reserves; our business and growth strategies; and our financing plans and forecasts. You are cautioned that any such forward-looking statements are not guarantees of future performance and involve significant risks and uncertainties, and that actual results may differ materially from those contained in or implied by the forward-looking statements made in this report as a result of various factors, including, without limitation:

- the ability to successfully integrate acquired companies into our operations and achieve post-acquisition synergies, including without limitation, Cliffs Quebec Iron Mining Limited (formerly Consolidated Thompson);
- uncertainty or weaknesses in global economic and/or market conditions, including downward pressure on prices;
- trends affecting our financial condition, results of operations or future prospects, particularly any slowing of the economic growth rate of China for an extended period;
- the ability to reach agreement with our iron ore customers regarding modifications to sales contract pricing escalation provisions to reflect a shorter-term or spot-based pricing mechanism;
- the outcome of any contractual disputes with our customers or significant energy, material or service providers or any other litigation or arbitration;
- changes in sales volume or mix;
- the impact of price-adjustment factors on our sales contracts;
- the ability of our customers to meet their obligations to us on a timely basis or at all;
- our actual economic iron ore and coal reserves or reductions in current resource estimates;
- our ability to successfully identify and consummate any strategic investments;
- events or circumstances that could impair or adversely impact the viability of a mine and the carrying value of associated assets;
- the results of pre-feasibility and feasibility studies in relation to projects;
- impacts of increasing governmental regulation, including failure to receive or maintain required environmental permits, approvals, modifications or other authorization of, or from, any governmental or regulatory entity;
- uncertainties associated with unanticipated geological conditions, natural disasters, weather conditions, disruption of energy, equipment failures and other unexpected events;
- adverse changes in currency values, currency exchange rates and interest rates;
- our ability to maintain adequate liquidity and successfully implement our financing plans;
- our ability to maintain appropriate relations with unions and employees and renew expiring collective bargaining agreements on satisfactory terms;
- availability of capital equipment and component parts;
- the amount, and timing of, any insurance recovery proceeds with respect to our Oak Grove mine;
- risks related to international operations; and
- the potential existence of significant deficiencies or material weakness in our internal control over financial reporting.

For additional factors affecting the business of Cliffs, refer to Part I — Item 1A. *Risk Factors* .

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You are urged to carefully consider these risk factors. All forward-looking statements attributable to us expressly are qualified in their entirety by the foregoing cautionary statements.

**Item 7A. Quantitative and Qualitative Disclosures About Market Risk.**

Information regarding our Market Risk is presented under the caption *Market Risk* , which is included in Item 7 and is incorporated by reference and made a part hereof.

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**Item 8. Financial Statements and Supplementary Data.**

**Statements of Consolidated Financial Position**

Cliffs Natural Resources Inc. and Subsidiaries

	(In Millions)	
	December 31,	
	2011	2010
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 521.6	\$ 1,566.7
Accounts receivable	304.2	359.1
Inventories	475.7	269.2
Supplies and other inventories	216.9	148.1
Deferred and refundable taxes	21.9	43.2
Derivative assets	82.1	82.6
Other current assets	168.3	114.8
<b>TOTAL CURRENT ASSETS</b>	<b>1,790.7</b>	<b>2,583.7</b>
<b>PROPERTY, PLANT AND EQUIPMENT, NET</b>	<b>10,524.6</b>	<b>3,979.2</b>
<b>OTHER ASSETS</b>		
Investments in ventures	526.6	514.8
Goodwill	1,152.1	196.5
Intangible assets, net	147.0	175.8
Deferred income taxes	209.5	140.3
Other non-current assets	191.2	187.9
<b>TOTAL OTHER ASSETS</b>	<b>2,226.4</b>	<b>1,215.3</b>
<b>TOTAL ASSETS</b>	<b>\$ 14,541.7</b>	<b>\$ 7,778.2</b>

The accompanying notes are an integral part of these consolidated financial statements.

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**Statements of Consolidated Financial Position**

Cliffs Natural Resources Inc. and Subsidiaries

	(In Millions, Except Share Amounts)	
	2011	2010
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 380.3	\$ 266.5
Accrued employment costs	144.2	129.9
Income taxes payable	265.4	103.4
State and local taxes payable	59.1	38.9
Below-market sales contracts — current	52.7	57.1
Current portion of term loan	74.8	—
Accrued expenses	165.0	56.5
Accrued royalties	77.1	80.2
Deferred revenue	126.6	215.6
Other current liabilities	148.1	80.6
<b>TOTAL CURRENT LIABILITIES</b>	<b>1,493.3</b>	<b>1,028.7</b>
<b>POSTEMPLOYMENT BENEFIT LIABILITIES</b>		
Pensions	394.7	284.9
Other postretirement benefits	271.1	243.1
<b>TOTAL POSTEMPLOYMENT BENEFIT LIABILITIES</b>	<b>665.8</b>	<b>528.0</b>
<b>ENVIRONMENTAL AND MINE CLOSURE OBLIGATIONS</b>	<b>222.0</b>	<b>184.9</b>
<b>DEFERRED INCOME TAXES</b>	<b>1,062.4</b>	<b>63.7</b>
<b>LONG-TERM DEBT</b>	<b>3,608.7</b>	<b>1,713.1</b>
<b>BELOW-MARKET SALES CONTRACTS</b>	<b>111.8</b>	<b>164.4</b>
<b>OTHER LIABILITIES</b>	<b>338.0</b>	<b>256.7</b>
<b>TOTAL LIABILITIES</b>	<b>7,502.0</b>	<b>3,939.5</b>
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>EQUITY</b>		
<b>CLIFFS SHAREHOLDERS' EQUITY</b>		
Preferred stock — no par value		
Class A — 3,000,000 shares authorized and unissued		
Class B — 4,000,000 shares authorized and unissued		
Common Shares — par value \$0.125 per share		
Authorized — 400,000,000 shares (2010 — 224,000,000);		
Issued — 149,195,469 shares (2010 — 138,845,469 shares);		
Outstanding — 142,021,718 shares (2010 — 135,456,999 shares)	18.5	17.3
Capital in excess of par value of shares	1,770.8	896.3
Retained earnings	4,424.3	2,924.1
Cost of 7,173,751 common shares in treasury (2010 — 3,388,470 shares)	(336.0)	(37.7)
Accumulated other comprehensive income (loss)	(92.6)	45.9
<b>TOTAL CLIFFS SHAREHOLDERS' EQUITY</b>	<b>5,785.0</b>	<b>3,845.9</b>
<b>NONCONTROLLING INTEREST</b>	<b>1,254.7</b>	<b>(7.2)</b>
<b>TOTAL EQUITY</b>	<b>7,039.7</b>	<b>3,838.7</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 14,541.7</b>	<b>\$ 7,778.2</b>

The accompanying notes are an integral part of these consolidated financial statements.

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Statements of Consolidated Operations

Cliffs Natural Resources Inc. and Subsidiaries

	(In Millions, Except Per Share Amounts)		
	Year Ended December 31,		
	2011	2010	2009
<b>REVENUES FROM PRODUCT SALES AND SERVICES</b>			
Product	\$ 6,551.7	\$ 4,416.8	\$ 2,216.2
Freight and venture partners' cost reimbursements	242.6	265.3	125.8
	<u>6,794.3</u>	<u>4,682.1</u>	<u>2,342.0</u>
<b>COST OF GOODS SOLD AND OPERATING EXPENSES</b>	<b>(4,105.7)</b>	<b>(3,155.6)</b>	<b>(2,030.3)</b>
<b>SALES MARGIN</b>	<b>2,688.6</b>	<b>1,526.5</b>	<b>311.7</b>
<b>OTHER OPERATING INCOME (EXPENSE)</b>			
Selling, general and administrative expenses	(274.4)	(202.1)	(117.6)
Exploration costs	(80.5)	(33.7)	—
Impairment of goodwill	(27.8)	—	—
Consolidated Thompson acquisition costs	(25.4)	—	—
Miscellaneous — net	68.1	(20.5)	42.0
	<u>(340.0)</u>	<u>(256.3)</u>	<u>(75.6)</u>
<b>OPERATING INCOME</b>	<b>2,348.6</b>	<b>1,270.2</b>	<b>236.1</b>
<b>OTHER INCOME (EXPENSE)</b>			
Gain on acquisition of controlling interests	—	40.7	—
Changes in fair value of foreign currency contracts, net	101.9	39.8	85.7
Interest income	9.5	9.9	10.8
Interest expense	(216.5)	(70.1)	(39.0)
Other non-operating income (expense)	(2.0)	12.5	2.9
	<u>(107.1)</u>	<u>32.8</u>	<u>60.4</u>
<b>INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES AND EQUITY INCOME (LOSS) FROM VENTURES</b>	<b>2,241.5</b>	<b>1,303.0</b>	<b>296.5</b>
<b>INCOME TAX EXPENSE</b>	<b>(420.1)</b>	<b>(293.5)</b>	<b>(22.5)</b>
<b>EQUITY INCOME (LOSS) FROM VENTURES</b>	<b>9.7</b>	<b>13.5</b>	<b>(65.5)</b>
<b>INCOME FROM CONTINUING OPERATIONS</b>	<b>1,831.1</b>	<b>1,023.0</b>	<b>208.5</b>
<b>LOSS FROM DISCONTINUED OPERATIONS, net of tax</b>	<b>(18.5)</b>	<b>(3.1)</b>	<b>(3.4)</b>
<b>NET INCOME</b>	<b>1,812.6</b>	<b>1,019.9</b>	<b>205.1</b>
<b>LESS: NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTEREST</b>	<b>193.5</b>	<b>—</b>	<b>—</b>
<b>NET INCOME ATTRIBUTABLE TO CLIFFS SHAREHOLDERS</b>	<b>\$ 1,619.1</b>	<b>\$ 1,019.9</b>	<b>\$ 205.1</b>
<b>EARNINGS PER COMMON SHARE ATTRIBUTABLE TO CLIFFS SHAREHOLDERS — BASIC</b>			
Continuing operations	\$ 11.68	\$ 7.56	\$ 1.67
Discontinued operations	(0.13)	(0.02)	(0.03)
	<u>\$ 11.55</u>	<u>\$ 7.54</u>	<u>\$ 1.64</u>
<b>EARNINGS PER COMMON SHARE ATTRIBUTABLE TO CLIFFS SHAREHOLDERS — DILUTED</b>			
Continuing operations	\$ 11.61	\$ 7.51	\$ 1.66
Discontinued operations	(0.13)	(0.02)	(0.03)
	<u>\$ 11.48</u>	<u>\$ 7.49</u>	<u>\$ 1.63</u>
<b>AVERAGE NUMBER OF SHARES (IN THOUSANDS)</b>			
Basic	140,234	135,301	124,998
Diluted	141,012	136,138	125,751
<b>CASH DIVIDENDS DECLARED PER SHARE</b>	<b>\$ 0.84</b>	<b>\$ 0.51</b>	<b>\$ 0.26</b>

The accompanying notes are an integral part of these consolidated financial statements.

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**Statements of Consolidated Comprehensive Income**

Cliffs Natural Resources Inc. and Subsidiaries

	(In Millions)		
	Year Ended December 31,		
	2011	2010	2009
NET INCOME ATTRIBUTABLE TO CLIFFS SHAREHOLDERS	\$ 1,619.1	\$ 1,019.9	\$ 205.1
OTHER COMPREHENSIVE INCOME, NET OF TAX			
Pension and OPEB liability	(121.4)	14.8	21.8
Unrealized net gain (loss) on marketable securities	(31.0)	4.2	29.5
Unrealized net gain (loss) on foreign currency translation	(2.2)	151.6	231.7
Unrealized net loss on derivative financial instruments	(1.5)	(1.3)	(15.1)
Unrealized gain on interest rate swap	—	—	1.7
OTHER COMPREHENSIVE INCOME (LOSS)	(156.1)	169.3	269.6
LESS: COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO THE NONCONTROLLING INTEREST	17.6	(0.8)	2.4
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO CLIFFS SHAREHOLDERS	\$ 1,480.6	\$ 1,188.4	\$ 477.1

The accompanying notes are an integral part of these consolidated financial statements.

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Statements of Consolidated Cash Flows

Cliffs Natural Resources Inc. and Subsidiaries

	(In Millions)		
	Year Ended December 31,		
	2011	2010	2009
<b>CASH FLOW FROM CONTINUING OPERATIONS</b>			
<b>OPERATING ACTIVITIES</b>			
Net income	\$ 1,812.6	\$ 1,019.9	\$ 205.1
Adjustments to reconcile net income to net cash provided (used) by operating activities:			
Depreciation, depletion and amortization	426.9	322.3	236.6
Goodwill impairment	27.8	—	—
Derivatives and currency hedges	(69.0)	(39.0)	(204.5)
Foreign exchange loss (gains)	(6.2)	39.1	(28.1)
Share-based compensation	13.9	12.5	10.1
Equity (income) loss in ventures (net of tax)	(9.7)	(13.5)	65.5
Pensions and other postretirement benefits	(26.3)	8.7	27.3
Deferred income taxes	(66.6)	15.2	60.8
Changes in deferred revenue and below-market sales contracts	(146.0)	39.3	(33.4)
Gain on acquisition of controlling interests	—	(40.7)	—
Other	(0.1)	9.9	3.8
Changes in operating assets and liabilities:			
Receivables and other assets	81.4	(204.6)	(24.2)
Product inventories	(74.5)	61.2	7.7
Payables and accrued expenses	324.6	89.7	(141.0)
Net cash from operating activities	<u>2,288.8</u>	<u>1,320.0</u>	<u>185.7</u>
<b>INVESTING ACTIVITIES</b>			
Acquisition of Consolidated Thompson, net of cash acquired	(4,423.5)	—	—
Acquisition of controlling interests, net of cash acquired	—	(994.5)	—
Net settlements in Canadian dollar foreign exchange contracts	93.1	—	—
Investment in Consolidated Thompson senior notes	(125.0)	—	—
Purchase of property, plant and equipment	(880.7)	(266.9)	(116.3)
Investments in ventures	(5.2)	(191.3)	(81.8)
Investment in marketable securities	—	(6.6)	(14.9)
Redemption of marketable securities	—	32.5	5.4
Proceeds from sale of assets	22.4	59.1	28.3
Other investing activities	14.5	—	—
Net cash used by investing activities	<u>(5,304.4)</u>	<u>(1,367.7)</u>	<u>(179.3)</u>
<b>FINANCING ACTIVITIES</b>			
Net proceeds from issuance of common shares	853.7	—	347.3
Net proceeds from issuance of senior notes	998.1	1,388.1	—
Borrowings on term loan	1,250.0	—	—
Repayment of term loan	(278.0)	—	—
Borrowings on bridge credit facility	750.0	—	—
Repayment of bridge credit facility	(750.0)	—	—
Borrowings under revolving credit facility	250.0	450.0	279.7
Repayment under revolving credit facility	(250.0)	(450.0)	(276.4)
Debt issuance costs	(54.8)	—	—
Repayment of Consolidated Thompson convertible debentures	(337.2)	—	—
Repayment of 200 million term loan	—	(200.0)	—
Payments under share buyback program	(289.8)	—	—
Common stock dividends	(118.9)	(68.9)	(31.9)
Repayment of other borrowings	(1.0)	(16.7)	(9.7)
Other financing activities	(47.0)	(14.9)	(4.7)
Net cash from financing activities	<u>1,975.1</u>	<u>1,087.6</u>	<u>304.3</u>
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH</b>	<u>(4.6)</u>	<u>24.1</u>	<u>13.0</u>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>(1,045.1)</u>	<u>1,064.0</u>	<u>323.7</u>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>1,566.7</u>	<u>502.7</u>	<u>179.0</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 521.6</u>	<u>\$ 1,566.7</u>	<u>\$ 502.7</u>

The accompanying notes are an integral part of these consolidated financial statements.  
See Note 17 — Cash Flow Information

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Statements of Consolidated Changes in Equity  
Cliffs Natural Resources Inc. and Subsidiaries

	(In Millions)							Total
	Cliffs Shareholders					Non-Controlling Interest		
	Number of Common Shares	Common Shares	Capital in Excess of Par Value of Shares	Retained Earnings	Common Shares in Treasury	Accumulated Other Comprehensive Income (Loss)	Non-Controlling Interest	
January 1, 2009	113.5	\$ 16.8	\$ 442.2	\$ 1,799.9	\$ (113.8)	\$ (394.6)	\$ 3.3	\$ 1,753.8
Comprehensive income								
Net income				205.1				205.1
Other comprehensive income (loss), net of tax								
Pension and OPEB liability						24.2	(2.4)	21.8
Unrealized net gain on marketable securities						29.5		29.5
Unrealized net gain on foreign currency translation						231.7		231.7
Unrealized gain on interest rate swap						1.7		1.7
Reclassification of net gains on derivative financial instruments into net income						(15.1)		(15.1)
Total comprehensive income (loss), net of tax							(2.4)	474.7
Purchase of subsidiary shares from noncontrolling interest							0.1	0.1
Undistributed losses to noncontrolling interest							(7.5)	(7.5)
Capital contribution by noncontrolling interest to subsidiary							0.7	0.7
Issuance of common shares	17.3		254.5		92.8			347.3
Purchase of additional noncontrolling interest			(5.4)					(5.4)
Stock and other incentive plans	0.2		4.1		0.9			5.0
Conversion of preferred stock					0.2			0.2
Common stock dividends (\$0.26 per share)				(31.9)				(31.9)
December 31, 2009	131.0	16.8	695.4	1,973.1	(19.9)	(122.6)	(5.8)	2,537.0
Comprehensive income								
Net income				1,019.9				1,019.9
Other comprehensive income (loss), net of tax								
Pension and OPEB liability						14.0	0.8	14.8
Unrealized net gain on marketable securities						4.2		4.2
Unrealized net gain on foreign currency translation						151.6		151.6
Reclassification of net gains on derivative financial instruments into net income						(3.2)		(3.2)
Unrealized gain on derivative instruments						1.9		1.9
Total comprehensive income (loss), net of tax							0.8	1,189.2
Purchase of subsidiary shares from noncontrolling interest							(0.5)	(0.5)
Undistributed losses to noncontrolling interest							(4.7)	(4.7)
Capital contribution by noncontrolling interest to subsidiary							3.0	3.0
Purchase of additional noncontrolling interest			(1.6)					(1.6)
Acquisition of controlling interest	4.2	0.5	172.6					177.3
Stock and other incentive plans	0.3		19.4		(7.3)			12.1
Common stock dividends (\$0.51 per share)				(68.9)				(68.9)
Other			10.5		(10.5)			
December 31, 2010	135.5	17.3	896.3	2,924.1	(37.7)	45.9	(7.2)	3,838.7

(continued)

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**Statements of Consolidated Changes in Equity**  
Cliffs Natural Resources Inc. and Subsidiaries — (Continued)

	(In Millions)							
	Cliffs Shareholders						Non-Controlling Interest	Total
	Number of Common Shares	Common Shares	Capital in Excess of Par Value of Shares	Retained Earnings	Common Shares in Treasury	Accumulated Other Comprehensive Income (Loss)		
Comprehensive income								
Net income				1,619.1			193.5	1,812.6
Other comprehensive income (loss), net of tax								
Pension and OPEB liability						(103.8)	(17.6)	(121.4)
Unrealized net loss on marketable securities						(31.0)		(31.0)
Unrealized net loss on foreign currency translation						(2.2)		(2.2)
Reclassification of net gains on derivative financial instruments into net income						(3.3)		(3.3)
Unrealized gain on derivative financial instruments						1.8		1.8
Total comprehensive income (loss), net of tax							175.9	1,656.5
Share buyback	(4.0)				(289.8)			(289.8)
Equity offering	10.3	1.2	852.5					853.7
Purchase of subsidiary shares from noncontrolling interest							4.5	4.5
Capital contribution by noncontrolling interest to subsidiary			0.2				6.1	6.3
Acquisition of controlling interest							1,075.4	1,075.4
Stock and other incentive plans								13.3
Common stock dividends (\$0.84 per share)	0.2		21.8		(8.5)			(118.9)
December 31, 2011	<u>142.0</u>	<u>\$ 18.5</u>	<u>\$ 1,770.8</u>	<u>\$ 4,424.3</u>	<u>\$ (336.0)</u>	<u>\$ (92.6)</u>	<u>\$ 1,254.7</u>	<u>\$ 7,039.7</u>

The accompanying notes are an integral part of these consolidated financial statements.

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### Cliffs Natural Resources Inc. and Subsidiaries

Notes to Consolidated Financial Statements

#### NOTE 1 — BUSINESS SUMMARY AND SIGNIFICANT ACCOUNTING POLICIES

##### Business Summary

We are an international mining and natural resources company, a major global iron ore producer and a significant producer of high and low-volatile metallurgical coal. In the U.S., we operate five iron ore mines in Michigan and Minnesota, five metallurgical coal mines located in West Virginia and Alabama and one thermal coal mine located in West Virginia. We also operate two iron ore mines in Eastern Canada that primarily provide iron ore to the seaborne market for Asian steel producers. Our Asia Pacific operations are comprised of two iron ore mining complexes in Western Australia, serving the Asian iron ore markets with direct-shipping fines and lump ore, and a 45 percent economic interest in Sonoma, a coking and thermal coal mine located in Queensland, Australia. In Latin America, we have a 30 percent interest in Amapá, a Brazilian iron ore project, and in Ontario, Canada we have a major chromite project in the pre-feasibility stage of exploration. In addition, our Global Exploration Group is focused on early involvement in exploration activities to identify new world-class projects for future development or projects that add significant value to existing operations. Our Company's operations are organized according to product category and geographic location: U.S. Iron Ore, Eastern Canadian Iron Ore, North American Coal, Asia Pacific Iron Ore, Asia Pacific Coal, Latin American Iron Ore, Ferroalloys, and our Global Exploration Group.

##### Accounting Policies

We consider the following policies to be beneficial in understanding the judgments that are involved in the preparation of our consolidated financial statements and the uncertainties that could impact our financial condition, results of operations and cash flows.

##### Use of Estimates

The preparation of financial statements, in conformity with GAAP, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from estimates. On an ongoing basis, management reviews estimates. Changes in facts and circumstances may alter such estimates and affect results of operations and financial position in future periods.

##### Basis of Consolidation

The consolidated financial statements include our accounts and the accounts of our wholly owned and majority-owned subsidiaries, including the following subsidiaries:

Name	Location	Ownership Interest	Operation
Northshore	Minnesota	100.0%	Iron Ore
United Taconite	Minnesota	100.0%	Iron Ore
Wabush	Labrador/ Quebec, Canada	100.0%	Iron Ore
Bloom Lake	Quebec, Canada	75.0%	Iron Ore
Tilden	Michigan	85.0%	Iron Ore
Empire	Michigan	79.0%	Iron Ore
Koolyanobbing	Western Australia	100.0%	Iron Ore
Pinnacle	West Virginia	100.0%	Coal
Oak Grove	Alabama	100.0%	Coal
CLCC	West Virginia	100.0%	Coal
Freewest	Ontario, Canada	100.0%	Chromite
Spider	Ontario, Canada	100.0%	Chromite

Intercompany transactions and balances are eliminated upon consolidation.

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On May 12, 2011, we acquired all of the outstanding common shares of Consolidated Thompson for C\$17.25 per share in an all-cash transaction, including net debt. The consolidated financial statements as of and for the year ended December 31, 2011 reflect our 100 percent interest in Consolidated Thompson since that date. Refer to NOTE 4 — ACQUISITIONS AND OTHER INVESTMENTS for further information.

### Discontinued Operations

On September 27, 2011, we announced our plans to cease and dispose of the operations at the renewaFUEL biomass production facility in Michigan. As we continue to successfully grow our core iron ore mining business, the decision to sell our interest in the renewaFUEL operations was made to allow our management focus and allocation of capital resources to be deployed where we believe we can have the most impact for our stakeholders. On January 4, 2012, we entered into an agreement to sell the renewaFUEL assets to RNFL Acquisition LLC. The results of operations of the renewaFUEL operations are reflected as discontinued operations in the accompanying consolidated financial statements for all periods presented. We recorded \$18.5 million, net of \$9.2 million in tax benefits as *Loss From Discontinued Operations* in the Statements of Consolidated Operations for the year ended December 31, 2011, including a \$16.0 million impairment charge, net of \$8.0 million in tax benefits to write the renewaFUEL asset down to fair value. This compares to losses of \$3.1 million, net of \$1.5 million of tax benefits, and \$3.4 million, net of \$1.7 million in tax benefits, respectively, for years ended December 31, 2010 and 2009.

The impairment charge taken in the third quarter of 2011 was based on an internal assessment around the recovery of the renewaFUEL assets, primarily property, plant and equipment. The assessment considered several factors including the unique industry, the highly customized nature of the related property, plant and equipment and the fact that the plant had not performed up to design capacity. Given these points of consideration, it was determined that the expected recovery values on the renewaFUEL assets were low. The renewaFUEL total assets have been recorded at fair value in the Statements of Consolidated Financial Position as of December 31, 2011, and primarily are comprised of property, plant and equipment. The renewaFUEL operations were previously included in Other within our reportable segments.

### Cash Equivalents

Cash and cash equivalents include cash on hand and in the bank as well as all short-term securities held for the primary purpose of general liquidity. We consider investments in highly liquid debt instruments with an original maturity of three months or less from the date of acquisition to be cash equivalents. We routinely monitor and evaluate counterparty credit risk related to the financial institutions by which our short-term investment securities are held.

### Inventories

The following table presents the detail of our *Inventories* in the Statements of Consolidated Financial Position at December 31, 2011 and 2010:

Segment	(In Millions)					
	2011			2010		
	Finished Goods	Work-in Process	Total Inventory	Finished Goods	Work-in Process	Total Inventory
U.S. Iron Ore	\$ 100.2	\$ 8.5	\$ 108.7	\$ 101.1	\$ 9.7	\$ 110.8
Eastern Canadian Iron Ore	96.2	43.0	139.2	43.5	21.2	64.7
North American Coal	19.7	110.5	130.2	16.1	19.8	35.9
Asia Pacific Iron Ore	57.2	21.6	78.8	34.7	20.4	55.1
Other	18.0	0.8	18.8	2.6	0.1	2.7
Total	\$ 291.3	\$ 184.4	\$ 475.7	\$ 198.0	\$ 71.2	\$ 269.2

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### *U.S. Iron Ore*

U.S. Iron Ore product inventories are stated at the lower of cost or market. Cost of iron ore inventories is determined using the LIFO method. The excess of current cost over LIFO cost of iron ore inventories was \$117.1 million and \$112.4 million at December 31, 2011 and 2010, respectively. As of December 31, 2011, the product inventory balance for U.S. Iron Ore declined, resulting in liquidation of LIFO layers in 2011. The effect of the inventory reduction was a decrease in *Cost of goods sold and operating expenses* of \$15.2 million in the Statements of Consolidated Operations for the year ended December 31, 2011. As of December 31, 2010, the product inventory balance for U.S. Iron Ore declined, resulting in liquidation of LIFO layers in 2010. The effect of the inventory reduction was a decrease in *Cost of goods sold and operating expenses* of \$4.6 in the Statements of Consolidated Operations for the year ended December 31, 2010.

We had approximately 1.2 million tons and 0.8 million tons of finished goods stored at ports and customer facilities on the lower Great Lakes to service customers at December 31, 2011 and 2010, respectively. We maintain ownership of the inventories until title has transferred to the customer, usually when payment is made. Maintaining ownership of the iron ore products at ports on the lower Great Lakes reduces risk of non-payment by customers, as we retain title to the product until payment is received from the customer. We track the movement of the inventory and verify the quantities on hand.

### *Eastern Canadian Iron Ore*

Iron ore pellet inventories are stated at the lower of cost or market. Similar to U.S. Iron Ore product inventories, the cost is determined using the LIFO method. The excess of current cost over LIFO cost of iron ore inventories was \$21.9 million and \$2.5 million at December 31, 2011 and 2010, respectively. As of December 31, 2011, the iron ore pellet inventory balance for Eastern Canadian Iron Ore increased to \$47.1 million, resulting in an additional LIFO layer being added. As of December 31, 2010, the product inventory balance for Eastern Canadian Iron Ore increased to \$43.5 million, resulting in an additional LIFO layer being added during the year. We primarily maintain ownership of these inventories until loading of the product at the port.

Iron ore concentrate inventories are stated at the lower of cost or market. The cost of iron ore concentrate inventories is determined using weighted average cost. As of December 31, 2011, the iron ore concentrate inventory balance for Eastern Canadian Iron Ore was \$49.1 million as a result of the Consolidated Thompson acquisition. For the majority of the iron ore concentrate inventories, we maintain ownership of the inventories until title passes on the bill of lading date, which is upon the loading of the product at the port.

### *North American Coal*

North American Coal product inventories are stated at the lower of cost or market. Cost of coal inventories includes labor, supplies and operating overhead and related costs and is calculated using the average production cost. We maintain ownership until coal is loaded into rail cars at the mine for domestic sales and until loaded in the vessels at the terminal for export sales. We recorded lower-of-cost-or-market inventory charges of \$6.6 million and \$26.1 million in *Cost of goods sold and operating expenses* in the Statements of Consolidated Operations for the years ended December 31, 2011 and 2010, respectively. These charges were a result of operational and geological issues at our Pinnacle and Oak Grove mines during the periods.

### *Asia Pacific Iron Ore*

Asia Pacific Iron Ore product inventories are stated at the lower of cost or market. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to the inventory on hand by the method most appropriate to each particular class of inventory, with the majority being valued on a weighted average basis. We maintain ownership of the inventories until title has transferred to the customer at the F.O.B. point, which is generally when the product is loaded into the vessel.

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**Table of Contents****Derivative Financial Instruments**

We are exposed to certain risks related to the ongoing operations of our business, including those caused by changes in commodity prices, interest rates and foreign currency exchange rates. We have established policies and procedures, including the use of certain derivative instruments, to manage such risks. Refer to NOTE 3 — DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES for further information.

**Property, Plant and Equipment***U.S. Iron Ore and Eastern Canadian Iron Ore*

U.S. Iron Ore and Eastern Canadian Iron Ore properties are stated at cost. Depreciation of plant and equipment is computed principally by the straight-line method based on estimated useful lives, not to exceed the mine lives. Northshore, United Taconite, Empire, Tilden and Wabush use the double declining balance method of depreciation for certain mining equipment. Depreciation is provided over the following estimated useful lives:

<u>Asset Class</u>	<u>Basis</u>	<u>Life</u>
Buildings	Straight line	45 Years
Mining equipment	Straight line/Double declining balance	10 to 20 Years
Processing equipment	Straight line	15 to 45 Years
Information technology	Straight line	2 to 7 Years

Depreciation is not curtailed when operations are temporarily idled.

*North American Coal*

North American Coal properties are stated at cost. Depreciation is provided over the estimated useful lives, not to exceed the mine lives and is calculated by the straight-line method. Depreciation is provided over the following estimated useful lives:

<u>Asset Class</u>	<u>Basis</u>	<u>Life</u>
Buildings	Straight line	30 Years
Mining equipment	Straight line	2 to 22 Years
Processing equipment	Straight line	2 to 30 Years
Information technology	Straight line	2 to 3 Years

*Asia Pacific Iron Ore*

Our Asia Pacific Iron Ore properties are stated at cost. Depreciation is calculated by the straight-line method or production output basis provided over the following estimated useful lives:

<u>Asset Class</u>	<u>Basis</u>	<u>Life</u>
Plant and equipment	Straight line	5 - 10 Years
Plant and equipment and mine assets	Production output	10 Years
Motor vehicles, furniture & equipment	Straight line	3 - 5 Years

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The following table indicates the value of each of the major classes of our consolidated depreciable assets as of December 31, 2011 and 2010:

	(In Millions)	
	December 31,	
	2011	2010
Land rights and mineral rights	\$ 7,918.9	\$ 3,019.9
Office and information technology	67.0	60.4
Buildings	132.2	107.6
Mining equipment	1,323.8	628.5
Processing equipment	1,441.8	658.8
Railroad equipment	164.3	122.9
Electric power facilities	57.9	54.4
Port facilities	64.1	64.0
Interest capitalized during construction	22.5	19.4
Land improvements	30.4	25.0
Other	43.2	36.0
Construction in progress	615.4	140.0
	<b>11,881.5</b>	<b>4,936.9</b>
Allowance for depreciation and depletion	<b>(1,356.9)</b>	<b>(957.7)</b>
	<b>\$ 10,524.6</b>	<b>\$ 3,979.2</b>

We recorded depreciation expense of \$237.8 million, \$165.4 million and \$120.6 million in the Statements of Consolidated Operations for the years ended December 31, 2011, 2010 and 2009, respectively.

The costs capitalized and classified as *Land rights and mineral rights* represent lands where we own the surface and/or mineral rights. The value of the land rights is split between surface only, surface and minerals, and minerals only.

Our North American Coal operation leases coal mining rights from third parties through lease agreements. The lease agreements are for varying terms and extend through the earlier of their lease termination date or until all merchantable and mineable coal has been extracted. Our interest in coal reserves and resources was valued using a discounted cash flow method. The fair value was estimated based upon the present value of the expected future cash flows from coal operations over the life of the reserves.

Our Asia Pacific Iron Ore, Bloom Lake, Wabush, and United Taconite operation's interest in iron ore reserves and resources was valued using a discounted cash flow method. The fair value was estimated based upon the present value of the expected future cash flows from iron ore operations over the economic lives of the mines.

The net book value of the land rights and mineral rights as of December 31, 2011 and 2010 is as follows:

	(In Millions)	
	December 31,	
	2011	2010
Land rights	\$ 37.3	\$ 36.8
Mineral rights:		
Cost	\$ 7,881.6	\$ 2,983.1
Less depletion	533.9	376.4
Net mineral rights	<b>\$ 7,347.7</b>	<b>\$ 2,606.7</b>

Accumulated depletion relating to mineral rights, which was recorded using the unit-of-production method, is included in *Allowance for depreciation and depletion*. We recorded depletion expense of \$159.7 million, \$95.5 million and \$68.1 million in the Statements of Consolidated Operations for the years ended December 31, 2011, 2010 and 2009, respectively.

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We review iron ore and coal reserves based on current expectations of revenues and costs, which are subject to change. Iron ore and coal reserves include only proven and probable quantities which can be economically and legally mined and processed utilizing existing technology.

### Capitalized Stripping Costs

Stripping costs during the development of a mine, before production begins, are capitalized as a part of the depreciable cost of building, developing and constructing a mine. These capitalized costs are amortized over the productive life of the mine using the units of production method. The productive phase of a mine is deemed to have begun when saleable minerals are extracted (produced) from an ore body, regardless of the level of production. The production phase does not commence with the removal of de minimis saleable mineral material that occurs in conjunction with the removal of overburden or waste material for purposes of obtaining access to an ore body. The stripping costs incurred in the production phase of a mine are variable production costs included in the costs of the inventory produced (extracted) during the period that the stripping costs are incurred.

Stripping costs related to expansion of a mining asset of proven and probable reserves are variable production costs that are included in the costs of the inventory produced during the period that the stripping costs are incurred.

### Investments in Ventures

The following table presents the detail of our investments in unconsolidated ventures and where those investments are classified in the Statements of Consolidated Financial Position. Parentheses indicate a net liability.

Investment	Classification	Interest Percentage	(In Millions)	
			December 31, 2011	December 31, 2010
Amapá	<i>Investments in ventures</i>	30	\$ 498.6	\$ 461.3
AusQuest	<i>Investments in ventures</i>	30	3.7	24.1
Cockatoo (1)	<i>Other liabilities</i>	50	(15.0)	10.5
Hibbing	<i>Other liabilities</i>	23	(6.8)	(5.8)
Other	<i>Investments in ventures</i>		24.3	18.9
			<u>\$ 504.8</u>	<u>\$ 509.0</u>

(1) Recorded as *Investments in ventures* at December 31, 2010.

#### Amapá

Our 30 percent ownership interest in Amapá, in which we do not have control but have the ability to exercise significant influence over operating and financial policies, is accounted for under the equity method. Accordingly, our share of the results from Amapá is reflected as *Equity Income (Loss) from Ventures* in the Statements of Consolidated Operations. The financial information of Amapá included in our financial statements is for the periods ended November 30, 2011, 2010 and 2009 and as of November 30, 2011 and 2010. The earlier cut-off is to allow for sufficient time needed by Amapá to properly close and prepare complete financial information, including consolidating and eliminating entries, conversion to U.S. GAAP and review by the Company. There were no intervening transactions or events that materially affected Amapá's financial position or results of operations that were not reflected in our year-end financial statements.

#### AusQuest

Our 30 percent ownership interest in AusQuest, in which we do not have control but have the ability to exercise significant influence over operating and financial policies, is accounted for under the equity method. Accordingly, our share of the results from AusQuest is reflected as *Equity Income (Loss) from Ventures* in the Statements of Consolidated Operations. The financial information of AusQuest included in our financial statements is for the periods ended November 30, 2011, 2010 and 2009 and as of November 30, 2011 and 2010.

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The earlier cut-off is to allow for sufficient time needed by AusQuest to properly close and prepare complete financial information, including consolidating and eliminating entries, conversion to U.S. GAAP and review and approval by the Company. There were no intervening transactions or events that materially affected AusQuest's financial position or results of operations that were not reflected in our year-end financial statements.

### *Hibbing and Cockatoo Island*

Investments in certain joint ventures (Cockatoo Island and Hibbing) in which our ownership is 50 percent or less, or in which we do not have control but have the ability to exercise significant influence over operating and financial policies, are accounted for under the equity method. Our share of equity income (loss) is eliminated against consolidated product inventory upon production, and against *Cost of goods sold and operating expenses* when sold. This effectively reduces our cost for our share of the mining venture's production to its cost, reflecting the cost-based nature of our participation in unconsolidated ventures.

In August 2011, we entered into a term sheet with our joint venture partner, HWE Cockatoo Pty Ltd., to sell our beneficial interest in the mining tenements and certain infrastructure of Cockatoo Island to Pluton Resources. As consideration for the acquisition, Pluton Resources will be responsible for the environmental rehabilitation of Cockatoo Island when it concludes its mining. As of December 31, 2011, our portion of the current estimated cost of the rehabilitation is approximately \$20 million. The potential transaction is expected to occur at the end of the current stage of mining, Phase 3, which is anticipated to be complete in late 2012. Due diligence has been completed and the definitive sale agreement is being drafted and negotiated. The definitive sale agreement will be conditional on the receipt of regulatory and third-party consents and the satisfaction of other customary closing conditions.

### *Sonoma*

Through various interrelated arrangements, we achieve a 45 percent economic interest in the collective operations of Sonoma, despite the ownership percentages of the individual components of Sonoma. We own 100 percent of CAWO, 8.33 percent of the exploration permits and applications for mining leases for the real estate that is involved in Sonoma ("Mining Assets") and 45 percent of the infrastructure, including the rail loop and related equipment ("Non-Mining Assets"). The following substantive legal entities exist within the Sonoma structure:

- CAC, a wholly owned Cliffs subsidiary, is the conduit for Cliffs' investment in Sonoma.
- CAWO, a wholly owned subsidiary of CAC, owns the washplant and receives 40 percent of Sonoma coal production in exchange for providing coal washing services to the remaining Sonoma participants.
- SMM is the appointed operator of the mine assets, non-mine assets and the washplant. We own a 45 percent interest in SMM.
- Sonoma Sales, a wholly owned subsidiary of QCoal, is the sales agent for the participants of the coal extracted and processed in the Sonoma Project.

The objective of Sonoma is to mine and process coking and thermal coal for the benefit of the participants. In 2011, 2010 and 2009, we invested an additional \$3.1 million, \$3.3 million and \$8.6 million, respectively, in the project, for a total investment of approximately \$147.9 million.

While the individual components of our investment are disproportionate to the overall economics of the investment, the total investment is the same as if we had acquired a 45 percent interest in the Mining Assets and had committed to funding 45 percent of the cost of developing the Non-Mining Assets and the washplant. In particular, the terms of the interrelated agreements under which we obtain our 45 percent interest provide that, we, through a wholly owned subsidiary, constructed and hold title to the washplant. We wash all of the coal produced by the Sonoma Project for a fee based upon a cost to wash plus an arrangement such that we only bear 45 percent of the cost of owning and operating the washplant. In addition, we have committed to purchasing certain amounts of coal from the other participants such that we take title to 45 percent of the coal mined. In addition, several agreements were entered into which provide for the allocation of mine and washplant reclamation obligations such that we are responsible for 45 percent of the reclamation costs. Lastly, management

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agreements were entered into that allocates the costs of operating the mine to each participant based upon their respective ownership interests in SMM, 45 percent in our case. Once the coal is washed, each participant then engages Sonoma Sales to sell their coal to third parties for which Sonoma Sales earns a fee under an agreement with fixed and variable elements.

The legal entities were each evaluated under the guidelines for consolidation of a VIE as follows:

**CAWO** — CAC owns 100 percent of the legal equity in CAWO; however, CAC is limited in its ability to make significant decisions about CAWO because the significant decisions are made by, or subject to approval of, the Operating Committee of the Sonoma Project, of which CAC is only entitled to 45 percent of the vote. As a result, we determined that CAWO is a VIE and that CAC should consolidate CAWO as the primary beneficiary because it absorbs greater than 50 percent of the residual returns and expected losses.

**Sonoma Sales** — We, including our related parties, do not have voting rights with respect to Sonoma Sales and are not party to any contracts that represent significant variable interests in Sonoma Sales. Therefore, even if Sonoma Sales were a VIE, it has been determined that we are not the primary beneficiary and therefore would not consolidate Sonoma Sales.

**SMM** — SMM does not have sufficient equity at risk and is therefore a VIE. Through CAC, we have a 45 percent voting interest in SMM and a contractual requirement to reimburse SMM for 45 percent of the costs that it incurs in connection with managing the Sonoma Project. However, we, along with our related parties, do not have any contracts that would cause us to absorb greater than 50 percent of SMM's expected losses, and therefore, we are not considered to be the primary beneficiary of SMM. Thus, we account for our investment in SMM in accordance with the equity method rather than consolidate the entity. The effect of SMM on our financial statements is determined to be minimal.

**Mining and Non-Mining Assets** — Since we have an undivided interest in these assets and Sonoma is in an extractive industry, we have pro rata consolidated our share of these assets and costs.

### Goodwill

Goodwill represents the excess purchase price paid over the fair value of the net assets of acquired companies. We had goodwill of \$1,152.1 million and \$196.5 million recorded in the Statements of Consolidated Financial Position at December 31, 2011 and 2010, respectively. In accordance with the provisions of ASC 350, we compare the fair value of the respective reporting unit to its carrying value on an annual basis to determine if there is potential goodwill impairment. If the fair value of the reporting unit is less than its carrying value, an impairment loss is recorded to the extent that the fair value of the goodwill within the reporting unit is less than the carrying value of its goodwill.

Goodwill is allocated among and evaluated for impairment at the reporting unit level in the fourth quarter of each year or as circumstances occur that potentially indicate that the carrying amount of these assets may not be recoverable. Based on the assessment performed, we concluded that there were no such events or changes in circumstances during 2011. After performing our annual goodwill impairment test in the fourth quarter of 2011, we determined that \$27.8 million of goodwill associated with our CLCC reporting unit included in the North American Coal operating segment was impaired as the carrying value with this reporting unit exceeded its fair value. No impairment charges were identified in connection with our annual goodwill impairment test with respect to our other identified reporting units. Refer to NOTE 5 — GOODWILL AND OTHER INTANGIBLE ASSETS AND LIABILITIES for further information.

### Asset Impairment

#### *Long-Lived Assets and Intangible Assets*

We monitor conditions that may affect the carrying value of our long-lived and intangible assets when events and circumstances indicate that the carrying value of the asset groups may not be recoverable. In order to determine if assets have been impaired, assets are grouped and tested at the lowest level for which identifiable, independent cash flows are available. An impairment loss exists when projected undiscounted cash flows are less

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than the carrying value of the assets. The measurement of the impairment loss to be recognized is based on the difference between the fair value and the carrying value of the assets. Fair value can be determined using a market approach, income approach or cost approach. We did not record any such impairment charges in 2011, 2010 or 2009 except for as discussed above in *Discontinued Operations*.

### *Equity Investments*

We evaluate the loss in value of our equity method investments each reporting period to determine whether the loss is other than temporary. The primary factors that we consider in evaluating the impairment include the extent and time the fair value of each investment has been below cost, the financial condition and near-term prospects of the investment, and our intent and ability to hold the investment to recovery. If a decline in fair value is judged other than temporary, the basis of the investment is written down to fair value as a new cost basis, and the amount of the write-down is included as a realized loss.

Our investment in Amapá resulted in equity income of \$32.4 million in 2011 compared with equity income of \$17.2 million in 2010 and equity loss of \$62.2 million in 2009. In 2011, the investment's equity income was a result of operations for the year. In 2010, the investment's equity income was a result of nearly break-even operating results during the year combined with the reversal of the debt guarantee, upon repayment of total project debt outstanding, and the reversal of certain accruals. The equity losses in 2009 resulted from start-up costs and production delays resulting in the determination that indicators of impairment may exist relative to our investment in Amapá. Although Amapá's results improved throughout 2011 and 2010, we continued to perform an assessment of the potential impairment of our investment, most recently in the fourth quarter of 2011, using a discounted cash flow model to determine the fair value of our investment in relation to its carrying value at each reporting period. Based upon the analyses performed, we have determined that our investment is not impaired as of December 31, 2011. In assessing the recoverability of our investment in Amapá, significant assumptions regarding the estimated future cash flows and other factors to determine the fair value of the investment must be made, including among other things, estimates related to pricing, volume and resources. If these estimates or their related assumptions change in the future as a result of changes in strategy or market conditions, we may be required to record impairment charges for our investment in the period such determination is made. We will continue to evaluate our investment on a periodic basis and as circumstances arise that indicate the investment is not recoverable.

During 2011, we recorded impairment charges of \$19.1 million related to the decline in the fair value of our 30 percent ownership interest in AusQuest, which was determined to be other than temporary. We evaluated the severity of the decline in the fair value of the investment as compared to our historical carrying amount, considering the broader macroeconomic conditions and the status of current exploration prospects, and could not reasonably assert that the impairment period would be temporary. As of December 31, 2011, our investment in AusQuest had a fair value of \$3.7 million based upon the closing market price of the 68.3 million shares held as of December 31, 2011. As we account for this investment as an equity method investment, we recorded the impairment charge as a component of *Equity Income (Loss) from Ventures* in the Statements of Consolidated Operations for the year ended December 31, 2011.

### **Fair Value Measurements**

#### *Valuation Hierarchy*

ASC 820 establishes a three-level valuation hierarchy for classification of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. Inputs refer broadly to the assumptions that market participants would use in pricing an asset or liability. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from independent sources. Unobservable inputs are inputs that reflect our own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The three-tier hierarchy of inputs is summarized below:

- Level 1 — Valuation is based upon quoted prices (unadjusted) for identical assets or liabilities in active markets.

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- Level 2 — Valuation is based upon quoted prices for similar assets and liabilities in active markets, or other inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 — Valuation is based upon other unobservable inputs that are significant to the fair value measurement.

The classification of assets and liabilities within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement in its entirety. Valuation methodologies used for assets and liabilities measured at fair value are as follows:

### *Cash Equivalents*

Where quoted prices are available in an active market, cash equivalents are classified within Level 1 of the valuation hierarchy. Cash equivalents classified in Level 1 at December 31, 2011 and 2010 include money market funds. The valuation of these instruments is determined using a market approach and is based upon unadjusted quoted prices for identical assets in active markets. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics or discounted cash flows. In these instances, the valuation is based upon quoted prices for similar assets and liabilities in active markets, or other inputs that are observable for substantially the full term of the financial instrument and the related financial instrument is therefore classified within Level 2 of the valuation hierarchy. Level 2 securities include short-term investments for which the value of each investment is a function of the purchase price, purchase yield and maturity date.

### *Marketable Securities*

Where quoted prices are available in an active market, marketable securities are classified within Level 1 of the valuation hierarchy. Marketable securities classified in Level 1 at December 31, 2011 and 2010 include available-for-sale securities. The valuation of these instruments is determined using a market approach and is based upon unadjusted quoted prices for identical assets in active markets.

### *Derivative Financial Instruments*

Derivative financial instruments valued using financial models that use as their basis readily observable market parameters are classified within Level 2 of the valuation hierarchy. Such derivative financial instruments include substantially all of our foreign currency exchange contracts and derivative financial instruments that are valued based upon published pricing settlements realized by other companies in the industry. Derivative financial instruments that are valued based upon models with significant unobservable market parameters and are normally traded less actively, are classified within Level 3 of the valuation hierarchy.

### *Non-Financial Assets and Liabilities*

We adopted the provisions of ASC 820 effective January 1, 2009 with respect to our non-financial assets and liabilities. The initial measurement provisions of ASC 820 have been applied to our asset retirement obligations, guarantees, assets and liabilities acquired through business combinations, and certain other items, and are reflected as such in our consolidated financial statements. Effective January 1, 2009, we also adopted the fair value provision with respect to our pension and other postretirement benefit plan assets. No transition adjustment was necessary upon adoption.

In January 2010, we adopted the amended guidance on fair value to add new disclosures about transfers into and out of Levels 1 and 2. Our policy is to recognize any transfers between levels as of the beginning of the reporting period, including both transfers into and out of levels.

Refer to NOTE 6 — FAIR VALUE OF FINANCIAL INSTRUMENTS and NOTE 10 — PENSIONS AND OTHER POSTRETIREMENT BENEFITS for further information.

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**Table of Contents****Pensions and Other Postretirement Benefits**

We offer defined benefit pension plans, defined contribution pension plans and other postretirement benefit plans, primarily consisting of retiree healthcare benefits, to most employees in North America as part of a total compensation and benefits program. This includes employees of CLCC who became employees of the Company through the July 2010 acquisition. Upon the acquisition of the remaining 73.2 percent interest in Wabush in February 2010, we fully consolidated the related Canadian plans into our pension and OPEB obligations. We do not have employee retirement benefit obligations at our Asia Pacific Iron Ore operations.

We recognize the funded status of our postretirement benefit obligations on our December 31, 2011 and 2010 Statements of Consolidated Financial Position based on the market value of plan assets and the actuarial present value of our retirement obligations on that date. For each plan, we determine if the plan assets exceed the benefit obligations or vice-versa. If the plan assets exceed the retirement obligations, the amount of the surplus is recorded as an asset; if the retirement obligations exceed the plan assets, the amount of the underfunded obligations are recorded as a liability. Year-end balance sheet adjustments to postretirement assets and obligations are charged to *Accumulated other comprehensive income (loss)*.

The market value of plan assets is measured at the year-end balance sheet date. The PBO is determined based upon an actuarial estimate of the present value of pension benefits to be paid to current employees and retirees. The APBO represents an actuarial estimate of the present value of OPEB benefits to be paid to current employees and retirees.

The actuarial estimates of the PBO and APBO retirement obligations incorporate various assumptions including the discount rates, the rates of increases in compensation, healthcare cost trend rates, mortality, retirement timing and employee turnover. For the U.S. plans, the discount rate is determined based on the prevailing year-end rates for high-grade corporate bonds with a duration matching the expected cash flow timing of the benefit payments from the various plans. For the Canadian plans, the discount rate is determined by calculating the single level discount rate that, when applied to a particular cash flow pattern, produces the same present value as discounting the cash flow pattern using spot rates generated from a high-quality corporate bond yield curve. The remaining assumptions are based on our estimates of future events incorporating historical trends and future expectations. The amount of net periodic cost that is recorded in the Statements of Consolidated Operations consists of several components including service cost, interest cost, expected return on plan assets, and amortization of previously unrecognized amounts. Service cost represents the value of the benefits earned in the current year by the participants. Interest cost represents the cost associated with the passage of time. In addition, the net periodic cost is affected by the anticipated income from the return on invested assets, as well as the income or expense resulting from the recognition of previously deferred items. Certain items, such as plan amendments, gains and/or losses resulting from differences between actual and assumed results for demographic and economic factors affecting the obligations and assets of the plans, and changes in plan assumptions are subject to deferred recognition for income and expense purposes. The expected return on plan assets is determined utilizing the weighted average of expected returns for plan asset investments in various asset categories based on historical performance, adjusted for current trends. See NOTE 10 — PENSIONS AND OTHER POSTRETIREMENT BENEFITS for further information.

**Asset Retirement Obligations**

Asset retirement obligations are recognized when incurred and recorded as liabilities at fair value. The fair value of the liability is determined as the discounted value of the expected future cash flow. The asset retirement obligation is accreted over time through periodic charges to earnings. In addition, the asset retirement cost is capitalized as part of the asset's carrying value and amortized over the life of the related asset. Reclamation costs are adjusted periodically to reflect changes in the estimated present value resulting from the passage of time and revisions to the estimates of either the timing or amount of the reclamation costs. We review, on an annual basis, unless otherwise deemed necessary, the asset retirement obligation at each mine site in accordance with the provisions of ASC 410. We perform an in-depth evaluation of the liability every three years in addition to routine annual assessments, most recently performed in 2011.

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Future remediation costs for inactive mines are accrued based on management's best estimate at the end of each period of the costs expected to be incurred at a site. Such cost estimates include, where applicable, ongoing maintenance and monitoring costs. Changes in estimates at inactive mines are reflected in earnings in the period an estimate is revised. See NOTE 9 — ENVIRONMENTAL AND MINE CLOSURE OBLIGATIONS for further information.

### Environmental Remediation Costs

We have a formal policy for environmental protection and restoration. Our mining and exploration activities are subject to various laws and regulations governing protection of the environment. We conduct our operations to protect the public health and environment and believe our operations are in compliance with applicable laws and regulations in all material respects. Our environmental liabilities, including obligations for known environmental remediation exposures at active and closed mining operations and other sites, have been recognized based on the estimated cost of investigation and remediation at each site. If the cost only can be estimated as a range of possible amounts with no specific amount being more likely, the minimum of the range is accrued. Future expenditures are not discounted unless the amount and timing of the cash disbursements reasonably can be estimated. It is possible that additional environmental obligations could be incurred, the extent of which cannot be assessed. Potential insurance recoveries have not been reflected in the determination of the liabilities. See NOTE 9 — ENVIRONMENTAL AND MINE CLOSURE OBLIGATIONS for further information.

### Revenue Recognition and Cost of Goods Sold and Operating Expenses

#### U.S. Iron Ore

Revenue is recognized on the sale of products when title to the product has transferred to the customer in accordance with the specified provisions of each term supply agreement and all applicable criteria for revenue recognition have been satisfied. Most of our U.S. Iron Ore term supply agreements provide that title and risk of loss transfer to the customer when payment is received.

We recognize revenue based on the gross amount billed to a customer as we earn revenue from the sale of the goods or services. Revenue from product sales also includes reimbursement for freight charges paid on behalf of customers in *Freight and venture partners' cost reimbursements* separate from product revenue.

*Costs of goods sold and operating expenses* represents all direct and indirect costs and expenses applicable to the sales and revenues of our mining operations. Operating expenses within this line item primarily represent the portion of the Tilden mining venture costs for which we do not own; that is, the costs attributable to the share of the mine's production owned by the other joint venture partner in the Tilden mine. The mining venture functions as a captive cost company; it supplies product only to its owners effectively on a cost basis. Accordingly, the noncontrolling interests' revenue amounts are stated at cost of production and are offset in entirety by an equal amount included in *Cost of goods sold and operating expenses* resulting in no sales margin reflected in the noncontrolling interest participant. As we are responsible for product fulfillment, we retain the risks and rewards of a principal in the transaction and accordingly record revenue under these arrangements on a gross basis.

The following table is a summary of reimbursements in our U.S. Iron Ore operations for the years ended December 31, 2011, 2010 and 2009:

	(In Millions)		
	Year Ended December 31,		
	2011	2010	2009
Reimbursements for:			
Freight	\$ 128.4	\$ 83.6	\$ 22.4
Venture partners' cost	95.9	139.8	71.3
Total reimbursements	<u>\$ 224.3</u>	<u>\$ 223.4</u>	<u>\$ 93.7</u>

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As of December 31, 2011, *Product revenues and Costs of goods sold and operating expenses* in the Statements of Consolidated Operations reflect consolidation of the Empire mining venture and recognition of a noncontrolling interest. A subsidiary of ArcelorMittal USA is a 21 percent partner in the Empire mining venture, resulting in a noncontrolling interest adjustment for ArcelorMittal USA's ownership percentage to *Net income attributable to noncontrolling interest* in the Statements of Consolidated Operations. The accounting for our interest in the Empire mine previously was based upon the assessment that the mining venture functioned as a captive cost company, supplying product only to the venture partners effectively on a cost basis. Upon the execution of the partnership arrangement in 2002, the underlying notion of the arrangement was for the partnership to provide pellets to the venture partners at an agreed-upon rate to cover operating and capital costs. Furthermore, any gains or losses generated by the mining venture throughout the life of the partnership were expected to be minimal and the mine historically has been in a net loss position. The partnership arrangement provides that the venture partners share profits and losses on an ownership percentage basis of 79 percent and 21 percent, with the noncontrolling interest partner limited on the losses produced by the mining venture to its equity interest. Therefore, the noncontrolling interest partner cannot have a negative ownership interest in the mining venture. Under our captive cost company arrangements, the noncontrolling interests' revenue amounts are stated at an amount that is offset entirely by an equal amount included in *Cost of goods sold and operating expenses*, resulting in no sales margin attributable to noncontrolling interest participants. In addition, under the Empire partnership arrangement, the noncontrolling interest net losses historically were recorded in the Statements of Consolidated Operations through *Cost of goods sold and operating expenses*. This was based on the assumption that the partnership would operate in a net liability position, and as mentioned, the noncontrolling partner is limited on the partnership losses that can be allocated to its ownership interest. Due to a change in the partnership pricing arrangement to align with the industry's shift towards shorter-term pricing arrangements linked to the spot market, the partnership began to generate profits in 2011. The change in partnership pricing was a result of the negotiated settlement with ArcelorMittal USA effective beginning for the three months ended March 31, 2011. The modification of the pricing mechanism changed the nature of our cost sharing arrangement and we determined that we should have been recording a noncontrolling interest adjustment in accordance with ASC 810 in the Statements of Unaudited Condensed Consolidated Operations and in the Statements of Unaudited Condensed Consolidated Financial Position to the extent that the partnership was in a net asset position, beginning in the first quarter of 2011. Refer to NOTE 20 — QUARTERLY RESULTS OF OPERATIONS (UNAUDITED) for additional information regarding this prospective change.

Under certain term supply agreements, we ship the product to ports on the lower Great Lakes or to the customer's facilities prior to the transfer of title. Our rationale for shipping iron ore products to certain customers and retaining title until payment is received for these products is to minimize credit risk exposure. In addition, certain supply agreements with one customer include provisions for supplemental revenue or refunds based on the customer's annual steel pricing for the year the product is consumed in the customer's blast furnaces. We account for this provision as a derivative instrument at the time of sale and record this provision at fair value until the year the product is consumed and the amounts are settled as an adjustment to revenue.

Where we are joint venture participants in the ownership of a mine, our contracts entitle us to receive royalties and/or management fees, which we earn as the pellets are produced. Revenue is recognized on the sale of services when the services are performed.

### *Eastern Canadian Iron Ore*

Revenue is recognized on the sale of products when title to the product has transferred to the customer in accordance with the specified provisions of each term supply agreement and all applicable criteria for revenue recognition have been satisfied. Most of our Eastern Canadian Iron Ore term supply agreements provide that title and risk of loss transfer to the customer upon loading of the product at the port.

Since the acquisition date of Consolidated Thompson, *Product revenues and Costs of goods sold and operating expenses* in the Statements of Consolidated Operations reflect our 100 percent ownership interest in Consolidated Thompson. WISCO is a 25 percent partner in the Bloom Lake mine, resulting in a noncontrolling interest adjustment for WISCO's ownership percentage to *Net income attributable to noncontrolling interest* in the Statements of Consolidated Operations.

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### *North American Coal*

We recognize revenue when title passes to the customer. For domestic coal sales, this generally occurs when coal is loaded into rail cars at the mine. For export coal sales, this generally occurs when coal is loaded into the vessels at the terminal. Revenue from product sales in 2011, 2010 and 2009 included reimbursement for freight charges paid on behalf of customers of \$18.3 million, \$41.9 million and \$32.1 million, respectively.

### *Asia Pacific Iron Ore*

Sales revenue is recognized at the F.O.B. point, which generally is when the product is loaded into the vessel.

### **Deferred Revenue**

The terms of one of our U.S. Iron Ore pellet supply agreements require supplemental payments to be paid by the customer during the period 2009 through 2013, with the option to defer a portion of the 2009 monthly amount in exchange for interest payments until the deferred amount is repaid in 2013. Installment amounts received under this arrangement in excess of sales are classified as *Deferred revenue* in the Statement of Consolidated Financial Position upon receipt of payment. Revenue is recognized over the life of the supply agreement upon shipment of the pellets. As of December 31, 2011 and 2010, installment amounts received in excess of sales totaled \$91.7 million and \$58.1 million, respectively, which were recorded as *Deferred revenue* in the Statement of Consolidated Financial Position.

In 2011 and 2010, certain customers purchased and paid for 0.2 million tons and 2.4 million tons of pellets that were not delivered by year-end, respectively. In 2011, the customer purchases were made in order to secure the 2011 pricing on shipments that will occur in early 2012, and in 2010, the purchases were made in order to meet minimum contractual purchase requirements under the terms of take-or-pay contracts. In 2011 and 2010, the inventory was stored at our facilities in upper Great Lakes stockpiles. At the request of the customers, the ore was not shipped. We considered whether revenue should be recognized on these sales under the "bill and hold" guidance provided by the SEC Staff; however, based upon the assessment performed, revenue recognition on these transactions totaling \$15.8 million and \$155.3 million, respectively, was deferred on the December 31, 2011 and 2010 Statements of Consolidated Financial Position. As of December 31, 2011, 0.1 million tons remain of the 2.4 million tons that were deferred at the end of 2010, resulting in the related revenue of \$15.1 million being deferred into 2012.

### **Repairs and Maintenance**

Repairs, maintenance and replacement of components are expensed as incurred. The cost of major power plant overhauls is capitalized and depreciated over the estimated useful life, which is the period until the next scheduled overhaul, generally five years. All other planned and unplanned repairs and maintenance costs are expensed when incurred.

### **Share-Based Compensation**

We adopted the fair value recognition provisions of ASC 718 effective January 1, 2006 using the modified prospective transition method. The fair value of each grant is estimated on the date of grant using a Monte Carlo simulation to forecast relative TSR performance. Consistent with the guidelines of ASC 718, a correlation matrix of historic and projected stock prices was developed for both the Company and its predetermined peer group of mining and metals companies. The fair value assumes that performance goals will be achieved.

The expected term of the grant represents the time from the grant date to the end of the service period for each of the three plan year agreements. We estimated the volatility of our common shares and that of the peer group of mining and metals companies using daily price intervals for all companies. The risk-free interest rate is the rate at the grant date on zero-coupon government bonds, with a term commensurate with the remaining life of the performance plans.

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Cash flows resulting from the tax benefits for tax deductions in excess of the compensation expense are classified as financing cash flows. Refer to NOTE 11 — STOCK COMPENSATION PLANS for additional information.

### Income Taxes

Income taxes are based on income for financial reporting purposes calculated using tax rates by jurisdiction and reflect a current tax liability or asset for the estimated taxes payable or recoverable on the current year tax return and expected annual changes in deferred taxes. Any interest or penalties on income tax are recognized as a component of income tax expense.

We account for income taxes under the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements. Under this method, deferred tax assets and liabilities are determined based on the differences between the financial statements and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date.

We record net deferred tax assets to the extent we believe these assets will more likely than not be realized. In making such determination, we consider all available positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax planning strategies and recent financial results of operations. In the event we were to determine that we would be able to realize our deferred income tax assets in the future in excess of their net recorded amount, we would make an adjustment to the valuation allowance which would reduce the provision for income taxes.

Accounting for uncertainty in income taxes recognized in the financial statements requires that a tax benefit from an uncertain tax position be recognized when it is more likely than not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, based on technical merits. See NOTE 12 — INCOME TAXES for further information.

### Earnings Per Share

We present both basic and diluted EPS amounts. Basic EPS are calculated by dividing income attributable to Cliffs common shareholders by the weighted average number of common shares outstanding during the period presented. Diluted EPS are calculated by dividing *Net Income Attributable to Cliffs Shareholders* by the weighted average number of common shares, common share equivalents and convertible preferred stock outstanding during the period, utilizing the treasury share method for employee stock plans. Common share equivalents are excluded from EPS computations in the periods in which they have an anti-dilutive effect. See NOTE 15 — EARNINGS PER SHARE for further information.

### Foreign Currency Translation

Our financial statements are prepared with the U.S. dollar as the reporting currency. The functional currency of the Company's Australian subsidiaries is the Australian Dollar. The functional currency of all other international subsidiaries is the U.S. dollar. The financial statements of international subsidiaries are translated into U.S. dollars using the exchange rate at each balance sheet date for assets and liabilities and a weighted average exchange rate for each period for revenues, expenses, gains and losses. Where the local currency is the functional currency, translation adjustments are recorded as *Accumulated other comprehensive income (loss)*. Where the U.S. dollar is the functional currency, translation adjustments are recorded in the Statements of Consolidated Operations. Income taxes generally are not provided for foreign currency translation adjustments.

### Recent Accounting Pronouncements

In January 2010, the FASB amended the guidance on fair value to add new requirements for disclosures about transfers into and out of Levels 1 and 2 and separate disclosures about purchases, sales, issuances and settlements relating to Level 3 measurements. It also clarifies existing fair value disclosures about the level of disaggregation and about inputs and valuation techniques used to measure fair value. The amendment also

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revises the guidance on employers' disclosures about postretirement benefit plan assets to require that disclosures be provided by classes of assets instead of by major categories of assets. The amended guidance was effective for the first reporting period beginning after December 15, 2009, except for the requirement to provide the Level 3 activity of purchases, sales, issuances and settlements on a gross basis, which was effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years. We adopted the provisions of guidance required for the period beginning January 1, 2011. Refer to NOTE 10 — PENSIONS AND OTHER POSTRETIREMENT BENEFITS for further information.

In December 2010, the FASB issued amended guidance on business combinations in order to clarify the disclosure requirements around pro forma revenue and earnings. The update was issued in response to the diversity in practice about the interpretation of such requirements. The amendment specifies that pro forma revenue and earnings of the combined entity be presented as though the business combination that occurred during the current year had occurred as of the beginning of the comparable prior annual reporting period. The new guidance is effective prospectively for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2010. We adopted the amended guidance upon our acquisition of Consolidated Thompson. Refer to NOTE 4 — ACQUISITIONS AND OTHER INVESTMENTS for further information.

In May 2011, the FASB amended the guidance on fair value as a result of the joint efforts by the FASB and the IASB to develop a single, converged fair value framework. The converged fair value framework provides converged guidance on how to measure fair value and on what disclosures to provide about fair value measurements. The significant amendments to the fair value measurement guidance and the new disclosure requirements include: (1) the highest and best use and valuation premise for nonfinancial assets; (2) the application to financial assets and financial liabilities with offsetting positions in market risks or counterparty credit risks; (3) premiums or discounts in fair value measurement; (4) fair value of an instrument classified in a reporting entity's shareholders' equity; (5) for Level 3 measurements, a quantitative disclosure of the unobservable inputs and assumptions used in the measurement, a description of the valuation process in place, and a narrative description of the sensitivity of the fair value to changes in the unobservable inputs and interrelationships between those inputs; and (6) the level in the fair value hierarchy of items that are not measured at fair value in the Statement of Financial Position but whose fair value must be disclosed. The new guidance is effective for interim and annual periods beginning after December 15, 2011. We currently are evaluating the impact that the adoption of this amendment will have on our consolidated financial statements.

In June 2011, the FASB issued amended guidance on the presentation of comprehensive income in order to improve comparability, consistency and transparency of financial reporting and to increase the prominence of items reported in OCI. The update also facilitates the convergence of GAAP and IFRS. The amendment eliminates the presentation options under ASC 220 and requires entities to report components of comprehensive income in either (1) a continuous statement of comprehensive income or (2) two separate but consecutive statements. In either presentation option, the entity is required to present on the face of the financial statements reclassification adjustments for items that are reclassified from OCI to net income in the statements where the components of net income and the components of OCI are presented. The amendment does not change the items that must be reported in other comprehensive income. After the issuance of the amended guidance on the presentation of comprehensive income, stakeholders raised concerns that the new presentation requirements about reclassifications of items out of accumulated OCI would be difficult for preparers and may add unnecessary complexity to financial statements. In addition, it is difficult for some stakeholders to change systems in time to gather the information for the new presentation requirements by the effective date prescribed in ASU 2011-05. Given these issues, and in order to defer only those changes in ASU 2011-05 that relate to the presentation of reclassification adjustments, in December 2011, FASB issued amended guidance on the presentation of comprehensive income to supersede guidance in ASU 2011-05 related to reclassifications out of accumulated OCI. FASB determined a reassessment of the costs and benefits of the provisions in ASU 2011-05 related to reclassifications out of accumulated OCI is necessary. Due to the time required to properly make such a reassessment and to evaluate alternative presentation formats, FASB decided in the December 2011 amended guidance, to indefinitely defer the requirements related to reclassification out of accumulated OCI until further deliberation and to reinstate the requirements for the presentation of reclassifications out of accumulated OCI.

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that were in place before the issuance of ASU 2011-05. All other requirements in ASU 2011-05 are not affected by this December 2011 amended guidance. The new guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. We have early adopted this new guidance which requires retrospective application as of December 31, 2011. As this guidance only amends the presentation of the components of comprehensive income, the adoption does not have an impact on our Statements of Consolidated Financial Position or Statements of Consolidated Operations.

In September 2011, the FASB issued amended guidance in order to simplify how entities test goodwill for impairment under ASC 350. The revised guidance provides entities testing goodwill for impairment with the option of performing a qualitative assessment before calculating the fair value of the reporting unit as required in step 1 of the goodwill impairment test. If the qualitative assessment provides the basis that the fair value of the reporting unit is more likely than not less than the carrying amount, then step 1 of the impairment test is required. The amended guidance does not change how goodwill is calculated or assigned to reporting units, nor does it revise the requirement to test goodwill annually for impairment. In addition, the revised guidance does not amend the requirement to test goodwill for impairment between annual tests if certain events or circumstances warrant that such a test be performed. The new guidance is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011, with early adoption permitted. We currently are evaluating the impact that the adoption of this amendment will have on our annual goodwill impairment test and do not expect that this amendment will have a material impact on our consolidated financial statements.

In September 2011, the FASB issued amended guidance to increase the quantitative and qualitative disclosures an employer is required to provide about its participation in significant multiemployer plans that offer pension and other postretirement benefits. The objective of the amended guidance is to enhance the transparency of disclosures about: (1) the significant multiemployer plans in which an employer participates, including the plan names and identifying numbers; (2) the level of the employer's participation in those plans; (3) the financial health of the plans; and (4) the nature of the employer's commitments to the plans. For plans for which additional public information outside of the employer's financial statements is not available, the amended guidance requires additional disclosures, including: (1) a description of the nature of the plan benefits; (2) a qualitative description of the extent to which the employer could be responsible for the obligation of the plan; and (3) other information to help users understand the financial information about the plan, to the extent available. The new guidance is effective for fiscal years ending after December 15, 2011, with early adoption permitted, and the amendments are required to be applied retrospectively for all prior periods presented. We adopted the amended guidance for the year ended December 31, 2011; however, adoption of this amendment did not have a material impact on our consolidated financial statements. To determine no material impact on our consolidated financial statements, we evaluated each of our multiemployer plans and found none to be individually significant.

In December 2011, the FASB issued amended guidance to increase the disclosure requirements about the nature of an entity's rights of setoff and related arrangements associated with its financial instruments and derivative instruments. The objective of this amended guidance is to facilitate comparison between those entities that prepare their financial statements on the basis of GAAP and those entities that prepare their financial statements on the basis of IFRS. The amended guidance will enhance disclosures required by U.S. GAAP by requiring improved information about financial instruments and derivative instruments that are either (1) offset in accordance with either ASC 210-20-45 or ASC 815-10-45 or (2) subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are offset in accordance with either ASC 210-20-45 or ASC 815-10-45. This information will enable users of an entity's financial statements to evaluate the effect or potential effect of rights of setoff associated with certain financial and derivative instruments in the scope of this amended guidance. The new guidance is effective for annual and interim reporting periods beginning on or after January 1, 2013, and the amendments are required to be applied retrospectively for all prior periods presented. We currently are evaluating the impact that the adoption of this amendment will have on our consolidated financial statements.

### NOTE 2 — SEGMENT REPORTING

Our company's primary operations are organized and managed according to product category and geographic location: U.S. Iron Ore, Eastern Canadian Iron Ore, North American Coal, Asia Pacific Iron Ore,

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Asia Pacific Coal, Latin American Iron Ore, Ferroalloys and our Global Exploration Group. The U.S. Iron Ore segment is comprised of our interests in five U.S. mines that provide iron ore to the integrated steel industry. The Eastern Canadian Iron Ore segment is comprised of two Eastern Canadian mines that primarily provide iron ore to the seaborne market for Asian steel producers. The North American Coal segment is comprised of our five metallurgical coal mines and one thermal coal mine that provide metallurgical coal primarily to the integrated steel industry and thermal coal primarily to the energy industry. The Asia Pacific Iron Ore segment is located in Western Australia and provides iron ore to steel producers in China and Japan. There are no intersegment revenues.

The Asia Pacific Coal operating segment is comprised of our 45 percent economic interest in Sonoma, located in Queensland, Australia. The Latin American Iron Ore operating segment is comprised of our 30 percent Amapá interest in Brazil. The Ferroalloys operating segment is comprised of our interests in chromite deposits held by Freewest and Spider in Northern Ontario, Canada and the Global Exploration Group is focused on early involvement in exploration activities to identify new world-class projects for future development or projects that add significant value to existing operations. The Asia Pacific Coal, Latin American Iron Ore, Ferroalloys and Global Exploration Group operating segments do not meet reportable segment disclosure requirements and therefore are not separately reported.

We evaluate segment performance based on sales margin, defined as revenues less cost of goods sold and operating expenses identifiable to each segment. This measure of operating performance is an effective measurement as we focus on reducing production costs throughout the Company.

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The following table presents a summary of our reportable segments for the years ended December 31, 2011, 2010 and 2009, including a reconciliation of segment sales margin to *Income from Continuing Operations Before Income Taxes and Equity Income (Loss) from Ventures*:

	(In Millions)					
	2011		2010		2009	
<b>Revenues from product sales and services:</b>						
U.S Iron Ore	\$ 3,509.9	52%	\$ 2,443.7	52%	\$ 1,211.6	52%
Eastern Canadian Iron Ore	1,178.1	17%	477.7	10%	236.2	10%
North American Coal	512.1	8%	438.2	9%	207.2	9%
Asia Pacific Iron Ore	1,363.5	20%	1,123.9	24%	542.1	23%
Other	230.7	3%	198.6	4%	144.9	6%
<b>Total revenues from product sales and services for reportable segments</b>	<b>\$ 6,794.3</b>	<b>100%</b>	<b>\$ 4,682.1</b>	<b>100%</b>	<b>\$ 2,342.0</b>	<b>100%</b>
<b>Sales margin:</b>						
U.S. Iron Ore	\$ 1,679.3		\$ 788.4		\$ 213.2	
Eastern Canadian Iron Ore	290.9		133.6		62.3	
North American Coal	(58.4)		(28.6)		(71.9)	
Asia Pacific Iron Ore	699.5		566.2		87.2	
Other	77.3		66.9		20.9	
<b>Sales margin</b>	<b>2,688.6</b>		<b>1,526.5</b>		<b>311.7</b>	
Other operating expense	(340.0)		(256.3)		(75.6)	
Other income (expense)	(107.1)		32.8		60.4	
<b>Income from continuing operations before income taxes and equity income (loss) from ventures</b>	<b>\$ 2,241.5</b>		<b>\$ 1,303.0</b>		<b>\$ 296.5</b>	
<b>Depreciation, depletion and amortization:</b>						
U.S. Iron Ore	\$ 86.2		\$ 61.7		\$ 67.4	
Eastern Canadian Iron Ore	124.6		41.9		6.9	
North American Coal	86.5		60.4		38.2	
Asia Pacific Iron Ore	100.9		133.9		110.6	
Other	28.7		24.4		13.5	
<b>Total depreciation, depletion and amortization</b>	<b>\$ 426.9</b>		<b>\$ 322.3</b>		<b>\$ 236.6</b>	
<b>Capital additions (1):</b>						
U.S. Iron Ore	\$ 191.4		\$ 84.7		\$ 42.6	
Eastern Canadian Iron Ore	303.1		18.8		—	
North American Coal	181.0		89.5		20.8	
Asia Pacific Iron Ore	262.0		53.6		96.2	
Other	23.4		29.2		8.6	
<b>Total capital additions</b>	<b>\$ 960.9</b>		<b>\$ 275.8</b>		<b>\$ 168.2</b>	
<b>Assets:</b>						
U.S. Iron Ore	\$ 1,691.8		\$ 1,537.1			
Eastern Canadian Iron Ore	7,973.1		629.6			
North American Coal	1,814.4		1,623.8			
Asia Pacific Iron Ore	1,511.2		1,195.3			
Other	1,017.6		1,257.8			
<b>Total segment assets</b>	<b>14,008.1</b>		<b>6,243.6</b>			
Corporate	533.6		1,534.6			
<b>Total assets</b>	<b>\$ 14,541.7</b>		<b>\$ 7,778.2</b>			

(1) Includes capital lease additions.

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

	(In Millions)		
	2011	2010	2009
Revenue (1)			
United States	\$ 2,774.1	\$ 1,966.3	\$ 1,049.5
China	2,123.4	1,262.0	711.5
Canada	914.3	696.5	236.6
Japan	460.4	311.1	157.4
Other countries	522.1	446.2	187.0
Total revenue	<u>\$ 6,794.3</u>	<u>\$ 4,682.1</u>	<u>\$ 2,342.0</u>
Property, Plant and Equipment, Net			
United States	\$ 2,684.9	\$ 2,498.8	
Australia	1,138.3	973.7	
Canada	6,701.4	506.7	
Total Property, Plant and Equipment, Net	<u>\$ 10,524.6</u>	<u>\$ 3,979.2</u>	

(1) Revenue is attributed to countries based on the location of the customer and includes both *Product sales and services*.

### Concentrations in Revenue

In 2011, we had one customer that individually accounted for more than 10 percent of our consolidated product revenue. In 2010 and 2009, we had two and one additional customers that individually accounted for more than 10 percent of our consolidated product revenue, respectively. Total revenue from those customers that accounted for more than 10 percent of our consolidated product revenues represents approximately \$1.4 billion, \$1.8 billion and \$0.8 billion of our total consolidated product revenue in 2011, 2010 and 2009, respectively, and is attributable to our U.S. Iron Ore, Eastern Canadian Iron Ore and North American Coal business segments.

The following table represents the percentage of our total revenue contributed by each category of products and services in 2011, 2010 and 2009:

	2011	2010	2009
Revenue Category			
Iron ore	85%	81%	81%
Coal	11	13	14
Freight and venture partners' cost reimbursements	4	6	5
Total revenue	<u>100%</u>	<u>100%</u>	<u>100%</u>

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**NOTE 3 — DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES**

The following table presents the fair value of our derivative instruments and the classification of each in the Statements of Consolidated Financial Position as of December 31, 2011 and 2010:

Derivative Instrument	(In Millions)							
	Derivative Assets				Derivative Liabilities			
	December 31, 2011		December 31, 2010		December 31, 2011		December 31, 2010	
Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value	
Derivatives designated as hedging instruments under ASC 815:								
Foreign Exchange Contracts	Derivative assets (current)	\$ 5.2	Derivative assets (current)	\$ 2.8	Other current liabilities	\$ 3.5	\$ —	
Total derivatives designated as hedging instruments under ASC 815		\$ 5.2		\$ 2.8		\$ 3.5	\$ —	
Derivatives not designated as hedging instruments under ASC 815:								
Foreign Exchange Contracts	Derivative assets (current)	\$ 2.8	Derivative assets (current)	\$ 34.2		\$ —	\$ —	
	Other non-current assets	—	Other non-current assets	2.0		—	—	
Customer Supply Agreements	Derivative assets (current)	72.9	Derivative assets (current)	45.6		—	—	
Provisional Pricing Arrangements	Derivative assets (current)	1.2			Other current liabilities	19.5	—	
	Accounts receivable	83.8		—		—	—	
Total derivatives not designated as hedging instruments under ASC 815		\$ 160.7		\$ 81.8		\$ 19.5	\$ —	
Total derivatives		\$ 165.9		\$ 84.6		\$ 23.0	\$ —	

**Derivatives Designated as Hedging Instruments**

*Cash Flow Hedges*

Australian Foreign Exchange Contracts

We are subject to changes in foreign currency exchange rates as a result of our operations in Australia. Foreign exchange risk arises from our exposure to fluctuations in foreign currency exchange rates because the functional currency of our Asia Pacific operations is the Australian dollar. Our Asia Pacific operations receive funds in U.S. currency for their iron ore and coal sales. We use foreign currency exchange forward contracts, call options and collar options to hedge our foreign currency exposure for a portion of our Australian dollar sales receipts. U.S. currency is converted to Australian dollars at the currency exchange rate in effect at the time of the transaction. The primary objective for the use of these instruments is to reduce exposure to changes in Australian and U.S. currency exchange rates and to protect against undue adverse movement in these exchange rates. Effective October 1, 2010, we elected hedge accounting for certain types of our foreign exchange contracts entered into subsequent to September 30, 2010. These instruments are subject to formal documentation, intended to achieve qualifying hedge treatment, and are tested for effectiveness at inception and at least once each reporting period. During the third quarter of 2011, we implemented a global foreign exchange hedging policy to apply to all of our operating segments and our consolidated subsidiaries that engage in foreign exchange risk mitigation. The policy allows for not more than 75 percent, but not less than 40 percent for up to 12 months and not less than 10 percent for up to 15 months, of forecasted net currency exposures that are probable to occur. For our Asia Pacific operations, the forecasted net currency exposures are in relation to anticipated operating costs designated as cash flow hedges on future sales. Prior to the implementation of this policy, our Asia Pacific operations had a policy in place that was specific to local operations and allowed no more than 75 percent of anticipated operating costs for up to 12 months and no more than 50 percent of operating costs for up to 24 months to be designated as cash flow hedges of future sales. If and when any of our hedge contracts are

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determined not to be highly effective as hedges, the underlying hedged transaction is no longer likely to occur, or the derivative is terminated, hedge accounting is discontinued.

As of December 31, 2011, we had outstanding foreign currency exchange contracts with a notional amount of \$400.0 million in the form of forward contracts with varying maturity dates ranging from January 2012 to December 2012. This compares with outstanding foreign currency exchange contracts with a notional amount of \$70.0 million as of December 31, 2010.

Changes in fair value of highly effective hedges are recorded as a component of *Accumulated other comprehensive income (loss)* in the Statements of Consolidated Financial Position. Unrealized gains of \$1.8 million were recorded as of December 31, 2011 related to these hedge contracts, based on the Australian to U.S. dollar spot rate of 1.02 as of December 31, 2011. Unrealized gains of \$1.9 million were recorded as of December 31, 2010 related to the Australian dollar hedge contracts, based on the Australian to U.S. dollar spot rate of 1.02 at December 31, 2010. Any ineffectiveness is recognized immediately in income and as of December 31, 2011 and 2010, there was no ineffectiveness recorded for these foreign exchange contracts. Amounts recorded as a component of *Accumulated other comprehensive income (loss)* are reclassified into earnings in the same period the forecasted transaction affects earnings and are recorded as *Product revenues* in the Statements of Consolidated Operations. For the year ended December 31, 2011, we recorded realized gains of \$6.5 million. Of the amounts remaining in *Accumulated other comprehensive income (loss)*, we estimate that net gains of \$1.2 million will be reclassified into earnings within the next 12 months.

The following summarizes the effect of our derivatives designated as hedging instruments on *Accumulated other comprehensive income (loss)* and the Statements of Consolidated Operations for the years ended December 31, 2011, 2010 and 2009:

	(In Millions)						
	Amount of Gain Recognized in OCI on Derivative (Effective Portion)			Location of Gain Reclassified from Accumulated OCI into Income (Effective Portion)	Amount of Gain Reclassified from Accumulated OCI into Income (Effective Portion)		
	Year ended December 31,				Year ended December 31,		
	2011	2010	2009	2011	2010	2009	
<b>Derivatives in Cash Flow Hedging Relationships</b>							
Australian Dollar Foreign Exchange Contracts ( <i>hedge designation</i> )	\$ 1.8	\$ 1.9	\$ —	Product revenue	\$ 2.6	\$ —	
Australian Dollar Foreign Exchange Contracts ( <i>prior to de-designation</i> )	—	—	—	Product revenue	0.7	3.2	
<b>Total</b>	<b>\$ 1.8</b>	<b>\$ 1.9</b>	<b>\$ —</b>		<b>\$ 3.3</b>	<b>\$ 15.1</b>	

**Derivatives Not Designated as Hedging Instruments**

*Australian Dollar Foreign Exchange Contracts*

Effective July 1, 2008, we discontinued hedge accounting for foreign exchange contracts entered into for all outstanding contracts at the time and continued to hold such instruments as economic hedges to manage currency risk as described above. The notional amount of the outstanding non-designated foreign exchange contracts was \$15.0 million as of December 31, 2011. The contracts are in the form of collar options with maturity dates in January 2012. This compares with outstanding non-designated foreign exchange contracts with a notional amount of \$230.0 million as of December 31, 2010.

As a result of discontinuing hedge accounting, the instruments prospectively are marked to fair value each reporting period through *Changes in fair value of foreign currency contracts, net* in the Statements of Consolidated Operations. For the year ended December 31, 2011, the change in fair value of our foreign currency contracts resulted in net gains of \$8.8 million, based on the Australian to U.S. dollar spot rate of 1.02 at December 31, 2011. This compares with net gains of \$39.8 million for the year ended December 31, 2010, based on the Australian to U.S. dollar spot rate of 1.02 at December 31, 2010. For the year ended December 31, 2009,

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the change in fair value of our foreign currency contracts resulted in net gains of \$85.7 million, based on the Australian to U.S. dollar spot rate of 0.90 at December 31, 2009. The amounts that previously were recorded as a component of *Accumulated other comprehensive income (loss)* are reclassified to earnings with a corresponding realized gain or loss recognized in the same period the forecasted transaction affected earnings. The amounts that previously were recorded as a component of *Accumulated other comprehensive income (loss)* were all reclassified to earnings during the first half of 2011, with a corresponding realized gain or loss recognized in the same period the forecasted transactions affected earnings.

### *Canadian Dollar Foreign Exchange Contracts and Options*

On January 11, 2011, we entered into a definitive agreement with Consolidated Thompson to acquire all of its common shares in an all-cash transaction, including net debt. We hedged a portion of the purchase price on the open market by entering into foreign currency exchange forward contracts and an option contract with a combined notional amount of C\$4.7 billion. The hedge contracts were considered economic hedges, which do not qualify for hedge accounting. The forward contracts had various maturity dates and the option contract had a maturity date of April 14, 2011.

During the first half of 2011, swaps were executed in order to extend the maturity dates of certain of the forward contracts through the consummation of the Consolidated Thompson acquisition and the repayment of the Consolidated Thompson convertible debentures. These swaps and the maturity of the forward contracts resulted in net realized gains of \$93.1 million recognized through *Changes in fair value of foreign currency contracts, net* in the Statements of Consolidated Operations for the year ended December 31, 2011.

### *Customer Supply Agreements*

Most of our U.S. Iron Ore long-term supply agreements are comprised of a base price with annual price adjustment factors, some of which are subject to annual price collars in order to limit the percentage increase or decrease in prices for our iron ore pellets during any given year. The price adjustment factors vary based on the agreement but typically include adjustments based upon changes in international pellet prices, changes in specified Producers Price indices including those for all commodities, industrial commodities, energy and steel. The adjustments generally operate in the same manner, with each factor typically comprising a portion of the price adjustment, although the weighting of each factor varies based upon the specific terms of each agreement. The price adjustment factors have been evaluated to determine if they contain embedded derivatives. The price adjustment factors share the same economic characteristics and risks as the host contract and are integral to the host contract as inflation adjustments; accordingly, they have not been separately valued as derivative instruments.

Certain supply agreements with one U.S. Iron Ore customer provide for supplemental revenue or refunds based on the customer's average annual steel pricing at the time the product is consumed in the customer's blast furnace. The supplemental pricing is characterized as a freestanding derivative and is required to be accounted for separately once the product is shipped. The derivative instrument, which is finalized based on a future price, is marked to fair value as a revenue adjustment each reporting period until the pellets are consumed and the amounts are settled. We recognized \$178.0 million, \$120.2 million and \$22.2 million as *Product revenues* in the Statements of Consolidated Operations for the years ended December 31, 2011, 2010 and 2009, respectively, related to the supplemental payments. Derivative assets, representing the fair value of the pricing factors, were \$72.9 million and \$45.6 million, respectively, on the December 31, 2011 and 2010 Statements of Consolidated Financial Position.

### *Provisional Pricing Arrangements*

During 2010, the world's largest iron ore producers began to move away from the annual international benchmark pricing mechanism referenced in certain of our customer supply agreements, resulting in a shift in the industry toward shorter-term pricing arrangements linked to the spot market. This change has impacted certain of our U.S. Iron Ore and Eastern Canadian Iron Ore customer supply agreements for the 2011 contract year. We reached final pricing settlement with a majority of our U.S. Iron Ore customers for the 2011 contract year.

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However, in some cases we are still working to revise components of the pricing calculations referenced within our supply agreements to incorporate new pricing mechanisms as a result of the changes to historical benchmark pricing. As a result, we have recorded certain shipments made to our U.S. Iron Ore and Eastern Canadian Iron Ore customers in 2011 on a provisional basis until final settlement is reached. The pricing provisions are characterized as freestanding derivatives and are required to be accounted for separately once the product is shipped. The derivative instrument, which is settled and billed once final pricing settlement is reached, is marked to fair value as a revenue adjustment each reporting period based upon the estimated forward settlement until prices actually are settled. We recognized \$809.1 million as an increase in *Product revenues* in the Statements of Consolidated Operations for the year ended December 31, 2011 under these pricing provisions for certain shipments to our U.S. Iron Ore and Eastern Canadian Iron Ore customers. For the year ended December 31, 2011, \$309.4 million of the revenues were realized due to the pricing settlements that primarily occurred with our U.S. Iron Ore customers during 2011. This compares with an increase in *Product revenues* of \$960.7 million and a reduction to *Product revenues* of \$28.2 million, respectively, for the years ended December 31, 2010 and 2009 related to estimated forward price settlements for shipments to our Asia Pacific Iron Ore, U.S. Iron Ore and Eastern Canadian Iron Ore customers until prices actually settled.

As of December 31, 2011, we have recorded approximately \$1.2 million as current *Derivative assets* and \$19.5 million *Other current liabilities*, respectively, in the Statements of Consolidated Financial Position related to our estimate of final pricing in 2011 with our U.S. Iron Ore and Eastern Canadian Iron Ore customers. This amount represents the difference between the provisional price agreed upon with our customers and our estimate of the ultimate price settlement in 2012. As of December 31, 2011, we also have derivatives of \$83.8 million classified as *Accounts receivable* in the Statements of Consolidated Financial Position to reflect the amount we provisionally have agreed upon with certain of our U.S. Iron Ore and Eastern Canadian Iron Ore customers until a final price settlement is reached. It also represents the amount we have invoiced for shipments made to such customers and expect to collect in cash in the short term to fund operations. In 2010, the derivative instrument was settled in the fourth quarter upon the settlement of pricing provisions with some of our U.S. Iron Ore customers and therefore is not reflected in the Statements of Consolidated Financial Position at December 31, 2010.

The following summarizes the effect of our derivatives that are not designated as hedging instruments in the Statements of Consolidated Operations for the years ended December 31, 2011, 2010 and 2009:

Derivative Not Designated as Hedging Instruments	Location of Gain/(Loss) Recognized in Income on Derivative	(In Millions)		
		Amount of Gain/(Loss) Recognized in Income on Derivative		
		Year ended December 31,		
		2011	2010	2009
Foreign Exchange Contracts	Product Revenues	\$ 1.0	\$ 11.1	\$ 5.4
Foreign Exchange Contracts	Other Income (Expense)	101.9	39.8	85.7
Customer Supply Agreements	Product Revenues	178.0	120.2	22.2
Provisional Pricing Arrangements	Product Revenues	809.1	960.7	(28.2)
United Taconite Purchase Provision	Product Revenues	—	—	106.5
Total		\$ 1,090.0	\$ 1,131.8	\$ 191.6

Refer to NOTE 6 — FAIR VALUE OF FINANCIAL INSTRUMENTS for additional information

In the normal course of business, we enter into forward contracts designated as normal purchases for the purchase of commodities, primarily natural gas and diesel fuel, which are used in our U.S. Iron Ore and Eastern Canadian Iron Ore operations. Such contracts are in quantities expected to be delivered and used in the production process and are not intended for resale or speculative purposes.

**NOTE 4 — ACQUISITIONS AND OTHER INVESTMENTS**

**Acquisitions**

We allocate the cost of acquisitions to the assets acquired and liabilities assumed based on their estimated fair values. Any excess of cost over the fair value of the net assets acquired is recorded as goodwill.

*Consolidated Thompson*

On May 12, 2011, we completed our acquisition of Consolidated Thompson by acquiring all of the outstanding common shares of Consolidated Thompson for C\$17.25 per share in an all-cash transaction, including net debt, pursuant to the terms of an arrangement agreement dated as of January 11, 2011. Upon the acquisition: (a) each outstanding Consolidated Thompson common share was acquired for a cash payment of C\$17.25; (b) each outstanding option and warrant that was “in the money” was acquired for cancellation for a cash payment of C\$17.25 less the exercise price per underlying Consolidated Thompson common share; (c) each outstanding performance share unit was acquired for cancellation for a cash payment of C\$17.25; (d) all outstanding Quinto Mining Corporation rights to acquire common shares of Consolidated Thompson were acquired for cancellation for a cash payment of C\$17.25 per underlying Consolidated Thompson common share; and (e) certain Consolidated Thompson management contracts were eliminated that contained certain change of control provisions for contingent payments upon termination. The acquisition date fair value of the consideration transferred totaled \$4.6 billion. Our full ownership of Consolidated Thompson has been included in the consolidated financial statements since the acquisition date, and the subsidiary is reported as a component of our Eastern Canadian Iron Ore segment.

The acquisition of Consolidated Thompson reflects our strategy to build scale by owning expandable and exportable steelmaking raw material assets serving international markets. Through our acquisition of Consolidated Thompson, we now own and operate an iron ore mine and processing facility near Bloom Lake in Quebec, Canada that produces iron ore concentrate of high quality. WISCO is a 25 percent partner in the Bloom Lake mine. Bloom Lake is designed to achieve an initial production rate of 8.0 million metric tons of iron ore concentrate per year. During the second quarter of 2011 and in January 2012, additional capital investments were approved in order to increase the initial production rate to 16.0 million metric tons of iron ore concentrate per year. We also own two additional development properties, Lam  le and Pepler Lake, in Quebec. All three of these properties are in proximity to our existing Canadian operations and will allow us to leverage our port facilities and supply this iron ore to the seaborne market. The acquisition also is expected to further diversify our existing customer base.

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The following table summarizes the consideration paid for Consolidated Thompson and the estimated fair values of the assets and liabilities assumed at the acquisition date. We are in the process of finalizing the valuation of the assets acquired and liabilities assumed related to the acquisition, most notably, mineral rights, deferred taxes, required liabilities to minority parties and goodwill, and the final allocation will be made when completed. We expect to finalize the purchase price allocation for the acquisition of Consolidated Thompson early in 2012. Accordingly, the provisional measurements noted below are preliminary and subject to modification in the future.

	(In Millions)		
	Initial Allocation	Revised Allocation	Change
Consideration			
Cash	\$ 4,554.0	\$ 4,554.0	\$ —
Fair value of total consideration transferred	<u>\$ 4,554.0</u>	<u>\$ 4,554.0</u>	<u>\$ —</u>
Recognized amounts of identifiable assets acquired and liabilities assumed			
ASSETS:			
Cash	\$ 130.6	\$ 130.6	\$ —
Accounts receivable	102.8	102.4	(0.4)
Product inventories	134.2	134.2	—
Other current assets	35.1	35.1	—
Mineral rights	4,450.0	4,825.6	375.6
Property, plant and equipment	1,193.4	1,193.4	—
Intangible assets	2.1	2.1	—
Total identifiable assets acquired	<u>6,048.2</u>	<u>6,423.4</u>	<u>375.2</u>
LIABILITIES:			
Accounts payable	(13.6)	(13.6)	—
Accrued liabilities	(130.0)	(123.8)	6.2
Convertible debentures	(335.7)	(335.7)	—
Other current liabilities	(41.8)	(41.8)	—
Long-term deferred tax liabilities	(831.5)	(1,041.8)	(210.3)
Senior secured notes	(125.0)	(125.0)	—
Capital lease obligations	(70.7)	(70.7)	—
Other long-term liabilities	(25.1)	(25.1)	—
Total identifiable liabilities assumed	<u>(1,573.4)</u>	<u>(1,777.5)</u>	<u>(204.1)</u>
Total identifiable net assets acquired	4,474.8	4,645.9	171.1
Noncontrolling interest in Bloom Lake	(947.6)	(1,075.4)	(127.8)
Preliminary goodwill	1,026.8	983.5	(43.3)
Total net assets acquired	<u>\$ 4,554.0</u>	<u>\$ 4,554.0</u>	<u>\$ —</u>

In the months subsequent to the initial purchase price allocation for Consolidated Thompson, we further refined the fair values of the assets acquired and liabilities assumed. Based on this process, the acquisition date fair value of the Consolidated Thompson mineral rights, deferred tax liability and noncontrolling interest in Bloom Lake were adjusted to \$4,825.6 million, \$1,041.8 million and \$1,075.4 million, respectively, in the revised purchase price allocation during the fourth quarter of 2011. The change in mineral rights was caused by further refinements to the valuation model, most specifically as it related to potential tax structures that have value from a market participant standpoint and the risk premium used in determining the discount rate. The change in the deferred tax liability primarily was a result of the movement in the mineral rights value and obtaining additional detail of the acquired tax basis in the acquired assets and liabilities. Finally, the change in the noncontrolling interest in Bloom Lake was due to the change in mineral rights and a downward adjustment to the discount for lack of control being used in the valuation. These adjustments resulted in additional depletion expense of \$4.9 million and a gain of \$10.8 million of remeasurement on foreign deferred tax liabilities recorded as *Cost of goods sold and operating expenses* and *Income tax expense*, respectively, in the Statements of

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Consolidated Operations for the year ended December 31, 2011. Under the business combination guidance in ASC 805, prior periods, beginning with the period of acquisition, are required to be revised to reflect changes to the original purchase price allocation. In accordance with this guidance, we retrospectively recorded the adjustments to the fair value of the acquired assets and assumed liabilities and the resulting adjustments to *Goodwill* and *Noncontrolling Interest* back to the date of acquisition. Accordingly, such amounts are reflected in the Statements of Consolidated Operations for the year ended December 31, 2011, but have been excluded from the three months ended December 31, 2011 in the unaudited Quarterly Results of Operations in Note 20. A complete comparison of the initial and revised purchase price allocation has been provided in the table above.

The fair value of the noncontrolling interest in the assets acquired and liabilities assumed in Bloom Lake has been allocated proportionately, based upon WISCO's 25 percent interest in Bloom Lake. We then reduced the allocated fair value of WISCO's ownership interest in Bloom Lake to reflect the noncontrolling interest discount.

The \$983.5 million of preliminary goodwill resulting from the acquisition has been assigned to our Eastern Canadian Iron Ore business segment through the Bloom Lake reporting unit. The preliminary goodwill recognized primarily is attributable to the proximity to our existing Canadian operations, which will allow us to leverage our port facilities and supply iron ore to the seaborne market. None of the preliminary goodwill is expected to be deductible for income tax purposes. Refer to NOTE 5 — GOODWILL AND OTHER INTANGIBLE ASSETS AND LIABILITIES for further information.

Acquisition-related costs in the amount of \$25.4 million have been charged directly to operations and are included within *Consolidated Thompson acquisition costs* in the Statements of Consolidated Operations for the year ended December 31, 2011. In addition, we recognized \$15.7 million of deferred debt issuance costs, net of accumulated amortization of \$1.9 million, associated with issuing and registering the debt required to fund the acquisition as of December 31, 2011. Of these costs, \$1.7 million and \$14.0 million, respectively, have been recorded in *Other current assets* and *Other non-current assets* in the Statements of Consolidated Financial Position at December 31, 2011. Upon the termination of the bridge credit facility that we entered into to provide a portion of the financing for Consolidated Thompson, \$38.3 million of related debt issuance costs were recognized in *Interest expense* in the Statements of Consolidated Operations for the year ended December 31, 2011.

The Statements of Consolidated Operations for the year ended December 31, 2011 include incremental revenue of \$571.0 million and income of \$143.7 million related to the acquisition of Consolidated Thompson since the date of acquisition. Income during the period includes the impact of expensing an additional \$59.8 million of costs due to stepping up the value of inventory in purchase accounting through *Cost of goods sold and operating expenses* for the year ended December 31, 2011.

The following unaudited consolidated pro forma information summarizes the results of operations for the years ended December 31, 2011 and 2010, as if the Consolidated Thompson acquisition and the related financing had been completed as of January 1, 2010. The pro forma information gives effect to actual operating results prior to the acquisition. The unaudited consolidated pro forma information does not purport to be indicative of the results that actually would have been obtained if the acquisition of Consolidated Thompson had occurred as of the beginning of the periods presented or that may be obtained in the future.

	(In Millions, Except Per Common Share)	
	2011	2010
REVENUES FROM PRODUCT SALES AND SERVICES	\$ 7,002.7	\$ 4,982.9
NET INCOME ATTRIBUTABLE TO CLIFFS SHAREHOLDERS	\$ 1,612.3	\$ 912.5
EARNINGS PER COMMON SHARE ATTRIBUTABLE TO CLIFFS SHAREHOLDERS — BASIC	\$ 11.50	\$ 6.74
EARNINGS PER COMMON SHARE ATTRIBUTABLE TO CLIFFS SHAREHOLDERS — DILUTED	\$ 11.43	\$ 6.70

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The 2011 pro forma *Net Income Attributable to Cliffs Shareholders* was adjusted to exclude \$69.6 million of Cliffs and Consolidated Thompson acquisition-related costs and \$59.8 million of non-recurring inventory purchase accounting adjustments incurred during the year ended December 31, 2011. The 2010 pro forma *Net Income Attributable to Cliffs Shareholders* was adjusted to include the \$59.8 million of non-recurring inventory purchase accounting adjustments.

### Wabush

On February 1, 2010, we acquired entities from our former partners that held their respective interests in Wabush, thereby increasing our ownership interest to 100 percent. Our full ownership of Wabush has been included in the consolidated financial statements since that date. The acquisition date fair value of the consideration transferred totaled \$103.0 million, which consisted of a cash purchase price of \$88.0 million and a working capital adjustment of \$15.0 million. With Wabush's 5.5 million tons of production capacity, acquisition of the remaining interest has increased our Eastern Canadian Iron Ore equity production capacity by approximately 4.0 million tons and has added more than 50 million tons of additional reserves. Furthermore, acquisition of the remaining interest has provided us additional access to the seaborne iron ore markets serving steelmakers in Europe and Asia.

Prior to the acquisition date, we accounted for our 26.8 percent interest in Wabush as an equity-method investment. We initially recognized an acquisition date fair value of the previous equity interest of \$39.7 million, and a gain of \$47.0 million as a result of remeasuring our prior equity interest in Wabush held before the business combination. The gain was recognized in the first quarter of 2010 and was included in *Gain on acquisition of controlling interests* in the Statements of Unaudited Condensed Consolidated Operations for the three months ended March 31, 2010.

In the months subsequent to the initial purchase price allocation, we further refined the fair values of the assets acquired and liabilities assumed. Additionally, we also continued to ensure our existing interest in Wabush was incorporating all of the book basis, including amounts recorded in *Accumulated other comprehensive income (loss)*. Based on this process, the acquisition date fair value of the previous equity interest was adjusted to \$38.0 million. The changes required to finalize the U.S. and Canadian deferred tax valuations and to incorporate additional information on assumed asset retirement obligations offset to a net decrease of \$1.7 million in the fair value of the equity interest from the initial purchase price allocation. Thus, the gain resulting from the remeasurement of our prior equity interest, net of amounts previously recorded in *Accumulated other comprehensive income (loss)* of \$20.3 million, was adjusted to \$25.1 million for the period ended December 31, 2010.

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Under the business combination guidance in ASC 805, prior periods, beginning with the period of acquisition, are required to be revised to reflect changes to the original purchase price allocation. In accordance with this guidance, we retrospectively have recorded the adjustments to the fair value of the acquired assets and assumed liabilities and the resulting *Goodwill* and *Gain on acquisition of controlling interests*, made during the second half of 2010, back to the date of acquisition. Accordingly, such amounts are reflected in the Statements of Consolidated Operations for the year ended December 31, 2010, and have been excluded from the three months ended September 30, 2010 and December 31, 2010, respectively, in the unaudited Quarterly Results of Operations in Note 20. We finalized the purchase price allocation for the acquisition of Wabush during the fourth quarter of 2010. A comparison of the initial and final purchase price allocation has been provided in the following table.

	(In Millions)		
	Initial Allocation	Final Allocation	Change
<b>Consideration</b>			
Cash	\$ 88.0	\$ 88.0	\$ —
Working capital adjustments	15.0	15.0	—
Fair value of total consideration transferred	103.0	103.0	—
Fair value of Cliffs' equity interest in Wabush held prior to acquisition of remaining interest	39.7	38.0	(1.7)
	<u>\$ 142.7</u>	<u>\$ 141.0</u>	<u>\$ (1.7)</u>
<b>Recognized amounts of identifiable assets acquired and liabilities assumed</b>			
<b>ASSETS:</b>			
In-process inventories	\$ 21.8	\$ 21.8	\$ —
Supplies and other inventories	43.6	43.6	—
Other current assets	13.2	13.2	—
Mineral rights	85.1	84.4	(0.7)
Plant and equipment	146.3	147.8	1.5
Intangible assets	66.4	66.4	—
Other assets	16.3	19.3	3.0
Total identifiable assets acquired	392.7	396.5	3.8
<b>LIABILITIES:</b>			
Current liabilities	(48.1)	(48.1)	—
Pension and OPEB obligations	(80.6)	(80.6)	—
Mine closure obligations	(39.6)	(53.4)	(13.8)
Below-market sales contracts	(67.7)	(67.7)	—
Deferred taxes	(20.5)	—	20.5
Other liabilities	(8.9)	(8.8)	0.1
Total identifiable liabilities assumed	(265.4)	(258.6)	6.8
Total identifiable net assets acquired	127.3	137.9	10.6
Goodwill	15.4	3.1	(12.3)
Total net assets acquired	<u>\$ 142.7</u>	<u>\$ 141.0</u>	<u>\$ (1.7)</u>

The significant changes to the final purchase price allocation from the initial allocation primarily were due to the allocation of deferred taxes between the existing equity interest in Wabush and the acquired portion, and additional asset retirement obligations noted related to the Wabush operations.

Of the \$66.4 million of acquired intangible assets, \$54.7 million was assigned to the value of a utility contract that provides favorable rates compared with prevailing market rates and is being amortized on a

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straight-line basis over the five-year remaining life of the contract. The remaining \$11.7 million was assigned to the value of an easement agreement that is anticipated to provide a fee to Wabush for rail traffic moving over Wabush lands and is being amortized over a 30-year period.

The \$3.1 million of goodwill resulting from the acquisition was assigned to our Eastern Canadian Iron Ore business segment. The goodwill recognized primarily is attributable to the mine's port access and proximity to the seaborne iron ore markets. None of the goodwill is expected to be deductible for income tax purposes.

Refer to NOTE 5 — GOODWILL AND OTHER INTANGIBLE ASSETS AND LIABILITIES for further information.

### Freewest

During 2009, we acquired 29 million shares, or 12.4 percent, of Freewest, a Canadian-based mineral exploration company focused on acquiring, exploring and developing high-quality chromite, gold and base-metal properties in Canada. On January 27, 2010, we acquired all of the remaining outstanding shares of Freewest for C\$1.00 per share, including its interest in the Ring of Fire properties in Northern Ontario Canada, which comprise three premier chromite deposits. As a result of the transaction, our ownership interest in Freewest increased from 12.4 percent as of December 31, 2009 to 100 percent as of the acquisition date. Our full ownership of Freewest has been included in the consolidated financial statements since the acquisition date. The acquisition of Freewest is consistent with our strategy to broaden our geographic and mineral diversification and allows us to apply our expertise in open-pit mining and mineral processing to a chromite ore resource base that could form the foundation of North America's only ferrochrome production operation. Assuming favorable results from pre-feasibility and feasibility studies and receipt of all applicable approvals, the planned mine is expected to allow us to produce 600 thousand metric tons of ferrochrome and to produce one million metric tons of chromite concentrate annually. Total purchase consideration for the remaining interest in Freewest was approximately \$185.9 million, comprised of the issuance of 0.0201 of our common shares for each Freewest share, representing a total of 4.2 million common shares or \$173.1 million, and \$12.8 million in cash. The acquisition date fair value of the consideration transferred was determined based upon the closing market price of our common shares on the acquisition date.

Prior to the acquisition date, we accounted for our 12.4 percent interest in Freewest as an available-for-sale equity security. The acquisition date fair value of the previous equity interest was \$27.4 million, which was determined based upon the closing market price of the 29 million previously owned shares on the acquisition date. We recognized a gain of \$13.6 million in the first quarter of 2010 as a result of remeasuring our ownership interest in Freewest held prior to the business acquisition. The gain is included in *Gain on acquisition of controlling interests* in the Statements of Consolidated Operations for the year ended December 31, 2010.

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The following table summarizes the consideration paid for Freewest and the fair values of the assets acquired and liabilities assumed at the acquisition date. We finalized the purchase price allocation in the fourth quarter of 2010. Under the business combination guidance in ASC 805, prior periods, beginning with the period of acquisition, are required to be revised to reflect changes to the original purchase price allocation. In accordance with this guidance, we retrospectively have recorded the adjustments to the fair value of the acquired assets and assumed liabilities and the resulting *Goodwill*, made during the fourth quarter of 2010, back to the date of acquisition. We adjusted the initial purchase price allocation for the acquisition of Freewest in the fourth quarter of 2010 as follows:

	(In Millions)		
	Initial Allocation	Final Allocation	Change
<b>Consideration</b>			
Equity instruments (4.2 million Cliffs common shares)	\$ 173.1	\$ 173.1	\$ —
Cash	12.8	12.8	—
Fair value of total consideration transferred	185.9	185.9	—
Fair value of Cliffs' ownership interest in Freewest held prior to acquisition of remaining interest	27.4	27.4	—
	<u>\$ 213.3</u>	<u>\$ 213.3</u>	<u>\$ —</u>
<b>Recognized amounts of identifiable assets acquired and liabilities assumed</b>			
<b>ASSETS:</b>			
Cash	\$ 7.7	\$ 7.7	\$ —
Other current assets	1.4	1.4	—
Mineral rights	252.8	244.0	(8.8)
Marketable securities	12.1	12.1	—
Total identifiable assets acquired	274.0	265.2	(8.8)
<b>LIABILITIES:</b>			
Accounts payable	(3.3)	(3.3)	—
Long-term deferred tax liabilities	(57.4)	(54.3)	3.1
Total identifiable liabilities assumed	(60.7)	(57.6)	3.1
Total identifiable net assets acquired	213.3	207.6	(5.7)
Goodwill	—	5.7	5.7
Total net assets acquired	<u>\$ 213.3</u>	<u>\$ 213.3</u>	<u>\$ —</u>

The significant changes to the final purchase price allocation from the initial allocation primarily were due to changes to the fair value adjustment for mineral rights that resulted from the finalization of certain assumptions used in the valuation models utilized to determine the fair values.

The \$5.7 million of goodwill resulting from the finalization of the purchase price allocation was assigned to our Ferroalloys operating segment. The goodwill recognized primarily is attributable to obtaining a controlling interest in Freewest. None of the goodwill is expected to be deductible for income tax purposes. Refer to NOTE 5 — GOODWILL AND OTHER INTANGIBLE ASSETS AND LIABILITIES for further information.

### Spider

During the second quarter of 2010, we commenced a formal cash offer to acquire all of the outstanding common shares of Spider, a Canadian-based mineral exploration company, for C\$0.19 per share. As of June 30, 2010, we held 27.4 million shares of Spider, representing approximately four percent of its issued and outstanding shares. On July 6, 2010, all of the conditions to acquire the remaining common shares of Spider had been satisfied or waived, and we consequently acquired all of the common shares that validly were tendered as of that date. When combined with our prior ownership interest, the additional shares acquired increased our ownership percentage to 52 percent on the date of acquisition, representing a majority of the common shares

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outstanding on a fully diluted basis. Our 52 percent ownership of Spider was included in the consolidated financial statements since the July 6, 2010 acquisition date, and Spider was included as a component of our Ferroalloys operating segment. The acquisition date fair value of the consideration transferred totaled a cash purchase price of \$56.9 million. Subsequent to the acquisition date, we extended the cash offer to permit additional shares to be tendered and taken up, thereby increasing our ownership percentage in Spider to 85 percent as of July 26, 2010. Effective October 6, 2010, we completed the acquisition of the remaining shares of Spider through an amalgamation, bringing our ownership percentage to 100 percent as of December 31, 2010. As noted above, through our acquisition of Freewest during the first quarter of 2010, we acquired an interest in the Ring of Fire properties in Northern Ontario, which comprise three premier chromite deposits. The Spider acquisition allowed us to obtain majority ownership of the "Big Daddy" chromite deposit, based on Spider's ownership percentage in this deposit of 26.5 percent at the time of the closing acquisition date.

Prior to the July 6, 2010 acquisition date, we accounted for our four percent interest in Spider as an available-for-sale equity security. The acquisition date fair value of the previous equity interest was \$4.9 million, which was determined based upon the closing market price of the 27.4 million previously owned shares on the acquisition date. The acquisition date fair value of the 48 percent noncontrolling interest in Spider was estimated to be \$51.9 million, which was determined based upon the closing market price of the 290.5 million shares of noncontrolling interest on the acquisition date.

The following table summarizes the consideration paid for Spider and the fair values of the assets acquired and liabilities assumed at the acquisition date. We finalized the purchase price allocation in the fourth quarter of 2010. Under the business combination guidance in ASC 805, prior periods, beginning with the period of acquisition, are required to be revised to reflect changes to the original purchase price allocation. In accordance with this guidance, we retrospectively have recorded the adjustments to the fair value of the acquired assets and assumed liabilities and the resulting *Goodwill*, made during the fourth quarter of 2010, back to the date of acquisition. We adjusted the initial purchase price allocation for the acquisition of Spider in the fourth quarter of 2010 as follows:

	(In Millions)		
	Initial Allocation	Final Allocation	Change
<b>Consideration</b>			
Cash	\$ 56.9	\$ 56.9	\$ —
Fair value of total consideration transferred	56.9	56.9	—
Fair value of Cliffs' ownership interest in Spider held prior to acquisition of remaining interest	4.9	4.9	—
	<u>\$ 61.8</u>	<u>\$ 61.8</u>	<u>\$ —</u>
<b>Recognized amounts of identifiable assets acquired and liabilities assumed</b>			
<b>ASSETS:</b>			
Cash	\$ 9.0	\$ 9.0	\$ —
Other current assets	4.5	4.5	—
Mineral rights	31.0	35.3	4.3
Total identifiable assets acquired	44.5	48.8	4.3
<b>LIABILITIES:</b>			
Other current liabilities	(5.2)	(5.2)	—
Long-term deferred tax liabilities	(2.7)	(5.1)	(2.4)
Total identifiable liabilities assumed	(7.9)	(10.3)	(2.4)
Total identifiable net assets acquired	36.6	38.5	1.9
Goodwill	77.1	75.2	(1.9)
Noncontrolling interest in Spider	(51.9)	(51.9)	—
Total net assets acquired	<u>\$ 61.8</u>	<u>\$ 61.8</u>	<u>\$ —</u>

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The significant changes to the final purchase price allocation from the initial allocation primarily were due to changes to the fair value adjustment for mineral rights that resulted from the finalization of certain assumptions used in the valuation models utilized to determine the fair values.

The \$75.2 million of goodwill resulting from the acquisition was assigned to our Ferroalloys operating segment. The goodwill recognized primarily is attributable to obtaining majority ownership of the "Big Daddy" chromite deposit. When combined with the interest we acquired in the Ring of Fire properties through our acquisition of Freewest, we now control three premier chromite deposits in Northern Ontario, Canada. None of the goodwill is expected to be deductible for income tax purposes. Refer to NOTE 5 — GOODWILL AND OTHER INTANGIBLE ASSETS AND LIABILITIES for further information.

### CLCC

On July 30, 2010, we acquired the coal operations of privately owned INR and since that date, the operations acquired from INR have been conducted through our wholly owned subsidiary known as CLCC. Our full ownership of CLCC has been included in the consolidated financial statements since the acquisition date, and the subsidiary is reported as a component of our North American Coal segment. The acquisition date fair value of the consideration transferred totaled \$775.9 million, which consisted of a cash purchase price of \$757 million and a working capital adjustment of \$18.9 million.

CLCC is a producer of high-volatile metallurgical and thermal coal located in southern West Virginia. CLCC's operations include two underground continuous mining method metallurgical coal mines and one open surface thermal coal mine. The acquisition includes a metallurgical and thermal coal mining complex with a coal preparation and processing facility as well as a large, long-life reserve base with an estimated 59 million tons of metallurgical coal and 62 million tons of thermal coal. This reserve base increases our total global reserve base to over 166 million tons of metallurgical coal and over 67 million tons of thermal coal. This acquisition represented an opportunity for us to add complementary high-quality coal products and provided certain advantages, including among other things, long-life mine assets, operational flexibility and new equipment.

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The following table summarizes the consideration paid for CLCC and the estimated fair values of the assets acquired and liabilities assumed at the acquisition date. We finalized the purchase price allocation in the second quarter of 2011. Under the business combination guidance in ASC 805, prior periods, beginning with the period of acquisition, are required to be revised to reflect changes to the original purchase price allocation. In accordance with this guidance, we retrospectively have recorded the adjustments to the fair value of the acquired assets and assumed liabilities and the resulting *Goodwill* back to the date of acquisition. We adjusted the initial purchase price allocation for the acquisition of CLCC as follows:

	(In Millions)		
	Initial Allocation	Final Allocation	Change
<b>Consideration</b>			
Cash	\$ 757.0	\$ 757.0	—
Working capital adjustments	17.5	18.9	1.4
Fair value of total consideration transferred	<u>\$ 774.5</u>	<u>\$ 775.9</u>	<u>\$ 1.4</u>
<b>Recognized amounts of identifiable assets acquired and liabilities assumed</b>			
<b>ASSETS:</b>			
Product inventories	\$ 20.0	\$ 20.0	\$ —
Other current assets	11.8	11.8	—
Land and mineral rights	640.3	639.3	(1.0)
Plant and equipment	111.1	112.3	1.2
Deferred taxes	16.5	15.9	(0.6)
Intangible assets	7.5	7.5	—
Other non-current assets	0.8	0.8	—
Total identifiable assets acquired	<u>808.0</u>	<u>807.6</u>	<u>(0.4)</u>
<b>LIABILITIES:</b>			
Current liabilities	(22.8)	(24.1)	(1.3)
Mine closure obligations	(2.8)	(2.8)	—
Below-market sales contracts	(32.6)	(32.6)	—
Total identifiable liabilities assumed	<u>(58.2)</u>	<u>(59.5)</u>	<u>(1.3)</u>
Total identifiable net assets acquired	749.8	748.1	(1.7)
Goodwill	24.7	27.8	3.1
Total net assets acquired	<u>\$ 774.5</u>	<u>\$ 775.9</u>	<u>\$ 1.4</u>

As our fair value estimates remain materially unchanged from 2010, there were no significant changes to the purchase price allocation from the initial allocation reported during the third quarter of 2010.

Of the \$7.5 million of acquired intangible assets, \$5.4 million was assigned to the value of in-place permits and will be amortized on a straight-line basis over the life of the mine. The remaining \$2.1 million was assigned to the value of favorable mineral leases and will be amortized on a straight-line basis over the corresponding mine life.

The \$27.8 million of goodwill resulting from the acquisition was assigned to our North American Coal business segment. The goodwill recognized primarily is attributable to the addition of complementary high-quality coal products to our existing operations and operational flexibility. None of the goodwill was expected to be deductible for income tax purposes. After performing our annual goodwill impairment test in the fourth quarter of 2011, we determined that the goodwill resulting from the acquisition was impaired as the carrying value exceeded its fair value. The impairment charge was recorded as *Impairment of Goodwill* in the Statements of Consolidated Operations for the year ended December 31, 2011. Refer to NOTE 5 — GOODWILL AND OTHER INTANGIBLE ASSETS AND LIABILITIES for further information.

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With regard to each of the 2010 acquisitions discussed above, pro forma results of operations have not been presented because the effects of these business combinations, individually and in the aggregate, were not material to our consolidated results of operations.

**NOTE 5 — GOODWILL AND OTHER INTANGIBLE ASSETS AND LIABILITIES**

*Goodwill*

Goodwill represents the excess purchase price paid over the fair value of the net assets of acquired companies and is not subject to amortization. We assign goodwill arising from acquired companies to the reporting units that are expected to benefit from the synergies of the acquisition. Our reporting units are either at the operating segment level or a component one level below our operating segments that constitutes a business for which management generally reviews production and financial results of that component. Decisions are often made as to capital expenditures, investments and production plans at the component level as part of the ongoing management of the related operating segment. We have determined that our Asia Pacific Iron Ore and Ferroalloys operating segments constitute separate reporting units, that our Bloom Lake and Wabush mines within our Eastern Canadian Iron Ore operating segment constitute reporting units, that CLCC within our North American Coal operating segment constitutes a reporting unit and that our Northshore mine within our U.S. Iron Ore operating segment constitutes a reporting unit. Goodwill is allocated among and evaluated for impairment at the reporting unit level in the fourth quarter of each year or as circumstances occur that potentially indicate that the carrying amount of these assets may not be recoverable. There were no such events or changes in circumstances during 2011.

After performing our annual goodwill impairment test in the fourth quarter of 2011, we determined that \$27.8 million of goodwill associated with our CLCC reporting unit was impaired as the carrying value with this reporting unit exceeded its fair value. The fair value was determined using a combination of a discounted cash flow model and valuations of comparable businesses. The impairment charge for the CLCC reporting unit was driven by our overall outlook on coal pricing in light of economic conditions, increases in our anticipated costs to bring the Lower War Eagle mine into production and increases in our anticipated sustaining capital cost for the lives of the CLCC mines that are currently operating. No impairment charges were identified in connection with our annual goodwill impairment test with respect to our other identified reporting units. The following table summarizes changes in the carrying amount of goodwill allocated by operating segment during 2011 and 2010:

	(In Millions)											
	December 31, 2011						December 31, 2010					
	U.S. Iron Ore	Eastern Canadian Iron Ore	North American Coal	Asia Pacific Iron Ore	Other	Total	U.S. Iron Ore	Eastern Canadian Iron Ore	North American Coal	Asia Pacific Iron Ore	Other	Total
Beginning Balance	\$ 2.0	\$ 3.1	\$ 27.9	\$ 82.6	\$ 80.9	\$ 196.5	\$ 2.0	\$ 3.1	\$ 27.9	\$ 72.6	\$ 80.9	\$ 196.5
Arising in business combinations	—	983.5	(0.1)	—	—	983.4	—	—	—	—	—	—
Impairment	—	—	(27.8)	—	—	(27.8)	—	3.1	27.9	—	—	—
Impact of foreign currency translation	—	—	—	0.4	—	0.4	—	—	—	10.0	—	10.0
Other	—	(0.4)	—	—	—	(0.4)	—	—	—	—	—	—
Ending Balance	\$ 2.0	\$ 986.2	\$ —	\$ 83.0	\$ 80.9	\$ 1,152.1	\$ 2.0	\$ 3.1	\$ 27.9	\$ 82.6	\$ 80.9	\$ 196.5

The increase in the balance of goodwill as of December 31, 2011 is due to the assignment of \$983.5 million to *Goodwill* during 2011 based on preliminary purchase price allocation for the acquisition of Consolidated Thompson. The balance of \$1,152.1 million and \$196.5 million as of December 31, 2011 and 2010, respectively, is presented as *Goodwill* in the Statements of Consolidated Financial Position. Refer to NOTE 4 — ACQUISITIONS AND OTHER INVESTMENTS for additional information.

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### Other Intangible Assets and Liabilities

Following is a summary of intangible assets and liabilities at December 31, 2011 and 2010:

Classification	(In Millions)					
	December 31, 2011			December 31, 2010		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Definite lived intangible assets:						
Permits	\$ 134.3	\$ (23.2)	\$ 111.1	\$ 132.4	\$ (16.3)	\$ 116.1
Utility contracts	54.7	(21.3)	33.4	54.7	(10.2)	44.5
Easements (1)	—	—	—	11.7	(0.4)	11.3
Leases	5.5	(3.0)	2.5	5.2	(2.9)	2.3
Unpatented technology (2)	—	—	—	4.0	(2.4)	1.6
Total intangible assets	\$ 194.5	\$ (47.5)	\$ 147.0	\$ 208.0	\$ (32.2)	\$ 175.8
Below-market sales contracts	\$ (77.0)	\$ 24.3	\$ (52.7)	\$ (77.0)	\$ 19.9	\$ (57.1)
Below-market sales contracts	(252.3)	140.5	(111.8)	(252.3)	87.9	(164.4)
Total below-market sales contracts	\$ (329.3)	\$ 164.8	\$ (164.5)	\$ (329.3)	\$ 107.8	\$ (221.5)

- (1) Upon the acquisition of Consolidated Thompson, this intangible asset is now eliminated through intercompany eliminations. The easement agreement is between Wabush and Consolidated Thompson.
- (2) Upon recording the renewaFUEL operations as discontinued operations, this intangible asset was written down in the resulting impairment charge recorded during the third quarter of 2011.

The intangible assets are subject to periodic amortization on a straight-line basis over their estimated useful lives as follows:

Intangible Asset	Useful Life (years)
Permits	15 - 28
Utility contracts	5
Leases	1.5 - 4.5

Amortization expense relating to intangible assets was \$17.7 million, \$18.8 million and \$8.2 million, respectively, for the years ended December 31, 2011, 2010 and 2009, and is recognized in *Cost of goods sold and operating expenses* in the Statements of Consolidated Operations. The estimated amortization expense relating to intangible assets for each of the five succeeding fiscal years is as follows:

Year Ending December 31	(In Millions) Amount
2012	\$ 18.0
2013	17.9
2014	17.9
2015	6.0
2016	6.0
Total	\$ 65.8

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The below-market sales contracts are classified as a liability and recognized over the terms of the underlying contracts, which range from 3.5 to 8.5 years. For the years ended December 31, 2011, 2010 and 2009, we recognized \$57.0 million, \$62.4 million and \$30.3 million, respectively, in *Product revenues* related to the below-market sales contracts. The following amounts will be recognized in *Product revenues* for each of the five succeeding fiscal years:

Year Ending December 31	(In Millions) Amount
2012	\$ 48.8
2013	45.3
2014	23.0
2015	23.0
2016	23.1
<b>Total</b>	<b>\$ 163.2</b>

**NOTE 6 — FAIR VALUE OF FINANCIAL INSTRUMENTS**

The following represents the assets and liabilities of the Company measured at fair value at December 31, 2011 and 2010:

Description	(In Millions)			Total
	December 31, 2011			
	Quoted Prices in Active Markets for Identical Assets/Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
<b>Assets:</b>				
Cash equivalents	\$ 351.2	\$ —	\$ —	\$351.2
Derivative assets	—	—	157.9 (1)	157.9
International marketable securities	27.1	—	—	27.1
Foreign exchange contracts	—	8.0	—	8.0
<b>Total</b>	<b>\$ 378.3</b>	<b>\$ 8.0</b>	<b>\$ 157.9</b>	<b>\$544.2</b>
<b>Liabilities:</b>				
Derivative liabilities	\$ —	\$ —	\$ 19.5	\$ 19.5
Foreign exchange contracts	—	3.5	—	3.5
<b>Total</b>	<b>\$ —</b>	<b>\$ 3.5</b>	<b>\$ 19.5</b>	<b>\$ 23.0</b>

(1) Derivative assets includes \$83.8 million classified as *Accounts receivable* on the Statement of Consolidated Financial Position as of December 31, 2011. Refer to NOTE 3 — DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES for further information.

Description	(In Millions)			Total
	December 31, 2010			
	Quoted Prices in Active Markets for Identical Assets/Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
<b>Assets:</b>				
Cash equivalents	\$ 1,307.2	\$ —	\$ —	\$1,307.2
Derivative assets	—	—	45.6	45.6
U.S. marketable securities	22.0	—	—	22.0
International marketable securities	63.9	—	—	63.9
Foreign exchange contracts	—	39.0	—	39.0
<b>Total</b>	<b>\$ 1,393.1</b>	<b>\$ 39.0</b>	<b>\$ 45.6</b>	<b>\$1,477.7</b>

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There were no financial instruments measured at fair value that were in a liability position at December 31, 2010.

Financial assets classified in Level 1 at December 31, 2011 and 2010 include money market funds and available-for-sale marketable securities. The valuation of these instruments is determined using a market approach, taking into account current interest rates, creditworthiness and liquidity risks in relation to current market conditions, and is based upon unadjusted quoted prices for identical assets in active markets.

The valuation of financial assets and liabilities classified in Level 2 is determined using a market approach based upon quoted prices for similar assets and liabilities in active markets, or other inputs that are observable for substantially the full term of the financial instrument. Level 2 securities primarily include derivative financial instruments valued using financial models that use as their basis readily observable market parameters. At December 31, 2011 and 2010, such derivative financial instruments included our existing foreign currency exchange contracts. The fair value of the foreign currency exchange contracts is based on forward market prices and represents the estimated amount we would receive or pay to terminate these agreements at the reporting date, taking into account creditworthiness, nonperformance risk and liquidity risks associated with current market conditions.

The derivative financial assets classified within Level 3 at December 31, 2011 and 2010 include an embedded derivative instrument related to certain supply agreements with one of our U.S. Iron Ore customers. The agreements include provisions for supplemental revenue or refunds based on the customer's annual steel pricing at the time the product is consumed in the customer's blast furnaces. We account for this provision as a derivative instrument at the time of sale and mark this provision to fair value as a revenue adjustment each reporting period until the product is consumed and the amounts are settled. The fair value of the instrument is determined using a market approach based on an estimate of the annual realized price of hot rolled steel at the steelmaker's facilities, and takes into consideration current market conditions and nonperformance risk.

The Level 3 derivative assets and liabilities at December 31, 2011 also consisted of freestanding derivatives related to certain supply agreements with our U.S. Iron Ore and Eastern Canadian Iron Ore customers. In 2011, we reached final pricing settlement with a majority of our U.S. Iron Ore customers. However, in some cases we still are working to revise components of the pricing calculations referenced within our supply agreements to incorporate new pricing mechanisms as a result of the changes to historical benchmark pricing. As a result, we have recorded certain shipments made during 2011 on a provisional basis until final settlement is reached. The pricing provisions are characterized as freestanding derivatives and are required to be accounted for separately once the product is shipped. The derivative instrument, which is settled and billed once final pricing settlement is reached, is marked to fair value as a revenue adjustment each reporting period.

In the second quarter of 2011 and the third quarter of 2010, we revised the inputs used to determine the fair value of these derivatives to include 2011 published pricing indices and settlements realized by other companies in the industry. Prior to this change, the fair value primarily was determined based on significant unobservable inputs to develop the forward price expectation of the final price settlement for 2011. Based on these changes to the determination of the fair value, we transferred \$20.0 million of derivative assets from a Level 3 classification to a Level 2 classification within the fair value hierarchy in the second quarter of 2011. A similar revision to the inputs used to determine the fair value of these derivatives was made in the third quarter of 2010 and, based on the changes, we transferred \$161.8 million of derivative assets from a Level 3 classification to a Level 2 classification within the fair value hierarchy at that time.

Due to pending revisions to the terms of certain of our customer supply agreements that were initiated during the fourth quarter of 2011, the fair value determination for these derivatives has again been primarily based on significant unobservable inputs to develop the forward price expectation of the final price settlement for 2011. Based on these changes to the determination of the fair value, we transferred \$49.0 million of derivative assets from a Level 2 classification to a Level 3 classification within the fair value hierarchy in the fourth quarter of 2011. The fair value of our derivatives is determined using a market approach and takes into account current market conditions and other risks, including nonperformance risk.

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Substantially all of the financial assets and liabilities are carried at fair value or contracted amounts that approximate fair value. We had no financial assets and liabilities measured at fair value on a non-recurring basis at December 31, 2011 and 2010.

We recognize any transfers between levels as of the beginning of the reporting period, including both transfers into and out of levels. There were no transfers between Level 1 and Level 2 of the fair value hierarchy during the year ended December 31, 2011. As noted above, there was a transfer from Level 3 to Level 2 in each of the second quarter of 2011 and the third quarter of 2010, and a transfer from Level 2 to Level 3 in the fourth quarter of 2011, as reflected in the table below. The following table represents a reconciliation of the changes in fair value of financial instruments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended December 31, 2011 and 2010.

	(In Millions)	
	Derivative Assets (Level 3)	
	Year Ended December 31,	
	2011	2010
Beginning balance — January 1	\$ 45.6	\$ 63.2
Total gains		
Included in earnings	403.0	851.7
Included in other comprehensive income	—	—
Settlements	(319.7)	(707.5)
Transfers into Level 3	49.0	—
Transfers out of Level 3	(20.0)	(161.8)
Ending balance — December 31	<u>\$ 157.9</u>	<u>\$ 45.6</u>
Total gains for the period included in earnings attributable to the change in unrealized gains on assets still held at the reporting date	<u>\$ 403.0</u>	<u>\$ 120.2</u>

	(In Millions)	
	Derivative Liabilities (Level 3)	
	Year Ended December 31,	
	2011	2010
Beginning balance — January 1	\$ —	\$ —
Total losses		
Included in earnings	(19.5)	—
Included in other comprehensive income	—	—
Settlements	—	—
Transfers into Level 3	—	—
Ending balance — December 31	<u>\$ (19.5)</u>	<u>\$ —</u>
Total losses for the period included in earnings attributable to the change in unrealized losses on assets still held at the reporting date	<u>\$ (19.5)</u>	<u>\$ —</u>

Gains and losses included in earnings are reported in *Product revenue* in the Statements of Consolidated Operations for the years ended December 31, 2011 and 2010.

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The carrying amount and fair value of our long-term receivables and long-term debt at December 31, 2011 and 2010 were as follows:

	(In Millions)			
	December 31, 2011		December 31, 2010	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<b>Long-term receivables:</b>				
Customer supplemental payments	\$ 22.3	\$ 20.8	\$ 22.3	\$ 19.5
ArcelorMittal USA — Receivable	26.5	30.7	32.8	38.9
Other	10.0	10.0	8.1	8.1
<b>Total long-term receivables (1)</b>	<b>\$ 58.8</b>	<b>\$ 61.5</b>	<b>\$ 63.2</b>	<b>\$ 66.5</b>
<b>Long-term debt:</b>				
Term loan — \$1.25 billion	\$ 897.2	\$ 897.2	\$ —	\$ —
Senior notes — \$700 million	699.3	726.4	—	—
Senior notes — \$1.3 billion	1,289.2	1,399.4	990.3	972.5
Senior notes — \$400 million	398.0	448.8	397.8	422.8
Senior notes — \$325 million	325.0	348.7	325.0	355.6
Customer Borrowings	5.1	5.1	4.0	4.0
<b>Total long-term debt</b>	<b>\$ 3,613.8</b>	<b>\$ 3,825.6</b>	<b>\$ 1,717.1</b>	<b>\$ 1,754.9</b>

(1) Includes current portion.

The terms of one of our U.S. Iron Ore pellet supply agreements require supplemental payments to be paid by the customer during the period 2009 through 2013, with the option to defer a portion of the 2009 monthly amount up to \$22.3 million in exchange for interest payments until the deferred amount is repaid in 2013. Interest is payable by the customer quarterly and began in September 2009 at the higher of 9 percent or the prime rate plus 350 basis points. As of December 31, 2011 and 2010, a receivable of \$22.3 million had been recorded in *Other non-current assets* in the Statement of Consolidated Financial Position reflecting the terms of this deferred payment arrangement. The fair value of the receivable of \$20.8 million and \$19.5 million at December 31, 2011 and 2010, respectively, is based on a discount rate of 4.5 percent, which represents the estimated credit-adjusted risk-free interest rate for the period the receivable is outstanding.

In 2002, we entered into an agreement with Ispat that restructured the ownership of the Empire mine and increased our ownership from 46.7 percent to 79 percent in exchange for the assumption of all mine liabilities. Under the terms of the agreement, we indemnified Ispat from obligations of Empire in exchange for certain future payments to Empire and to us by Ispat of \$120.0 million, recorded at a present value of \$26.5 million and \$32.8 million at December 31, 2011 and 2010, respectively. The fair value of the receivable of \$30.7 million and \$38.9 million at December 31, 2011 and 2010, respectively, is based on a discount rate of 2.58 percent, which represents the estimated credit-adjusted risk-free interest rate for the period the receivable is outstanding.

The fair value of long-term debt was determined using quoted market prices or discounted cash flows based upon current borrowing rates. The term loan and revolving loan are variable rate interest and approximate fair value. See NOTE 7 — DEBT AND CREDIT FACILITIES for further information.

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**NOTE 7 — DEBT AND CREDIT FACILITIES**

The following represents a summary of our long-term debt as of December 31, 2011 and 2010:

(\$ in Millions)					
December 31, 2011					
Debt Instrument	Type	Average Annual Interest Rate	Final Maturity	Total Face Amount	Total Long-term Debt
\$1.25 Billion Term Loan	Variable	1.40%	2016	\$ 972.0 (6)	\$ 897.2 (6)
\$700 Million 4.875% 2021 Senior Notes	Fixed	4.88%	2021	700.0	699.3 (5)
<b>\$1.3 Billion Senior Notes:</b>					
\$500 Million 4.80% 2020 Senior Notes	Fixed	4.80%	2020	500.0	499.1 (4)
\$800 Million 6.25% 2040 Senior Notes	Fixed	6.25%	2040	800.0	790.1 (3)
\$400 Million 5.90% 2020 Senior Notes	Fixed	5.90%	2020	400.0	398.0 (2)
<b>\$325 Million Private Placement Senior Notes:</b>					
Series 2008A — Tranche A	Fixed	6.31%	2013	270.0	270.0
Series 2008A — Tranche B	Fixed	6.59%	2015	55.0	55.0
<b>\$1.75 Billion Credit Facility:</b>					
Revolving Loan	Variable	—	2016	1,750.0	— (1)
<b>Total</b>				<u>\$ 5,447.0</u>	<u>\$ 3,608.7</u>

December 31, 2010					
Debt Instrument	Type	Average Annual Interest Rate	Final Maturity	Total Face Amount	Total Long-term Debt
<b>\$1 Billion Senior Notes:</b>					
\$500 Million 4.80% 2020 Senior Notes	Fixed	4.80%	2020	\$ 500.0	\$ 499.0 (4)
\$500 Million 6.25% 2040 Senior Notes	Fixed	6.25%	2040	500.0	491.3 (3)
\$400 Million 5.90% 2020 Senior Notes	Fixed	5.90%	2020	400.0	397.8 (2)
<b>\$325 Million Private Placement Senior Notes:</b>					
Series 2008A — Tranche A	Fixed	6.31%	2013	270.0	270.0
Series 2008A — Tranche B	Fixed	6.59%	2015	55.0	55.0
<b>\$600 Million Credit Facility:</b>					
Revolving Loan	Variable	—	2012	600.0	— (1)
<b>Total</b>				<u>\$ 2,325.0</u>	<u>\$ 1,713.1</u>

- (1) As of December 31, 2011 and December 31, 2010, no revolving loans were drawn under the credit facility and the principal amount of letter of credit obligations totaled \$23.5 million and \$64.7 million, respectively, thereby reducing available borrowing capacity to \$1,726.5 million and \$535.3 million, respectively.
- (2) As of December 31, 2011 and December 31, 2010, the \$400 million 5.90 percent senior notes were recorded at a par value of \$400 million less unamortized discounts of \$2.0 million and \$2.2 million, respectively, based on an imputed interest rate of 5.98 percent.
- (3) As of December 31, 2011 and December 31, 2010, the \$800 million and \$500 million 6.25 percent senior notes were recorded at par values of \$800 million and \$500 million, respectively, less unamortized discounts of \$9.9 million and \$8.7 million, respectively, based on an imputed interest rate of 6.38 percent.
- (4) As of December 31, 2011 and December 31, 2010, the \$500 million 4.80 percent senior notes were recorded at a par value of \$500 million less unamortized discounts of \$0.9 million and \$1.0 million, respectively, based on an imputed interest rate of 4.83 percent.
- (5) As of December 31, 2011, the \$700 million 4.875 percent senior notes were recorded at a par value of \$700 million less unamortized discounts of \$0.7 million, based on an imputed interest rate of 4.89 percent.

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- (6) As of December 31, 2011, \$278.0 million had been paid down on the original \$1.25 billion term loan and of the remaining term loan \$74.8 million was classified as *Current portion of term loan*. The current classification is based upon the principal payment terms of the arrangement requiring principal payments on each three-month anniversary following the funding of the term loan.

### Credit Facility

On August 11, 2011, we entered into a five-year unsecured amended and restated multicurrency credit agreement, or amended credit agreement, with a syndicate of financial institutions in order to amend the terms of our existing multicurrency credit agreement. The former \$800 million multicurrency credit agreement consisted of a \$600 million revolving credit facility and a \$200 million term loan. The \$200 million term loan was paid in its entirety in March 2010, reducing the multicurrency credit agreement to a \$600 million revolving credit facility. The amended credit agreement provides for, among other things, a \$1.75 billion revolving credit facility and allows for the designation of certain foreign subsidiaries as borrowers under the amended credit agreement, if certain conditions are satisfied. Borrowings under the amended credit agreement bear interest at a floating rate based upon a base rate or the LIBOR rate plus a margin based upon our leverage ratio. Certain of our material domestic subsidiaries have guaranteed our obligations and the obligations of other borrowers under the amended credit agreement. Previously, we had amended the terms of our \$800 million multicurrency credit agreement, effective October 29, 2009. The 2009 amendment resulted in, among other things, an increase in the sub-limit for letters of credit from \$50 million to \$150 million, the addition of multicurrency letters of credit, and more liberally defined financial covenants and debt restrictions. An increase of 50 basis points to the annual LIBOR margin resulted from this 2009 amendment.

Proceeds from the amended credit agreement are used to refinance existing indebtedness, to finance general working capital needs and for other general corporate purposes, including the funding of acquisitions. We have the ability to request an increase in available revolving credit borrowings under the amended credit agreement by an additional amount of up to \$250 million by obtaining the agreement of the existing financial institutions to increase their lending commitments or by adding additional lenders.

As a condition of agreeing to the amended credit agreement terms, \$250 million was drawn against the revolving credit facility on August 11, 2011, in order to pay down a portion of the term loan. All amounts outstanding under the revolving credit facility were repaid in full on December 12, 2011. The weighted average annual interest rate under the revolving credit facility during the time the borrowings were outstanding was 1.84 percent.

Loans are drawn with a choice of interest rates and maturities, subject to the terms of the agreement. Under the amended credit agreement described above, interest rates are either (a) (1) a range from LIBOR plus 0.75 percent to LIBOR plus 2.00 percent based on the leverage ratio, or (2) the highest of the prime rate, (b) the Federal Funds Effective Rate plus 0.50 percent, or (c) the one-month LIBOR rate, plus 1.0 percent based on the leverage ratio.

The amended credit agreement has two financial covenants based on: (1) debt to earnings ratio (Total Funded Debt to EBITDA, as those terms are defined in the amended credit agreement, as of the last day of each fiscal quarter cannot exceed (i) 3.5 to 1.0, if none of the \$270 million private placement senior notes due 2013 remain outstanding, or otherwise (ii) the then applicable maximum multiple under the \$270 million private placement senior notes due 2013) and (2) interest coverage ratio (Consolidated EBITDA to Interest Expense, as those terms are defined in the amended credit agreement, for the preceding four quarters must not be less than 2.5 to 1.0 on the last day of any fiscal quarter). Prior to the amendment to our multicurrency credit agreement in August 2011, the debt to earnings ratio of Total Funded Debt to Consolidated EBITDA for the preceding four quarters could not exceed 3.25 to 1.0 on the last day of any fiscal quarter. Prior to the amendment to our multicurrency credit agreement in October 2009, the interest coverage ratio was calculated based on Consolidated EBIT to Interest Expense for the preceding four quarters and could not be less than 3.0 to 1.0 on the last day of any fiscal quarter. The amended credit agreement provided for more flexible financial covenants and debt restrictions through the amendment of certain customary covenants. As of December 31, 2011 and 2010, we were in compliance with the financial covenants in the amended credit agreement.

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### *\$1 Billion Senior Notes — 2011 Offering*

On March 23, 2011 and April 1, 2011, respectively, we completed a \$1 billion public offering of senior notes consisting of two tranches: a 10-year tranche of \$700 million aggregate principal amount at 4.875 percent senior notes due April 1, 2021, and an additional issuance of \$300 million aggregate principal amount of our 6.25 percent senior notes due October 1, 2040, of which \$500 million aggregate principal amount previously was issued during September 2010. Interest is fixed and is payable on April 1 and October 1 of each year, beginning on October 1, 2011, for both series of senior notes until maturity. The senior notes are unsecured obligations and rank equally in right of payment with all our other existing and future unsecured and unsubordinated indebtedness. There are no subsidiary guarantees of the interest and principal amounts. The net proceeds from the senior notes offering were used to fund a portion of the acquisition of Consolidated Thompson and to pay the related fees and expenses.

The senior notes may be redeemed any time at our option not less than 30 days nor more than 60 days after prior notice is sent to the holders of the applicable series of notes. The senior notes are redeemable at a redemption price equal to the greater of (1) 100 percent of the principal amount of the notes to be redeemed or (2) the sum of the present values of the remaining scheduled payments of principal and interest on the notes to be redeemed, discounted to the redemption date on a semi-annual basis at the treasury rate plus 25 basis points with respect to the 2021 senior notes and 40 basis points with respect to the 2040 senior notes, plus, in each case, accrued and unpaid interest to the date of redemption. However, if the 2021 senior notes are redeemed on or after the date that is three months prior to their maturity date, the 2021 senior notes will be redeemed at a redemption price equal to 100 percent of the principal amount of the notes to be redeemed plus accrued and unpaid interest to the date of redemption.

In addition, if a change of control triggering event occurs with respect to the senior notes, as defined in the agreement, we will be required to offer to purchase the notes of the applicable series at a purchase price equal to 101 percent of the principal amount, plus accrued and unpaid interest, if any, to the date of purchase.

The terms of the senior notes contain certain customary covenants; however, there are no financial covenants.

### *\$1 Billion Senior Notes — 2010 Offering*

On September 20, 2010, we completed a \$1 billion public offering of senior notes consisting of two tranches: a 10-year tranche of \$500 million aggregate principal amount at 4.80 percent due October 1, 2020, and a 30-year tranche of \$500 million aggregate principal amount at 6.25 percent due October 1, 2040. Interest is fixed and is payable on April 1 and October 1 of each year, beginning on April 1, 2011, for both series of senior notes until maturity. The senior notes are unsecured obligations and rank equally in right of payment with all of our other existing and future senior unsecured and unsubordinated indebtedness. There are no subsidiary guarantees of the interest and principal amounts.

A portion of the net proceeds from the senior notes offering was used on September 22, 2010 to repay \$350 million outstanding under our credit facility. The net proceeds were used for general corporate purposes, including funding of capital expenditures and were used to fund a portion of the acquisition of Consolidated Thompson and related expenses.

The senior notes may be redeemed any time at our option not less than 30 days nor more than 60 days after prior notice is sent to the holders of the applicable series of notes. The senior notes are redeemable at a redemption price equal to the greater of (1) 100 percent of the principal amount of the notes to be redeemed or (2) the sum of the present values of the remaining scheduled payments of principal and interest on the notes to be redeemed, discounted to the redemption date on a semi-annual basis at the treasury rate plus 35 basis points with respect to the 2020 senior notes and 40 basis points with respect to the 2040 senior notes, plus, in each case, accrued and unpaid interest to the date of redemption. In addition, if a change of control triggering event occurs with respect to the notes, we will be required to offer to purchase the notes at a purchase price equal to 101 percent of the principal amount, plus accrued and unpaid interest to the date of purchase.

The terms of the senior notes contain certain customary covenants; however, there are no financial covenants.

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### *\$400 Million Senior Notes Offering*

On March 17, 2010, we completed a \$400 million public offering of senior notes due March 15, 2020. Interest at a fixed rate of 5.90 percent is payable on March 15 and September 15 of each year, beginning on September 15, 2010, until maturity on March 15, 2020. The senior notes are unsecured obligations and rank equally in right of payment with all of our other existing and future senior unsecured and unsubordinated indebtedness. There are no subsidiary guarantees of the interest and principal amounts.

A portion of the net proceeds from the senior notes offering was used on March 31, 2010 to repay our \$200 million term loan under our credit facility, as well as to repay on May 27, 2010 our share of Amapá's remaining debt outstanding of \$100.8 million. In addition, we used the remainder of the net proceeds to help fund the acquisitions of Spider and CLCC during the third quarter of 2010.

The senior notes may be redeemed any time at our option not less than 30 days nor more than 60 days after prior notice is sent to the holders of the applicable series of notes. The senior notes are redeemable at a redemption price equal to the greater of (1) 100 percent of the principal amount of the notes to be redeemed or (2) the sum of the present values of the remaining scheduled payments of principal and interest on the notes to be redeemed, discounted to the redemption date on a semi-annual basis, plus accrued and unpaid interest to the date of redemption. In addition, if a change of control triggering event occurs, we will be required to offer to purchase the notes at a purchase price equal to 101 percent of the principal amount, plus accrued and unpaid interest to the date of purchase.

The terms of the senior notes contain certain customary covenants; however, there are no financial covenants.

### *\$325 Million Private Placement Senior Notes*

On June 25, 2008, we entered into a \$325 million private placement consisting of \$270 million of 6.31 percent Five-Year Senior Notes due June 15, 2013, and \$55 million of 6.59 percent Seven-Year Senior Notes due June 15, 2015. Interest is paid on the notes for both tranches on June 15 and December 15 until their respective maturities. The notes are unsecured obligations with interest and principal amounts guaranteed by certain of our domestic subsidiaries. The notes and guarantees were not required to be registered under the Securities Act of 1933, as amended, and were placed with qualified institutional investors. We used the proceeds to repay senior unsecured indebtedness and for general corporate purposes.

The terms of the private placement senior notes contain customary covenants that require compliance with certain financial covenants based on: (1) debt to earnings ratio (Total Funded Debt to Consolidated EBITDA, as those terms are defined in the note purchase agreement, for the preceding four quarters cannot exceed 3.25 to 1.0 on the last day of any fiscal quarter) and (2) interest coverage ratio (Consolidated EBITDA to Interest Expense, as those terms are defined in the note purchase agreement, for the preceding four quarters must not be less than 2.5 to 1.0 on the last day of any fiscal quarter). As of December 31, 2011 and 2010, we were in compliance with the financial covenants in the note purchase agreement.

### *Bridge Credit Agreement*

On March 4, 2011, we entered into an unsecured bridge credit agreement with a syndicate of banks in order to provide a portion of the financing for the acquisition of Consolidated Thompson. The bridge credit agreement provided for a bridge credit facility with an original maturity date of May 10, 2012. On May 10, 2011, we borrowed \$750 million under the bridge credit facility to fund a portion of the cash required upon the consummation of the acquisition of Consolidated Thompson. The borrowings under the bridge credit facility were repaid using a portion of the net proceeds obtained from the public offering of our common shares that was completed on June 13, 2011, and the bridge credit facility was terminated. The borrowings under the bridge credit facility bore interest at a floating rate based upon a base rate or the LIBOR rate plus a margin determined by our credit rating and the length of time the borrowings were outstanding. The weighted average annual interest rate under the bridge credit facility during the time the borrowings were outstanding was 2.56 percent. Refer to NOTE 13 — CAPITAL STOCK for additional information on the public offering of our common shares.

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### *Term Loan*

On March 4, 2011, we entered into an unsecured term loan agreement with a syndicate of banks in order to provide a portion of the financing for the acquisition of Consolidated Thompson. The term loan agreement provided for a \$1.25 billion term loan. The term loan has a maturity date of five years from the date of funding and requires principal payments on each three-month anniversary of the date following the funding. On May 10, 2011, we borrowed \$1.25 billion under the term loan agreement to fund a portion of the cash required upon the consummation of the acquisition of Consolidated Thompson. Effective August 11, 2011, we amended the term loan agreement to modify certain definitions, representations, warranties and covenants, including the financial covenants, to conform to certain provisions under the amended credit agreement. In addition, a portion of the \$1.75 billion revolving credit facility, provided for under the amended credit agreement, was used to repay \$250 million of the outstanding term loan, as discussed above. The \$250 million payment was in addition to two scheduled quarterly principal payments totaling \$28.0 million, reducing the total outstanding amount under the term loan to \$972.0 million, of which \$897.2 million is characterized as long-term debt as of December 31, 2011. Borrowings under the term loan bear interest at a floating rate based upon a base rate or the LIBOR rate plus a margin depending on the leverage ratio.

### *Short-Term Facilities*

On March 31, 2010, Cliffs Natural Resources Pty Ltd entered into a A\$40 million (\$40.8 million) bank contingent instrument facility and cash advance facility to replace the then existing A\$40 million multi-option facility, which was extended through June 30, 2011 and subsequently renewed until June 30, 2012. The facility, which is renewable annually at the bank's discretion, provides A\$40 million in credit for contingent instruments, such as performance bonds and the ability to request a cash advance facility to be provided at the discretion of the bank. As of December 31, 2011, the outstanding bank guarantees under this facility totaled A\$24.7 million (\$25.2 million), thereby reducing borrowing capacity to A\$15.3 million (\$15.6 million). We have provided a guarantee of the facility, along with certain of our Australian subsidiaries. The facility agreement contains customary covenants that require compliance with certain financial covenants: (1) debt to earnings ratio and (2) interest coverage ratio, both based on the financial performance of the Company on a consolidated basis. As of December 31, 2011 and 2010, we were in compliance with these financial covenants.

### *Consolidated Thompson Senior Secured Notes*

The Consolidated Thompson senior secured notes were included among the liabilities assumed in the acquisition of Consolidated Thompson. On April 13, 2011, we purchased the outstanding Consolidated Thompson senior secured notes directly from the note holders for \$125 million, including accrued and unpaid interest. The senior secured notes had a face amount of \$100 million, a stated interest rate of 8.5 percent and were scheduled to mature in 2017. The transaction initially was recorded as an investment in Consolidated Thompson senior secured notes during the second quarter of 2011. However, upon the completion of the acquisition of Consolidated Thompson and consolidation into our financial statements, the Consolidated Thompson senior secured notes and our investment in the notes were eliminated as intercompany transactions. During August 2011, Consolidated Thompson, our wholly owned subsidiary, provided for the redemption and release of the Consolidated Thompson senior secured notes, resulting in the cancellation of the notes. Refer to NOTE 4 — ACQUISITIONS AND OTHER INVESTMENTS for additional information.

### *Consolidated Thompson Convertible Debentures*

Included among the liabilities assumed in the acquisition of Consolidated Thompson were the Consolidated Thompson convertible debentures, which, as a result of the acquisition, were able to be converted by their holders into cash in accordance with the cash change-of-control provision of the convertible debenture indenture. The convertible debentures allowed the debenture holders to convert at a premium conversion ratio beginning on the 10<sup>th</sup> trading day prior to the closing of the acquisition and ending on the 30<sup>th</sup> day subsequent to the mailing of an offer to purchase the convertible debentures, which was the cash change-of-control conversion period as defined by the convertible debenture indenture. On May 12, 2011, following the closing of the acquisition, Consolidated Thompson commenced the offer to purchase all of the outstanding convertible debentures in

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accordance with its obligations under the convertible debenture indenture by mailing the offer to purchase to the debenture holders. Additionally, on May 13, 2011, Consolidated Thompson gave notice that it was exercising its right to redeem any convertible debentures that remained outstanding on June 13, 2011, after giving effect to any conversions that occurred during the cash change-of-control conversion period. As previously disclosed, Consolidated Thompson received sufficient consents from the debenture holders, pursuant to a consent solicitation, to amend the convertible debenture indenture to give Consolidated Thompson such a redemption right. As a result of these events, no convertible debentures remain outstanding. Refer to NOTE 4 — ACQUISITIONS AND OTHER INVESTMENTS for additional information.

**Letters of Credit**

In conjunction with our acquisition of Consolidated Thompson, we issued standby letters of credit with certain financial institutions in order to support Consolidated Thompson's and Bloom Lake's general business obligations. In addition, we issued standby letters of credit with certain financial institutions during the third quarter of 2011 in order to support Wabush's obligations. As of December 31, 2011, these letter of credit obligations totaled \$95.0 million. All of these standby letters of credit are outside of the letters of credit provided for under the amended credit agreement.

**Debt Maturities**

Maturities of debt instruments based on the principal amounts outstanding at December 31, 2011, total approximately \$74.8 million in 2012, \$369.7 million in 2013, \$124.6 million in 2014, \$428.8 million in 2015, \$299.1 million in 2016 and \$2.4 billion thereafter.

Refer to NOTE 6 — FAIR VALUE OF FINANCIAL INSTRUMENTS for further information.

**NOTE 8 — LEASE OBLIGATIONS**

We lease certain mining, production and other equipment under operating and capital leases. The leases are for varying lengths, generally at market interest rates and contain purchase and/or renewal options at the end of the terms. Our operating lease expense was \$26.3 million, \$24.2 million and \$25.5 million in 2011, 2010 and 2009, respectively. Capital lease assets were \$406.0 million and \$283.2 million at December 31, 2011 and 2010, respectively. Corresponding accumulated amortization of capital leases included in respective allowances for depreciation were \$110.6 million and \$92.7 million at December 31, 2011 and 2010, respectively.

In October 2011, our North American Coal segment entered into the second phase of the sale-leaseback arrangement initially executed in December 2010 for the sale of the new longwall plow system at our Pinnacle mine in West Virginia. The first and second phases of the leaseback arrangement are for a period of five years. The 2010 sale-leaseback arrangement was specific to the assets at the time of the agreement and did not include the longwall plow system assets. Both phases of the leaseback arrangement have been accounted for as a capital lease. We recorded assets and liabilities under the capital lease of \$75.9 million, reflecting the lower of the present value of the minimum lease payments or the fair value of the asset.

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Future minimum payments under capital leases and non-cancellable operating leases at December 31, 2011 are as follows:

	(In Millions)	
	Capital Leases	Operating Leases
2012	\$ 87.1	\$ 24.2
2013	60.2	23.9
2014	55.2	18.9
2015	44.0	12.0
2016	28.9	7.8
2017 and thereafter	73.4	25.0
<b>Total minimum lease payments</b>	<b>\$348.8</b>	<b>\$ 111.8</b>
Amounts representing interest	64.2	
<b>Present value of net minimum lease payments</b>	<b>\$284.6(1)</b>	

(1) The total is comprised of \$71.8 million and \$212.8 million classified as *Other current liabilities* and *Other liabilities*, respectively, on the Statements of Consolidated Financial Position at December 31, 2011.

Total minimum capital lease payments of \$348.8 million include \$161.0 million for our Asia Pacific Iron Ore segment, \$105.5 million for our Eastern Canadian Iron Ore Segment, \$71.6 million for our North American Coal segment, \$9.7 million for our U.S. Iron Ore segment and \$1.0 million for our Corporate segment, respectively. Total minimum operating lease payments of \$111.8 million include \$40.4 million for our U.S. Iron Ore segment, \$22.0 million for our Asia Pacific Iron Ore segment, \$38.7 million for Corporate and \$10.7 million for our Eastern Canadian Iron Ore, North American Coal and Other segments.

**NOTE 9 — ENVIRONMENTAL AND MINE CLOSURE OBLIGATIONS**

We had environmental and mine closure liabilities of \$235.7 million and \$199.1 million at December 31, 2011 and 2010, respectively. Payments in 2011 were \$1.9 million compared with \$10.6 million in 2010. The following is a summary of the obligations at December 31, 2011 and 2010:

	(In Millions)	
	December 31,	
	2011	2010
Environmental	\$ 15.5	\$ 13.7
Mine closure		
LTVSMC	16.5	17.1
Operating mines:		
U.S. Iron Ore	74.3	62.7
Eastern Canadian Iron Ore	68.0	49.3
North American Coal	36.3	34.7
Asia Pacific Iron Ore	16.3	15.4
Other	8.8	6.2
Total mine closure	220.2	185.4
Total environmental and mine closure obligations	235.7	199.1
Less current portion	13.7	14.2
Long term environmental and mine closure obligations	<b>\$ 222.0</b>	<b>\$ 184.9</b>

**Environmental**

Our mining and exploration activities are subject to various laws and regulations governing the protection of the environment. We conduct our operations to protect the public health and environment and believe our

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operations are in compliance with applicable laws and regulations in all material respects. Our environmental liabilities of \$15.5 million and \$13.7 million at December 31, 2011 and 2010, respectively, including obligations for known environmental remediation exposures at various active and closed mining operations and other sites, have been recognized based on the estimated cost of investigation and remediation at each site. If the cost only can be estimated as a range of possible amounts with no specific amount being more likely, the minimum of the range is accrued. Future expenditures are not discounted unless the amount and timing of the cash disbursements readily are known. Potential insurance recoveries have not been reflected. Additional environmental obligations could be incurred, the extent of which cannot be assessed.

As discussed in further detail below, the environmental liability recorded at December 31, 2011 and 2010 primarily is comprised of remediation obligations related to the Rio Tinto mine site in Nevada where we are named as a PRP.

### *The Rio Tinto Mine Site*

The Rio Tinto Mine Site is a historic underground copper mine located near Mountain City, Nevada, where tailings were placed in Mill Creek, a tributary to the Owyhee River. Site investigation and remediation work is being conducted in accordance with a Consent Order between the Nevada DEP and the RTWG composed of Cliffs, Atlantic Richfield Company, Teck Cominco American Incorporated, and E. I. du Pont de Nemours and Company. The Consent Order provides for technical review by the U.S. Department of the Interior Bureau of Indian Affairs, the U.S. Fish & Wildlife Service, U.S. Department of Agriculture Forest Service, the NDEP and the Shoshone-Paiute Tribes of the Duck Valley Reservation (collectively, "Rio Tinto Trustees"). The Consent Order is currently projected to continue with the objective of supporting the selection of the final remedy for the site. Costs are shared pursuant to the terms of a Participation Agreement between the parties of the RTWG, who have reserved the right to renegotiate any future participation or cost sharing following the completion of the Consent Order.

The Rio Tinto Trustees have made available for public comment their plans for the assessment of NRD. The RTWG commented on the plans and also are in discussions with the Rio Tinto Trustees informally about those plans. The notice of plan availability is a step in the damage assessment process. The studies presented in the plan may lead to a NRD claim under CERCLA. There is no monetized NRD claim at this time.

The focus of the RTWG has been on development of alternatives for remediation of the mine site. A draft of the alternative studies was reviewed with NDEP, the EPA and the Rio Tinto Trustees, and such alternatives have been reduced to the following: (1) tailings stabilization and long-term water treatment; and (2) removal of the tailings. As of December 31, 2011, the estimated costs of the available remediation alternatives currently range from approximately \$10.0 million to \$30.5 million in total for all potentially responsible parties. In recognition of the potential for an NRD claim, the parties are actively pursuing a global settlement that would include the EPA and encompass both the remedial action and the NRD issues. We are working to finalize the Consent Decree and the remaining documents. While a global settlement with the EPA has not been finalized, we expect an agreement will be reached in early 2012.

On May 29, 2009, the RTWG entered into a Rio Tinto Mine Site Work and Cost Allocation Agreement (the "Allocation Agreement") to resolve differences over the allocation of any negotiated remedy. The Allocation Agreement contemplates that the RTWG will enter into an insured fixed-price cleanup or IFC, pursuant to which a contractor would assume responsibility for the implementation and funding of the remedy in exchange for a fixed price. We are obligated to fund 32.5 percent of the IFC. In the event an IFC is not implemented, the RTWG has agreed on allocation percentages in the Allocation Agreement, with Cliffs being committed to fund 32.5 percent of any remedy. We have an environmental liability of \$10.0 million and \$9.2 million in the Statements of Consolidated Financial Position as of December 31, 2011 and 2010, respectively, related to this issue.

### **Mine Closure**

Our mine closure obligation of \$220.2 million and \$185.4 million at December 31, 2011 and 2010, respectively, includes our four consolidated U.S. operating iron ore mines, our two Eastern Canadian operating iron ore mines, our six operating North American coal mines, our Asia Pacific operating iron ore mines, the coal mine at Sonoma and a closed operation formerly known as LTVSMC.

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Management periodically performs an assessment of the obligation to determine the adequacy of the liability in relation to the closure activities still required at the LTVSMC site. The LTVSMC closure liability was \$16.5 million and \$17.1 million at December 31, 2011 and 2010, respectively.

The accrued closure obligation for our active mining operations provides for contractual and legal obligations associated with the eventual closure of the mining operations. We performed a detailed assessment of our asset retirement obligations related to our active mining locations most recently in 2011, except for Asia Pacific Iron Ore, in accordance with our accounting policy, which requires us to perform an in-depth evaluation of the liability every three years in addition to routine annual assessments. The assessment for Asia Pacific Iron Ore was delayed until 2012 due to new legislation in Australia. For the assessments performed in 2011, we determined the obligations based on detailed estimates adjusted for factors that a market participant would consider (i.e., inflation, overhead and profit), escalated at an assumed 3.5 percent rate of inflation to the estimated closure dates, and then discounted using the current credit-adjusted risk-free interest rate based on the corresponding life of mine. The estimate also incorporates incremental increases in the closure cost estimates and changes in estimates of mine lives. The closure date for each location was determined based on the exhaustion date of the remaining iron ore reserves. The accretion of the liability and amortization of the related asset is recognized over the estimated mine lives for each location. The following represents a rollforward of our asset retirement obligation liability related to our active mining locations for the years ended December 31, 2011 and 2010:

	(In Millions)	
	December 31,	
	2011	2010
Asset retirement obligation at beginning of period	\$ 168.3	\$ 103.9
Accretion expense	16.1	13.1
Exchange rate changes	0.1	2.5
Revision in estimated cash flows	5.9	1.0
Payments	(0.7)	(8.4)
Acquired through business combinations	14.0	56.2
Asset retirement obligation at end of period	\$ 203.7	\$ 168.3

## NOTE 10 — PENSIONS AND OTHER POSTRETIREMENT BENEFITS

We offer defined benefit pension plans, defined contribution pension plans and other postretirement benefit plans, primarily consisting of retiree healthcare benefits, to most employees in North America as part of a total compensation and benefits program. This includes employees of CLCC who became employees of the Company through the July 2010 acquisition. Upon the acquisition of the remaining 73.2 percent interest in Wabush in February 2010, we fully consolidated the related Canadian plans into our pension and OPEB obligations. We do not have employee retirement benefit obligations at our Asia Pacific Iron Ore operations. The defined benefit pension plans largely are noncontributory and benefits generally are based on employees' years of service and average earnings for a defined period prior to retirement or a minimum formula.

On October 6, 2008, the USW ratified four-year labor contracts, which replaced the labor agreements that expired on September 1, 2008. The agreements cover approximately 2,400 USW-represented employees at our Empire and Tilden mines in Michigan and our United Taconite and Hibbing mines in Minnesota, or 32 percent of our total workforce. The changes enhanced the minimum pension formula by increasing the benefit dollar multipliers and renewed the lump sum special payments for certain employees retiring in the near future. The changes also included renewal of payments to surviving spouses of certain retirees. These agreements are effective through August 31, 2012.

In addition, we currently provide various levels of retirement health care and OPEB to most full-time employees who meet certain length of service and age requirements (a portion of which are pursuant to collective bargaining agreements). Most plans require retiree contributions and have deductibles, co-pay requirements and benefit limits. Most bargaining unit plans require retiree contributions and co-pays for major medical and

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prescription drug coverage. There is an annual limit on our cost for medical coverage under the U.S. salaried plans. The annual limit applies to each covered participant and equals \$7,000 for coverage prior to age 65 and \$3,000 for coverage after age 65, with the retiree's participation adjusted based on the age at which the retiree's benefits commence. For participants at our Northshore operation, the annual limit ranges from \$4,020 to \$4,500 for coverage prior to age 65, and equals \$2,000 for coverage after age 65. Covered participants pay an amount for coverage equal to the excess of (i) the average cost of coverage for all covered participants, over (ii) the participant's individual limit, but in no event will the participant's cost be less than 15 percent of the average cost of coverage for all covered participants. For Northshore participants, the minimum participant cost is a fixed dollar amount. We do not provide OPEB for most U.S. salaried employees hired after January 1, 1993. OPEB are provided through programs administered by insurance companies whose charges are based on benefits paid.

Our North American Coal segment is required under an agreement with the UMWA to pay amounts into the UMWA pension trusts based principally on hours worked by UMWA-represented employees. This agreement covers 810 UMWA-represented employees at our Pinnacle Complex in West Virginia and our Oak Grove mine in Alabama, or 11 percent of our total workforce. These multi-employer pension trusts provide benefits to eligible retirees through a defined benefit plan. The UMWA 1993 Benefit Plan is a defined contribution plan that was created as the result of negotiations for the NBCWA of 1993. The plan provides healthcare insurance to orphan UMWA retirees who are not eligible to participate in the UMWA Combined Benefit Fund or the 1992 Benefit Fund or whose last employer signed the 1993 or later NBCWA and who subsequently goes out of business. Contributions to the trust were at rates of \$6.50, \$6.42 and \$5.27 per hour worked in 2011, 2010 and 2009, respectively. These amounted to \$9.5 million, \$10.3 million and \$6.1 million in 2011, 2010 and 2009, respectively.

Pursuant to the four-year labor agreements reached with the USW for U.S. employees, effective January 1, 2009, negotiated plan changes removed the cap on our share of future bargaining unit retirees' healthcare premiums and provided a maximum on the amount retirees will contribute for health care benefits during the term of the respective agreement. The agreements also provide that we and our partners fund an estimated \$90 million into bargaining unit pension plans and VEBAs during the term of the agreements.

In December 2003, The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 was enacted. This act introduced a prescription drug benefit under Medicare Part D as well as a federal subsidy to sponsors of retiree healthcare benefit plans that provide a benefit that at least actuarially is equivalent to Medicare Part D. Our measures of the accumulated postretirement benefit obligation and net periodic postretirement benefit cost as of December 31, 2004 and for periods thereafter reflect amounts associated with the subsidy. We elected to adopt the retroactive transition method for recognizing the OPEB cost reduction in 2004. The following table summarizes the annual costs related to the retirement plans for 2011, 2010 and 2009:

	(In Millions)		
	2011	2010	2009
Defined benefit pension plans	\$ 37.8	\$ 45.6	\$ 50.8
Defined contribution pension plans	5.7	4.2	2.1
Other postretirement benefits	26.8	24.2	25.5
Total	<u>\$ 70.3</u>	<u>\$ 74.0</u>	<u>\$ 78.4</u>

The following tables and information provide additional disclosures for our consolidated plans.

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**Obligations and Funded Status**

The following tables and information provide additional disclosures for the years ended December 31, 2011 and 2010:

	(In Millions)			
	Pension Benefits		Other Benefits	
	2011	2010	2011	2010
<b>Change in benefit obligations:</b>				
Benefit obligations — beginning of year	\$ 1,022.3	\$ 750.8	\$ 440.2	\$ 333.0
Service cost (excluding expenses)	23.6	18.5	11.1	7.5
Interest cost	51.4	52.9	22.3	22.0
Plan amendments	—	3.7	—	—
Actuarial loss	117.3	57.5	36.5	43.6
Benefits paid	(67.3)	(67.0)	(25.5)	(28.2)
Participant contributions	—	—	4.6	6.2
Federal subsidy on benefits paid	—	—	0.9	0.9
Exchange rate gain	(5.9)	10.2	(1.7)	2.9
Acquired through business combinations	—	195.7	—	52.3
Benefit obligations — end of year	<u>\$ 1,141.4</u>	<u>\$ 1,022.3</u>	<u>\$ 488.4</u>	<u>\$ 440.2</u>
<b>Change in plan assets:</b>				
Fair value of plan assets — beginning of year	\$ 734.3	\$ 483.4	\$ 174.2	\$ 136.7
Actual return on plan assets	10.8	87.1	1.9	20.1
Participant contributions	—	—	1.6	1.6
Employer contributions	70.1	45.6	23.2	23.7
Asset transfers	—	—	—	—
Benefits paid	(67.3)	(67.0)	(7.4)	(7.9)
Exchange rate gain	(3.8)	8.9	—	—
Acquired through business combinations	—	176.3	—	—
Fair value of plan assets — end of year	<u>\$ 744.1</u>	<u>\$ 734.3</u>	<u>\$ 193.5</u>	<u>\$ 174.2</u>
<b>Funded status at December 31:</b>				
Fair value of plan assets	\$ 744.1	\$ 734.3	\$ 193.5	\$ 174.2
Benefit obligations	(1,141.4)	(1,022.3)	(488.4)	(440.2)
Funded status (plan assets less benefit obligations)	<u>\$ (397.3)</u>	<u>\$ (288.0)</u>	<u>\$ (294.9)</u>	<u>\$ (266.0)</u>
Amount recognized at December 31	<u>\$ (397.3)</u>	<u>\$ (288.0)</u>	<u>\$ (294.9)</u>	<u>\$ (266.0)</u>
<b>Amounts recognized in Statements of Financial Position:</b>				
Current liabilities	\$ (2.6)	\$ (3.1)	\$ (23.8)	\$ (22.9)
Noncurrent liabilities	(394.7)	(284.9)	(271.1)	(243.1)
Net amount recognized	<u>\$ (397.3)</u>	<u>\$ (288.0)</u>	<u>\$ (294.9)</u>	<u>\$ (266.0)</u>
<b>Amounts recognized in accumulated other comprehensive income:</b>				
Net actuarial loss	\$ 409.1	\$ 269.3	\$ 182.9	\$ 152.3
Prior service cost	18.8	24.2	8.1	11.8
Transition asset	—	—	(3.0)	(5.7)
Net amount recognized	<u>\$ 427.9</u>	<u>\$ 293.5</u>	<u>\$ 188.0</u>	<u>\$ 158.4</u>
<b>The estimated amounts that will be amortized from accumulated other comprehensive income into net periodic benefit cost in 2012:</b>				
Net actuarial loss	\$ 29.5	—	\$ 11.4	—
Prior service cost	3.9	—	3.0	—
Transition asset	—	—	(3.0)	—
Net amount recognized	<u>\$ 33.4</u>	<u>\$ —</u>	<u>\$ 11.4</u>	<u>\$ —</u>

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	(In Millions)								
	2011						2010		
	Pension Plans				Total	Other Benefits			
Salaried	Hourly	Mining	SERP	Salaried		Hourly	Total		
Fair value of plan assets	\$ 289.1	\$ 451.8	\$ 3.2	\$ —	\$ 744.1	\$ —	\$ 193.5	\$ 193.5	
Benefit obligation	(419.3)	(708.0)	(5.3)	(8.8)	(1,141.4)	(70.7)	(417.7)	(488.4)	
Funded status	\$ (130.2)	\$ (256.2)	\$ (2.1)	\$ (8.8)	\$ (397.3)	\$ (70.7)	\$ (224.2)	\$ (294.9)	

	(In Millions)								
	2011						2010		
	Pension Plans				Total	Other Benefits			
Salaried	Hourly	Mining	SERP	Salaried		Hourly	Total		
Fair value of plan assets	\$ 275.3	\$ 456.7	\$ 2.3	\$ —	\$ 734.3	\$ —	\$ 174.2	\$ 174.2	
Benefit obligation	(373.8)	(635.3)	(4.4)	(8.8)	(1,022.3)	(63.7)	(376.5)	(440.2)	
Funded status	\$ (98.5)	\$ (178.6)	\$ (2.1)	\$ (8.8)	\$ (288.0)	\$ (63.7)	\$ (202.3)	\$ (266.0)	

The accumulated benefit obligation for all defined benefit pension plans was \$1,114.7 million and \$997.2 million at December 31, 2011 and 2010, respectively. The increase in the accumulated benefit obligation primarily is a result of a decrease in the discount rates and actual asset returns lower than the previously assumed rate.

Components of Net Periodic Benefit Cost

	(In Millions)					
	Pension Benefits			Other Benefits		
	2011	2010	2009	2011	2010	2009
Service cost	\$ 23.6	\$ 18.5	\$ 14.3	\$ 11.1	\$ 7.5	\$ 5.4
Interest cost	51.4	52.9	42.6	22.3	22.0	18.9
Expected return on plan assets	(61.2)	(53.3)	(37.1)	(16.1)	(12.9)	(9.1)
Amortization:						
Net asset	—	—	—	(3.0)	(3.0)	(3.0)
Prior service costs (credits)	4.4	4.4	4.2	3.7	1.7	1.8
Net actuarial loss	19.6	23.1	26.8	8.8	8.9	11.5
Net periodic benefit cost	\$ 37.8	\$ 45.6	\$ 50.8	\$ 26.8	\$ 24.2	\$ 25.5
Acquired through business combinations	—	17.7	—	—	2.4	—
Current year actuarial (gain)/loss	165.3	(3.1)	12.1	46.8	34.6	2.2
Amortization of net loss	(19.6)	(23.1)	(26.8)	(8.8)	(8.9)	(11.5)
Current year prior service cost	—	3.7	3.0	—	—	—
Amortization of prior service (cost) credit	(4.4)	(4.4)	(4.2)	(3.7)	(1.7)	(1.8)
Amortization of transition asset	—	—	—	3.0	3.0	3.0
Total recognized in other comprehensive income	\$ 141.3	\$ (9.2)	\$ (15.9)	\$ 37.3	\$ 29.4	\$ (8.1)
Total recognized in net periodic cost and other comprehensive income	\$ 179.1	\$ 36.4	\$ 34.9	\$ 64.1	\$ 53.6	\$ 17.4

Additional Information

	(In Millions)					
	Pension Benefits			Other Benefits		
	2011	2010	2009	2011	2010	2009
Effect of change in mine ownership & noncontrolling interest	\$ 53.3	\$ 49.9	\$ 50.9	\$ 12.5	\$ 10.7	\$ 10.1
Actual return on plan assets	10.8	87.1	63.0	1.9	20.1	27.8

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**Assumptions**

For our U.S. plans, we used a discount rate as of December 31, 2011 of 4.28 percent, compared with a discount rate of 5.11 percent as of December 31, 2010. The U.S. discount rates are determined by matching the projected cash flows used to determine the PBO and APBO to a projected yield curve of over 425 Aa graded bonds in the 10th to 90th percentiles. These bonds are either noncallable or callable with make-whole provisions. The duration matching produced rates ranging from 4.12 percent to 4.43 percent for our plans. Based upon these results, we selected a December 31, 2011 discount rate of 4.28 percent for our plans.

For our Canadian plans, we used a discount rate as of December 31, 2011 of 4.00 percent for the pension plans and 4.25 percent for the other postretirement benefit plans. Similar to the U.S. plans, the Canadian discount rates are determined by matching the projected cash flows used to determine the PBO and APBO to a projected yield curve of over 225 corporate bonds in the 10th to 90th percentiles. The corporate bonds are either Aa graded, or (for maturities of 10 or more years) A or Aaa graded with an appropriate credit spread adjustment. These bonds are either noncallable or callable with make whole provisions.

Weighted-average assumptions used to determine benefit obligations at December 31 were:

	Pension Benefits		Other Benefits	
	2011	2010	2011	2010
U.S. plan discount rate	4.28%	5.11%	4.28%	5.11%
Canadian plan discount rate	4.00	5.00	4.25	5.00
Rate of compensation increase	4.00	4.00	4.00	4.00
U.S. expected return on plan assets	8.25	8.50	8.25	8.50
Canadian expected return on plan assets	7.25	7.50	7.25	7.50

Weighted-average assumptions used to determine net benefit cost for the years 2011, 2010 and 2009 were:

	Pension Benefits			Other Benefits		
	2011	2010	2009	2011	2010	2009
U.S. plan discount rate	5.11%	5.66%	6.00%	5.11%	5.66%	6.00%
Canadian plan discount rate	5.00	5.75/5.50(2)	(1)	5.00	6.00/5.75(3)	(1)
U.S. expected return on plan assets	8.50	8.50	8.50	8.50	8.50	8.50
Canadian expected return on plan assets	7.50	7.50	(1)	7.50	7.50	(1)
Rate of compensation increase	4.00	4.00	4.00	4.00	4.00	4.00

- (1) The Canadian plans were not consolidated into our pension and OPEB obligations prior to the acquisition of the remaining 73.2 percent interest in Wabush in February 2010.
- (2) 5.75% from January 1, 2010 through January 31, 2010, and 5.50% from February 1, 2010 through December 31, 2010.
- (3) 6.00% from January 1, 2010 through January 31, 2010, and 5.75% from February 1, 2010 through December 31, 2010.

Assumed health care cost trend rates at December 31 were:

	2011	2010
U.S. plan health care cost trend rate assumed for next year	7.50%	8.00%
Canadian plan health care cost trend rate assumed for next year	8.00	8.50
Ultimate health care cost trend rate	5.00	5.00
U.S. plan year that the ultimate rate is reached	2017	2017
Canadian plan year that the ultimate rate is reached	2018	2018

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Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A change of one percentage point in assumed health care cost trend rates would have the following effects:

	(In Millions)	
	Increase	Decrease
Effect on total of service and interest cost	\$ 5.7	\$ (4.4)
Effect on postretirement benefit obligation	60.0	(48.3)

**Plan Assets**

Our financial objectives with respect to our pension and VEBA plan assets are to fully fund the actuarial accrued liability for each of the plans, to maximize investment returns within reasonable and prudent levels of risk, and to maintain sufficient liquidity to meet benefit obligations on a timely basis.

Our investment objective is to outperform the expected Return on Asset ("ROA") assumption used in the plans' actuarial reports over a full market cycle, which is considered a period during which the U.S. economy experiences the effects of both an upturn and a downturn in the level of economic activity. In general, these periods tend to last between three and five years. The expected ROA takes into account historical returns and estimated future long-term returns based on capital market assumptions applied to the asset allocation strategy.

The asset allocation strategy is determined through a detailed analysis of assets and liabilities by plan, which defines the overall risk that is acceptable with regard to the expected level and variability of portfolio returns, surplus (assets compared to liabilities), contributions and pension expense.

The asset allocation review process involves simulating the effect of financial market performance for various asset allocation scenarios and factoring in the current funded status and likely future funded status levels by taking into account expected growth or decline in the contributions over time. The modeling is then adjusted by simulating unexpected changes in inflation and interest rates. The process also includes quantifying the effect of investment performance and simulated changes to future levels of contributions, determining the appropriate asset mix with the highest likelihood of meeting financial objectives and regularly reviewing our asset allocation strategy.

The asset allocation strategy varies by plan. The following table reflects the actual asset allocations for pension and VEBA plan assets as of December 31, 2011 and 2010, as well as the 2012 weighted average target asset allocations as of December 31, 2011. Equity investments include securities in large-cap, mid-cap and small-cap companies located in the U.S. and worldwide. Fixed income investments primarily include corporate bonds and government debt securities. Alternative investments include hedge funds, private equity, structured credit and real estate.

Asset Category	Pension Assets			VEBA Assets		
	2012 Target Allocation	Percentage of Plan Assets at December 31,		2012 Target Allocation	Percentage of Plan Assets at December 31,	
		2011	2010		2011	2010
Equity securities	43.1%	41.7%	42.0%	41.8%	42.0%	44.4%
Fixed income	30.2	31.1	30.6	32.1	33.5	37.4
Hedge funds	13.8	13.5	14.4	14.9	14.6	13.8
Private equity	5.3	5.2	5.0	6.2	4.5	4.3
Structured credit	3.8	6.0	5.4	—	—	—
Real estate	3.8	2.2	2.1	5.0	5.3	—
Cash	—	0.3	0.5	—	0.1	0.1
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

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*Pension*

The fair values of our pension plan assets at December 31, 2011 and 2010 by asset category are as follows:

Asset Category	(In Millions)			Total
	December 31, 2011			
	Quoted Prices in Active Markets for Identical Assets/Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Equity securities:				
U.S. large-cap	\$ 191.1	\$ —	\$ —	\$191.1
U.S. small/mid-cap	29.2	—	—	29.2
International	90.0	—	—	90.0
Fixed income	231.1	—	—	231.1
Hedge funds	—	—	100.7	100.7
Private equity	8.6	—	30.1	38.7
Structured credit	—	—	44.9	44.9
Real estate	—	—	16.5	16.5
Cash	1.9	—	—	1.9
<b>Total</b>	<b>\$ 551.9</b>	<b>\$ —</b>	<b>\$ 192.2</b>	<b>\$744.1</b>

Asset Category	(In Millions)			Total
	December 31, 2010			
	Quoted Prices in Active Markets for Identical Assets/Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Equity securities:				
U.S. large-cap	\$ 122.4	\$ —	\$ —	\$122.4
U.S. small/mid-cap	21.7	—	—	21.7
International	164.5	—	—	164.5
Fixed income	224.7	—	—	224.7
Hedge funds	—	—	105.8	105.8
Private equity	11.8	—	25.0	36.8
Structured credit	—	—	39.7	39.7
Real estate	—	—	15.5	15.5
Cash	3.2	—	—	3.2
<b>Total</b>	<b>\$ 548.3</b>	<b>\$ —</b>	<b>\$ 186.0</b>	<b>\$734.3</b>

Following is a description of the inputs and valuation methodologies used to measure the fair value of our plan assets.

*Equity Securities*

Equity securities classified as Level 1 investments include U.S. large, small and mid-cap investments and international equity. These investments are comprised of securities listed on an exchange, market or automated quotation system for which quotations are readily available. The valuation of these securities is determined using a market approach, and is based upon unadjusted quoted prices for identical assets in active markets.

*Fixed Income*

Fixed income securities classified as Level 1 investments include bonds and government debt securities. These investments are comprised of securities listed on an exchange, market or automated quotation system for which quotations are readily available. The valuation of these securities is determined using a market approach, and is based upon unadjusted quoted prices for identical assets in active markets.

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### *Hedge Funds*

Hedge funds are alternative investments comprised of direct or indirect investment in offshore hedge funds of funds with an investment objective to achieve an attractive risk-adjusted return with moderate volatility and moderate directional market exposure over a full market cycle. The valuation techniques used to measure fair value attempt to maximize the use of observable inputs and minimize the use of unobservable inputs. Considerable judgment is required to interpret the factors used to develop estimates of fair value. Valuations of the underlying investment funds are obtained and reviewed. The securities that are valued by the funds are interests in the investment funds and not the underlying holdings of such investment funds. Thus, the inputs used to value the investments in each of the underlying funds may differ from the inputs used to value the underlying holdings of such funds.

In determining the fair value of a security, the fund managers may consider any information that is deemed relevant, which may include one or more of the following factors regarding the portfolio security, if appropriate: type of security or asset; cost at the date of purchase; size of holding; last trade price; most recent valuation; fundamental analytical data relating to the investment in the security; nature and duration of any restriction on the disposition of the security; evaluation of the factors that influence the market in which the security is purchased or sold; financial statements of the issuer; discount from market value of unrestricted securities of the same class at the time of purchase; special reports prepared by analysts; information as to any transactions or offers with respect to the security; existence of merger proposals or tender offers affecting the security; price and extent of public trading in similar securities of the issuer or compatible companies and other relevant matters; changes in interest rates; observations from financial institutions; domestic or foreign government actions or pronouncements; other recent events; existence of shelf registration for restricted securities; existence of any undertaking to register the security; and other acceptable methods of valuing portfolio securities.

Hedge fund investments in the SEI Opportunity Collective Fund are valued monthly and recorded on a one-month lag; investments in the SEI Special Situations Fund are valued quarterly. For alternative investment values reported on a lag, current market information is reviewed for any material changes in values at the reporting date. Share repurchases for the SEI Opportunity Collective Fund are available quarterly with notice of 65 business days. For the SEI Special Situations Fund, redemption requests are considered semi-annually subject to notice of 95 days; however, share repurchases are not permitted for a two-year lock-up period following investment, which will expire in April 2012 for the plans' initial investments.

### *Private Equity Funds*

Private equity funds are alternative investments that represent direct or indirect investments in partnerships, venture funds or a diversified pool of private investment vehicles (fund of funds).

Investment commitments are made in private equity funds of funds based on an asset allocation strategy, and capital calls are made over the life of the funds to fund the commitments. Until commitments are funded, the committed amount is reserved and invested in a selection of public equity mutual funds, including U.S. large-, small- and mid-cap investments and international equity, designed to approximate overall equity market returns. As of December 31, 2011, remaining commitments total \$13.0 million, of which \$10.5 million is reserved for both our pension and other benefits. Refer to the valuation methodologies for equity securities above for further information.

The valuation of investments in private equity funds of funds initially is performed by the underlying fund managers. In determining the fair value, the fund managers may consider any information that is deemed relevant, which may include: type of security or asset; cost at the date of purchase; size of holding; last trade price; most recent valuation; fundamental analytical data relating to the investment in the security; nature and duration of any restriction on the disposition of the security; evaluation of the factors that influence the market in which the security is purchased or sold; financial statements of the issuer; discount from market value of unrestricted securities of the same class at the time of purchase; special reports prepared by analysts; information as to any transactions or offers with respect to the security; existence of merger proposals or tender offers affecting the security; price and extent of public trading in similar securities of the issuer or compatible companies and other relevant matters; changes in interest rates; observations from financial institutions; domestic

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or foreign government actions or pronouncements; other recent events; existence of shelf registration for restricted securities; existence of any undertaking to register the security; and other acceptable methods of valuing portfolio securities.

The valuations are obtained from the underlying fund managers, and the valuation methodology and process is reviewed for consistent application and adherence to policies. Considerable judgment is required to interpret the factors used to develop estimates of fair value.

Private equity investments are valued quarterly and recorded on a one-quarter lag. For alternative investment values reported on a lag, current market information is reviewed for any material changes in values at the reporting date. Capital distributions for the funds do not occur on a regular frequency. Liquidation of these investments would require sale of the partnership interest.

### *Structured Credit*

Structured credit investments are alternative investments comprised of collateralized debt obligations and other structured credit investments that are priced based on valuations provided by independent, third-party pricing agents, if available. Such values generally reflect the last reported sales price if the security is actively traded. The third-party pricing agents may also value structured credit investments at an evaluated bid price by employing methodologies that utilize actual market transactions, broker-supplied valuations, or other methodologies designed to identify the market value of such securities. Such methodologies generally consider such factors as security prices, yields, maturities, call features, ratings and developments relating to specific securities in arriving at valuations. Securities listed on a securities exchange, market or automated quotation system for which quotations are readily available are valued at the last quoted sale price on the primary exchange or market on which they are traded. Debt obligations with remaining maturities of 60 days or less may be valued at amortized cost, which approximates fair value.

Structured credit investments are valued monthly and recorded on a one-month lag. For alternative investment values reported on a lag, current market information is reviewed for any material changes in values at the reporting date. Redemption requests are considered quarterly subject to notice of 90 days.

### *Real Estate*

The real estate portfolio for the pension plans is an alternative investment comprised of three funds with strategic categories of real estate investments. All real estate holdings are appraised externally at least annually, and appraisals are conducted by reputable, independent appraisal firms that are members of the Appraisal Institute. All external appraisals are performed in accordance with the Uniform Standards of Professional Appraisal Practices. The property valuations and assumptions of each property are reviewed quarterly by the investment advisor and values are adjusted if there has been a significant change in circumstances relating to the property since the last external appraisal. The valuation methodology utilized in determining the fair value is consistent with the best practices prevailing within the real estate appraisal and real estate investment management industries, including the Real Estate Information Standards, and standards promulgated by the National Council of Real Estate Investment Fiduciaries, the National Association of Real Estate Investment Fiduciaries, and the National Association of Real Estate Managers. In addition, the investment advisor may cause additional appraisals to be performed. Two of the funds' fair values are updated monthly, and there is no lag in reported values. Redemption requests for these two funds are considered on a quarterly basis, subject to notice of 45 days.

Effective October 1, 2009, one of the real estate funds began an orderly wind-down over a three to four year period. The decision to wind down the fund primarily was driven by real estate market factors that adversely affected the availability of new investor capital. Third-party appraisals of this fund's assets were eliminated; however, internal valuation updates for all assets and liabilities of the fund are prepared quarterly. The fund's asset values are recorded on a one-quarter lag, and current market information is reviewed for any material changes in values at the reporting date. Distributions from sales of properties will be made on pro-rata basis. Repurchase requests will not be honored during the wind-down period.

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During 2011, a new real estate fund of funds investment was added for the Empire, Tilden, Hibbing and United Taconite VEBA plans as a result of the asset allocation review process. This fund invests in pooled investment vehicles that in turn invest in commercial real estate properties. Valuations are performed quarterly and financial statements are prepared on a semi-annual basis, with annual audited statements. Asset values for this fund are reported with a one-quarter lag and current market information is reviewed for any material changes in values at the reporting date. In most cases, values are based on valuations reported by underlying fund managers or other independent third-party sources, but the fund has discretion to use other valuation methods, subject to compliance with ERISA. Valuations are typically estimates only and subject to upward or downward revision based on each underlying fund's annual audit. Withdrawals are permitted on the last business day of each quarter subject to a 65-day prior written notice.

The following represents the effect of fair value measurements using significant unobservable inputs (Level 3) on changes in plan assets for the years ended December 31, 2011 and 2010:

	(In Millions)				
	Year Ended December 31, 2011				
	Private Equity				Total
Hedge Funds	Funds	Structured Credit Fund	Real Estate		
Beginning balance — January 1, 2011	\$ 105.8	\$ 25.0	\$ 39.7	\$15.5	\$186.0
Actual return on plan assets:					
Relating to assets still held at the reporting date	(2.4)	2.6	5.2	1.6	7.0
Relating to assets sold during the period	0.5	3.0	—	0.5	4.0
Purchases	35.8	4.4	—	—	40.2
Sales	(39.0)	(4.9)	—	(1.1)	(45.0)
Ending balance — December 31, 2011	\$ 100.7	\$ 30.1	\$ 44.9	\$16.5	\$192.2

	(In Millions)				
	Year Ended December 31, 2010				
	Private Equity				Total
Hedge Funds	Funds	Structured Credit Fund	Real Estate		
Beginning balance — January 1, 2010	\$ 71.4	\$ 18.2	\$ 39.1	\$14.4	\$143.1
Acquired through business combination	17.0	—	—	—	17.0
Actual return on plan assets:					
Relating to assets still held at the reporting date	2.4	3.4	0.5	1.5	7.8
Relating to assets sold during the period	—	0.1	—	—	0.1
Purchases, sales and settlements	15.0	3.3	0.1	(0.4)	18.0
Transfers in (out) of Level 3	—	—	—	—	—
Ending balance — December 31, 2010	\$ 105.8	\$ 25.0	\$ 39.7	\$15.5	\$186.0

The expected return on plan assets takes into account historical returns and the weighted average of estimated future long-term returns based on capital market assumptions for each asset category. The expected return is net of investment expenses paid by the plans.

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**VEBA**

Assets for other benefits include VEBA trusts pursuant to bargaining agreements that are available to fund retired employees' life insurance obligations and medical benefits. The fair values of our other benefit plan assets at December 31, 2011 and 2010 by asset category are as follows:

Asset Category	(In Millions)			Total
	December 31, 2011			
	Quoted Prices in Active Markets for Identical Assets/Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
<b>Equity securities:</b>				
U.S. large-cap	\$ 46.5	\$ —	\$ —	\$ 46.5
U.S. small/mid-cap	7.9	—	—	7.9
International	26.8	—	—	26.8
Fixed income	64.9	—	—	64.9
Hedge funds	—	—	28.3	28.3
Private equity	1.9	—	6.8	8.7
Real estate	—	—	10.2	10.2
Cash	0.2	—	—	0.2
<b>Total</b>	<b>\$ 148.2</b>	<b>\$ —</b>	<b>\$ 45.3</b>	<b>\$ 193.5</b>

Asset Category	(In Millions)			Total
	December 31, 2010			
	Quoted Prices in Active Markets for Identical Assets/Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
<b>Equity securities:</b>				
U.S. large-cap	\$ 38.5	\$ —	\$ —	\$ 38.5
U.S. small/mid-cap	11.7	—	—	11.7
International	27.2	—	—	27.2
Fixed income	65.2	—	—	65.2
Hedge funds	—	—	24.0	24.0
Private equity	2.5	—	4.9	7.4
Cash	0.2	—	—	0.2
<b>Total</b>	<b>\$ 145.3</b>	<b>\$ —</b>	<b>\$ 28.9</b>	<b>\$ 174.2</b>

Refer to the pension asset discussion above for further information regarding the inputs and valuation methodologies used to measure the fair value of each respective category of plan assets.

The following represents the effect of fair value measurements using significant unobservable inputs (Level 3) on changes in plan assets for the year ended December 31, 2011 and 2010:

	(In Millions)			Total
	Year Ended December 31, 2011			
	Private Equity			
	Hedge Funds	Funds	Real Estate	
Beginning balance — January 1	\$ 24.0	\$ 4.9	\$ —	\$ 28.9
Actual return on plan assets:				
Relating to assets still held at the reporting date	(0.4)	1.4	0.4	1.4
Purchases	7.7	0.9	9.8	18.4
Sales	(3.0)	(0.4)	—	(3.4)
Ending balance — December 31	<u>\$ 28.3</u>	<u>\$ 6.8</u>	<u>\$ 10.2</u>	<u>\$ 45.3</u>

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	(In Millions)		
	Year Ended December 31, 2010		
	Private Equity		
	Hedge Funds	Funds	Total
Beginning balance — January 1	\$ 14.6	\$ 3.1	\$17.7
Actual return on plan assets:			
Relating to assets still held at the reporting date	0.1	1.0	1.1
Purchases, sales and settlements	9.3	0.8	10.1
Ending balance — December 31	<u>\$ 24.0</u>	<u>\$ 4.9</u>	<u>\$28.9</u>

The expected return on plan assets takes into account historical returns and the weighted average of estimated future long-term returns based on capital market assumptions for each asset category. The expected return is net of investment expenses paid by the plans.

**Contributions**

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 additional shutdown and early retirement obligations that are not included in the pension obligations. The Company currently has no intention to shutdown, terminate or withdraw from any of its employee benefit plans.

Company Contributions	(In Millions)			
	Pension Benefits	Other Benefits		Total
		VEBA	Direct Payments	
2010	45.6	17.4	21.1	38.5
2011	70.1	17.4	20.0	37.4
2012 (Expected)*	66.3	17.4	23.8	41.2

\* Pursuant to the bargaining agreement, benefits can be paid from VEBA trusts that are at least 70 percent funded (no VEBA trusts are 70 percent funded at December 31, 2011).

VEBA plans are not subject to minimum regulatory funding requirements. Amounts contributed are pursuant to bargaining agreements.

Contributions by participants to the other benefit plans were \$4.6 million and \$6.2 million for years ended December 31, 2011 and 2010, respectively.

**Estimated Cost for 2012**

For 2012, we estimate net periodic benefit cost as follows:

	(In Millions)
Defined benefit pension plans	\$ 54.5
Other postretirement benefits	29.4
Total	<u>\$ 83.9</u>

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**Estimated Future Benefit Payments**

	(In Millions)			
	Pension Benefits	Other Benefits		Net Company Payments
		Gross Company Benefits	Less Medicare Subsidy	
2012	\$ 73.3	\$ 24.8	\$ 1.0	\$ 23.8
2013	76.9	25.8	1.1	24.7
2014	75.0	27.3	1.2	26.1
2015	76.8	28.6	1.3	27.3
2016	77.1	29.5	1.4	28.1
2017-2021	396.4	152.7	9.6	143.1

**Other Potential Benefit Obligations**

While the foregoing reflects our obligation, our total exposure in the event of non-performance is potentially greater. Following is a summary comparison of the total obligation:

	(In Millions)	
	December 31, 2011	
	Defined Benefit Pensions	Other Benefits
Fair value of plan assets	\$ 744.1	\$ 193.5
Benefit obligation	1,141.4	488.4
Underfunded status of plan	\$ (397.3)	\$ (294.9)
Additional shutdown and early retirement benefits	\$ 40.0	\$ 19.3

**NOTE 11 — STOCK COMPENSATION PLANS**

At December 31, 2011, we have two share-based compensation plans, which are described below. The compensation cost that has been charged against income for those plans was \$15.9 million, \$15.5 million and \$12.2 million in 2011, 2010 and 2009, respectively, which primarily was recorded in *Selling, general and administrative expenses* in the Statements of Consolidated Operations. The total income tax benefit recognized in the Statements of Consolidated Operations for share-based compensation arrangements was \$5.6 million, \$5.4 million and \$4.3 million for 2011, 2010 and 2009, respectively. Cash flows resulting from the tax benefits for tax deductions in excess of the compensation expense are classified as financing cash flows. Accordingly, we classified \$4.5 million, \$3.3 million and \$3.5 million in excess tax benefits as cash from financing activities rather than cash from operating activities on our Statements of Consolidated Cash Flows for the years ended December 31, 2011, 2010 and 2009, respectively.

**Employees' Plans**

On May 11, 2010, our shareholders approved and adopted an amendment and restatement of the ICE Plan to increase the authorized number of shares available for issuance under the plan and to provide an annual limitation on the number of shares available to grant to any one participant in any fiscal year of 500,000 common shares. As of December 31, 2011, our ICE Plan authorized up to 11,000,000 of our common shares to be issued as stock options, SARs, restricted shares, restricted share units, retention units, deferred shares and performance shares or performance units. Any of the foregoing awards may be made subject to attainment of performance goals over a performance period of one or more years. Each stock option and SAR will reduce the common shares available under the ICE Plan by one common share. Each other award will reduce the common shares available under the ICE Plan by two common shares. The performance shares and performance share units are intended to meet the requirements of section 162(m) of the Internal Revenue Code for deduction.

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For the outstanding plan year agreements, each performance share or performance share unit, if earned, entitles the holder to receive a number of common shares, or cash based on Cliffs' common share price on the date of vesting, within the range between a threshold and maximum number of shares, with the actual number of common shares earned dependent upon whether the Company achieves certain objectives and performance goals as established by the Compensation Committee of the Board of Directors. The restricted share units and retention units are subject to continued employment, will vest at the end of the performance period for the performance shares and performance share units, or at a different vesting period specified by the Compensation Committee, and are payable in shares or cash for the 2009, 2010 and 2011 plan years at a time determined by the Compensation Committee at its discretion.

The performance share grants vest over a period of three years and are intended to be paid out in common shares. Performance is measured on the basis of two factors: 1) relative TSR for the period, as measured against a predetermined peer group of mining and metals companies, and 2) three-year cumulative free cash flow. The final payout for the 2011 to 2013 performance period varies from zero to 200 percent of the original grant, compared to the 2009 and 2010 plan year agreements where the maximum payout is 150 percent of the performance shares awarded.

Upon the occurrence of a change in control, all performance shares, restricted share units, restricted stock and retention units granted to a participant will vest and become nonforfeitable and will be paid out in cash.

Following is a summary of our Performance Share Award Agreements currently outstanding:

Performance Share Plan Year	Performance Shares Outstanding	Forfeitures (1)	Grant Date	Performance Period
2011	169,632	18,848	March 8, 2011	1/1/2011-12/31/2013
2011	2,090	—	April 14, 2011	1/1/2011-12/31/2013
2011	1,290	—	May 2, 2011	1/1/2011-12/31/2013
2010	209,853	23,317	March 8, 2010	1/1/2010-12/31/2012
2010	12,480(2)	—	March 8, 2010	1/1/2010-12/31/2012
2010	480	—	April 6, 2010	1/1/2010-12/31/2012
2010	590	—	April 12, 2010	1/1/2010-12/31/2012
2010	2,130	—	April 26, 2010	1/1/2010-12/31/2012
2010	12,080	—	May 3, 2010	1/1/2010-12/31/2012
2010	550	—	June 14, 2010	1/1/2010-12/31/2012
2010	670	—	August 16, 2010	1/1/2010-12/31/2012
2009	372,881	22,089	March 9, 2009	1/1/2009-12/31/2011
2009	3,825	—	August 31, 2009	1/1/2009-12/31/2011
2009	44,673(2)	—	December 17, 2009	1/1/2009-12/31/2011

(1) The 2011 and 2010 awards are based on assumed forfeitures. The 2009 awards reflect actual forfeitures.

(2) Represents the target payout as of December 31, 2011 related to the 67,009 shares awarded on December 17, 2009 and the 18,720 shares awarded on March 8, 2010 based upon the Compensation Committee's ability to exercise negative discretion. For accounting purposes, a grant date has not yet been determined for these awards.

Throughout 2011, the Committee approved grants under our shareholder-approved ICE Plan for the performance period of 2011 to 2013. A total of 307,940 shares were granted, consisting of performance shares, restricted share units, and restricted stock.

The performance shares awarded under the ICE Plan to the Company's Chief Executive Officer on December 17, 2009 and March 8, 2010 of 67,009 shares and 18,720 shares, respectively, met the aggregate value-added performance objective under the award terms as of December 31, 2010. The number of shares paid out under these particular awards at the end of each incentive period will be determined by the Compensation Committee based upon the achievement of certain other performance factors evaluated solely at the Compensation Committee's discretion and may be reduced from the 67,009 shares and 18,720 shares granted.

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Based on the Compensation Committee's ability to exercise negative discretion, the targeted payout for the awards was 44,673 shares and 12,480 shares, respectively, as of December 31, 2011. These other performance factors are in addition to the aggregate value-added performance objective. As a result of this uncertainty, a grant date has not yet been determined for this award for purposes of measuring and recognizing compensation cost.

### Nonemployee Directors

The Directors' Plan authorizes us to issue up to 800,000 common shares to nonemployee Directors. Under the Share Ownership Guidelines in effect for 2011, or Guidelines, a Director is required by the end of five years from date of election or September 1, 2010, whichever is later, to hold common shares with a market value of at least \$250,000. If, as of December 1 annually, the nonemployee Director does not meet the Guidelines, the nonemployee Director must take a portion of the annual retainer in common shares with a market value of \$24,000 ("Required Retainer") until such time as the nonemployee Director reaches the ownership required by the Guidelines. Once the nonemployee Director meets the Guidelines, the nonemployee Director may elect to receive the Required Retainer in cash.

The Directors' Plan also provides for an Annual Equity Grant or Equity Grant. The Equity Grant is awarded at our annual meeting each year to all nonemployee Directors elected or re-elected by the shareholders. The value of the Equity Grant is payable in restricted shares with a three-year vesting period from the date of grant. The closing market price of our common shares on our annual meeting date is divided into the Equity Grant to determine the number of restricted shares awarded. Effective April 1, 2011, nonemployee Directors receive an annual retainer fee of \$60,000 and effective May 17, 2011, an annual equity award of \$80,000. In July 2009, the Directors' annual retainer fee was reduced by 10 percent in conjunction with the Company's compensation reductions across the organization. Such reductions were reinstated to their previous levels effective January 1, 2010. The Directors' Plan offers the nonemployee Director the opportunity to defer all or a portion of the Directors' annual retainer, chair retainers, meeting fees, and the Equity Grant into the Directors' Plan. A Director who is 69 or older at the Equity Grant date will receive common shares with no restrictions.

For the last three years, Equity Grant shares have been awarded to elected or re-elected Directors as follows:

Year of Grant	Unrestricted Equity Grant Shares	Restricted Equity Grant Shares	Deferred Equity Grant Shares
2009	7,788	15,118	2,596
2010	3,963	7,926	1,321
2011	1,850	6,475	1,850

### Other Information

We adopted the fair value recognition provisions of ASC 718 effective January 1, 2006 using the modified prospective transition method. The following table summarizes the share-based compensation expense that we recorded for continuing operations in 2011, 2010 and 2009:

	(In Millions, except per share amount)		
	2011	2010	2009
Cost of goods sold and operating expenses	\$ 2.7	\$ 2.8	\$ 1.2
Selling, general and administrative expenses	13.2	12.7	11.0
Reduction of operating income from continuing operations before income taxes and equity income (loss) from ventures	15.9	15.5	12.2
Income tax benefit	(5.6)	(5.4)	(4.3)
Reduction of net income attributable to Cliffs shareholders	<u>\$10.3</u>	<u>\$10.1</u>	<u>\$ 7.9</u>
Reduction of earnings per share attributable to Cliffs shareholders:			
Basic	<u>\$0.07</u>	<u>\$0.07</u>	<u>\$0.06</u>
Diluted	<u>\$0.07</u>	<u>\$0.07</u>	<u>\$0.06</u>

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### Determination of Fair Value

The fair value of each grant is estimated on the date of grant using a Monte Carlo simulation to forecast relative TSR performance. A correlation matrix of historic and projected stock prices was developed for both the Company and its predetermined peer group of mining and metals companies. The fair value assumes that performance goals will be achieved.

The expected term of the grant represents the time from the grant date to the end of the service period for each of the three plan year agreements. We estimated the volatility of our common shares and that of the peer group of mining and metals companies using daily price intervals for all companies. The risk-free interest rate is the rate at the grant date on zero-coupon government bonds, with a term commensurate with the remaining life of the performance plans.

The following assumptions were utilized to estimate the fair value for the 2011 performance share grants:

<u>Period (1)</u>	<u>Grant Date Market Price</u>	<u>Average Expected Term (Years)</u>	<u>Expected Volatility</u>	<u>Risk-Free Interest Rate</u>	<u>Dividend Yield</u>	<u>Fair Value</u>	<u>Fair Value (Percent of Grant Date Market Price)</u>
First Quarter	\$96.70	2.81	94.4%	1.17%	0.58%	\$77.90	80.60%
Second Quarter	\$93.85	2.81	94.4%	1.17%	0.58%	\$75.64	80.60%

(1) Performance shares were granted during the first quarter of 2011 on March 8, 2011 and during the second quarter of 2011 on April 14, 2011 and May 2, 2011.

The fair value of the restricted share units is determined based on the closing price of the Company's common shares on the grant date. The restricted share units granted under the ICE Plan vest over a period of three years.

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Stock options, restricted stock, deferred stock allocation and performance share activity under our long-term equity plans and Directors' Plans are as follows:

	2011		2010		2009	
	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	—	—	—	—	2,500	\$ 5.42
Granted during the year	—	—	—	—	—	—
Exercised	—	—	—	—	(2,500)	5.42
Cancelled or expired	—	—	—	—	—	—
Options outstanding at end of year	—	—	—	—	—	—
Options exercisable at end of year	—	—	—	—	—	—
<b>Restricted awards:</b>						
Outstanding and restricted at beginning of year	371,712		290,702		315,684	
Granted during the year	125,059		133,666		184,904	
Vested	(61,330)		(50,156)		(201,486)	
Cancelled	(10,275)		(2,500)		(8,400)	
Outstanding and restricted at end of year	425,166		371,712		290,702	
<b>Performance shares:</b>						
Outstanding at beginning of year	843,238		823,393		594,115	
Granted during the year (1)	263,816		376,524		555,046	
Issued (2)	(215,870)		(343,321)		(312,336)	
Forfeited/cancelled	(13,749)		(13,358)		(13,432)	
Outstanding at end of year	877,435		843,238		823,393	
Vested or expected to vest as of December 31, 2011	833,224					
<b>Directors' retainer and voluntary shares:</b>						
Outstanding at beginning of year	2,509		4,596		2,183	
Granted during the year	1,815		2,075		4,602	
Vested	(1,713)		(4,162)		(2,189)	
Outstanding at end of year	2,611		2,509		4,596	
<b>Reserved for future grants or awards at end of year:</b>						
Employee plans	6,760,871					
Directors' plans	115,189					
<b>Total</b>	<b>6,876,060</b>					

(1) The shares granted during the year include 71,956 shares, 114,371 shares and 99,958 shares for each year presented, respectively, related to the 50 percent payout associated with the prior-year pool as actual payout exceeded target.

(2) For each year presented, the shares vested on December 31, 2010, December 31, 2009 and December 31, 2008, respectively, and were valued on February 14, 2011, February 19, 2010 and February 27, 2009, respectively.

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A summary of our outstanding share-based awards as of December 31, 2011 is shown below:

	Shares	Weighted Average Grant Date Fair Value
Outstanding, beginning of year	1,217,459	\$ 26.03
Granted	390,690	\$ 88.60
Vested	(278,913)	\$ 42.73
Forfeited/expired	(24,024)	\$ 61.61
Outstanding, end of year	<u>1,305,212</u>	<u>\$ 43.19</u>

The total compensation cost related to outstanding awards not yet recognized is \$26.0 million at December 31, 2011. The weighted average remaining period for the awards outstanding at December 31, 2011 is approximately 2.0 years.

**NOTE 12 — INCOME TAXES**

*Income from Continuing Operations Before Income Taxes and Equity Income (Loss) from Ventures* includes the following components:

	(In Millions)		
	2011	2010	2009
United States	\$ 1,506.5	\$ 602.1	\$ 136.6
Foreign	735.0	700.9	159.9
	<u>\$ 2,241.5</u>	<u>\$ 1,303.0</u>	<u>\$ 296.5</u>

The components of the provision (benefit) for income taxes on continuing operations consist of the following:

	(In Millions)		
	2011	2010	2009
Current provision (benefit):			
United States federal	\$ 246.8	\$ 109.6	\$ (44.5)
United States state & local	2.8	2.6	3.4
Foreign	237.1	166.1	2.8
	<u>486.7</u>	<u>278.3</u>	<u>(38.3)</u>
Deferred provision (benefit):			
United States federal	23.8	61.1	13.2
United States state & local	4.7	5.2	(6.1)
Foreign	(95.1)	(51.1)	53.7
	<u>(66.6)</u>	<u>15.2</u>	<u>60.8</u>
Total provision on continuing operations	<u>\$ 420.1</u>	<u>\$ 293.5</u>	<u>\$ 22.5</u>

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Reconciliation of our income tax attributable to continuing operations computed at the U.S. federal statutory rate is as follows:

	(In Millions)		
	2011	2010	2009
Tax at U.S. statutory rate of 35 percent	\$ 784.5	\$ 456.0	\$103.8
Increase (decrease) due to:			
Foreign exchange remeasurement	(62.6)	—	—
Non-taxable income related to noncontrolling interests	(63.6)	—	—
Impact of tax law change	—	16.1	—
Percentage depletion in excess of cost depletion	(153.4)	(103.1)	(66.2)
Impact of foreign operations	(49.4)	(89.1)	(44.3)
Legal entity restructuring	—	(87.4)	—
Income not subject to tax	(67.5)	—	—
Non-taxable hedging income	(32.4)	—	—
State taxes, net	7.5	3.1	(2.1)
Manufacturer's deduction	(11.9)	—	(0.1)
Valuation allowance	49.5	83.3	39.0
Tax uncertainties	17.7	—	—
Other items — net	1.7	14.6	(7.6)
Income tax expense	<u>\$ 420.1</u>	<u>\$ 293.5</u>	<u>\$ 22.5</u>

The components of income taxes for other than continuing operations consisted of the following:

	(In Millions)		
	2011	2010	2009
Other comprehensive (income) loss:			
Minimum pension/OPEB liability	\$ (60.2)	\$ 14.0	\$ (4.7)
Mark-to-market adjustments	(17.7)	1.7	(12.3)
	<u>\$ (77.9)</u>	<u>\$ 15.7</u>	<u>\$ (17.0)</u>
Paid in capital — stock based compensation	\$ (4.6)	\$ (4.0)	\$ 3.5
Discontinued Operations	\$ (9.2)	\$ (1.5)	\$ (1.7)

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Significant components of our deferred tax assets and liabilities as of December 31, 2011 and 2010 are as follows:

	(In Millions)	
	2011	2010
Deferred tax assets:		
Pensions	\$ 154.8	\$ 108.5
Postretirement benefits other than pensions	109.8	92.0
Alternative minimum tax credit carryforwards	228.5	153.4
Capital loss carryforwards	3.8	1.3
Development	—	0.9
Asset retirement obligations	42.9	42.0
Operating loss carryforwards	260.7	134.2
Product inventories	30.1	21.0
Properties	44.8	38.7
Lease liabilities	38.8	36.9
Other liabilities	149.3	85.4
Total deferred tax assets before valuation allowance	1,063.5	714.3
Deferred tax asset valuation allowance	223.9	172.7
Net deferred tax assets	839.6	541.6
Deferred tax liabilities:		
Properties	1,345.0	222.6
Investment in ventures	155.9	72.7
Intangible assets	13.5	14.8
Income tax uncertainties	56.7	37.5
Financial derivatives	1.3	11.7
Deferred revenue	—	45.3
Other assets	98.2	58.3
Total deferred tax liabilities	1,670.6	462.9
Net deferred tax (liabilities) assets	\$ (831.0)	\$ 78.7

The deferred tax amounts are classified in the Statements of Consolidated Financial Position as current or long-term in accordance with the asset or liability to which they relate. Following is a summary:

	(In Millions)	
	2011	2010
Deferred tax assets:		
United States		
Current	\$ 17.7	\$ 2.1
Long-term	162.8	134.5
Total United States	180.5	136.6
Foreign		
Current	4.2	—
Long-term	46.7	5.8
Total deferred tax assets	231.4	142.4
Deferred tax liabilities:		
Foreign		
Long-term	1,062.4	63.7
Total deferred tax liabilities	1,062.4	63.7
Net deferred tax (liabilities) assets	\$ (831.0)	\$ 78.7

The PPACA and the Reconciliation Act were signed into law in March 2010. As a result of these two acts, tax benefits available to employers that receive the Medicare Part D subsidy related to qualified postretirement drug benefit are reduced beginning in years ending after December 31, 2012. The income tax effect related to the acts for the year ended December 31, 2010 was a reduction of \$16.1 million to deferred tax asset related to the

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postretirement prescription drug benefits computed after the elimination of the deduction for the Medicare Part D subsidy beginning in taxable years ending after December 31, 2012.

We completed a legal entity restructuring during 2010 that resulted in a change to deferred tax liabilities of \$78.0 million on certain foreign investments to a deferred tax asset of \$9.4 million for tax basis in excess of book basis on foreign investments as of December 31, 2010. A valuation allowance of \$9.4 million was recorded against this asset due to the uncertainty of realization.

At December 31, 2011 and 2010, we had \$228.5 million and \$153.4 million, respectively, of deferred tax assets related to U.S. alternative minimum tax credits that can be carried forward indefinitely.

We had gross state and foreign net operating loss carry forwards of \$147.1 million, and \$780.5 million, respectively, at December 31, 2011. We acquired \$211.0 million of foreign net operating loss carryforwards as a result of the acquisition of Consolidated Thompson stock in 2011. We had U.S. federal, state and foreign net operating loss carry forwards at December 31, 2010 of \$87.6 million, \$338.9 million and \$234.4 million, respectively. State net operating losses will begin to expire in 2022, and the foreign net operating losses will begin to expire in 2026. We had foreign tax credit carryforwards of \$5.8 million at December 31, 2011 and December 31, 2010. The foreign tax credit carryforwards will begin to expire in 2020.

We had a \$51.2 million change in the valuation allowance of certain deferred tax assets where management believes that realization of the related deferred tax assets is not more likely than not. Of this amount, \$41.1 million increase relates to ordinary losses of certain foreign and state operations for which future utilization is currently uncertain and \$10.1 million increase relates to certain foreign assets where tax basis exceeds book basis.

At December 31, 2011 and 2010, cumulative undistributed earnings of foreign subsidiaries included in consolidated retained earnings amounted to \$1.7 billion and \$1.0 billion, respectively. These earnings are indefinitely reinvested in international operations. Accordingly, no provision has been made for U.S. deferred taxes related to future repatriation of these earnings, nor is it practical to estimate the amount of income taxes that would have to be provided if we were to conclude that such earnings will be remitted in the foreseeable future.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

	(In Millions)		
	2011	2010	2009
Unrecognized tax benefits balance as of January 1	\$ 79.8	\$ 75.2	\$ 53.7
Increases for tax positions in prior years	42.1	1.9	23.8
Increases for tax positions in current year	29.5	—	2.5
Increase due to foreign exchange	—	0.7	4.7
Settlements	(3.5)	—	(9.1)
Lapses in statutes of limitations	(45.8)	—	(0.4)
Other	—	2.0	—
Unrecognized tax benefits balance as of December 31	<u>\$ 102.1</u>	<u>\$ 79.8</u>	<u>\$ 75.2</u>

At December 31, 2011 and 2010, we had \$102.1 million and \$79.8 million, respectively, of unrecognized tax benefits recorded in *Other liabilities* in the Statements of Consolidated Financial Position. During the third quarter of 2011, we recognized a \$39.0 million tax benefit for the reduction in the amount of unrecognized tax benefits to reflect the closure of the U.S. federal audit for the years 2007 and 2008. Additionally, we recognized a tax benefit of \$5.7 million for previously recorded uncertain tax positions to reflect the expiration of the statute of limitations in a foreign jurisdiction. If the \$102.1 million were recognized, the full amount would impact the effective tax rate. We do not expect that the amount of unrecognized tax benefits will change significantly within the next twelve months. We recognized potential accrued interest and penalties of \$4.1 million and \$2.1 million related to unrecognized tax benefits in income tax expense in 2011 and 2010, respectively. At December 31, 2011 and 2010, we had \$2.5 million and \$11.6 million, respectively, of accrued interest and penalties related to the unrecognized tax benefits recorded in *Other liabilities* in the Statements of Consolidated Financial Position.

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Tax years that remain subject to examination are years 2009 and forward for the U.S., 1993 and forward for Canada, and 2007 and forward for Australia.

**NOTE 13 — CAPITAL STOCK****Share Repurchase Plan**

On August 15, 2011, our Board of Directors approved a new share repurchase plan that authorized us to purchase up to four million of our outstanding common shares. The new share repurchase plan replaced the previously existing share repurchase plan and allowed for the purchase of common shares from time to time in open market purchases or privately negotiated transactions. During the second half of 2011, all of the common shares were repurchased at a cost of approximately \$289.8 million in the aggregate, or an average price of approximately \$72.44 per share, thus terminating the plan.

**Public Offering**

On June 13, 2011, we completed a public offering of our common shares. The total number of shares sold was 10.35 million, comprised of the 9.0 million share offering and the exercise of an underwriters' over-allotment option to purchase an additional 1.35 million shares. The offering resulted in an increase in the number of our common shares issued and outstanding as of December 31, 2011. We received net proceeds of approximately \$854 million at a closing price of \$85.63 per share.

**Dividends**

On May 11, 2010, our Board of Directors increased our quarterly common share dividend from \$0.0875 to \$0.14 per share. The increased cash dividend was paid on June 1, 2010, September 1, 2010, and December 1, 2010 to shareholders on record as of May 14, 2010, August 13, 2010, and November 19, 2010, respectively. In addition, the increased cash dividend was paid on March 1, 2011 and June 1, 2011 to shareholders on record as of February 15, 2011 and April 29, 2011, respectively. On July 12, 2011, our Board of Directors increased the quarterly common share dividend by 100 percent to \$0.28 per share. The increased cash dividend was paid on September 1, 2011 and December 1, 2011 to shareholders on record as of the close of business on August 15, 2011 and November 18, 2011, respectively.

**Amendment to the Second Amended Articles of Incorporation**

On May 25, 2011, our shareholders approved an amendment to our Second Amended Articles of Incorporation to increase the number of authorized Common Shares from 224,000,000 to 400,000,000, which resulted in an increase in the total number of authorized shares from 231,000,000 to 407,000,000. The total number of authorized shares includes 3,000,000 and 4,000,000 shares, respectively, of Class A and Class B preferred stock, none of which are issued and outstanding.

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**NOTE 14 — ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)**

The components of *Accumulated other comprehensive income (loss)* within Cliffs shareholders' equity and related tax effects allocated to each are shown below as of December 31, 2011, 2010 and 2009:

	(In Millions)		
	Pre-tax Amount	Tax Benefit (Provision)	After-tax Amount
<b>As of December 31, 2009:</b>			
Postretirement benefit liability	\$ (451.9)	\$ 132.8	\$ (319.1)
Foreign currency translation adjustments	163.1	—	163.1
Unrealized net gain on derivative financial instruments	5.7	(1.7)	4.0
Unrealized loss on securities	43.1	(13.7)	29.4
	<u>\$ (240.0)</u>	<u>\$ 117.4</u>	<u>\$ (122.6)</u>
<b>As of December 31, 2010:</b>			
Postretirement benefit liability	\$ (452.0)	\$ 146.9	\$ (305.1)
Foreign currency translation adjustments	329.9	(15.2)	314.7
Unrealized net gain on derivative financial instruments	3.9	(1.2)	2.7
Unrealized gain on securities	46.9	(13.3)	33.6
	<u>\$ (71.3)</u>	<u>\$ 117.2</u>	<u>\$ 45.9</u>
<b>As of December 31, 2011:</b>			
Postretirement benefit liability	\$ (615.9)	\$ 207.0	\$ (408.9)
Foreign currency translation adjustments	312.5	—	312.5
Unrealized net gain on derivative financial instruments	1.7	(0.5)	1.2
Unrealized gain on securities	2.5	0.1	2.6
	<u>\$ (299.2)</u>	<u>\$ 206.6</u>	<u>\$ (92.6)</u>

The following table reflects the changes in *Accumulated other comprehensive income (loss)* related to Cliffs shareholders' equity for 2011, 2010 and 2009:

	Postretirement	Unrealized	Foreign Currency Translation	Interest Rate Swap	Net Gain (Loss) on Derivative Financial Instruments	Accumulated Other Comprehensive Income (Loss)
	Benefit Liability	Net Gain (Loss) on Securities				
Balance December 31, 2008	\$ (343.3)	\$ (0.1)	\$ (68.6)	\$ (1.7)	\$ 19.1	\$ (394.6)
Change during 2009	24.2	29.5	231.7	1.7	(15.1)	272.0
Balance December 31, 2009	(319.1)	29.4	163.1	—	4.0	(122.6)
Change during 2010	14.0	4.2	151.6	—	(1.3)	168.5
<b>Balance December 31, 2010</b>	<b>(305.1)</b>	<b>33.6</b>	<b>314.7</b>	<b>—</b>	<b>2.7</b>	<b>45.9</b>
Change during 2011	(103.8)	(31.0)	(2.2)	—	(1.5)	(138.5)
<b>Balance December 31, 2011</b>	<b>\$ (408.9)</b>	<b>\$ 2.6</b>	<b>\$ 312.5</b>	<b>\$ —</b>	<b>\$ 1.2</b>	<b>\$ (92.6)</b>

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**NOTE 15 — EARNINGS PER SHARE**

The following table summarizes the computation of basic and diluted earnings per share attributable to Cliffs shareholders:

	(In Millions)		
	Year Ended December 31,		
	2011	2010	2009
Net income from continuing operations attributable to Cliffs shareholders	\$ 1,637.6	\$ 1,023.0	\$ 208.5
Loss from discontinued operations	(18.5)	(3.1)	(3.4)
<b>Net income attributable to Cliffs shareholders</b>	<b>\$ 1,619.1</b>	<b>\$ 1,019.9</b>	<b>\$ 205.1</b>
Weighted average number of shares:			
Basic	140.2	135.3	125.0
Employee stock plans	0.8	0.8	0.8
Diluted	<u>141.0</u>	<u>136.1</u>	<u>125.8</u>
Earnings per common share attributable to Cliffs shareholders — Basic:			
Continuing operations	\$ 11.68	\$ 7.56	\$ 1.67
Discontinued operations	(0.13)	(0.02)	(0.03)
	<u>\$ 11.55</u>	<u>\$ 7.54</u>	<u>\$ 1.64</u>
Earnings per common share attributable to Cliffs shareholders — Diluted:			
Continuing operations	\$ 11.61	\$ 7.51	\$ 1.66
Discontinued operations	(0.13)	(0.02)	(0.03)
	<u>\$ 11.48</u>	<u>\$ 7.49</u>	<u>\$ 1.63</u>

**NOTE 16 — COMMITMENTS AND CONTINGENCIES**

We have total contractual obligations and binding commitments of approximately \$11.0 billion as of December 31, 2011 compared with \$5.7 billion as of December 31, 2010, primarily related to purchase commitments, principal and interest payments on long-term debt, lease obligations, pension and OPEB funding minimums, and mine closure obligations. Such future commitments total approximately \$1.4 billion in 2012, \$1.0 billion in 2013, \$0.6 billion in 2014, \$0.9 billion in 2015, \$0.6 billion in 2016 and \$6.5 billion thereafter.

**Purchase Commitments**

In 2011, we incurred capital commitments related to the expansion of our Bloom Lake mine. The expansion project requires a capital investment of over \$1.3 billion for the expansion of the mine and the mine's processing capabilities in order to ramp-up production capacity from 8.0 million to 16.0 million metric tons of iron ore concentrate per year. The capital investment also includes the common infrastructure necessary to support the mine's future production levels. As of December 31, 2011, approximately \$445 million of the total capital investment required for the Bloom Lake expansion project has been committed, of which approximately \$165 million had been expended during 2011. Of the remaining committed capital, expenditures of approximately \$280 million are expected to be made during the 2012.

As a result of the significant tornado damage to the above-ground operations at our Oak Grove mine during the second quarter of 2011, we incurred capital commitments to repair the damage done to the preparation plant and the overland conveyor system. As of December 31, 2011, the project requires a capital investment of approximately \$52 million, all of which has been committed. As of December 31, 2011, \$46 million in capital expenditures had been expended related to this commitment. Of the committed capital, expenditures of \$6 million are scheduled to be made during 2012.

In March 2011, we incurred capital commitments related to bringing Lower War Eagle, a high volatile metallurgical coal mine in West Virginia, into production. The project requires a capital investment of approximately \$97 million, of which \$55 million has been committed as of December 31, 2011. Capital

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expenditures related to this commitment were approximately \$40 million as of December 31, 2011. Of the committed capital, expenditures of approximately \$15 million are scheduled to be made during 2012.

In 2010, our Board of Directors approved a capital project at our Koolyanobbing Operation in Western Australia. The project is expected to increase the production capacity at the Koolyanobbing Operation to approximately 11 million metric tons annually. The improvements consist of enhancements to the existing rail infrastructure and upgrades to various other existing operational constraints. The expansion project requires a capital investment of approximately \$275 million, of which approximately \$259 million has been committed, that will be required to meet the timing of the proposed expansion. As of December 31, 2011, \$202 million in capital expenditures had been expended related to this commitment. Of the committed capital, expenditures of \$57 million are scheduled to be made during 2012.

In 2011, the rail service provider for one of the rail lines used by our Koolyanobbing operations entered into an agreement to upgrade the existing rail line. The upgrade is being performed to enhance safety and improve functionality of the rail. The improvements include the replacement of 62 miles of rail and associated parts. As a result, our portion of the related purchase commitment is approximately \$33 million for replacements and improvements to the rail structure. As of December 31, 2011, our capital expenditures related to this purchase were approximately \$25 million. Remaining expenditures of approximately \$8 million are expected to be made in 2012.

We incurred capital commitments related to an expansion project at our Empire and Tilden mines in Michigan's Upper Peninsula in 2010. The expansion project requires a capital investment of approximately \$264 million, of which \$178 million has been committed as of December 31, 2011, and is expected to allow for production capacity at the Empire mine to produce at three million tons annually through 2014 and increase Tilden mine production capacity by an additional two million tons annually. As of December 31, 2011, capital expenditures related to this commitment were approximately \$142 million. Of the committed capital, expenditures of approximately \$36 million are scheduled to be made during 2012.

### Contingencies

#### *Litigation*

We are currently a party to various claims and legal proceedings incidental to our operations. If management believes that a loss arising from these matters is probable and can reasonably be estimated, we record the amount of the loss, or the minimum estimated liability when the loss is estimated using a range, and no point within the range is more probable than another. As additional information becomes available, any potential liability related to these matters is assessed and the estimates are revised, if necessary. Based on currently available information, management believes that the ultimate outcome of these matters, individually and in the aggregate, will not have a material effect on our financial position, results of operations or cash flows. However, litigation is subject to inherent uncertainties, and unfavorable rulings could occur. An unfavorable ruling could include monetary damages or an injunction. If an unfavorable ruling were to occur, there exists the possibility of a material impact on the financial position and results of operations of the period in which the ruling occurs, or future periods. However, we believe that any pending litigation will not result in a material liability in relation to our consolidated financial statements.

#### *Environmental Matters*

We had environmental liabilities of \$15.5 million and \$13.7 million at December 31, 2011 and 2010, respectively, including obligations for known environmental remediation exposures at active and closed mining operations and other sites. These amounts have been recognized based on the estimated cost of investigation and remediation at each site, and include site studies, design and implementation of remediation plans, legal and consulting fees, and post-remediation monitoring and related activities. If the cost can only be estimated as a range of possible amounts with no specific amount being more likely, the minimum of the range is accrued. Future expenditures are not discounted unless the amount and timing of the cash disbursements are readily known. Potential insurance recoveries have not been reflected. Additional environmental obligations could be incurred, the extent of which cannot be assessed. The amount of our ultimate liability with respect to these

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matters may be affected by several uncertainties, primarily the ultimate cost of required remediation and the extent to which other responsible parties contribute. Refer to NOTE 9 — ENVIRONMENTAL AND MINE CLOSURE OBLIGATIONS for further information.

### Tax Matters

The calculation of our tax liabilities involves dealing with uncertainties in the application of complex tax regulations. We recognize liabilities for anticipated tax audit issues based on our estimate of whether, and the extent to which, additional taxes will be due. If we ultimately determine that payment of these amounts is unnecessary, we reverse the liability and recognize a tax benefit during the period in which we determine that the liability is no longer necessary. We also recognize tax benefits to the extent that it is more likely than not that our positions will be sustained when challenged by the taxing authorities. To the extent we prevail in matters for which liabilities have been established, or are required to pay amounts in excess of our liabilities, our effective tax rate in a given period could be materially affected. An unfavorable tax settlement would require use of our cash and result in an increase in our effective tax rate in the year of resolution. A favorable tax settlement would be recognized as a reduction in our effective tax rate in the year of resolution. Refer to NOTE 12 — INCOME TAXES for further information.

### NOTE 17 — CASH FLOW INFORMATION

A reconciliation of capital additions to cash paid for capital expenditures for the years ended December 31, 2011, 2010 and 2009 is as follows:

	(In Millions)		
	2011	2010	2009
Capital additions	\$ 960.9	\$ 275.8	\$ 168.2
Cash paid for capital expenditures (1)	862.1	209.6	116.3
Difference	\$ 98.8	\$ 66.2	\$ 51.9
Non-cash accruals	\$ 60.1	\$ 8.9	\$ 3.0
Capital leases	38.7	57.3	48.9
Total	\$ 98.8	\$ 66.2	\$ 51.9

(1) Cash paid for capital expenditures for 2011 and 2010 has been shown net of cash proceeds of \$18.6 and \$57.3 million, respectively, from the Pinnacle longwall sale- leaseback that was completed in October 2011 and December 2010. The adjustment was necessary in 2011 and 2010 due to the timing of the cash payments related to the longwall.

Cash payments for interest and income taxes in 2011, 2010 and 2009 are as follows:

	(In Millions)		
	2011	2010	2009
Taxes paid on income	\$ 275.3	\$ 208.3	\$ 64.8
Interest paid on debt obligations	175.1	34.2	25.3

Non-cash investing activities as of December 31, 2010 include the issuance of 4.2 million of our common shares valued at \$173.1 million as part of the purchase consideration for the acquisition of the remaining interest in Freewest. Non-cash items as of December 31, 2010 also include gains of \$38.6 million primarily related to the remeasurement of our previous ownership interest in Freewest and Wabush held prior to each business acquisition. Refer to NOTE 4 — ACQUISITIONS AND OTHER INVESTMENTS for further information.

### NOTE 18 — RELATED PARTIES

We co-own three of our five U.S. iron ore mines and one of our two Eastern Canadian iron ore mines with various joint venture partners that are integrated steel producers or their subsidiaries. We are the manager of each of the mines we co-own and rely on our joint venture partners to make their required capital contributions and to pay for their share of the iron ore pellets that we produce. The joint venture partners are also our customers. The following is a summary of the mine ownership of these iron ore mines at December 31, 2011:

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Mine	Cliffs Natural	ArcelorMittal	U. S. Steel	
	Resources		Canada	WISCO
Empire	79.0	21.0	—	—
Tilden	85.0	—	15.0	—
Hibbing	23.0	62.3	14.7	—
Bloom Lake	75.0	—	—	25.0

ArcelorMittal has a unilateral right to put its interest in the Empire Mine to us, but has not exercised this right to date.

Product revenues to related parties were as follows:

	(In Millions)		
	2011	2010	2009
Product revenues to related parties	\$2,192.4	\$1,165.5	\$ 593.8
Total product revenues	6,551.7	4,416.8	2,216.2
Related party product revenue as a percent of total product revenue	33.5%	26.4%	26.8%

Amounts due from related parties recorded in *Accounts receivable* and *Derivative assets*, including customer supply agreements and provisional pricing arrangements, were \$180.4 million and \$52.4 million at December 31, 2011 and 2010, respectively. Amounts due to related parties recorded in *Other current liabilities*, including provisional pricing arrangements and liabilities to minority parties, were \$43.0 million at December 31, 2011.

In 2002, we entered into an agreement with Ispat that restructured the ownership of the Empire mine and increased our ownership from 46.7 percent to 79 percent in exchange for assumption of all mine liabilities. Under the terms of the agreement, we indemnified Ispat from obligations of Empire in exchange for certain future payments to Empire and to us by Ispat of \$120.0 million, recorded at a present value of \$26.5 million and \$32.8 million at December 31, 2011 and 2010, respectively. Of these amounts, \$16.5 million and \$22.8 million were classified as *Other non-current assets* at December 31, 2011 and 2010, respectively, with the balances current, over the 12-year life of the supply agreement.

Supply agreements with one of our customers include provisions for supplemental revenue or refunds based on the customer's annual steel pricing for the year the product is consumed in the customer's blast furnace. The supplemental pricing is characterized as an embedded derivative. Refer to NOTE 3 — DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES for further information.

**NOTE 19 — SUBSEQUENT EVENTS**

*Canadian Dollar Foreign Exchange Contracts*

In January 2012, in accordance with our policy, we began to enter into Canadian dollar foreign currency exchange contracts in the form of forward contracts that qualify for hedge accounting. Subsequent to December 31, 2011, we have entered into contracts with a notional amount of approximately C\$200 million with varying maturity dates.

We have evaluated subsequent events through the date of financial statement issuance.



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operating and capital costs. Furthermore, any gains or losses generated by the mining venture throughout the life of the partnership were expected to be minimal and the mine has historically been in a net loss position. The partnership arrangement provides that the venture partners share profits and losses on an ownership percentage basis of 79 percent and 21 percent, with the noncontrolling interest partner limited on the losses produced by the mining venture to its equity interest. Therefore, the noncontrolling interest partner cannot have a negative ownership interest in the mining venture. Under our captive cost company arrangements, the noncontrolling interests' revenue amounts are stated at an amount that is offset entirely by an equal amount included in *Cost of goods sold and operating expenses*, resulting in no sales margin attributable to noncontrolling interest participants. In addition, under the Empire partnership arrangement, the noncontrolling interest net losses historically were recorded in the Statements of Unaudited Condensed Consolidated Operations through *Cost of goods sold and operating expenses*. This was based on the assumption that the partnership would operate in a net liability position, and as mentioned, the noncontrolling partner is limited on the partnership losses that can be allocated to its ownership interest. Due to a change in the partnership pricing arrangement to align with the industry's shift towards shorter-term pricing arrangements linked to the spot market, the partnership began to generate profits. The change in partnership pricing was a result of the negotiated settlement with ArcelorMittal USA effective beginning for the three months ended March 31, 2011. The modification of the pricing mechanism changed the nature of our cost sharing arrangement, and we determined that we should have been recording a noncontrolling interest adjustment in accordance with ASC 810 in the Statements of Unaudited Condensed Consolidated Operations and in the Statements of Unaudited Condensed Consolidated Financial Position to the extent that the partnership was in a net asset position, beginning in the first quarter of 2011.

In accordance with applicable GAAP, management has quantitatively and qualitatively evaluated the materiality of the error and has determined the error to be immaterial to the quarterly reports previously filed for the periods ended March 31, 2011 and June 30, 2011, and also immaterial for the quarterly report for the period ended September 30, 2011. Accordingly, all of the resulting adjustments were recorded prospectively in the Statements of Unaudited Condensed Consolidated Operations for the three and nine months ended September 30, 2011 and the Statements of Unaudited Condensed Consolidated Financial Position as of September 30, 2011. The adjustment to record the noncontrolling interest related to the Empire mining venture of \$84.0 million, resulted in an increase to *Income From Continuing Operations* of \$16.1 million, as a result of reductions in income tax expenses, and a decrease to *Net Income Attributable To Cliffs Shareholders* of \$67.9 million in the Statements of Unaudited Condensed Consolidated Operations for the three and nine months ended September 30, 2011. The adjustments resulted in a decrease to basic and diluted earnings per common share of \$0.47 per common share for the three months ended September 30, 2011, and \$0.49 and \$0.48 per common share for the nine months ended September 30, 2011. In addition, *Retained Earnings* was decreased by \$67.9 million and *Noncontrolling Interest* was increased by \$84.0 million in the Statements of Unaudited Condensed Consolidated Financial Position as of September 30, 2011.

In addition to the noncontrolling interest adjustment, the application of consolidation accounting for the Empire partnership arrangement also resulted in several financial statement line item reclassifications in the Statements of Unaudited Condensed Consolidated Operations for the three and nine months ended September 30, 2011. Under the captive cost company accounting, we historically recorded the reimbursements for our venture partners' cost through *Freight and venture partners' cost reimbursements*, with a corresponding offset in *Cost of goods sold and operating expenses* in the Statements of Unaudited Condensed Consolidated Operations. Accordingly, we have reclassified \$46.0 million of revenues from *Freight and venture partners' cost reimbursements* to *Product Revenues* in the Statements of Unaudited Condensed Consolidated Operations for the three and nine months ended September 30, 2011. We also reclassified \$54.1 million related to the ArcelorMittal USA price re-opener settlement recorded during the first quarter of 2011 from *Cost of goods sold and operating expenses* to *Product revenues* in the Statements of Unaudited Condensed Consolidated Operations for the three and nine months ended September 30, 2011.

The impact of the prospective adjustments in the Statements of Unaudited Condensed Consolidated Operations for each of the prior interim periods of 2011 have been included within the table below. The prior period amounts included within the accompanying Consolidated Financial Statements have not been retrospectively adjusted for these impacts due to management's materiality assessment as discussed above.

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	(In Millions, Except Per Share Amounts)		
	March 31, 2011	Three Months Ended June 30, 2011	Six Months Ended June 30, 2011
Revenues from Product Sales and Services			
Product	\$ 54.1	\$ 46.0	\$ 100.1
Freight and venture partners' cost reimbursements	—	(46.0)	(46.0)
	54.1	—	54.1
Cost of Goods Sold and Operating Expenses	(54.1)	—	(54.1)
Income from Continuing Operations	8.4	7.7	16.1
LESS: Income Attributable to Noncontrolling Interest	45.9	38.1	84.0
Net Income Attributable to Cliffs Shareholders	\$ (37.5)	\$ (30.4)	\$ (67.9)
Earnings per Common Share Attributable to Cliffs Shareholders - Basic and Diluted	\$ (0.28)	\$ (0.22)	\$ (0.49)

Retrospective Adjustments

During the fourth quarter of 2011, we retrospectively recorded adjustments to the Consolidated Thompson purchase price allocation back to the date of acquisition that occurred during the second quarter of 2011. The financial statements for the three and six months ended June 30, 2011 have been retrospectively adjusted for these changes, resulting in a decrease to *Income From Continuing Operations Before Income Taxes and Equity Income (Loss) from Ventures* of \$0.5 million and an increase to *Net Income Attributable to Cliffs Shareholders* in the Statements of Unaudited Condensed Consolidated Operations of \$1.4 million. The adjustments resulted in an increase to basic and diluted earnings per common share of \$0.01 per common share. In addition, the financial statements for the three and nine months ended September 30, 2011 have been retrospectively adjusted, resulting in a decrease to *Income From Continuing Operations Before Income Taxes and Equity Income (Loss) from Ventures* of \$2.0 million and \$2.5 million, respectively, and an increase to *Net Income Attributable to Cliffs Shareholders* in the Statements of Unaudited Condensed Consolidated Operations of \$11.7 million and \$13.1 million, respectively. The adjustments resulted in an increase to basic and diluted earnings per common share of \$0.08 per common share for the three months ended September 30, 2011 and an increase to basic and diluted earnings per common share \$0.09 per common share for the nine months ended September 30, 2011. Accordingly, such amounts are reflected in the consolidated financial statements as of and for the year ended December 31, 2011. Refer to NOTE 4 — ACQUISITIONS AND OTHER INVESTMENTS for additional information.

During the second half of 2010, we retrospectively recorded adjustments to the Wabush purchase price allocation back to the date of acquisition that occurred during the first quarter of 2010. Therefore, the financial statements for the three months ended March 31, 2010 have been retrospectively adjusted for these changes, resulting in a decrease to *Income From Continuing Operations Before Income Taxes and Equity Income (Loss) from Ventures* of \$22.0 million and a decrease to *Net Income Attributable to Cliffs Shareholders* of \$16.1 million, respectively, in the Statements of Unaudited Condensed Consolidated Operations. The adjustments resulted in a decrease to basic and diluted earnings per common share of \$0.12 per common share, respectively. In addition, *Retained Earnings* in the Statements of Unaudited Condensed Consolidated Financial Position as of March 31, 2010 has been decreased by \$16.1 million for the effect of these retrospective adjustments. Accordingly, such amounts are reflected in the consolidated financial statements as of and for the period ended December 31, 2010.

As a result of acquiring the remaining ownership interests in Freewest and Wabush during the first quarter of 2010, our first quarter results were impacted by realized gains of \$38.6 million primarily related to the increase in fair value of our previous ownership interest in each investment held prior to the business acquisitions. The fair value of our previous 12.4 percent interest in Freewest was \$27.4 million on January 27, 2010, the date of acquisition, resulting in a gain of \$13.6 million being recognized in 2010. The fair value of our previous 26.8 percent equity interest in Wabush was \$38.0 million on February 1, 2010, resulting in a gain of \$25.0 million also being recognized in 2010. Refer to NOTE 4 — ACQUISITIONS AND OTHER INVESTMENTS for additional information.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of  
Cliffs Natural Resources Inc.  
Cleveland, Ohio

We have audited the internal control over financial reporting of Cliffs Natural Resources Inc. and subsidiaries (the "Company") as of December 31, 2011, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. As described in *Management's Report on Internal Controls Over Financial Reporting*, management excluded from its assessment the internal control over financial reporting at Cliffs Quebec Iron Mining Limited, which was acquired on May 12, 2011 and whose financial statements constitute 51.3 percent of total assets, 8.9 percent of total revenues and 8.9 percent of net income of the consolidated financial statement amounts as of and for the year ended December 31, 2011. Accordingly, our audit did not include the internal control over financial reporting at Cliffs Quebec Iron Mining Limited. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying *Management's Report on Internal Control Over Financial Reporting*. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2011, based on the criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements and financial statement schedule as of and for

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the year ended December 31, 2011 of the Company and our report dated February 16, 2012 expressed an unqualified opinion on those financial statements and financial statement schedule.

/s/ DELOITTE & TOUCHE LLP

Cleveland, Ohio  
February 16, 2012

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of  
Cliffs Natural Resources Inc.  
Cleveland, Ohio

We have audited the accompanying statements of consolidated financial position of Cliffs Natural Resources Inc. and subsidiaries (the "Company") as of December 31, 2011 and 2010, and the related statements of consolidated operations, comprehensive income, cash flows, and changes in equity for each of the three years in the period ended December 31, 2011. Our audits also included the financial statement schedule listed in the Index at Item 15. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (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, such consolidated financial statements present fairly, in all material respects, the financial position of Cliffs Natural Resources Inc. and subsidiaries as of December 31, 2011 and 2010, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2011, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2011, based on the criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 16, 2012 expressed an unqualified opinion on the Company's internal control over financial reporting.

/s/ DELOITTE & TOUCHE LLP

Cleveland, Ohio  
February 16, 2012

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**Item 9.** *Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.*

None.

**Item 9A.** *Controls and Procedures.*

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure based solely on the definition of "disclosure controls and procedures" in Rule 13a-15(e) promulgated under the Exchange Act. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

As of the end of the period covered by this report, we carried out an evaluation under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based on the foregoing, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective at the reasonable assurance level.

**Management's Report on Internal Control Over Financial Reporting**

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as such term is defined under Rule 13a-15(f) promulgated under the Exchange Act.

Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's consolidated financial statements for external purposes in accordance with generally accepted accounting principles.

Internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit the preparation of the consolidated financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with appropriate authorizations of management and directors of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the consolidated financial statements.

On May 12, 2011, we completed our acquisition of 75 percent of the iron ore mine and processing facility near Bloom Lake in Quebec, Canada and 100 percent of two additional significant development properties, Lam  le and Peppler Lake. We have been consolidating these operations through our wholly owned subsidiary known as Cliffs Quebec Iron Mining Limited. As permitted by SEC guidance, we excluded Cliffs Quebec Iron Mining Limited from management's assessment of internal control over financial reporting as of December 31, 2011. Cliffs Quebec Iron Mining Limited constituted approximately 51.3 percent of total assets, 8.9 percent of total revenues and 8.9 percent of net income of the consolidated financial statement amounts as of and for the year ended December 31, 2011. Cliffs Quebec Iron Mining Limited will be included in management's assessment of the internal control over financial reporting for the Company as of December 31, 2012.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management conducted an assessment of the Company's internal control over financial reporting as of December 31, 2011 using the framework specified in *Internal Control — Integrated Framework*, published by the Committee of Sponsoring Organizations of the Treadway Commission. Based on such assessment, management has concluded that the Company's internal control over financial reporting was effective as of December 31, 2011.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2011 has been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report that appears herein.

February 16, 2012

**Changes in Internal Control Over Financial Reporting**

There have been no changes in our internal control over financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act, during our last fiscal quarter that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**Item 9B. Other Information.**

None.

## PART III

**Item 10. Directors, Executive Officers and Corporate Governance.**

The information required to be furnished by this Item will be set forth in our definitive Proxy Statement to security holders under the headings “Information Concerning Directors and Nominees”, “Section 16(a) Beneficial Ownership Reporting and Compliance”, “Business Ethics Policy”, “Board of Directors and Board Committees — Audit Committee”, and “Agreements and Transactions” 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 and made a part hereof.

**Item 11. Executive Compensation.**

The information required to be furnished by this Item will be set forth in our definitive Proxy Statement to security holders under the headings “Executive Compensation”, “Directors’ Compensation”, “Compensation Committee Interlocks and Insider Participation” and “Compensation Committee Report” 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 and Related Stockholder Matters.**

The information required to be furnished by this Item regarding “Related Stockholder Matters” will be set forth in our definitive Proxy Statement to security holders under the heading “Agreements and Transactions” and is incorporated herein by reference and made part hereof from the Proxy Statement.

**EQUITY COMPENSATION PLAN INFORMATION**

The table below sets forth certain information regarding the following equity compensation plans as of December 31, 2011: the ICE Plan, the MPI Plan, the EMPI Plan, the OPIP Plan, VNQDC Plan and the Directors’ Plan. Only the ICE Plan, the Directors’ Plan and the EMPI Plan have been approved by shareholders.

<u>Plan category</u>	<u>Number of securities to be issued upon exercise of outstanding options, warrants and rights</u> (a)	<u>Weighted-average exercise price of outstanding options, warrants and rights</u> (b)	<u>Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))</u> (c)
Equity compensation plans approved by security holders	1,182,975(1)	N/A	6,876,060(2)
Equity compensation plans not approved by security holders	—	N/A	(3)

- (1) Includes 866,920 performance share awards for which issuance is dependent upon meeting certain performance targets, and 316,055 restricted awards for which issuance is based upon a three-year vesting period.
- (2) Includes 6,760,871 common shares remaining available under the ICE Plan, which authorizes the Compensation Committee to make awards of option rights, restricted shares, deferred shares, performance shares and performance units; and 115,189 common shares remaining available under the Directors’ Plan, which authorizes the award of restricted shares, which we refer to as the annual equity grant, to Directors upon their election or re-election to the Board at the annual meeting and provides (i) that the Directors are required to take \$24,000 of the annual retainer in common shares unless they meet the Director share ownership guidelines, and (ii) may take up to 100 percent of their retainer and other fees in common shares.

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(3) The MPI Plan, the OPIP Plan and the VNQDC Plan provide for the issuance of common shares, but do not provide for a specific amount available under the plans. Descriptions of those plans are set forth below.

### EMPI and MPI Plan

The MPI Plan provides an opportunity for elected officers and other salaried employees in designated positions to earn annual cash bonuses. At the discretion of the Compensation Committee, bonus payments may be made in cash or shares of company stock or a combination thereof, and restrictions may be placed on the vesting of any stock award. Certain participants in the EMPI and MPI Plans may elect to defer all or a portion of such bonus into the VNQDC Plan. Each year the participants under the EMPI and MPI Plans must make their cash bonus deferral election by December 31<sup>st</sup> of the year prior to the year in which the bonus is earned. The participants can elect to defer their cash bonus in shares and the amount deferred in shares is eligible for a matching contribution equal to 25 percent. We refer to these exchanged shares as the Management Share Acquisition Program ("MSAP") or bonus exchange and match. At this time, these participants may also elect to have dividends credited with respect to the bonus exchange shares in a one-time, irrevocable election. The dividends can be credited in additional deferred common shares, deferred in cash or paid out in cash in an in-service compensation distribution. At our discretion, matching contributions may be made in matching shares or restricted shares, and are subject to a five-year vesting schedule. These participants must comply with the employment and non-distribution requirements for the bonus match shares to become vested and nonforfeitable.

Beginning in 2012, we have a new Deferred Compensation Plan that allows for cash deferrals only. Stock deferrals, as well as the 25 percent match, have been eliminated.

The EMPI Plan is intended to provide a competitive annual incentive compensation opportunity to selected senior executive officers based on achievement against key corporate objectives and thereby align actual pay results with the short-term business performance of the Company. The Compensation Committee selects the individual participants for participation in the plan, for each plan year, no later than 90 days after the beginning of the plan year. Awards made under the EMPI Plan are intended to qualify as performance-based compensation. Payment of the award is based on continued employment through the date on which the awards are paid, following certification by the Compensation Committee. If a participant dies, becomes disabled, retires or is terminated without cause after the start of a plan year, the participant will be entitled to a pro-rata award based on the number of days as an active employee before the change in status.

### OPIP Plan

The OPIP Plan provides an opportunity for senior mine managers and salaried employees to earn cash bonuses. The purpose of the OPIP Plan is to encourage improvements in areas, such as energy utilization, labor productivity, controllable costs and safety by providing incentive compensation for improvements in these areas. Bonuses earned under the OPIP Plan are determined and paid monthly and annually to the participants. The OPIP Plan recognizes both team and individually based performance by leaving monthly OPIP bonus calculations entirely team based, but incorporating individual performance results into annual bonus calculations. Certain participants may elect to defer all or part of their cash bonuses under the VNQDC Plan and may further elect to have his or her deferred cash bonus credited to an account with deferred common shares. Each year participants under the OPIP Plan must make their bonus exchange shares election, for the four quarters of that year, by December 31<sup>st</sup> of the year prior to the year in which the monthly and annual bonuses are earned. As with the participants electing bonus exchange shares under the EMPI and MPI Plans, participants under the OPIP Plan electing bonus exchange shares will receive or be credited with restricted bonus match shares in an amount of 25 percent of the bonus exchange shares with the same five-year vesting period.

Beginning in 2012, we have a new Deferred Compensation Plan that allows for cash deferrals only. Stock deferrals, as well as the 25 percent match, have been eliminated.

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**VNQDC**

The VNQDC Plan originally was adopted by the Board of Directors to provide certain management and highly compensated employees of ours or our selected affiliates with the option to defer receipt of a portion of their regular base salary compensation, bonuses under the MPI Plan, the EMPI Plan and the OPIP Plan or performance and restricted shares awarded under the ICE Plan in order to defer taxation of these amounts. Each year the participants must make their deferral election by December 31<sup>st</sup> of the year prior to the year in which base salary compensation is earned; bonuses before the beginning of the year in which the bonus is earned; and long-term incentives, performance and restricted shares, before the beginning of the final year in which the incentive is earned. In addition, the VNQDC Plan contains the MSAP or bonus exchange and match. The MSAP provides designated management employees with the opportunity to acquire deferred interests in common shares through deferral of their bonuses. The VNQDC Plan also contains the Officer Share Acquisition Program, or OSAP, which permits elected officers who have not met the requirements of the Company's Share Ownership Guidelines, to invest a specified dollar amount or percentage of their share deferral account in common shares with compensation previously deferred in cash under the VNQDC Plan. However, no participant may elect to invest any such amount or percentage in excess of that needed to enable the participant to satisfy the Company's Share Ownership Guidelines. When participants in the EMPI and MPI Plans, OPIP Plan, MSAP or OSAP elect to have accounts credited with deferred common shares under the VNQDC Plan, they receive a match equal to 25 percent of the value of the deferred common shares. The matching shares are subject to the same five-year vesting period and employment and non-distribution requirements.

The Board adopted the Cliffs Natural Resources Inc. 2012 Non-Qualified Deferred Compensation Plan effective January 1, 2012. This 2012 plan is designed to be a successor deferred compensation plan for the Company's VNQDC Plan, as amended. Participants will be permitted to defer up to 50 percent of their annual base salary and up to 100 percent of their annual EMPI and MPI bonuses for a calendar year. The 2012 plan eliminates all share deferrals including the share match, as well as any performance shares and restricted share units from the long-term awards.

**Item 13. *Certain Relationships and Related Transactions, and Director Independence.***

The information required to be furnished by this Item will be set forth in our definitive Proxy Statement to security holders under the heading "Director Independence" and is incorporated herein by reference and made a part hereof from the Proxy Statement.

**Item 14. *Principal Accountant Fees and Services.***

The information required to be furnished by this Item will be set forth in our definitive Proxy Statement to security holders under the heading "Ratification of Independent Registered Public Accounting Firm" and is incorporated herein by reference and made a part hereof from the Proxy Statement.

PART IV

Item 15. *Exhibits and Financial Statement Schedules.*

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

The following consolidated financial statements of Cliffs Natural Resources Inc. are included at Item 8 above:

Statements of Consolidated Financial Position — December 31, 2011 and 2010

Statements of Consolidated Operations — Years ended December 31, 2011, 2010 and 2009

Statements of Consolidated Comprehensive Income — Years ended December 31, 2011, 2010 and 2009

Statements of Consolidated Cash Flows — Years ended December 31, 2011, 2010 and 2009

Statements of Consolidated Changes in Equity — Years ended December 31, 2011, 2010 and 2009

Notes to Consolidated Financial Statements

The following consolidated financial statement schedule of Cliffs Natural Resources Inc. is included herein in Item 15(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 SEC 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 191-199, which is incorporated herein by reference.

(c) Exhibits listed in Item 15(a)(3) above are incorporated herein by reference.

(d) The schedule listed above in Item 15(a)(1) and (2) is attached as Exhibit 99(a) and incorporated herein by reference.

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) 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.

CLIFFS NATURAL RESOURCES INC.

By: /s/ TERRANCE M. PARADIE  
 Name: Terrance M. Paradie  
 Title: Senior Vice President, Corporate  
 Controller and Chief Accounting Officer

Date: February 16, 2012

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>
<u>/s/ J. CARRABBA</u> J. Carrabba	Chairman, President and Chief Executive Officer and Director (Principal Executive Officer)	February 16, 2012
<u>/s/ L. BRLAS</u> L. Brlas	Executive Vice President, Finance and Administration and Chief Financial Officer (Principal Financial Officer)	February 16, 2012
<u>/s/ T. M. PARADIE</u> T. M. Paradie	Senior Vice President, Corporate Controller and Chief Accounting Officer	February 16, 2012
<u>*</u> S. M. Cunningham	Director	February 16, 2012
<u>*</u> B. J. Eldridge	Director	February 16, 2012
<u>*</u> A. R. Gluski	Director	February 16, 2012
<u>*</u> S. M. Green	Director	February 16, 2012
<u>*</u> J. K. Henry	Director	February 16, 2012
<u>*</u> J. F. Kirsch	Director	February 16, 2012

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<u>Signatures</u>	<u>Title</u>	<u>Date</u>
* F. R. McAllister	Director	February 16, 2012
* R. Phillips	Director	February 16, 2012
* R. K. Riederer	Director	February 16, 2012
* R. Ross	Director	February 16, 2012
* A. Schwartz	Director	February 16, 2012

\* The undersigned, by signing her name hereto, does sign and execute this Annual Report on Form 10-K pursuant to a Power of Attorney executed on behalf of the above-indicated officers and directors of the registrant and filed herewith as Exhibit 24 on behalf of the registrant.

By: /s/ L. Brlas  
(L. Brlas, as Attorney-in-Fact)

## EXHIBIT INDEX

All documents referenced below were filed pursuant to the Securities Exchange Act of 1934 by Cliffs Natural Resources Inc. ("Cliffs"), file number 1-09844, unless otherwise indicated.

<u>Exhibit Number</u>		<u>Pagination by Sequential Numbering System</u>
	<b><u>Plan of acquisition, reorganization, arrangement, liquidation or succession</u></b>	
2.1	Arrangement Agreement Between Cliffs Natural Resources Inc. and Consolidated Thompson Iron Mines Limited dated January 11, 2011 (filed as Exhibit 2.1 to Cliffs' Form 8-K on January 18, 2010 and incorporated herein by reference)	Not Applicable
	<b><u>Articles of Incorporation and By-Laws of Cliffs Natural Resources Inc.</u></b>	
3.1	Second Amended Articles of Incorporation, as amended of Cliffs as filed with the Secretary of State of the State of Ohio on May 25, 2011 (filed as Exhibit 3(b) to Cliffs' Form 10-Q for the period ended June 30, 2011 and incorporated herein by reference)	Not Applicable
3.2	Regulations of Cleveland-Cliffs Inc.	Filed Herewith
	<b><u>Instruments defining rights of security holders, including indentures</u></b>	
4.1	Form of Indenture between Cliffs Natural Resources Inc. and U.S. Bank National Association, as trustee, dated March 17, 2010 (filed as Exhibit 4.1 to Form S-3 No. 333-165376 of Cliffs on March 10, 2010 and incorporated herein by reference)	Not Applicable
4.2	Form of 5.90% Notes due 2020 First Supplemental Indenture between Cliffs Natural Resources Inc. and U.S. Bank National Association, as trustee, dated March 17, 2010, including Form of 5.90% Notes due 2020 (filed as Exhibit 4.2 to Form 8-K of Cliffs on March 16, 2010 and incorporated herein by reference)	Not Applicable
4.3	Form of 4.80% Notes due 2020 Second Supplemental Indenture between Cliffs Natural Resources Inc. and U.S. Bank National Association, as trustee, dated September 20, 2010, including Form of 4.80% Notes due 2020 (filed as Exhibit 4.3 to Form 8-K of Cliffs on September 17, 2010 and incorporated herein by reference)	Not Applicable
4.4	Form of 6.25% Notes due 2040 Third Supplemental Indenture between Cliffs Natural Resources Inc. and U.S. Bank National Association, as trustee, dated September 20, 2010, including Form of 6.25% Notes due 2040 (filed as Exhibit 4.4 to Form 8-K of Cliffs on September 17, 2010 and incorporated herein by reference)	Not Applicable
4.5	Form of 4.875% Notes due 2021 Fourth Supplemental Indenture between Cliffs and U.S. Bank National Association, as trustee, dated March 23, 2011, including Form of 4.875% Notes due 2021 (filed as Exhibit 4.1 to Cliffs' Form 8-K on March 23, 2011 and incorporated herein by reference)	Not Applicable
4.6	Fifth Supplemental Indenture between Cliffs and U.S. Bank National Association, as trustee, dated March 31, 2011 (filed as Exhibit 4(b) to Cliffs' Form 10-Q for the period ended June 30, 2011 and incorporated herein by reference)	Not Applicable
4.7	Form of Common Share Certificate	Filed Herewith
4.8	Note Purchase Agreement dated June 25, 2008 by and among Cleveland-Cliffs Inc. and the institutional investors party thereto (filed as Exhibit 4(a) to Cliffs' Form 8-K on June 30, 2008 and incorporated herein by reference)	Not Applicable

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<u>Exhibit Number</u>		<u>Pagination by Sequential Numbering System</u>
<b>Material Contracts</b>		
10.1	* Form of Change in Control Severance Agreement (filed as Exhibit 10.1 to Cliffs' Form 8-K on September 19, 2011 and incorporated herein by reference)	Not Applicable
10.2	* Cleveland-Cliffs Inc Voluntary Non-Qualified Deferred Compensation Plan (Amended and Restated as of January 1, 2000)	Filed Herewith
10.3	* Cliffs Natural Resources Inc. 2005 Voluntary Non-Qualified Deferred Compensation Plan (Effective as of January 1, 2005) dated November 11, 2008 (filed as Exhibit 10(a) to Form 8-K of Cliffs on November 14, 2008 and incorporated by reference)	Not Applicable
10.4	* First Amendment to Cliffs Natural Resources Inc. 2005 Voluntary Non-Qualified Deferred Compensation Plan dated September 2, 2009 and effective as of January 1, 2009 (filed as Exhibit 10(a) to Form 10-Q of Cliffs on October 30, 2009 and incorporated by reference)	Not Applicable
10.5	* Form of Indemnification Agreement between Cleveland-Cliffs Inc and Directors	Filed Herewith
10.6	* Amended and Restated Cleveland-Cliffs Inc Retirement Plan for Non-Employee Directors effective on July 1, 1995	Filed Herewith
10.7	* Amendment to Amended and Restated Cleveland-Cliffs Inc Retirement Plan for Non-Employee Directors dated as of January 1, 2001	Filed Herewith
10.8	* Second Amendment to the Amended and Restated Cleveland-Cliffs Inc Retirement Plan for Non-Employee Directors dated and effective January 14, 2003	Filed Herewith
10.9	* Cliffs Natural Resources Inc. Nonemployee Directors' Compensation Plan (Amended and Restated as of December 31, 2008) (filed as Exhibit 10(nnn) to Cliffs Form 10-K for the period ended December 31, 2008 and incorporated herein by reference)	Not Applicable
10.10	* Trust Agreement No. 1 (Amended and Restated effective June 1, 1997), dated June 12, 1997, by and between Cleveland-Cliffs Inc and KeyBank National Association, Trustee, with respect to the Cleveland-Cliffs Inc Supplemental Retirement Benefit Plan, Severance Pay Plan for Key Employees and certain executive agreements	Filed Herewith
10.11	* Trust Agreement No. 1 Amendments to Exhibits, effective as of January 1, 2000, by and between Cleveland-Cliffs Inc and KeyBank National Association, as Trustee	Filed Herewith
10.12	* First Amendment to Trust Agreement No. 1, effective September 10, 2002, by and between Cleveland-Cliffs Inc and KeyBank National Association, as Trustee	Filed Herewith
10.13	* Second Amendment to Trust Agreement No. 1 between Cliffs Natural Resources Inc. (f/k/a Cleveland-Cliffs Inc) and KeyBank, N.A. entered into and effective as of December 31, 2008 (filed as Exhibit 10(y) to Cliffs' Form 10-K for the period ended December 31, 2008 and incorporated herein by reference)	Not Applicable
10.14	* Amended and Restated Trust Agreement No. 2, effective as of October 15, 2002, by and between Cleveland-Cliffs Inc and KeyBank National Association, Trustee, with respect to Executive Agreements and Indemnification Agreements with the Company's Directors and certain Officers, the Company's Severance Pay Plan for Key Employees, and the Retention Plan for Salaried Employees	Filed Herewith

\* Indicates management contract or other compensatory arrangement.

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<u>Exhibit Number</u>		<u>Pagination by Sequential Numbering System</u>
10.15	* Second Amendment to Amended and Restated Trust Agreement No. 2 between Cliffs Natural Resources Inc. (f/k/a Cleveland-Cliffs Inc) and KeyBank, N.A. entered into and effective as of December 31, 2008 (filed as Exhibit 10(aa) to Cliffs' Form 10-K for the period ended December 31, 2008 and incorporated herein by reference)	Not Applicable
10.16	* Trust Agreement No. 5, dated as of October 28, 1987, by and between Cleveland-Cliffs Inc and KeyBank National Association, Trustee, with respect to the Cleveland-Cliffs Inc Voluntary Non-Qualified Deferred Compensation Plan	Filed Herewith
10.17	* First Amendment to Trust Agreement No. 5, dated as of May 12, 1989, by and between Cleveland-Cliffs Inc and KeyBank National Association, Trustee	Filed Herewith
10.18	* Second Amendment to Trust Agreement No. 5, dated as of April 9, 1991, by and between Cleveland-Cliffs Inc and KeyBank National Association, Trustee	Filed Herewith
10.19	* Third Amendment to Trust Agreement No. 5, dated as of March 9, 1992, by and between Cleveland-Cliffs Inc and KeyBank National Association, Trustee	Filed Herewith
10.20	* Fourth Amendment to Trust Agreement No. 5, dated November 18, 1994, by and between Cleveland-Cliffs Inc and KeyBank National Association, Trustee	Filed Herewith
10.21	* Fifth Amendment to Trust Agreement No. 5, dated May 23, 1997, by and between Cleveland-Cliffs Inc and KeyBank National Association, Trustee	Filed Herewith
10.22	* Sixth Amendment to Trust Agreement No. 5 between Cliffs Natural Resources Inc. (f/k/a Cleveland-Cliffs Inc) and KeyBank, N.A. entered into and effective as of December 31, 2008 (filed as Exhibit 10(hh) to Cliffs' Form 10-K for the period ended December 31, 2008 and incorporated herein by reference)	Not Applicable
10.23	* Trust Agreement No. 7, dated as of April 9, 1991, by and between Cleveland-Cliffs Inc and KeyBank National Association, Trustee, with respect to the Cleveland-Cliffs Inc Supplemental Retirement Benefit Plan	Filed Herewith
10.24	* First Amendment to Trust Agreement No. 7, by and between Cleveland-Cliffs Inc and KeyBank National Association, Trustee, dated as of March 9, 1992	Filed Herewith
10.25	* Second Amendment to Trust Agreement No. 7, dated November 18, 1994, by and between Cleveland-Cliffs Inc and KeyBank National Association, Trustee	Filed Herewith
10.26	* Third Amendment to Trust Agreement No. 7, dated May 23, 1997, by and between Cleveland-Cliffs Inc and KeyBank National Association, Trustee	Filed Herewith
10.27	* Fourth Amendment to Trust Agreement No. 7, dated July 15, 1997, by and between Cleveland-Cliffs Inc and KeyBank National Association, Trustee	Filed herewith
10.28	* Amendment to Exhibits to Trust Agreement No. 7, effective as of January 1, 2000, by and between Cleveland-Cliffs Inc and KeyBank National Association, Trustee	Filed Herewith
10.29	* Sixth Amendment to Trust Agreement No. 7 between Cliffs Natural Resources Inc. (f/k/a Cleveland-Cliffs Inc) and KeyBank, N.A. entered into and effective as of December 31, 2008 (filed as Exhibit 10(oo) to Cliffs' Form 10-K for the period ended December 31, 2008 and incorporated herein by reference)	Not Applicable
10.30	* Trust Agreement No. 8, dated as of April 9, 1991, by and between Cleveland-Cliffs Inc and KeyBank National Association, Trustee, with respect to the Cleveland-Cliffs Inc Retirement Plan for Non-Employee Directors	Filed Herewith

\* Indicates management contract or other compensatory arrangement.

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<u>Exhibit Number</u>		<u>Pagination by Sequential Numbering System</u>
10.31	* First Amendment to Trust Agreement No. 8, dated as of March 9, 1992, by and between Cleveland-Cliffs Inc and KeyBank National Association, Trustee	Filed Herewith
10.32	* Second Amendment to Trust Agreement No. 8, dated June 12, 1997, by and between Cleveland-Cliffs Inc and KeyBank National Association, Trustee	Filed Herewith
10.33	* Third Amendment to Trust Agreement No. 8 between Cliffs Natural Resources Inc. (f/k/a Cleveland-Cliffs Inc) and KeyBank, N.A. entered into and effective as of December 31, 2008 (filed as Exhibit 10(ss) to Cliffs' Form 10-K for the period ended December 31, 2008 and incorporated herein by reference)	Not Applicable
10.34	* Trust Agreement No. 9, dated as of November 20, 1996, by and between Cleveland-Cliffs Inc and KeyBank National Association, Trustee, with respect to the Cleveland-Cliffs Inc Nonemployee Directors' Supplemental Compensation Plan	Filed Herewith
10.35	* First Amendment to Trust Agreement No. 9 between Cliffs Natural Resources Inc. (f/k/a Cleveland-Cliffs Inc) and KeyBank, N.A. entered into and effective as of December 31, 2008 (filed as Exhibit 10(uu) to Cliffs' Form 10-K for the period ended December 31, 2008 and incorporated herein by reference)	Not Applicable
10.36	* Trust Agreement No. 10, dated as of November 20, 1996, by and between Cleveland-Cliffs Inc and KeyBank National Association, Trustee, with respect to the Cleveland-Cliffs Inc Nonemployee Directors' Compensation Plan	Filed Herewith
10.37	* First Amendment to Trust Agreement No. 10 between Cliffs Natural Resources Inc. (f/k/a Cleveland-Cliffs Inc) and KeyBank, N.A. entered into and effective as of December 31, 2008 (filed as Exhibit 10(ww) to Cliffs' Form 10-K for the period on February 26, 2009 and incorporated herein by reference)	Not Applicable
10.38	* Letter Agreement of Employment by and between Cleveland-Cliffs Inc and Joseph A. Carrabba dated April 29, 2005	Filed Herewith
10.39	* Letter Agreement of Employment by and between Cleveland-Cliffs Inc and Laurie Brlas dated November 22, 2006	Filed Herewith
10.40	* Letter Agreement of Employment by and between Cleveland-Cliffs Inc and William Brake dated April 4, 2007 (filed as Exhibit 10(a) to Cliffs' Form 8-K on April 10, 2007 and incorporated herein by reference)	Not Applicable
10.41	* Employment Contract by and between Cliffs Asia Pacific Iron Ore Management Pty Ltd and Duncan Price dated May 26, 2011	Filed Herewith
10.42	* Variation of Employment Contract by and between Cliffs Asia Pacific Iron Ore Management Pty Ltd and Duncan Price, dated December 30, 2011	Filed Herewith
10.43	* Employment Contract by and between Cliffs Natural Resources Pty Ltd and Richard Mehan, dated March 10, 2010	Filed Herewith
10.44	* Letter Agreement of Employment by and between Cliffs Natural Resources Inc. and P. Kelly Tompkins, dated March 23, 2010	Filed Herewith
10.45	* Consulting Agreement by and between Cliffs Natural Resources Inc. and William R. Calfee, dated June 7, 2011	Filed Herewith
10.46	* Side Letter Agreement by and between Cliffs Natural Resources Inc. and William R. Calfee, dated June 7, 2011	Filed Herewith

\* Indicates management contract or other compensatory arrangement.

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<u>Exhibit Number</u>		<u>Pagination by Sequential Numbering System</u>
10.47	* Cleveland-Cliffs Inc and Subsidiaries Management Performance Incentive Plan, effective January 1, 2004	Filed Herewith
10.48	* Cleveland-Cliffs Inc Executive Management Performance Incentive Plan adopted July 27, 2007 and effective as of January 1, 2007 (filed as Annex C to the proxy statement of Cliffs on June 15, 2007 and incorporated herein by reference)	Not Applicable
10.49	* First Amendment to Executive Management Performance Incentive Plan dated December 31, 2008 (filed as Exhibit 10(bbb) to Cliffs' Form 10-K for the period ended December 31, 2008 and incorporated herein by reference)	Not Applicable
10.50	* Amended and Restated Cliffs Natural Resources Inc. 2007 Incentive Equity Plan adopted July 27, 2007 and effective as of May 11, 2010 (filed as Exhibit 10(a) to the Cliffs' Form 8-K on May 14, 2010 and incorporated herein by reference)	Not Applicable
10.51	* First Amendment to Amended and Restated Cliffs Natural Resources Inc. 2007 Incentive Equity Plan dated January 11, 2011 (filed as Exhibit 10(RR) to Cliffs' Form 10-K for the period ended December 31, 2010 and incorporated herein by reference)	Not Applicable
10.52	* Form of Cliffs Natural Resources Inc. 2007 Participant Grant and Agreement effective March 13, 2007 from the Cleveland-Cliffs Inc 2007 Incentive Equity Plan (filed as Exhibit 10(d) to Cliffs' Form 10-Q for the period ended June 30, 2007 and incorporated herein by reference)	Not Applicable
10.53	* Form of Cliffs Natural Resources Inc. 2008 Participant Grant and Agreement Under the 2007 Incentive Equity Plan for performance grant period January 1, 2008 through December 31, 2009, effective March 10, 2008 (filed as Exhibit 10(b) to Cliffs' Form 10-Q for the period ended June 30, 2008 and incorporated herein by reference)	Not Applicable
10.54	* Form of Cliffs Natural Resources Inc. 2009 Participant Grant and Agreement Under the 2007 Incentive Equity Plan for performance grant period January 1, 2009 through December 31, 2011	Filed Herewith
10.55	* 2009 Participant Grant Under the 2007 Incentive Equity Plan by and between Cliffs and Joseph A. Carrabba effective December 17, 2009 subject to Terms and Conditions of the 2009 Participant Grant to Joseph A. Carrabba Under the 2007 Incentive Equity Plan adopted February 16, 2010, and effective December 17, 2009 (filed as Exhibit 10(qqq) to Cliffs' Form 10-K for the period ended December 31, 2009 and incorporated herein by reference)	Not Applicable
10.56	* Form of Cliffs Natural Resources Inc. 2010 Brazilian Participant Grant and Agreement Under the 2007 Incentive Equity Plan for performance grant period January 1, 2010 through December 31, 2013	Filed Herewith
10.57	* Form of Cliffs Natural Resources Inc. 2010 International Participant Grant Under the 2007 Incentive Equity Plan, for performance grant period January 1, 2010 through December 31, 2012	Filed Herewith
10.58	* Form of Cliffs Natural Resources Inc. 2010 Participant Grant Under the 2007 Incentive Equity Plan, for performance grant period January 1, 2010 through December 31, 2012	Filed Herewith

\* Indicates management contract or other compensatory arrangement.

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<u>Exhibit Number</u>		<u>Pagination by Sequential Numbering System</u>
10.59	* Form of Cliffs Natural Resources Inc. 2011 Participant Grant Under the Amended and Restated Cliffs 2007 Incentive Equity Plan, As Amended (filed as Exhibit 10(a) to Cliffs' Form 10-Q for the period ended March 31, 2011 and incorporated herein by reference)	Not Applicable
10.60	* Form of Cliffs Natural Resources Inc. 2011 Participant Grant (Australia) Under the Amended and Restated Cliffs 2007 Incentive Equity Plan, As Amended (filed as Exhibit 10 (b) to Cliffs' Form 10-Q for the period ended March 31, 2011 and incorporated herein by reference)	Not Applicable
10.61	* Cliffs Natural Resources Inc. Supplemental Retirement Benefit Plan (as Amended and Restated effective December 1, 2006) dated December 31, 2008 (filed as Exhibit 10 (mmm) to Cliffs' Form 10-K for the period ended December 31, 2008 and incorporated herein by reference)	Not Applicable
10.62	* Form of Cliffs Natural Resources Restricted Shares Agreement pursuant to the Amended and Restated Cliffs 2007 Incentive Equity Plan between the employee participant and the Company or its Subsidiary	Filed Herewith
10.63	Support Agreement among Cliffs Natural Resources Inc. and Wuhan Iron and Steel (Group) Corporation dated January 11, 2011 (filed as Exhibit 10.1 to Cliffs' Form 8-K on January 18, 2011 and incorporated herein by reference)	Not Applicable
10.64	** Pellet Sale and Purchase Agreement, dated and effective as of January 31, 2002, by and among The Cleveland-Cliffs Iron Company, Cliffs Mining Company, Northshore Mining Company and Algoma Steel Inc.	Filed Herewith
10.65	** Pellet Sale and Purchase Agreement, dated and effective as of April 10, 2002, by and among The Cleveland-Cliffs Iron Company, Cliffs Mining Company, Northshore Mining Company, Northshore Sales Company, International Steel Group Inc., ISG Cleveland Inc., and ISG Indiana Harbor Inc.	Filed Herewith
10.66	** First Amendment to Pellet Sale and Purchase Agreement, dated and effective December 16, 2004 by and among The Cleveland-Cliffs Iron Company, Cliffs Mining Company, Northshore Mining Company, Cliffs Sales Company (formerly known as Northshore Sales Company), International Steel Group Inc., ISG Cleveland Inc., and ISG Indiana Harbor	Filed Herewith
10.67	** Pellet Sale and Purchase Agreement, dated and effective as of December 31, 2002 by and among The Cleveland-Cliffs Iron Company, Cliffs Mining Company, and Ispat Inland Inc.	Filed Herewith
10.68	** Amended and Restated Pellet Sale and Purchase Agreement, dated and effective as of May 17, 2004, by and among The Cleveland-Cliffs Iron Company, Cliffs Mining Company, Northshore Mining Company, Cliffs Sales Company, International Steel Group Inc., and ISG Weirton Inc.	Filed Herewith
10.69	** Umbrella Agreement between Mittal Steel USA and Cleveland-Cliffs Inc, The Cleveland-Cliffs Iron Company, Cliffs Mining Company, Northshore Mining Company, and Cliffs Sales Company amending three existing pellet sales contracts for Mittal Steel USA-Indiana Harbor West (Exhibit 10(sss) and 10(tt) above in this index), Mittal Steel USA-Indiana Harbor East (Exhibit 10(uuu) above in this index), and Mittal Steel USA-Weirton (Exhibit 10(vvv) above in this index), dated as of March 1, 2007 and effective as of April 12, 2006 (filed as Exhibit 10(www) to Cliffs' Form 10-K for the period ended December 31, 2006 and incorporated herein by reference)	Not Applicable

\* Indicates management contract or other compensatory arrangement.

\*\* Confidential treatment requested and/or approved as to certain portions, which portions have been omitted and filed separately with the Securities and Exchange Commission.

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<u>Exhibit Number</u>		<u>Pagination by Sequential Numbering System</u>
10.70	** Amended and Restated Pellet Sale and Purchase Agreement, dated and effective January 1, 2006 by and among Cliffs Sales Company, The Cleveland-Cliffs Iron Company, Cliffs Mining Company, and Severstal North America, Inc.	Filed Herewith
10.71	** Term Sheet for Amendment and Extension of the Amended and Restated Pellet Sale and Purchase Agreement among Cliffs Sales Company, The Cleveland-Cliffs Iron Company, Cliffs Mining Company, and Severstal North America, Inc. (filed as Exhibit 10(d) to Cliffs' Form 10-Q for the period ended June 30, 2008 and incorporated herein by reference)	Not Applicable
10.72	** Term Sheet for Modification of Certain Terms of the Pellet Sale and Purchase Agreement by and between Cliffs and Severstal dated and effective June 19, 2009 (filed as Exhibit 10(b) to Cliffs' Form 10-Q for the period ended June 30, 2009 and incorporated herein by reference)	Not Applicable
10.73	Amendment to the Amended and Restated Pellet Sale and Purchase Agreement, dated as of February 25, 2011, by and among Severstal North America, Inc. (now known as Severstal Dearborn, LLC), Cliffs Sales Company, The Cleveland-Cliffs Iron Company and Cliffs Mining Company Inc. (filed as Exhibit 10(e) to Cliffs' Form 10-Q for the period ended March 31, 2011 and incorporated herein by reference)	Not Applicable
10.74	** Pellet Sale and Purchase Agreement by and among The Cleveland-Cliffs Iron Company, Cliffs Sales Company, and AK Steel Corporation dated November 10, 2006 and effective January 1, 2007 through December 31, 2013	Filed Herewith
10.75	** 2011 Omnibus Agreement, dated as of April 18, 2011 and effective as of March 31, 2011, by and among ArcelorMittal USA LLC, as successor in interest to Ispat Inland Inc., ArcelorMittal Cleveland Inc. (formerly known as ISG Cleveland Inc.), ArcelorMittal Indiana Harbor LLC (formerly known as ISG Indiana Harbor Inc.) and Cliffs Natural Resources Inc., The Cleveland-Cliffs Iron Company, Cliffs Mining Company, Northshore Mining Company and Cliffs Sales Company (formerly known as Northshore Sales Company) (filed as Exhibit 10(a) to Cliffs' Form 10-Q for the period ended June 30, 2011 and incorporated herein by reference)	Not Applicable
10.76	** Settlement Agreement, dated as of April 20, 2011 and effective as of April 1, 2011, by and between Essar Steel Algoma Inc. as successor to Algoma Steel Inc., and The Cleveland-Cliffs Iron Company, Cliffs Mining Company and Northshore Mining Company (Filed as Exhibit 10(b) to Cliffs' Form 10-Q for the period ended June 30, 2011 and incorporated herein by reference)	Not Applicable
10.77	Bridge Credit Agreement entered into as of March 4, 2011, among Cliffs Natural Resources Inc., JPMorgan Chase Bank N.A., as Administrative Agent, L.P. Morgan Securities LLC, as Sole Lead Arranger and Sole Bookrunner, Merrill Lynch, Pierce, Fenner & Smith Incorporated and Citigroup Global Markets Inc., as Co-Arrangers and Co-Syndication Agents, and the various lenders from time to time party thereto (filed as Exhibit 10(a) to Cliffs' Form 8-K filed March 8, 2011 and incorporated herein by reference)	Not Applicable

\*\* Confidential treatment requested and/or approved as to certain portions, which portions have been omitted and filed separately with the Securities and Exchange Commission.

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<u>Exhibit Number</u>		<u>Pagination by Sequential Numbering System</u>
10.78	Amended and Restated Credit Agreement entered into as of August 11, 2011, among Cliffs, certain foreign subsidiaries of the Company from time to time party thereto, Bank of America, N.A., as Administrative Agent, Swing Line Lender and L/C Issuer, JPMorgan Chase Bank, N.A., as Syndication Agent and L/C Issuer, Merrill Lynch, Pierce, Fenner & Smith Incorporated, J.P. Morgan Securities LLC, Citigroup Global Markets Inc., PNC Capital Markets Inc. and U.S. Bank National Association, as Joint Lead Arrangers and Joint Book Managers, Fifth Third Bank and RBS Citizens, N.A., as Co-Documentation Agents, and the various institutions from time to time party thereto (filed as Exhibit 10(a) to Cliffs' Form 8-K on August 17, 2011 and incorporated herein by reference)	Not Applicable
10.79	Term Loan Agreement entered into as of March 4, 2011, among Cliffs, JPMorgan Chase Bank N.A., as Administrative Agent, Merrill Lynch, Pierce, Fenner & Smith Incorporated and Citigroup Global Markets Inc., as Joint Lead Arrangers and Joint Bookrunners, Fifth Third Bank, PNC Bank, N.A., Bank of Montreal, The Bank of Nova Scotia, Commonwealth Bank of Australia, KeyBank National Association, RBS Citizens, N.A. and U.S. Bank National Association, as Documentation Agents, and the various lenders from time to time party thereto (filed as Exhibit 10(b) to Cliffs' Form 8-K on March 8, 2011 and incorporated herein by reference)	Not Applicable
10.80	Amendment Agreement to Term Loan entered into as of August 11, 2011, among Cliffs, JPMorgan Chase Bank, N.A., as Administrative Agent (filed as Exhibit 10(b) to Cliffs' Form 8-K on August 17, 2011 and incorporated herein by reference)	Not Applicable
12	Ratio of Earnings To Combined Fixed Charges And Preferred Stock Dividend Requirements	Filed Herewith
21	Subsidiaries of the registrant	Filed Herewith
23	Consent of Independent Registered Public Accounting Firm	Filed Herewith
24	Power of Attorney	Filed Herewith
31.1	Certification Pursuant to 15 U.S.C. Section 7241, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, signed and dated by Joseph A. Carrabba as of February 16, 2012	Filed Herewith
31.2	Certification Pursuant to 15 U.S.C. Section 7241, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, signed and dated by Laurie Brlas as of February 16, 2012	Filed Herewith
32.1	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, signed and dated by Joseph A. Carrabba, President and Chief Executive Officer of Cliffs Natural Resources Inc., as of February 16, 2012	Filed Herewith
32.2	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, signed and dated by Laurie Brlas, Executive Vice President, Finance and Administration and Chief Financial Officer of Cliffs Natural Resources Inc., as of February 16, 2012	Filed Herewith
95	Mine Safety Disclosures	Filed Herewith
99(a)	Schedule II – Valuation and Qualifying Accounts	Filed Herewith

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<u>Exhibit Number</u>	
101.INS	*** XBRL Instance Document
101.SCH	*** XBRL Taxonomy Extension Schema Document
101.CAL	*** XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	*** XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	*** XBRL Taxonomy Extension Label Linkbase Document
101.PRE	*** XBRL Taxonomy Extension Presentation Linkbase Document

Pagination by  
Sequential  
Numbering System

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\*\*\* As provided in Rule 406T of Regulation S-T, this information shall not be deemed "filed" for purposes of Sections 11 and 12 of the Securities Act of 1933 and Section 18 of the Exchange Act or otherwise subject to liability under these sections.

REGULATIONS  
OF  
CLEVELAND-CLIFFS INC

(These Regulations were adopted by the sole shareholder by unanimous written action pursuant to Section 1701.54 of the Ohio Revised Code on February 25, 1985.)

ARTICLE I  
SHAREHOLDERS' MEETINGS

SECTION 1. ANNUAL MEETING

The annual meeting of shareholders shall be held at 3:00 o'clock p.m., on the fourth Wednesday in April in each year, if not a legal holiday, and if a legal holiday, then on the next day not a legal holiday, or, if in any particular year the date and time so determined for the annual meeting shall not be acceptable to a majority of the Directors, then such annual meeting shall be held on such other date and time during such year as shall be fixed and approved by a majority of the Directors, for the election of Directors and the consideration of reports to be laid before such meeting. Upon due notice, there may also be considered and acted upon at an annual meeting any matter which could properly be considered and acted upon at a special meeting, in which case and for which purpose the annual meeting shall also be considered as, and shall be, a special meeting. When the annual meeting is not held or Directors are not elected thereat, they may be elected at a special meeting called for that purpose.

SECTION 2. SPECIAL MEETINGS

Special meetings of shareholders may be called by the Chairman or the President or a Vice President, or by the Directors by action at a meeting, or by three or more of the Directors acting without a meeting, or by the person or persons who hold not less than twenty-five percent of all shares outstanding and entitled to be voted on any proposal to be subjected at said meeting.

Upon request in writing delivered either in person or by registered mail to the President or Secretary by any person or persons entitled to call a meeting of shareholders, such officer shall forthwith cause to be given, to the shareholders entitled thereto, notice of a meeting to be held not less than twenty nor more than sixty days after the receipt of such request, as such officer shall fix. If such notice is not given within twenty days after the delivery or mailing of such request, the person or persons calling the meeting may fix the time of meeting and give, or cause to be given, notice in the manner hereinafter provided.

SECTION 3. PLACE OF MEETINGS

Any meeting of shareholders may be held either at the principal office of the Company or at such other place within or without the State of Ohio as may be designated in the notice of said meeting.

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#### SECTION 4. NOTICE OF MEETINGS

Not more than sixty days nor less than twenty days before the date fixed for a meeting of shareholders, whether annual or special, written notice of the time, place and purposes of such meeting shall be given by or at the direction of the Chairman, the President, a Vice President, the Secretary or an Assistant Secretary. Such notice shall be given either by personal delivery or by mail to each shareholder of record entitled to notice of such meeting. If such notice is mailed, it shall be addressed to the shareholders at their respective addresses as they appear on the records of the Company, and notice shall be deemed to have been given on the day so mailed. Notice of adjournment of a meeting need not be given if the time and place to which it is adjourned are fixed and announced at such meeting.

#### SECTION 5. SHAREHOLDERS ENTITLED TO NOTICE AND TO VOTE

If the record date shall not be fixed pursuant to statutory authority, the record date for the determination of the shareholders who are entitled to notice of a Meeting of shareholders shall be the close of business on the date next preceding the day on which such notice is given and the record date for the determination of shareholders who are entitled to vote at such a meeting of shareholders shall be the close of business on the date next preceding the day on which the meeting is held.

#### SECTION 6. QUORUM

To constitute a quorum at any meeting of shareholders, there shall be present in person or by proxy shareholders of record entitled to exercise not less than a majority of the voting power of the Company in respect of any one of the purposes for which the meeting is called.

The shareholders present in person or by proxy, whether or not a quorum be present, may adjourn the meeting from time to time.

### ARTICLE II

#### DIRECTORS

##### SECTION 1. ELECTION, NUMBER AND TERM OF OFFICE

The Directors shall be elected at the annual meeting of shareholders, or if not so elected, at a special meeting of shareholders called for that purpose, and each Director shall hold office until the date fixed by these Regulations for the next succeeding annual meeting of shareholders and until his successor is elected, or until his earlier resignation, removal from office, or death. At any meeting of shareholders at which Directors are to be elected, only persons nominated as candidates shall be eligible for election.

The number of Directors, which shall not be less than three, may be fixed or changed at a meeting of the shareholders called for the purpose of electing Directors at which a quorum is present, by the affirmative vote of the holders of a majority of the shares represented at the meeting and entitled to vote on such proposal. In case the shareholders at any meeting for the election of Directors shall fail to fix the number of Directors to be elected, the number elected shall be deemed to be the number of Directors so fixed.

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The number of Directors fixed as hereinabove in this Section provided may also be increased or decreased by the Directors at a meeting or by action without a meeting, and the number of Directors as so changed shall be the number of Directors until further changed in accordance with this Section; provided, that no such decrease in the number of Directors shall result in the removal of any incumbent Director or in the reduction of the term of any incumbent Director. Any decrease in the number of Directors to less than the number of Directors then in office shall become effective as the resignation, removal from office, death or expiration of the term of any incumbent Director occurs. In the event that the Directors increase the number of Directors, the Directors who are in office may fill any vacancy created thereby.

#### SECTION 2. QUORUM

A majority of the number of Directors then in office shall be necessary to constitute a quorum for the transaction of business, but if at any meeting of the Directors there shall be less than a quorum present, a majority of those present may adjourn the meeting from time to time without notice other than announcement at the meeting until a quorum shall attend.

#### SECTION 3. COMMITTEES

The Directors may from time to time create a committee or committees of Directors to act in the intervals between meetings of the Directors and may delegate to such committee or committees any of the authority of the Directors other than that of filling vacancies among the Directors or in any committee of the Directors. No committee shall consist of less than three Directors. The Directors may appoint one or more Directors as alternate members of any such committee, who may take the place of any absent member or members at any meeting of such committee.

Unless otherwise ordered by the Directors, a majority of the members of any committee appointed by the Directors pursuant to this Section shall constitute a quorum at any meeting thereof, and the act of a majority of the members present at a meeting at which a quorum is present shall be the act of such committee. Action may be taken by any such committee without a meeting by a writing or writings signed by all of its members. Any such committee may prescribe its own rules for calling and holding meetings and its method of procedure, subject to any rules prescribed by the Directors, and shall keep a written record of all action taken by it.

### ARTICLE III

#### OFFICERS

##### SECTION 1. OFFICERS

The Company may have a Chairman and shall have a President (both of whom shall be Directors), a Secretary and a Treasurer. The Company may also have one or more Vice Presidents and such other officers and assistant officers as the Directors may deem necessary. All of the officers and assistant officers shall be elected by the Directors.

##### SECTION 2. AUTHORITY AND DUTIES OF OFFICERS

The officers of the Company shall have such authority and shall perform such duties as are customarily incident to their respective offices, or as may be specified from time to time by the Directors regardless of whether such authority and duties are customarily incident to such office.

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ARTICLE IV  
INDEMNIFICATION AND INSURANCE

SECTION 1. INDEMNIFICATION

The Company shall indemnify, to the full extent then permitted by law, any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that he is or was a Director, officer, employee or agent of the Company, or is or was serving at the request of the Company as a director, trustee, officer, employee or agent of another corporation, domestic or foreign, nonprofit or for profit, partnership, joint venture, trust or other enterprise; provided, however, that the Company shall indemnify any such agent (as opposed to any director, officer or employee) of the Company to an extent greater than that required by law only if and to the extent that the Directors may, in their discretion, so determine. The indemnification provided hereby shall not be deemed exclusive of any other rights to which those seeking indemnification may be entitled under any law, the Articles of Incorporation or any agreement, vote of shareholders or of disinterested Directors or otherwise, both as to action in official capacities and as to action in another capacity while he is a Director, officer, employee or agent, and shall continue as to a person who has ceased to be a Director, trustee, officer, employee or agent and shall inure to the benefit of heirs, executors and administrators of such a person.

SECTION 2. INSURANCE

The Company may, to the full extent then permitted by law and authorized by the Directors, purchase and maintain insurance on behalf of any persons described in Section 1 of this Article IV against any liability asserted against and incurred by any such person in any such capacity, or arising out of his status as such, whether or not the Company would have the power to indemnify such person against such liability.

ARTICLE V  
MISCELLANEOUS

SECTION 1. TRANSFER AND REGISTRATION OF CERTIFICATES

The Directors shall have authority to make or adopt such rules and regulations as they deem expedient concerning the issuance, transfer and registration of certificates for shares and the shares represented thereby and may appoint transfer agents and registrars thereof.

SECTION 2. SUBSTITUTED CERTIFICATES

Any person claiming a certificate for shares to have been lost, stolen or destroyed shall make an affidavit or affirmation of that fact and, if required by the Directors, shall give the Company and its registrar or registrars and its transfer agent or agents a bond of indemnity satisfactory to the Directors or to the President or a Vice President and the Secretary or the Treasurer, and, if required by the Directors or such officers, shall advertise the same in such manner as may be required, whereupon a new certificate may be executed and delivered of the same tenor and for the same number of shares as the one alleged to have been lost, stolen or destroyed.

SECTION 3. CORPORATE SEAL

The seal of the Company shall be circular in form with the name of the Company stamped around the margin and the words "Corporate Seal" stamped across the center.

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SECTION 4. AMENDMENTS

These Regulations may be amended by the affirmative vote of the shareholders of record entitled to exercise a majority of the voting power on such proposal.



CLEVELAND-CLIFFS INC

VOLUNTARY NON-QUALIFIED  
DEFERRED COMPENSATION PLAN  
(AMENDED AND RESTATED AS OF JANUARY 1, 2000)

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CLEVELAND-CLIFFS INC  
VOLUNTARY NON-QUALIFIED  
DEFERRED COMPENSATION PLAN  
(AMENDED AND RESTATED AS OF JANUARY 1, 2000)

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CLEVELAND-CLIFFS INC  
VOLUNTARY NON-QUALIFIED  
DEFERRED COMPENSATION PLAN  
(AMENDED AND RESTATED AS OF JANUARY 1, 2000)

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, bonuses or performance shares payable for services rendered to the Employer. In addition, the Plan contains as Annex A a Management Share Acquisition Program (the "MSAP"), the purpose of which is to provide designated management employees with the opportunity to make deferred purchases of shares of the Company's common stock through deferral of their bonuses. In order to encourage participation in the MSAP, the Company will provide matching grants for such deferrals. The MSAP shall be subject to the special terms and conditions specified in Annex A. The Plan further contains as Annex B an Officer Share Acquisition Program (the "OSAP"), the purpose of which is to provide elected officers of the Company with the opportunity to make deferred purchases of shares of the Company's common stock through investment of all or a portion of their Deferral Accounts under the Plan. In order to encourage participation in the OSAP, the Company will provide matching grants for such elections. The OSAP shall be subject to the special terms and conditions specified in Annex B. 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, 2000.

ARTICLE II

DEFINITIONS

When used in this Plan and initially capitalized, except as may otherwise be provided in the MSAP and the OSAP, 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 of the Plan and of Annex A and Annex B 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 or Mine Performance Bonus 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 Cash Award. "Cash Award" means any compensation payable in cash to an Eligible Employee for his or her services to the Company or a Selected Affiliate pursuant to the Company's 1992 Incentive Equity Plan.

2.7 Cash Dividend Benefit. "Cash Dividend Benefit" means an in-service distribution described in Section 6.4(c).

2.8 Change in Control. "Change in Control" means the occurrence of any of the following events:

(i) The acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act of 1934, as amended (the "Exchange Act")) (a "Person") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 30% or more of the combined voting power of the then outstanding securities of the Company entitled to vote generally in the election of directors ("Voting Stock"); provided, however, that for purposes of this Section 2.8(i), the following acquisitions shall not constitute a Change in Control: (A) any issuance of Voting Stock of the Company directly from the Company that is approved by the Incumbent Board (as defined in Section 2.8(ii), below), (B) any acquisition by the Company of Voting Stock of the Company, (C) any acquisition of Voting Stock of the Company by any employee benefit plan (or related trust) sponsored or maintained by the Company or any Subsidiary, or (D) any acquisition of Voting Stock of the Company by any Person pursuant to a Business Combination (as defined in Section 2.8(iii) below) that complies with clauses (A), (B) and (C) of Section 2.8(iii), below; or

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

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

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

(iv) approval by the shareholders of the Company of a complete liquidation or dissolution of the Company, except pursuant to a Business Combination that complies with clauses (A), (B) and (C) of Section 2.8(iii).

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

2.10 Committee. "Committee" has the meaning set forth in Section 8.1.

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

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

2.13 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.

2.14 Deferral Account. "Deferral Account" means the account maintained on the books of the Employer pursuant to Article V for the purpose of accounting for (i) the amount of Compensation that a Participant elects to defer under the Plan, (ii) the portion of a Cash Award that a Participant elects to defer in cash under the Plan, and (iii) an Employment Agreement Contribution (if any) made on behalf of a Participant.

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- 2.15 Deferral Benefit. "Deferral Benefit" means the benefit payable to a Participant or his or her Beneficiary pursuant to Article VI and based on such Participant's Account.
- 2.16 Deferred Share Award Account. "Deferred Share Award Account" means the account maintained on the books of the Employer for a Participant pursuant to Article V.
- 2.17 Deferred Share Award Benefit. "Deferred Share Award Benefit" means the benefits payable in Shares to a Participant or his or her Beneficiary pursuant to Article V and based on such Participant's Deferred Share Award Account.
- 2.18 Determination Date. "Determination Date" means a date on which the amount of a Participant's Account is determined as provided in Article V. The last business day of each month and any other date selected by the Committee shall be a Determination Date.
- 2.19 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 or Mine Performance Plan Salary Grade EX-28 or above.
- 2.20 Emergency Benefit. "Emergency Benefit" has the meaning set forth in Section 6.3.
- 2.21 Employer. "Employer" means, with respect to the Participant, the Company or the Selected Affiliate which pays such Participant's Compensation.
- 2.22 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.
- 2.23 Employment Agreement Contribution. "Employment Agreement Contribution" means any amount contributed to the Plan by an Employer pursuant to an Employment Agreement.
- 2.24 Fair Market Value. "Fair Market Value" means the average of the highest and lowest sales prices of a Share on the specified date (or, if no Share was traded on such date, on the next preceding date on which it was traded) as reported in The Wall Street Journal.
- 2.25 Matching Account. "Matching Account" means the account maintained on the books of an Employer pursuant to Article V for the purpose of accounting for the Matching Amount for each Participant.
- 2.26 Matching Amount. "Matching Amount" means the amount credited to a Participant's Matching Account under Section 4.2.

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- 2.27 Matching Percentage. "Matching Percentage" means the matching contribution percentage in effect for a specific Plan Year under the Savings Plan.
- 2.28 1992 Incentive Equity Plan. "1992 Incentive Equity Plan" means the Company's 1992 Incentive Equity Plan (as Amended and Restated as of May 13,1997), as amended.
- 2.29 Participant. "Participant" means any Eligible Employee who elects to participate by filing a Participation Agreement as provided in Section 3.2, in Annex A or in Annex B.
- 2.30 Participation Agreement. "Participation Agreement" means the agreement filed by a Participant, in the form prescribed by the Committee, pursuant to Section 3.2, Annex A or Annex B.
- 2.31 Plan. "Plan" means the Cleveland-Cliffs Inc Voluntary Non-Qualified Deferred Compensation Plan, as amended and restated as of January 1, 2000, as amended from time to time. The Plan includes Annex A and Annex B.
- 2.32 Plan Year. "Plan Year" means a twelve-month period commencing January 1 and ending the following December 31.
- 2.33 Savings Plan. "Savings Plan" means, with respect to a Participant, one or more of the Cliffs and Associated Employers Salaried Employees Supplemental Retirement Savings Plan and the Northshore Mining Company and Silver Bay Power Company Retirement Savings Plan for which he or she is eligible to contribute.
- 2.34 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.
- 2.35 Share. "Share" means a share of common stock of the Company.
- 2.36 Share Award. "Share Award" means any compensation payable in Shares to an Eligible Employee for his or her services to the Company or a Selected Affiliate pursuant to the Company's 1992 Incentive Equity Plan.
- 2.37 Subsidiary. "Subsidiary" means an entity in which the Company directly or indirectly beneficially owns 50% or more of the outstanding securities entitled to vote generally in the election of directors.
- 2.38 Unit. "Unit" means an accounting unit equal in value to one (1) Share. The number of Units included in any Deferred Share Award Account shall be adjusted as appropriate to reflect any stock dividend, stock split, recapitalization, merger, spinoff or other similar event affecting Shares.

ARTICLE III

ELIGIBILITY AND PARTICIPATION

3.1 Eligibility. Eligibility to participate in the Plan for any Plan Year with respect to deferral of Compensation 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. Any Eligible Employee is eligible to participate in the Plan for any Plan Year with respect to deferral of a Cash Award and/or a Share Award.

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 or her eligibility date or date of employment. Each Participation Agreement for the Plan and the MSAP shall be effective only with regard to (i) Compensation, and, with respect to the MSAP, Bonus 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, and (ii) a Cash Award and/or a Share Award the payment of which, if subsequently earned, is not earlier than the beginning of the second Plan Year following 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 (i) with respect to deferral of Compensation, and, with respect to the MSAP, Bonus, not earlier than the first day of the Plan Year immediately succeeding the Plan Year in which such notice is filed with the Committee, and (ii) with respect to deferral of a Cash Award and/or a Share Award, only with respect to a Cash Award and/or a Share Award which becomes vested not earlier than the last day of the Plan Year which next follows the Plan Year in which such notice is filed with the Committee. Amounts credited to such Participant's Account or Deferred Share Award Account with respect to periods prior to the effective date of such termination shall continue to be payable pursuant to, receive interest on (where applicable), and otherwise governed by, the terms of the Plan. Notwithstanding any other provision of this Article III, a Participant who is actively employed by the Employer and who elects a distribution pursuant to Section 6.7 shall immediately terminate his or her participation in the Plan for the balance, if any, of the Plan Year during which the Participant's election is submitted to the Committee and for the next two Plan Years.

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 or her Account and Deferred Share Award 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 or her Account and Deferred Share Award Account will be deemed to be canceled.

#### ARTICLE IV

##### DEFERRAL OF COMPENSATION, CASH AWARDS AND SHARE AWARDS

4.1 Deferral of Compensation. 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 of Compensation the Participant elects to defer under this Plan and the Savings Plan shall not exceed, in the aggregate, the sum of 25% (50% effective January 1, 1997) 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 of Compensation deferred under this Plan deducted from his or her Base Salary, Bonus or a combination of both. A Participant may change the dollar amount or 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 Deferral of Cash Awards. A Participant may elect to defer all or a specified dollar amount or percentage of his or her Cash Award with respect to a Plan Year, to be credited to his or her Deferral Account. A Participant may change the dollar amount or percentage of his or her Cash Award to be deferred by filing a written notice thereof with the Committee, which shall be effective only with respect to Cash Awards which become vested not earlier than the last day of the Plan Year which next follows the Plan Year in which such notice is filed with the Committee.

##### 4.4 Crediting Deferred Compensation, Matching Amounts, Cash Awards and Employment Agreement Contributions.

(a) The amount of Compensation that a Participant elects to defer shall be credited by the Employer to the Participant's Deferral Account as of the time such Compensation would otherwise become payable to the Participant.

(b) 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.

(c) The amount of any Cash Award that a Participant elects to defer shall be credited to the Participant's Deferral Account as of the time such Cash Award would otherwise become payable to the Participant.

(d) The Matching Amount under the Plan for each Participant shall be credited by the Employer to the Participant's Matching Account at the same time that matching contributions are allocated under the Savings Plan.

4.5 Deferral of Share Awards. A Participant may elect to defer all or a specified number of Shares, or percentage of his or her Share Award with respect to a Plan Year, to be credited to his or her Deferred Share Award Account in Units. A Participant may change the percentage of his or her Share Awards to be deferred by filing a written notice thereof with the Committee, which shall be effective only with respect to Share Awards which become vested not earlier than the last day of the Plan Year which next follows the Plan Year in which such notice is filed with the Committee. No fractional Shares shall be deferred, but the number of Shares deferred shall be rounded down to the nearest whole Share.

4.6 Crediting of Deferred Share Awards. The number of Shares in a Share Award or percentage of Share Awards that a Participant elects to defer shall be credited to the Participant's Deferred Share Award Account in Units as of the time such Share Award would otherwise become payable to the Participant. The number of Units credited to the Participant's Deferred Share Award Account shall be equal to the number of Shares of a Participant's Share Award which the Participant has elected to defer.

#### ARTICLE V

##### BENEFIT ACCOUNTS

5.1 Investment of Deferral and Matching Accounts. As soon as practicable after the crediting of any amount to a Participant's Deferral Account or Matching 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 Deferral Account or Matching Account in accordance with requests made by the Participant and communicated to the Committee. Earnings from Investments shall be credited to a Participant's Deferral Account or Matching 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 Deferral Account or Matching 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 Deferral Account or Matching Account as cash. Amounts credited to a Participant's Deferral Account or Matching 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, deferred Cash Awards and Employment Agreement Contribution (if any) credited pursuant to Section 4.4 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 Determination of Deferred Share Award Account. On any particular date, a Participant's Deferred Share Award Account shall consist of the aggregate number of Units credited thereto pursuant to Section 4.6, plus any dividend equivalents credited pursuant to Section 5.5, minus the aggregate amount of distributions, if any, made from such Deferred Share Award Account.

5.5 Crediting of Dividend Equivalents. Each Deferred Share Award Account shall be credited, as of the payment date of any cash dividend paid on Shares, with additional Units equal in value to the amount of cash dividends paid by the Company on that number of Shares equivalent to the Units in such Deferred Share Award Account on such payment date. Such dividend equivalents shall be valued using Fair Market Value. A Participant may elect to convert the Units representing such dividend equivalents to cash to be credited to his or her Deferral Account by filing a written notice thereof with the Committee, which shall be effective only with respect to cash dividends paid after the Plan Year in which such notice is filed with the Committee. Until a Participant or his or her Beneficiary receives his or her entire Deferred Share Award Account, the unpaid balance thereof credited in Units shall earn dividend equivalents as provided in this Section 5.5, except as provided in Section 6.4(c).

5.6 Statements. The Committee shall cause to be kept a detailed record of all transactions affecting each Participant's Account and Deferred Share Award 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 and Units in such Participant's Account and

Deferred Share Award 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.

5.7 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 and Deferred Share Award 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 or her 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; provided, however, that the Participant may 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, elect to defer commencement of the payment of his or her Deferral 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 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, or otherwise in accordance with the first sentence of this Section 6.1.

6.2 Payment of Deferred Share Award 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 or her Beneficiary, as the case may be, a Deferred Share Award Benefit equal to the balance of the Units in his or her Deferred Share Award Account determined pursuant to Article V, less any amounts previously distributed.

6.3 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, Matching Account and Deferred Share Award Account as of the date of such payment. For purposes of this Section 6.3, 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 and Deferred Share Award Benefit otherwise payable under the Plan to such Participant shall be adjusted to reflect the early payment of the Emergency Benefit.

6.4 In-Service Distribution.

(a) A Participant may elect to receive an in-service distribution of his or her deferred Compensation, Matching Amount and earnings thereon with respect to a Plan Year 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 from his or her Account with respect to a Plan Year shall be filed in writing with the Committee before the first day of the Plan Year in which his or her deferred Compensation otherwise would have been first payable. The Participant may elect to receive an in-service distribution as provided in Section 6.5(a); provided, however, that Section 6.5(c) shall not apply to an in-service distribution. Any Deferral Benefit paid to the Participant as an in-service distribution shall reduce the amount of Deferral Benefit otherwise payable to the Participant under the Plan.

(b) A Participant may elect to receive an in-service distribution of his or her deferred Share Award and earnings with respect to a Plan Year beginning at any time at least four (4) years after the date such deferred Share Award otherwise would have been first payable. A Participant's election for an in-service distribution from his or her Deferred Share Award Account with respect to a Plan Year shall be filed in writing with the Committee not later than during the second Plan Year preceding the date the Share Award otherwise would have been first payable. The Participant may elect to receive such Deferred Share Award Benefit as an in-service distribution as provided in Section 6.5(b); provided, however, that Section 6.5(c) of the Plan shall not apply to such an in-service distribution. Any Deferred Share Award Benefit paid to the Participant as an in-service distribution shall reduce the amount of Deferred Share Award Benefit otherwise payable to the Participant under the Plan.

(c) A Participant may elect to receive an in-service distribution of his or her deferred Cash Award and earnings with a respect to a Plan Year beginning at any time at least four (4) years after the date such deferred Cash Award otherwise would have been first payable. A Participant's election for an in-service distribution from his or her Account with respect to a Cash Award for a Plan Year shall be filed in writing with the Committee not later during the second Plan Year preceding the date the Cash Award otherwise would have been first payable. The Participant may elect to receive such Deferral Benefit as an in-service distribution as provided in Section 6.5(a); provided, however, that Section 6.5(c) shall not apply to such an in-service distribution. Any Deferral Benefit paid to the Participant as an in-service distribution shall reduce the amount of Deferral Benefits otherwise payable to the Participant under the Plan.

(d) A Participant may elect to receive an in-service distribution of a Cash Dividend Benefit equal to the amount of the dividend equivalent to be credited to his or her Deferred Share Award Account pursuant to Section 5.5 as of the payment date of a cash dividend on Shares. A Participant's election for a Cash Dividend Benefit shall be

filed in writing with the Committee not later than during the second Plan Year preceding the date the dividend equivalent otherwise would be so credited to his or her Deferred Share Award Account.

6.5 Form of Payment.

(a) The Deferral Benefit payable pursuant to Section 6.1, Section 6.4(a) or Section 6.4(c) 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 (c) 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 fifteen years (together, in the case of each payment, with earnings thereon credited after the payment commencement date pursuant to Article V).

(2) A lump sum.

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

Notwithstanding the foregoing, the Committee may, at any time, direct that installment payments under (1) or (3) above shall be made quarterly.

(b) The Deferred Share Award Benefit payable pursuant to Section 6.2 or Section 6.4(b) shall be paid in whole Shares plus cash equal in value to any fractional Share in one of the forms set forth in Section 6.5(a), without interest, but with dividend equivalents reinvested as provided in Section 5.5; subject, however, to Section 6.4(d). For the purpose of this Section 6.5(b), each distribution from a Deferred Share Award Account shall be valued on the basis of the Fair Market Value of the Shares on the date prior to the date payment of such distribution is made.

(c) 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; and provided, further, that the Committee may, in its sole discretion, waive such one (1) year period upon a request of the Participant made while an active or inactive employee of the Company.

(d) The amount of each installment under Section 6.5(a) 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.

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(e) The Cash Dividend Benefit payable pursuant to Section 6.4(c) shall be in the form of a lump sum.

(f) If a Participant fails to make an election with respect to his or her Account in a timely manner as provided in this Section 6.4, distribution shall be made in ten (10) annual installments of cash or Shares, as applicable.

(g) A Participant's Deferral Benefit and Deferred Share Award Benefit (or the remaining portions 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.

6.6 Commencement of Payments. Commencement of payments under Section 6.1 or Section 6.2 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.

6.7 Special Distributions. Notwithstanding any other provision of this Article VI except as provided in Section 6.9, a Participant, whether or not in pay status, may elect to receive a distribution of part or all of his or her Account or Deferred Share Award Account in one or more distributions if (and only if) the amount in either of such accounts 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 Committee. The remaining six percent (6%) of the portion of the electing Participant's account subject to such distribution shall be forfeited.

6.8 Small Benefit. In the event the Committee determines that the balance of the Participant's Account and Deferred Share Award 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.

6.9 Change in Control Distribution. Notwithstanding any other provision of the Plan, including Annex A and Annex B, in the event of a Change in Control the balances in each Participant's accounts shall become nonforfeitable and shall be distributed in a single sum in cash and/or Common Shares within three (3) business days after such Change in Control.

## 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 or her 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 or Deferred Share Award Benefit. Any Beneficiary designation shall be made in a written instrument filed with 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 and Organization 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 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).

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.

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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 or Deferred Share Award 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 or Deferred Share Award 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 or Deferred Share Award 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, the crediting of dividend equivalents to a Participant's Deferred Share Award Account under Section 5.5, or the timing or method of distribution of a Participant's Account, or Deferred Share Award 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 or Deferred Share Award 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 following a Change in Control no Eligible Employee or former Eligible Employee be required to incur the expenses associated with the enforcement of his or her 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 or her 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 Withholding Taxes.** If the Employer is required to withhold any taxes or other amounts from a Participant's deferred Compensation, Employment Agreement Contribution, deferred Cash Award or deferred Share Award pursuant to any state, federal or local law, such amounts shall, to the extent possible, be withheld from the Participant's Compensation, Cash Award or Share Award before such amounts are credited under the Plan. Any additional withholding amount required shall be paid by the Participant to the Employer as a

condition to the crediting of deferred Compensation, deferred Cash Award or deferred Share Award to the Participant's Account and Deferred Share Award Account, respectively. The Employer shall may withhold any required state, federal or local taxes or other amounts from any benefits payable in cash or Shares to a Participant or Beneficiary.

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

10.6 Governing Law. The provisions of the Plan shall be construed and interpreted according to the laws of the State of Ohio.

10.7 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.

10.8 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.

10.9 Prior Plan Provisions. The provisions of the Plan in effect prior to January 1,2000 shall govern periods prior to such date.

Executed this 19<sup>th</sup> day of July, 2000.

CLEVELAND – CLIFFS INC

By: /s/ Richard Novak  
Vice President-Human Resources

CLEVELAND-CLIFFS INC  
MANAGEMENT SHARE ACQUISITION PROGRAM

Terms and Conditions

ARTICLE I  
ESTABLISHMENT

A 1.1 Establishment.

(a) This Article contains the following terms and conditions applicable to the MSAP.

(b) Credits, distributions and issuances of Shares under the MSAP may be made under the 1992 Incentive Equity Plan or otherwise.

A 1.2 Term of MSAP. The MSAP shall terminate upon the earliest of (a) the termination of the Plan, or (b) the termination by the Company of the MSAP.

ARTICLE II  
DEFINITIONS

A 2.1 Special Definitions Applicable to the MSAP. Unless provided otherwise in the MSAP, all capitalized terms shall have the same meanings as set forth in the Plan. For purposes of the MSAP, the following terms shall be defined as set forth below:

“**Account**” means the bookkeeping account maintained for each Participant showing his or her interest under the MSAP. An Account shall consist of a “Cash Account,” a “Deferred Shares Account” and a “Matching Shares Account”. The number of Shares in an Account shall be adjusted as appropriate to reflect any stock dividend, stock split, recapitalization, merger, spinoff or other similar event affecting Shares.

“**Deferral Commitment**” means an agreement by a Participant in a Participation Agreement to have a specified percentage or dollar amount of his or her Bonus deferred under the MSAP for a specified period in the future.

“**Deferred Shares**” means the Shares notionally credited to a Participant’s Deferred Shares Account.

“**Disability**” means a physical or mental condition of the Participant resulting from a bodily injury, disease, or mental disorder, which renders him or her incapable continuing in the active employment of the Company or Selected Affiliate (as determined by the Committee) based upon appropriate medical advice and examination.

**“Insider Participant”** means any Participant who is required to file reports with the Securities and Exchange Commission pursuant to Section 16(a) of the Exchange Act, and any rules promulgated thereunder.

**“Matching Shares”** means the notional Shares credited to a Participant’s Matching Shares Account pursuant to Section A 5.1(a) and/or restricted shares issued to a Participant pursuant to Section A 5.1(b), as the context requires.

**“Quarter Date”** means the last day of a calendar quarter.

**“Retirement”** means retirement from active employment with the Company and each of its Selected Affiliates on or after attaining age 65 or, if earlier, the age at which the Participant may retire with an unreduced normal retirement benefit under the tax-qualified pension benefit plan sponsored by the Company or a Selected Affiliate and applicable to the Participant, or early retirement under such plan with the consent of the Committee.

**“Settlement Date”** means the later of the date on which a Participant terminates employment with the Company and each of its Selected Affiliates and the date selected by a Participant in a Participation Agreement for distribution of all or a portion of the amounts deferred during a Plan Year as provided in Section A 7.2. A leave of absence granted by the Company will not be considered a termination of employment during the term of such leave.

ARTICLE III  
PARTICIPATION

A 3.1 Participation. Any Eligible Employee may participate in the MSAP.

A 3.2 Duration of Participation. Participation in the MSAP shall continue as long as the Participant is eligible to receive benefits under the MSAP.

ARTICLE IV  
DEFERRALS AND VOLUNTARY AMOUNTS

A 4.1 Amount of Deferral. As determined by the Committee with respect to each Plan Year, a Participant may elect to defer a specified dollar amount or percentage of his or her Bonus. An election to defer may be made prior to the beginning of any Plan Year by filing a Participation Agreement with the Committee in accordance with Section 3.2 of the Plan. An election to participate in the MSAP with respect to a Bonus for a Plan Year shall be made before such Bonus is payable at a time selected by the Chief Executive Officer of the Company.

A 4.2 Automatic Deferrals. A Participant’s Bonus in excess of amounts deductible by the Company with respect to a Plan Year under Section 162(m) of the Code may be deferred under the MSAP under rules adopted by the Committee.

ARTICLE V  
MATCHING CONTRIBUTIONS

A 5.1 Matching Contributions.

The Company shall at the discretion of the Committee either

(a) credit to the Participant's Matching Shares Account 25% of the amounts allocated to his or her Deferred Shares Account directly as the result of Bonus deferrals made pursuant to Section A 4.1, but no such credit shall be made as the result of allocation of dividends pursuant to Section A 6.4. (Matching Shares credited pursuant to this Subsection shall become nonforfeitable in accordance with Section A 6.6); or

(b) issue restricted shares equal in number to 25% of the amounts allocated to his or her Deferred Shares Account directly as the result of Bonus deferrals made pursuant to Section A 4.1, but no such issuance shall be made as the result of allocation of dividends pursuant to Section A 6.4. (Restricted shares issued pursuant to this Subsection shall become nonforfeitable five years after the issuance, subject to such conditions of continuous employment and continuous share ownership as are set forth in a restricted share agreement by and between the Company and the Participant).

ARTICLE VI  
PARTICIPANT ACCOUNTS

A 6.1 Establishment of Accounts. The Company, through its accounting records, shall establish a Deferred Shares Account and a Cash Account, and, as necessary, a Matching Shares Account for each Participant who elects to defer a Bonus as provided in Section A 4.1.

A 6.2 Crediting of Deferral Commitments and Matching Contributions. The portion of a Participant's Bonus that is deferred pursuant to a Deferral Commitment and any related matching contribution under Section A 5.1(a) shall be credited to the Participant's Deferred Shares Account and Matching Shares Account, respectively, as of the date the corresponding non-deferred portion of the Bonus would have been paid to the Participant; provided, however, that the portion of a Participant's Bonus that is deferred pursuant to Section A 4.2 shall be credited to the Participant's Account as of the date the Bonus would have been paid to the Participant absent the application of Section A 4.2. As of such payment date, (i) the credits to each Participant's Deferred Shares Account for each such payment date, shall be deemed invested in a number of whole Deferred Shares determined by dividing such credits by the Fair Market Value for such date, and (ii) the credits for such date to each Participant's Matching Shares Account shall be deemed invested in a number of whole Matching Shares determined by dividing such credits by the Fair Market Value for such date. Fractional Shares shall be credited to the Cash Account.

A 6.3 Determination of Accounts.

(a) The balance credited to each Participant's Account as of a particular date shall equal the amount credited pursuant to Section A 6.2, and shall be adjusted in the manner provided in Section A 6.4.

(b) The Company through its accounting records, shall maintain a separate and distinct record of the amount in each Account as adjusted to reflect income and distributions.

A 6.4 Adjustments to Accounts.

(a) (i) Each Account shall be credited, as of the payment date of any cash dividend paid on Shares, with additional Deferred Shares and Matching Shares equal in value to the amount of cash dividends paid by the Company on that number of Shares equivalent to the respective number of Deferred Shares and Matching Shares in such Account on such payment date. The dividend equivalents shall be calculated by dividing the dollar value of such dividend equivalents by the Fair Market Value at the dividend payment date. Fractional Shares shall be credited to the Cash Account.

(ii) A Participant may elect to convert the Deferred Shares representing a portion of such dividend equivalents to cash to be credited to his or her Cash Account by filing a written notice thereof with the Committee, which shall be effective only with respect to cash dividends paid after the Plan Year in which such notice is filed with the Committee. As of each Determination Date, Cash Accounts 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 Cash Account since the immediately preceding Determination Date, but after such Cash 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 Cash Account shall be deemed earned ratably over such period. Until a Participant or his or her Beneficiary receives his or her entire Account, the unpaid balance thereof credited in Deferred Shares and Matching Shares shall be credited with dividend equivalents as provided in this Subsection, except as provided in Section A7.2.

(b) Each Participant's Account shall be immediately debited with the amount of any distributions under Article VIII to or on behalf of the Participant or, in the event of his or her death, his or her Beneficiary.

A 6.5 Statement of Accounts. As soon as practicable after the end of each calendar quarter, a statement shall be furnished to each Participant or, in the event of his or her death, to his or her Beneficiary showing the status of his or her Account as of the end of the calendar quarter, any changes in his or her Account since the end of the immediately preceding calendar quarter, and such other information as the Committee shall determine.

A 6.6 Vesting of Accounts.

(a) Except as provided in Section A 6.7, each Participant shall at all times have a nonforfeitable interest in his or her Deferred Shares Account balance and his or her Cash Account balance.

(b) Matching Shares attributable to credits pursuant to Section A 5.1(a) in a Participant's Matching Shares Account with respect to a Plan Year, and additional Matching Shares attributable to dividend credits with respect to such Matching Shares pursuant to Section A 6.4(a)(i), Shall become nonforfeitable as of the fifth anniversary of the crediting of the Matching Shares pursuant to Section A 5.1(a) (the "vesting period"), provided that:

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(i) the Participant has remained in the continuous employ of the Company or a Selected Affiliate during the applicable vesting period; and

(ii) the Participant, during the applicable vesting period, does not receive a distribution of deemed Shares credited to his or her Deferred Shares Account as the result of the deferral by the Participant of the Bonus which relates to the crediting of the Matching Shares pursuant to Section A 5.1(a).

(c) Notwithstanding the provisions of Subsection (b) of this Section, the nonvested portion of a Participant's Account will become immediately nonforfeitable in the event of the Participant's death, Disability, or upon the occurrence of a Change in Control of the Company.

(d) Notwithstanding the provisions of Subsection (b) of this Section, the nonvested portion of a Participant's Account will become nonforfeitable in the event of the Participant's Retirement, provided that the Participant does not elect a distribution from the MSAP of the Shares attributable to the Deferred Shares relating to the nonvested Matching Shares until the fifth anniversary of the applicable date of issuance.

(e) Any portion of an Account as to which the requirements of Subsections (b), (c) or (d) of this Section have not been satisfied shall be forfeited, unless the Committee determines otherwise.

(f) For purposes of this Section, the continuous employment of a Participant with the Company or a Selected Affiliate shall not be deemed to have been interrupted, and the Participant will not be deemed to have ceased to be an employee of the Company or a Selected Affiliate, by reason of the transfer of his or her employment among the Company and its Selected Affiliates or of an approved leave or absence.

A 6.7 Special Rule for Valuation of Deferred Share Account. Anything in the MSAP or the Plan to the contrary notwithstanding, in the event any Matching Shares are forfeited pursuant to Section A 6.6, or any restricted shares are forfeited under the restricted share agreement entered into pursuant to Section A 5.1(b), then the value of the Deferred Shares in the Deferred Shares Account to which such Matching Shares or restricted shares, as the case may be, are attributable shall be deemed to be the lesser of (a) the then Fair Market Value of such Deferred Shares, or (b) the value of the Bonus used to acquire such Deferred Shares plus interest at the Declared Rate as if the Bonus was credited with interest pursuant to Section 5.3 of the Plan. Such deemed value shall be distributed in cash.

ARTICLE VII  
DISTRIBUTIONS

A 7.1 Distribution of Account.

(a) A Participant or, in the event of his or her death, his or her Beneficiary shall be entitled to distribution of all or a part of the balance of his or her Account, payable in Shares as provided in this Article, following his or her Settlement Date or Dates; provided, however, that his or her Cash Account shall be payable in cash; and provided, further, that any fractional share shall be paid in cash with the final distribution of a Participant's Account.

(b) The number of Shares distributable shall be equal to the number of Deferred Shares and Matching Shares in the Participant's Account determined as of the Quarter Date coincident with or next following his or her Settlement Date or Dates.

A 7.2 In-Service Distribution.

(a) A Participant may irrevocably elect to receive an in-service distribution of the Deferred Shares attributable to his or her deferred Bonus, and related nonforfeitable Matching Shares, for any Plan Year on or commencing not earlier than the beginning of the sixth Plan Year following the Plan Year in which such Bonus otherwise would have been first payable. A Participant's election of an in-service distribution shall be made in the Participation Agreement filed for the Plan Year as provided in Article III. The Participant shall elect irrevocably to receive such Deferred Shares and related Matching Shares as an in-service distribution of Stock under one of the forms provided in Section A 7.3.

(b) A Participant may irrevocably elect to receive an in-service distribution of cash equal to the amount of the dividend equivalent to be credited to his or her Deferred Shares Account pursuant to Section A 6.4(a)(i) as of the payment date of a cash dividend on Shares. A Participant's election for a cash distribution shall be filed in writing with the Committee not later than during the second Plan Year preceding the date the dividend equivalent otherwise would be so credited to his or her Account.

A 7.3 Form of Distribution.

(a) As soon as practicable after the end of the Quarter Date in which a Participant's Settlement Date occurs, but in no event later than 30 days following the end of such Quarter Date, the Company shall distribute or cause to be distributed to the Participant a number of Shares and/or an amount of cash as determined under Section A 7.1, under one of the forms provided in this Section.

(b) Distribution of a Participant's Account with respect to any Plan Year shall be made in cash and in whole Shares plus cash equal in value to any fractional Share in one of the forms set forth in Section 6.5(a) of the Plan, without interest, but with dividends reinvested as provided in Section 5.5 of the Plan; subject, however, to Section 6.4(d) of the Plan.

(c) In the event of a Participant's death, the cash and the number of Shares of Stock in his or her Account shall be distributed to his or her Beneficiary in a single distribution as soon as practicable after the end of the Quarter Date in which the Participant's death occurs.

(d) The Participant's election of the form of distribution shall be made at the time his or her initial election to defer is made pursuant to Section A 4.1, or if later by written notice filed with the Committee at least one year prior to the Participant's voluntary termination of employment with, or Retirement from, the Company. 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 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.

(e) The amount of cash and the number of Shares to be distributed in each installment shall be equal to the quotient obtained by dividing the amount of cash and the number of Deferred Shares and nonforfeitable Matching Shares in the Participant's Account as of the date of such installment payment by the number of installment payments remaining to be made to such Participant 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 or Matching Share in the Participant's Account.

(f) If a Participant fails to make an election in a timely manner as provided in this Section, distribution shall be made in a single distribution as soon as practicable after the end of the Quarter Date in which a Participant's Settlement Date occurs.

A 7.4 Special Distributions. Notwithstanding any other provision of the MSAP except Section A 6.7 and subject to Section 6.9 of the Plan, a Participant may elect at any time to receive a distribution of part or all of the nonforfeitable portion of his or her Account in one or more distributions if (and only if) the amount of cash and the number of Deferred Shares and nonforfeitable Matching Shares in the Participant's Account subject to such distribution is reduced by 6%. Any distribution made pursuant to such an election shall be made as soon as practicable following the date such election is submitted to the Committee. The remaining 6% of the portion of the electing Participant's Account subject to such distribution shall be forfeited. Forfeitable Matching Shares attributable to the portion of the electing Participant's Deferred Shares subject to such distribution shall also be forfeited.

A 7.5 Facility of Payment. Whenever and as often as any Participant or his or her Beneficiary entitled to payments under the MSAP shall be under a legal disability or, in the sole judgment of the Committee, shall otherwise be unable to apply such payments to his or her own best interests and advantage, the Committee 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: (a) directly to him or her; (b) to his or her legal guardian or conservator; or (c) to his or her spouse or to any other person, to be expended for his or her benefit; and the decision of the Committee, shall in each case be final and binding upon all persons in interest.

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A 7.6 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 unforeseen financial emergency, the Company shall pay to the Participant, as soon as practicable following such determination, the Emergency Benefit in accordance with the standards set forth in Section A 6.3. Distributions pursuant to this Section may not be made in excess of the value of the Participant's nonforfeitable Account at the time of such distribution.

A 7.7 Payment of Small Accounts. Notwithstanding any other provision of the MSAP, if a Participant's Account is credited with 1,000 Shares or less on his or her Settlement Date, his or her Account shall be distributed to him or her in a single distribution as soon as practicable following his or her Settlement Date.

CLEVELAND-CLIFFS INC  
OFFICER SHARE ACQUISITION PROGRAM  
Terms and Conditions

ARTICLE I  
ESTABLISHMENT

B 1.1 Establishment.

(a) This Article contains the following terms and conditions applicable to the OSAP.

(b) Credits, distributions and issuances of Shares under the OSAP may be made under the 1992 Incentive Equity Plan or otherwise.

B 1.2 Term of OSAP. The OSAP shall terminate upon the earliest of (a) the termination of the Plan, or (b) the termination by the Company of the OSAP.

ARTICLE II  
DEFINITIONS

B 2.1 Special Definitions Applicable to the OSAP. Unless provided otherwise in the OSAP, all capitalized terms shall have the same meanings as set forth in the Plan. For purposes of the OSAP, the following terms shall be defined as set forth below:

**“Account”** means the bookkeeping account maintained for each Participant showing his or her interest under the OSAP. An Account shall consist of a “Cash Account,” an “Investment Shares Account” and a “Matching Shares Account”. The number of Shares in an Account shall be adjusted as appropriate to reflect any stock dividend, stock split, recapitalization, merger, spinoff or other similar event affecting Shares.

**“Disability”** means a physical or mental condition of the Participant resulting from a bodily injury, disease, or mental disorder, which renders him or her incapable continuing in the active employment of the Company or Selected Affiliate (as determined by the Committee) based upon appropriate medical advice and examination.

**“Insider Participant”** means any Participant who is required to file reports with the Securities and Exchange Commission pursuant to Section 16(a) of the Exchange Act, and any rules promulgated thereunder.

**“Investment Commitment”** means an agreement by a Participant in a Participation Agreement to have a specified percentage or dollar amount of his or her Deferral Account invested in Shares and transferred for Plan accounting purposes to the OSAP.

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“**Investment Shares**” means the Shares notionally credited to a Participant’s Investment Shares Account.

“**Matching Shares**” means the notional Shares credited to a Participant’s Matching Shares Account pursuant to Section B 5.1(a) and/or restricted shares issued to a Participant pursuant to Section B 5.1(b), as the context requires.

“**Quarter Date**” means the last day of a calendar quarter.

“**Retirement**” means retirement from active employment with the Company and each of its Selected Affiliates on or after attaining age 65 or, if earlier, the age at which the Participant may retire with an unreduced normal retirement benefit under the tax-qualified pension benefit plan sponsored by the Company or a Selected Affiliate and applicable to the Participant, or early retirement under such plan with the consent of the Committee.

“**Settlement Date**” means the later of the date on which a Participant terminates employment with the Company and each of its Selected Affiliates and the date selected by a Participant in a Participation Agreement for distribution of all or a portion of the amounts deferred during a Plan Year as provided in Section B 7.2. A leave of absence granted by the Company will not be considered a termination of employment during the term of such leave.

ARTICLE III  
PARTICIPATION

B 3.1 Participation. Any Eligible Employee who is an elected officer of the Company may participate in the OSAP.

B 3.2 Duration of Participation. Participation in the OSAP shall continue as long as the Participant is eligible to receive benefits under the OSAP.

ARTICLE IV  
VOLUNTARY INVESTMENT OF DEFERRAL ACCOUNTS

B 4.1 Amount of Investment. As determined by the Committee with respect to each Plan Year, a Participant may elect to invest a specified dollar amount or percentage of his or her Deferral Account in Shares; provided, however, that no Participant may elect to invest any such amount or percentage in excess of that needed to enable such Participant to satisfy the Company’s share ownership guidelines in effect from time to time. An election to participate in the OSAP for a Plan Year shall be made at a time selected by the Chief Executive Officer of the Company.

ARTICLE V  
MATCHING CONTRIBUTION

B 5.1 Matching Contributions.

The Company shall at the discretion of the Committee either

- (a) credit to the Participant's Matching Shares Account 25% of the amounts allocated to his or her Investment Shares Account directly as the result of the election made pursuant to Section B 4.1, but no such credit shall be made as the result of allocation of dividends pursuant to Section B 6.4. (Matching Shares credited pursuant to this Subsection shall become nonforfeitable in accordance with Section B 6.6); or
- (b) issue restricted shares equal in number to 25% of the amounts allocated to his or her Investment Shares Account directly as the result of the election made pursuant to Section B 4.1, but no such issuance shall be made as the result of allocation of dividends pursuant to Section B 6.4. (Restricted shares issued pursuant to this Subsection shall become nonforfeitable five years after the issuance, subject to such conditions of continuous employment and continuous share ownership as are set forth in a restricted share agreement by and between the Company and the Participant).

ARTICLE VI  
PARTICIPANT ACCOUNTS

B 6.1 Establishment of Accounts. The Company, through its accounting records, shall establish an Investment Shares Account and a Cash Account, and, as necessary, a Matching Shares Account for each Participant who elects to invest as provided in Section B 4.1.

B 6.2 Crediting of Deferral Commitments and Matching Contributions. The portion of a Participant's Deferral Account that is invested pursuant to an Investment Commitment and any related matching contribution under Section B 5.1(a) shall be credited to the Participant's Investment Account and Matching Shares Account, respectively, as of the date the deemed investment in the Shares is made by the Participant. As of such investment date, (i) the credits to each Participant's Investment Shares Account for each such investment date, shall be deemed invested in a number of whole Investment Shares determined by dividing such credits by the Fair Market Value for such date, and (ii) the credits for such date to each Participant's Matching Shares Account shall be deemed invested in a number of whole Matching Shares determined by dividing such credits by the Fair Market Value for such date. Fractional Shares shall be credited to the Cash Account.

B 6.3 Determination of Accounts.

- (a) The balance credited to each Participant's Account as of a particular date shall equal the amount credited pursuant to Section B 6.2, and shall be adjusted in the manner provided in Section B 6.4.
- (b) The Company through its accounting records, shall maintain a separate and distinct record of the amount in each Account as adjusted to reflect income and distributions.

B 6.4 Adjustments to Accounts.

(a) (i) Each Account shall be credited, as of the payment date of any cash dividend paid on Shares, with additional Investment Shares and Matching Shares equal in value to the amount of cash dividends paid by the Company on that number of Shares equivalent to the respective number of Investment Shares and Matching Shares in such Account on such payment date. The dividend equivalents shall be calculated by dividing the dollar value of such dividend equivalents by the Fair Market Value at the dividend payment date. Fractional Shares shall be credited to the Cash Account.

(ii) A Participant may elect to convert the Investment Shares representing a portion of such dividend equivalents to cash to be credited to his or her Cash Account by filing a written notice thereof with the Committee, which shall be effective only with respect to cash dividends paid after the Plan Year in which such notice is filed with the Committee. As of each Determination Date, Cash Accounts 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 Cash Account since the immediately preceding Determination Date, but after such Cash 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 Cash Account shall be deemed earned ratably over such period. Until a Participant or his or her Beneficiary receives his or her entire Account, the unpaid balance thereof credited in Investment Shares and Matching Shares shall be credited with dividend equivalents as provided in this Subsection, except as provided in Section B 7.2.

(b) Each Participant's Account shall be immediately debited with the amount of any distributions under Article VIII to or on behalf of the Participant or, in the event of his or her death, his or her Beneficiary.

B 6.5 Statement of Accounts. As soon as practicable after the end of each calendar quarter, a statement shall be furnished to each Participant or, in the event of his or her death, to his or her Beneficiary showing the status of his or her Account as of the end of the calendar quarter, any changes in his or her Account since the end of the immediately preceding calendar quarter, and such other information as the Committee shall determine.

B 6.6 Vesting of Accounts.

(a) Except as provided in Section B 6.7, each Participant shall at all times have a nonforfeitable interest in his or her Investment Shares Account balance and his or her Cash Account balance.

(b) Matching Shares attributable to credits pursuant to Section B 5.1 (a) in a Participant's Matching Shares Account with respect to a Plan Year, and additional Matching Shares attributable to dividend credits with respect to such Matching Shares pursuant to Section B 6.4(a)(i), shall become nonforfeitable as of the fifth anniversary of the crediting of the Matching Shares pursuant to Section B 5.1(a)(the "vesting period"), provided that:

(i) the Participant has remained in the continuous employ of the Company or a Selected Affiliate during the applicable vesting period; and  
(ii) the Participant, during the applicable vesting period, does not receive a distribution of deemed Shares credited to his or her Investment Shares Account as the result of the investment by the Participant which relates to the crediting of the Matching Shares pursuant to Section B 5.1(a).

(c) Notwithstanding the provisions of Subsection (b) of this Section, the nonvested portion of a Participant's Account will become immediately nonforfeitable in the event of the Participant's death, Disability, or upon the occurrence of a Change in Control of the Company.

(d) Notwithstanding the provisions of Subsection (b) of this Section, the nonvested portion of a Participant's Account will become nonforfeitable in the event of the Participant's Retirement, provided that the Participant does not elect a distribution from the OSAP of the Shares attributable to the Investment Shares relating to the nonvested Matching Shares until the fifth anniversary of the applicable date of issuance.

(e) Any portion of an Account as to which the requirements of Subsection (b) of this Section have not been satisfied shall be forfeited, unless the Committee determines otherwise.

(f) For purposes of this Section, the continuous employment of a Participant with the Company or a Selected Affiliate shall not be deemed to have been interrupted, and the Participant will not be deemed to have ceased to be an employee of the Company or a Selected Affiliate, by reason of the transfer of his or her employment among the Company and its Selected Affiliates or of an approved leave or absence.

**B 6.7 Special Rule for Valuation of Deferred Share Account.** Anything in the OSAP or the Plan to the contrary notwithstanding, in the event any Matching Shares are forfeited pursuant to Section B 6.6, or any restricted shares are forfeited under the restricted share agreement entered into pursuant to Section B 5.1(b), then the value of the Investment Shares in the Investment Shares Account to which such Matching Shares or restricted shares, as the case may be, are attributable shall be deemed to be the lesser of (a) the then Fair Market Value of such Investment Shares, or (b) the value of the investment used to acquire such Investment Shares plus interest at the Declared Rate as if the cash balance was credited with interest pursuant to Section 5.3 of the Plan. Such deemed value shall be distributed in cash.

#### ARTICLE VII DISTRIBUTIONS

##### **B 7.1 Distribution of Account.**

(a) A Participant or, in the event of his or her death, his or her Beneficiary shall be entitled to distribution of all or a part of the balance of his or her Account, payable in Shares as provided in this Article, following his or her Settlement Date or Dates; provided, however, that his or her Cash Account shall be payable in cash; and provided, further, that any fractional share shall be paid in cash with the final distribution of a Participant's Account.

(b) The number of Shares distributable shall be equal to the number of Investment Shares and Matching Shares in the Participant's Account determined as of the Quarter Date coincident with or next following his or her Settlement Date or Dates.

**B 7.2 In-Service Distribution**

(a) A Participant may irrevocably elect to receive an in-service distribution of the Investment Shares attributable to his or her investment, and related nonforfeitable Matching Shares, for any Plan Year on or commencing not earlier than the beginning of the sixth Plan Year following the Plan Year in which such investment was made. A Participant's election of an in-service distribution shall be made in the Participation Agreement filed for the Plan Year as provided in Article III. The Participant shall elect irrevocably to receive such Investment Shares and related Matching Shares as an in-service distribution of Stock under one of the forms provided in Section B 7.3.

(b) A Participant may irrevocably elect to receive an in-service distribution of cash equal to the amount of the dividend equivalent to be credited to his or her Investment Shares Account pursuant to Section B 6.4(a)(i) as of the payment date of a cash dividend on Shares. A Participant's election for a cash distribution shall be filed in writing with the Committee not later than during the second Plan Year preceding the date the dividend equivalent otherwise would be so credited to his or her Account.

**B 7.3 Form of Distribution**

(a) As soon as practicable after the end of the Quarter Date in which a Participant's Settlement Date occurs, but in no event later than 30 days following the end of such Quarter Date, the Company shall distribute or cause to be distributed to the Participant a number of Shares and/or an amount of cash as determined under Section B 7.1, under one of the forms provided in this Section.

(b) Distribution of a Participant's Account with respect to any Plan Year shall be made in cash and in whole Shares plus cash equal in value to any fractional Share in one of the forms set forth in Section 6.5(a) of the Plan, without interest, but with dividends reinvested as provided in Section 5.5 of the Plan; subject, however, to Section 6.4(d) of the Plan.

(c) In the event of a Participant's death, the cash and the number of Shares of Stock in his or her Account shall be distributed to his or her Beneficiary in a single distribution as soon as practicable after the end of the Quarter Date in which the Participant's death occurs.

(d) The Participant's election of the form of distribution shall be made at the time his or her initial election to defer is made pursuant to Section B 4.1, or if later by written notice filed with the Committee at least one year prior to the Participant's voluntary termination of employment with, or Retirement from, the Company. 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 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.

(e) The amount of cash and the number of Shares to be distributed in each installment shall be equal to the quotient obtained by dividing the amount of cash and the number of Investment Shares and nonforfeitable Matching Shares in the Participant's Account as of the date of such installment payment by the number of installment payments remaining to be made to such Participant 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 Investment Share or Matching Share in the Participant's Account.

(f) If a Participant fails to make an election in a timely manner as provided in this Section, distribution shall be made in a single distribution as soon as practicable after the end of the Quarter Date in which a Participant's Settlement Date occurs.

**B 7.4 Special Distributions.** Notwithstanding any other provision of the OSAP except Section B 6.7 and subject to Section 6.9 of the Plan, a Participant may elect at any time to receive a distribution of part or all of the nonforfeitable portion of his or her Account in one or more distributions if (and only if) the amount of cash and the number of Investment Shares and nonforfeitable Matching Shares in the Participant's Account subject to such distribution is reduced by 6%. Any distribution made pursuant to such an election shall be made as soon as practicable following the date such election is submitted to the Committee. The remaining 6% of the portion of the electing Participant's Account subject to such distribution shall be forfeited. Forfeitable Matching Shares attributable to the portion of the electing Participant's Investment Shares subject to such distribution shall also be forfeited.

**B 7.5 Facility of Payment.** Whenever and as often as any Participant or his or her Beneficiary entitled to payments under the OSAP shall be under a legal disability or, in the sole judgment of the Committee, shall otherwise be unable to apply such payments to his or her own best interests and advantage, the Committee 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: (a) directly to him or her; (b) to his or her legal guardian or conservator; or (c) to his or her spouse or to any other person, to be expended for his or her benefit; and the decision of the Committee, shall in each case be final and binding upon all persons in interest.

**B 7.6 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 unforeseen financial emergency, the Company shall pay to the Participant, as soon as practicable following such determination, the Emergency Benefit in accordance with the standards set forth in Section B 6.3. Distributions pursuant to this Section may not be made in excess of the value of the Participant's nonforfeitable Account at the time of such distribution.

**B 7.7 Payment of Small Accounts.** Notwithstanding any other provision of the OSAP, if a Participant's Account is credited with 1,000 Shares or less on his or her Settlement Date, his or her Account shall be distributed to him or her in a single distribution as soon as practicable following his or her Settlement Date.

## INDEMNIFICATION AGREEMENT

This indemnification Agreement ("Agreement") is made as of the \_\_\_\_ day of \_\_\_\_, 20 \_\_\_\_ by and between Cliffs Natural Resources Inc., an Ohio corporation (the "Company"), and \_\_\_\_ (the "Indemnitee"), a Director of the Company.

## RECITALS

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

B. In addition to the indemnification to which the Indemnitee is entitled under the Regulations of the Company (the "Regulations"), the Company has obtained, at its sole expense, insurance protecting the Company and its officers and directors including the Indemnitee against certain losses arising out of actual or threatened actions, suits, or proceedings to which such persons may be made or threatened to be made parties. However, as a result of circumstances having no relation to, and beyond the control of, the Company and the Indemnitee, the scope of that insurance has been reduced and there can be no assurance of the continuation or renewal of that insurance.

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

1. *Continued Service*. The Indemnitee shall continue to serve at the will of the Company as a Director of the Company so long as he is duly elected and qualified in accordance with the Regulations or until he resigns in writing in accordance with applicable law.

2. *Initial Indemnity*. (a) The Company shall indemnify the Indemnitee, if or when he is a party or is threatened to be made a party to any threatened, pending, or completed action, suit, or proceeding, whether civil, criminal, administrative, or investigative (other than an action by or in the right of the Company), by reason of the fact that he is or was a Director of the Company or is or was serving at the request of the Company as a director, trustee, officer, employee, or agent of another corporation, domestic or foreign, nonprofit or for profit, partnership, joint venture, trust, or other enterprise, or by reason of any action alleged to have been taken or omitted in any such capacity, against any and all costs, charges, expenses (including without limitation fees and expenses of attorneys and/or others; all such costs, charges and expenses being herein jointly referred to as "Expenses"), judgments, fines, and amounts paid in settlement, actually and reasonably incurred by the Indemnitee in connection therewith including any appeal of or from any judgment or decision, unless it is proved by clear and convincing evidence in a court of competent jurisdiction that the Indemnitee's action or failure to act involved an act or omission undertaken with deliberate intent to cause injury to the Company or undertaken with reckless disregard for the best interests of the Company.

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In addition, with respect to any criminal action or proceeding, indemnification hereunder shall be made only if the Indemnitee had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, or conviction, or upon a plea of no lo contendere or its equivalent, shall not, of itself, create a presumption that the Indemnitee did not satisfy the foregoing standard of conduct to the extent applicable thereto.

(b) The Company shall indemnify the Indemnitee, if or when he is a party or is threatened to be made a party to any threatened, pending, or completed action, suit, or proceeding by or in the right of the Company to procure a judgment in its favor, by reason of the fact that the Indemnitee is or was a Director of the Company or is or was serving at the request of the Company as a director, trustee, officer, employee, or agent of another corporation, domestic or foreign, nonprofit or for profit, partnership, joint venture, trust, or other enterprise, against any and all Expenses actually and reasonably incurred by the Indemnitee in connection with the defense or settlement thereof or any appeal of or from any judgment or decision, unless it is proved by clear and convincing evidence in a court of competent jurisdiction that the Indemnitee's action or failure to act involved an act or omission undertaken with deliberate intent to cause injury to the Company or undertaken with reckless disregard for the best interests of the Company, except that no indemnification shall be made in respect of any action or suit in which the only liability asserted against Indemnitee is pursuant to Section 1701.95 of the Ohio Revised Code.

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

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

(c) For purposes of this Agreement, references to "other enterprises" shall include employee benefit plans; references to "fines" shall include any excise taxes assessed on the Indemnitee with respect to any employee benefit plan; references to "serving at the request of the Company" shall include any service as a director, officer, employee, or agent of the Company which imposes duties on, or involves services by, the Indemnitee with respect to an employee benefit plan, its participants or beneficiaries; references to the masculine shall include the feminine; and references to the singular shall include the plural and *vice versa*.

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

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

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

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

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

(b) For purposes of obtaining payments of Expenses in advance of final disposition pursuant to the second sentence of Section 2(d) or the last sentence of Section 3 hereof, the Indemnitee shall submit to the Company a sworn request for advancement of Expenses substantially in the form of Exhibit 2 attached hereto and made a part hereof (the "Undertaking"), averring that he has reasonably incurred actual Expenses in defending an action, suit or proceeding referred to in Section 2(a) or 2(b) or any claim referred to in Section 3, or pursuant to Section 7 hereof. Unless at the time of the Indemnitee's act or omission at issue, the Articles of Incorporation or Regulations of the Company prohibit such advances by specific reference to ORC Section 1701.13(E)(5)(a) and unless the only liability asserted against the Indemnitee in the subject action, suit or proceeding is pursuant to ORC Section 1701.95, the Indemnitee shall be eligible to execute Part A of the Undertaking by which he undertakes to (a) repay such amount if it is proved by clear and convincing evidence in a court of competent jurisdiction that the Indemnitee's action or failure to act involved an act or omission undertaken with deliberate intent to cause injury to the Company or undertaken with reckless disregard for the best interests of the Company and (b) reasonably cooperate with the Company concerning the action, suit, proceeding or claim. In all cases, the Indemnitee shall be eligible to execute Part B of the Undertaking by which he undertakes to repay such amount if it ultimately is determined that he is not entitled to be indemnified by the Company under this Agreement or otherwise. In the event that the Indemnitee is eligible to and does execute both Part A and Part B of the Undertaking, the Expenses which are paid by the Company pursuant thereto shall be required to be repaid by the Indemnitee only if he is required to do so under the terms of both Part A and Part B of the Undertaking. Upon receipt of the Undertaking, the Company

shall thereafter promptly pay such Expenses of the Indemnitee as are noticed to the Company in writing and in reasonable detail arising out of the matter described in the Undertaking. No security shall be required in connection with any Undertaking.

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

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

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

7. *Fees and Expenses of Enforcement* . It is the intent of the Company that the Indemnitee not be required to incur the expenses associated with the enforcement of his rights under this Agreement by litigation or other legal action because the cost and expense thereof would substantially detract from the benefits intended to be extended to the Indemnitee hereunder. Accordingly, if it should appear to the Indemnitee that the Company has failed to comply with any of its obligations under this Agreement or in the event that the Company or any other person takes any action to declare this Agreement void or unenforceable, or institutes any action, suit or proceeding to deny, or to recover from, the Indemnitee the benefits intended to be provided to the Indemnitee hereunder, the Company irrevocably authorizes the Indemnitee from time to time to retain counsel of his choice, at the expense of the Company as hereafter provided, to represent the Indemnitee in connection with the initiation or defense of any litigation or other legal action, whether by or against the Company or any director, officer, shareholder, or other person affiliated with the Company, in any jurisdiction. Regardless of the outcome thereof, the Company shall pay and be solely responsible for any and all costs, charges, and expenses, including without limitation fees and expenses of attorneys and others, reasonably incurred by the Indemnitee pursuant to this Section 7.

8. *Merger or Consolidation* . In the event that the Company shall be a constituent corporation in a consolidation, merger, or other reorganization, the Company, if it shall not be the surviving, resulting, or acquiring corporation therein, shall require as a condition thereto that the

surviving, resulting, or acquiring corporation agree to assume all of the obligations of the Company hereunder and to indemnify the Indemnitee to the full extent provided herein. Whether or not the Company is the resulting, surviving, or acquiring corporation in any such transaction, the Indemnitee shall also stand in the same position under this Agreement with respect to the resulting, surviving, or acquiring corporation as he would have with respect to the Company if its separate existence had continued.

9. *Nonexclusivity and Severability* . (a) The rights to indemnification provided by this Agreement shall not be exclusive of any other rights of indemnification to which the Indemnitee may be entitled under the Articles of Incorporation, the Regulations, the ORC or any other statute, any insurance policy, agreement, or vote of shareholders or directors or otherwise, as to any actions or failures to act by the Indemnitee, and shall continue after he has ceased to be a Director, officer, employee, or agent of the Company or other entity for which his service gives rise to a right hereunder, and shall inure to the benefit of his heirs, executors, and administrators.

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

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

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

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

CLIFFS NATURAL RESOURCES INC.

BY \_\_\_\_\_

Chairman, President and Chief Executive Officer

\_\_\_\_\_  
[ ] (Director)

INDEMNIFICATION STATEMENT

STATE OF )  
 ) ss:  
COUNTY OF )

I, \_\_\_\_\_being first duly sworn, do depose and say as follows:

1. This Indemnification Statement is submitted pursuant to the Idemnification Agreement, dated \_\_\_\_\_, \_\_\_\_\_, between Cliffs Natural Resources Inc. (the "Company"), an Ohio corporation, and the undersigned.
2. I am requesting indemnification against costs, charges, expenses (which may include fees and expenses of attorneys and/or others), judgments, fines, and amounts paid in settlement (collectively, "Liabilities"), which have been actually and reasonably incurred by me in connection with a claim referred to in Section 3 of the aforesaid Indemnification Agreement.
3. With respect to all matters related to any such claim, I am entitled to be indemnified as herein contemplated pursuant to the aforesaid Indemnification Agreement.
4. Without limiting any other rights which I have or may have, I am requesting indemnification against Liabilities which have or may arise out of .

\_\_\_\_\_  
[Signature of Indemnitee]

Subscribed and sworn to before me, a Notary Public in and for said County and State, this \_\_\_\_of \_\_\_\_\_, \_\_\_\_\_.

[Seal]

My commission expires the \_\_\_\_day of \_\_\_\_\_, \_\_\_\_\_.

UNDERTAKING

STATE OF )  
 ) ss:  
COUNTY OF )

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

1. This Undertaking is submitted pursuant to the Indemnification Agreement, dated \_\_\_\_\_, between Cliffs Natural Resources Inc. (the "Company"), an Ohio corporation, and the undersigned.

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

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

4. Part A

I hereby undertake to (a) repay all amounts paid pursuant hereto if it is proved by clear and convincing evidence in a court of competent jurisdiction that my action or failure to act which is the subject of the matter described herein involved an act or omission undertaken with deliberate intent to cause injury to the Company or undertaken with reckless disregard for the best interests of the Company and (b) reasonably cooperate with the Company concerning the action, suit, proceeding or claim.

\_\_\_\_\_  
(Signature of Indemnitee)

4. Part B

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

\_\_\_\_\_  
(Signature of Indemnitee)

Subscribed and sworn to before me, a Notary Public in and for said County and State, this day of \_\_\_\_\_, \_\_\_\_\_.

[Seal]

My commission expires the \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_.

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

THIS RETIREMENT PLAN FOR NON-EMPLOYEE DIRECTORS ("Plan") was established effective June 1, 1984 by The Cleveland-Cliffs Iron Company ("Cliffs Iron") and adopted and assumed by Cleveland-Cliffs Inc, an Ohio corporation ("Cleveland-Cliffs" or the "Company"), effective September 1, 1985, amended and restated effective January 1, 1988, amended by First Amendment, dated July 1, 1995, and is amended and restated effective July 1, 1995 to read as follows:

**RECITALS**

A. The Board of Directors of the Company (the "Board of Directors") has determined that the Participants (as hereinafter defined) have, individually and collectively, made and may continue to make an essential contribution to the profitability, growth, financial strength and overall guidance of the Company.

B. The Company wishes to provide an incentive to attract and maintain the highest quality of individuals to serve as directors (the "Directors") of the Company.

**Section 1. ESTABLISHMENT OF THE PLAN**

1.1 The Plan. The Company, intending that the Participants and Directors shall rely thereon, hereby establishes this Plan.

1.2 Amendments, Etc. The Company shall not amend, suspend or terminate this 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 in the Plan to the contrary notwithstanding, and notwithstanding any amendment, suspension or termination (hereinafter in this Section 1.2 collectively referred to 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 amended by any Amendment consented to by such person).

**Section 2. PARTICIPANTS**

2.1 Participants. Each Director who has never been an employee or officer of the Company or Cliffs Iron and who first serves as a Director before 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. For the purposes of determining such five-year period of service, service as a director of Cliffs Iron prior to September 1, 1985 shall be aggregated with service as an Outside Director.

2.2 Vesting. The rights under the Plan of all persons who are Directors as of the date of adoption of the Plan shall vest simultaneously with the adoption of the Plan by the Company, and the rights under the Plan of all persons who become Directors subsequent to the adoption of the Plan shall vest immediately upon their election as Directors; provided, however, that the right of any Director to receive any benefits pursuant to Section 3 of the Plan shall be subject to the qualification of such Director as a Participant hereunder and to the Director's satisfaction of the requirements of Section 3 with respect to benefit entitlement.

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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 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 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.

**Section 3. POST-RETIREMENT INCOME**

3.1 Post-Retirement Income. Commencing upon a Participant's retirement from the Board of Directors (i) after attaining the normal retirement age for Directors, as established from time to time by the Board of Directors, with at least five years of continuous service as a Director, (ii) because of disability or health reasons, (iii) with the consent of the Board of Directors, or (iv) 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 the greatest of (v) One Hundred Percent (100%) of the stated quarterly Board of Directors retainer fee for service as an Outside Director which is in effect on the Participant's Commencement Date, (vi) One Hundred Percent (100%) of the stated quarterly Board of Directors retainer fee for service as an Outside Director which is in effect on the day immediately preceding a Change of Control, or (vii) One Hundred Percent (100%) of the stated quarterly Board of Directors retainer fee which is in effect from time to time; provided, however, that if a Participant's Commencement Date is on account of an event described in clause (iv) 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

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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 include, 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 in cash for such Participant's life 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.

(a) Anything contained herein to the contrary notwithstanding, and subject to the provisions of subsection (c) of this Section 3.2, in the event a Participant is married on his Commencement Date, such Participant may elect to have his post-retirement income paid in the form of a "Joint and Survivor Benefit" (as hereinafter defined). For purposes of this Section 3.2, a "Joint and Survivor Benefit" is a reduced post-retirement income that is payable to the Participant in equal quarterly installments for his life with the provision that, in the event the Participant should predecease his "Surviving Spouse" (as defined in subsection (b) of this Section 3.2), One Hundred Percent (100%) of such reduced post-retirement income shall be paid to his Surviving Spouse in equal quarterly installments for the duration of her life. Quarterly installments of the Joint and Survivor Benefit will be paid as more particularly set forth in the

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first paragraph of this Section 3.2. The post-retirement income payable to a Participant pursuant to the provisions of this subsection (a) shall be the "Actuarial Equivalent" (as defined in subsection (b) of this Section 3.2) of the post-retirement income described in the first paragraph of this Section 3.2.

(b) For purposes of this Section 3.2, the following terms shall have the following meanings. A Participant's "Surviving Spouse" is the person to whom the Participant is legally married on his Commencement Date. "Actuarial Equivalent" means a payment or series of payments having the same present value as the normal form of benefit distribution described in the first paragraph of this Section 3.2, and calculated based on (i) the mortality table in effect as of the date benefit distribution commences, which mortality table shall be the table prescribed by the Secretary of the Treasury and required for pension plan compliance under the provisions of Section 417(e) of the Internal Revenue Code of 1986, as amended, and regulations promulgated thereunder, and (ii) interest equal to the average annual rate of interest on 30-year Treasury securities for the month prior to the month benefit distribution commences.

(c) Any married Participant may elect to have his post-retirement income paid in the form of a Joint and Survivor Benefit, as more particularly set forth in subsection (a) above, by written notice filed with the Board Affairs Committee of the Board of Directors (the "Committee") at least one year prior to the Participant's Commencement Date. Any such election may be changed by the Participant at any time and for any number of times prior to the Participant's Commencement Date and without the consent of any other person by the Participant filing a later signed written election with the Committee; provided, however, that any election made less than one year prior to the Participant's Commencement Date shall not be valid. A Participant's election of the Joint and Survivor Benefit pursuant to the provisions of this subsection (c) shall become

irrevocable when the Participant commences receipt of benefits hereunder. Notwithstanding the foregoing proviso, any election made during the Thirty (30) day period which commences September 1, 1996 shall be a valid election for purposes of this subsection (c).

**Section 4. 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 to agree to perform this Plan in the same manner and to the same extent the Company would be required to perform if no such succession had taken place. This 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 the "Company" for the purposes of this Agreement), but shall not otherwise be assignable or delegatable by the Company.

(b) This 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 this 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 this Plan of a Participant or Director (or any person claiming through or under any of them)

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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, alienate, anticipate, sell, pledge or otherwise encumber his benefits hereunder 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 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 necessary or advisable to prevent or limit the effects of such occurrence. Termination shall be affected by filing a written "termination declaration" with the Plan's records and making reasonable efforts to deliver a copy 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 or five business days after having been mailed by United

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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 in accordance herewith, except that notices of change of address shall be effective only upon receipt.

4.3 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.

4.4 Severability. Each section, subsection and lesser section of this Plan constitutes a separate and distinct undertaking, covenant and/or provision hereof. Whenever possible, each provision of this Plan shall be interpreted in such manner as to be effective and valid under applicable law. In the event that any provision of this Plan shall finally be determined to be unlawful, such provision shall be deemed severed from this Plan, but every other provision of this 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.

4.5 Withholding of Taxes. The Company may withhold from any amounts payable under this Plan all federal, state, city and other taxes as shall be legally required.

4.6 Gender, Number, Etc. As used in this Plan, the singular shall include the plural and the masculine shall include the feminine, and vice versa.

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IN WITNESS WHEREOF, this Amended and Restated 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

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

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

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

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

CLEVELAND-CLIFFS

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

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

**RECITALS**

WHEREAS, Cleveland-Cliffs Inc (the "Company") has established the Amended and Restated Cleveland-Cliffs Inc Retirement Plan for Non-Employee Directors (the "Plan") effective as of January 1, 1995; and

WHEREAS, the Company adopted an Amendment to the Plan, dated as of January 1, 2001; and

WHEREAS, Section 1.2 of the Plan provides that the Company may amend, suspend or terminate the Plan with 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; and

WHEREAS, the Company desires to amend the Plan to provide an offer of an immediate voluntary lump sum cash-out election of the present value of the accrued pension benefit under the Plan to all Participants.

NOW, THEREFORE, by approval of the Board of Directors of the Company, the Plan is hereby amended, effective January 14, 2003 as follows:

1. Section 3 of the Plan is amended to add a new Section 3.2 as follows:

3.2 Lump Sum Payment Election of Post-Retirement Income. Notwithstanding the form of quarterly installment distributions provided in Section 3.1 above, during the period beginning on February 1, 2003 and ending on February 28, 2003 a Participant may voluntarily elect by written notice filed with the Company to receive from the Company payment of such Participant's post-retirement income benefits in a single lump sum. Payment of a Participant's

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lump sum benefit shall be payable on or about June 30, 2003. Amounts payable under Section 3.1 for purposes of the Participant's distribution shall be converted into a lump sum equivalent actuarial value as of December 31, 2002, (the "Lump Sum Benefit"). The Lump Sum Benefit shall be determined by the Company based on the Pension Benefit Guaranty Corporation interest rate for immediate annuities in effect for December, 2002 and the 2000 Annuity Mortality Table.

2. Effective Date. This Amendment No. 2 shall be effective on January 14, 2003.

IN WITNESS WHEREOF, Cleveland-Cliffs Inc, pursuant to the order of its Board of Directors, has executed this Amendment No. 2 to the Amended and Restated Cleveland-Cliffs Inc Retirement Plan for Non-Employee Directors at Cleveland, Ohio, as of the 14<sup>th</sup> day of January, 2003.

CLEVELAND-CLIFFS INC

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

TRUST AGREEMENT NO. 1  
(Amended and Restated Effective June 1, 1997)

This Trust Agreement No. 1 (Amended and Restated Effective June 1, 1997) ("Trust Agreement No. 1") is made on this 12<sup>th</sup> 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:

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

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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

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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 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.

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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 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;

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

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

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(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.

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(b) For purposes of the removal or appointment of a Trustee under this Section 11, (i) if any Trust Beneficiary shall 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/ M.T. Moore  
Its V.P. - H.R

KEYTRUST COMPANY OF OHIO, N.A. ,  
as Trustee [ILLEGIBLE]

By /s/ Kelly Clark  
Its Vice President

and

By /s/ J.A. Radazzo  
Its V P

<u>Executive</u>	<u>Title</u>	<u>Trust Beneficiary</u>
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	

“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

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(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.

TRUST AGREEMENT NO. 1

Amendments to Exhibits Effective January 1, 2000

This Amendment to Exhibits to Trust Agreement No. 1 is made as of January 1, 2000 by and between Cleveland-Cliffs Inc, an Ohio corporation ("Cleveland-Cliffs"), and Key Trust Company of Ohio, N.A., a national banking association, as Trustee (the "Trustee").

WITNESSETH:

WHEREAS, on June 12, 1997 Cleveland-Cliffs and the Trustee entered into an Amended and Restated Trust Agreement No. 1;

WHEREAS, Section 12 of the Trust Agreement No. 1 provides that such Trust Agreement may be amended by Cleveland-Cliffs and the Trustee; and

WHEREAS, Section 9(c) of the Trust Agreement No. 1 provides that Exhibit A thereto may be amended by Cleveland-Cliffs by furnishing to the Trustee an amendment thereto.

NOW, THEREFORE, the parties amend Exhibit B to the Trust Agreement No. 1, and Cleveland-Cliffs furnishes the following Amendment to Exhibit A to Trust Agreement No. 1 as follows:

1. Exhibit A is amended to read as attached hereto.
2. Exhibit B is amended to read as attached hereto.

IN WITNESS WHEREOF, Cleveland-Cliffs and the Trustee have caused counterparts of this Amendment to be executed on their behalf on February, 15, each of which shall be an original Amendment.

CLEVELAND-CLIFFS INC

By: /s/ R.F. Novak  
Its: Vice President-Human Resources

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KEY TRUST COMPANY OF OHIO, N.A.,  
as Trustee

By: /s/ Kelly Clark  
Its: Vice President

By: /s/ Thor Haraldsson  
Title: AVP

John S. Brinzo

William R. Calfee

Thomas J. O'Neil

Cynthia B. Bezik

Joseph H. Ballway, Jr.

Exhibit B

“Change of Control” means the occurrence of any of the following events:

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

ii. individuals who, as of the date hereof, constitute the Board (the “Incumbent Board”) cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a Director subsequent to the date hereof whose election, or nomination for election by Cleveland-Cliffs’s shareholders, was approved by a vote of at least a majority of the Directors then comprising the Incumbent Board (either by a specific vote or by approval of the proxy statement of Cleveland-Cliffs in which such person is named as a nominee for director, without objection to such nomination) shall be deemed to have been a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest (within the meaning of Rule 14a-11 of the Exchange Act) with respect to the election or removal of Directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or

iii. consummation of a reorganization, merger or consolidation involving Cleveland-Cliffs, a sale or other disposition of all or substantially all of the assets of Cleveland-Cliffs, or any other transaction involving Cleveland-Cliffs (each, a “Business Combination”), unless, in each case, immediately following such Business Combination, (A) all or substantially all of the individuals and entities who were the beneficial owners of Voting Stock of Cleveland-Cliffs immediately prior to such Business Combination beneficially own, directly or indirectly, more than 55% of the combined voting power of the then outstanding shares of Voting Stock of the entity resulting from such Business Combination (including, without limitation, an entity which as a result of such transaction owns Cleveland-Cliffs or all or substantially all of Cleveland-Cliffs’s assets either directly or through one or more subsidiaries) in substantially the same proportions relative to each other as their ownership, immediately prior to such Business Combination, of the Voting Stock of Cleveland-Cliffs, (B) no Person (other than Cleveland-Cliffs, such entity resulting from such Business Combination, or any employee benefit plan (or related trust)

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sponsored or maintained by Cleveland-Cliffs, any Subsidiary or such entity resulting from such Business Combination) beneficially owns, directly or indirectly, 30% or more of the combined voting power of the then outstanding shares of Voting Stock of the entity resulting from such Business Combination, and (C) at least a majority of the members of the Board of Directors of the entity resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement or of the action of the Board providing for such Business Combination; or

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

**FIRST AMENDMENT TO TRUST AGREEMENT NO. 1**

This First Amendment to Trust Agreement No. 1 is made on this 10th day of September, 2002, by and between Cleveland-Cliffs Inc, an Ohio corporation ("Cleveland-Cliffs"), and KeyBank National Association, a national banking association, (formerly KeyTrust Company of Ohio, N.A.) ,as trustee (the "Trustee").

WITNESSETH;

WHEREAS, on June 12, 1997, Cleveland-Cliffs and the Trustee entered into a Trust Agreement No. 1, amended and restated effective June 1, 1997 ("Trust No.1");

WHEREAS, Trust No. 1 was amended by the Amendments to Exhibits to Trust No. 1, effective January 1, 2000;

WHEREAS, Cleveland-Cliffs and the Trustee desire to further amend Trust No. 1; and

WHEREAS, Section 12 of Trust No. 1 provides that such Trust No. 1 may be amended by Cleveland-Cliffs and the Trustee.

NOW, THEREFORE, effective September 10, 2002, Cleveland-Cliffs and the Trustee hereby amend Trust No. 1 to provide as follows:

The last sentence of Section 4 of Trust No. 1 is hereby amended to read

as follows:

"Thereafter, upon the request of the Company, the Trustee shall pay to Cleveland-Cliffs the excess, if any, of the balance in the Master Account over 140% of the aggregate of all of the Fully Funded amount."

IN WITNESS WHEREOF, Cleveland-Cliffs and the Trustee have caused counterparts of this First Amendment to Trust Agreement No. 1 to be executed on their behalf on September 10, 2002, each of which shall be an original First Amendment to Trust Agreement No. 1.

CLEVELAND-CLIFFS INC

By: /s/ Randy L. Kummer  
Its: SVP, Human Resources

KEYBANK NATIONAL ASSOCIATION,  
as Trustee

By: /s/ Kelley Clark  
Its: VP

and

By: /s/ Thor Haraldsson  
Its: AVP

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AMENDED AND RESTATED TRUST AGREEMENT NO. 2

This Amended and Restated Trust Agreement No. 2 ("Trust Agreement No. 2") is made on this 15th day of October, 2002, by and between Cleveland-Cliffs Inc, an Ohio corporation ("Cleveland-Cliffs"), and KeyBank National Association, a national banking association, as trustee (the "Trustee").

## WITNESSETH:

WHEREAS, Cleveland-Cliffs and Ameritrust Company National Association, a predecessor of the Trustee, entered into a trust agreement ("Original 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; and

WHEREAS, the Original Trust Agreement No. 2 was amended and restated by an instrument dated March 24, 1992 and was further amended and restated, effective June 1, 1997 ("Amended and Restated Trust Agreement No. 2"); and

WHEREAS, the Amended and Restated Trust Agreement No. 2 was amended by the First Amendment to Amended and Restated Trust Agreement No. 2, effective July 1, 1997; and

WHEREAS, the Amended and Restated Trust Agreement No. 2 was further amended by the Trust Agreement No. 2 Amendments to Exhibits, effective January 1, 2000; and

WHEREAS, Cleveland-Cliffs and the Trustee entered into a trust agreement ("Original Trust Agreement No. 6"), dated January 22, 1988, to provide for payment of expenses associated with the enforcement of certain indemnitee's rights under indemnification agreements; and

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WHEREAS, the Original Trust Agreement No. 6 was amended by a First Amendment to Trust Agreement No. 6, dated April 9, 1991; and

WHEREAS, the Original Trust Agreement No. 6 was further amended and restated by an Amended and Restated Trust Agreement No. 6 ("Amended and Restated Trust Agreement No. 6"), effective March 9, 1992; and

WHEREAS, the Amended and Restated Trust Agreement No. 6 was amended by the First Amendment to the Amended and Restated Trust Agreement No. 6, effective July 1, 1997; and

WHEREAS, under the provisions of certain severance agreements between each of the executives of Cleveland-Cliffs ("Executives") listed (from time to time as provided in Section 9(c) hereof) on Exhibit A hereto and Cleveland-Cliffs ("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; and

WHEREAS, under the provisions of the Cleveland-Cliffs Inc Change in Control Severance Pay Plan ("Severance Plan"), effective January 1, 2000, as the same may be supplemented, amended, or restated, or any successor thereto, certain key employees ("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; and

WHEREAS, under the provisions of the Cleveland-Cliffs Inc Retention Plan for Salaried Employees ("Retention Plan"), adopted February 1, 1997, as the same may be supplemented, amended, or restated, or any successor thereto, certain salaried employees identified therein may become entitled to compensation and other benefits; and

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WHEREAS, Cleveland-Cliffs has entered into and may from time to time enter into separate indemnification agreements (substantially in the form attached hereto as Exhibits B and C) with its directors and certain officers of Cleveland-Cliffs ("Directors/Officers") (as listed on Exhibit D hereto) (each such indemnification agreement being hereinafter referred to as an "Indemnification Agreement"); and

WHEREAS, in addition to the compensation, pension and other benefits provided by the Executive Agreements, the Severance Plan, the Retention Plan and the Indemnification Agreements, in order to ensure that the obligations of Cleveland-Cliffs under the Executive Agreements, the Severance Plan, the Retention Plan and the Indemnification Agreements can be enforced by the Executives, the Key Employees, the employees covered by the Retention Plan and the Directors/Officers, respectively, (referred to herein singularly as an "Indemnitee" and collectively as "Indemnitees") in the event of a "Change of Control" (as defined herein) (i) 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 certain provisions of such Indemnitee's Executive Agreement, the Severance Plan and the Retention Plan and (ii) each Indemnification Agreement provides, among other things, for Cleveland-Cliffs to pay and be solely responsible for the expenses associated with the enforcement of the Indemnitee's rights under the Indemnitee's Indemnification Agreement, including without limitation fees and expenses of attorneys and others (all such fees and expenses associated with enforcing the provisions of the Executive Agreements, the Severance

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Plan, the Retention Plan and the Indemnification Agreements are referred to collectively herein as "Expenses"); and 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; and

WHEREAS, Cleveland-Cliffs desires to terminate Amended and Restated Trust Agreement No. 6, amend and restate the Amended and Restated Trust Agreement No. 2 as this Trust Agreement No. 2 heretofore entered into and has transferred or will transfer to the trust ("Trust") established by this Trust Agreement No. 2 assets from Amended and Restated Trust Agreement No. 6 which along with assets held in this Trust Agreement No. 2 shall be held therein until paid to Indemnitees with respect to Expenses in such manner and at such times as specified herein.

NOW, THEREFORE, effective October 15, 2002 ("Effective Date"), the parties hereby terminate Trust Agreement No. 6 and amend and restate the Amended and Restated Trust Agreement No. 2 as this Trust Agreement No. 2 and agree that the Trust shall be comprised, held and disposed of as follows:

1. Trust Fund. (a) At the Effective Date, the principal amount of the Trust shall be Five Hundred Fifty-eight Thousand Nine Dollars and Twenty-nine cents (\$558,009.29), 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 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:

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(i) The acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended ("Exchange Act")) (a "Person") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 30% or more of the combined voting power of the then outstanding securities of Cleveland-Cliffs entitled to vote generally in the election of directors ("Voting Stock"); provided, however, that for purposes of this Section 1(b)(i), the following acquisitions shall not constitute a Change of Control: (A) any issuance of Voting Stock of Cleveland-Cliffs directly from Cleveland-Cliffs that is approved by the Incumbent Board (as defined in Section 1(b)(ii), below) of the Board of Directors of Cleveland-Cliffs ("Board"), (B) any acquisition by Cleveland-Cliffs of Voting Stock of Cleveland-Cliffs, (C) any acquisition of Voting Stock of Cleveland-Cliffs by any employee benefit plan (or related trust) sponsored or maintained by Cleveland-Cliffs or any Subsidiary, or (D) any acquisition of Voting Stock of Cleveland-Cliffs by any Person pursuant to a Business Combination that complies with clauses (A), (B) and (C) of Section 1(b)(iii), below; or

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

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

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

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such Business Combination, and (C) at least a majority of the members of the Board of Directors of the entity resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement or of the action of the Board providing for such Business Combination; or

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

(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-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.

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(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 ("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 7 of the Executive Agreements, Section 11 of the Severance Plan, Article IX of the Retention Plan, Sections 2, 3, 4 and 7 of each Indemnification Agreement 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, 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, the Retention Plan, and/or the Indemnification Agreements such that the assets of the Trust are

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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, and with respect to the Indemnification Agreements, prior to the sixth anniversary after termination of such Indemnitee's services with Cleveland-Cliffs. 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 states to be owed under an Executive Agreement, the Severance Plan, the Retention Plan or an Indemnification Agreement, 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 available 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.

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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, Retention Plan or Indemnification Agreements 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 obligations of the Company under the Executive Agreements, Severance Plan, Retention Plan or Indemnification Agreements, except that any payment actually received by any Indemnitee hereunder shall reduce dollar-per-dollar amounts otherwise due to such Indemnitee pursuant to Section 7 of the Executive Agreements, Section 11 of the Severance Plan, Article IX of the Retention Plan or Sections 2, 3, 4 and 7 of the Indemnification Agreements, 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 90 days after the date of purchase. Nothing in this Trust Agreement No. 2 shall preclude the commingling of Trust assets for investment.

6. Income of the Trust. During the continuance of this Trust all net income of the Trust shall be retained in the Trust and added to the principal of 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 Executive, Key Employee and Director/Officer 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

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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 Executive, Key Employee and Director/Officer 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 Indemnitees 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, the Retention Plan and the Indemnification Agreements, 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.

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(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 agents, accountants, or financial consultants, 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 the Executive Agreements, the Severance Plan, the Retention Plan and the Indemnification Agreements; Cooperation of Cleveland-Cliffs. (a) Cleveland-Cliffs has previously furnished the Trustee a complete and correct copy of each Executive Agreement, the Severance Plan, the Retention Plan and each Indemnification

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Agreement. 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, the Retention Plan and any Indemnification Agreement, 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; and provided, further, that the failure of Cleveland-Cliffs to furnish any such amendment, restatement, or successor shall in no way diminish the rights of any Indemnitee under this Trust Agreement No. 2 or under any Executive Agreement, the Severance Plan, the Retention Plan or any Indemnification Agreement.

(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, Retention Plan or Indemnification Agreements, and provided, further, that no such determination shall be deemed to modify this Trust Agreement No. 2 or any Executive Agreement, the Severance Plan, the Retention Plan or any Indemnification Agreement.

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(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 or Exhibit D for the purpose of the addition of Indemnitees to Exhibit A or Exhibit D (or the deletion of Indemnitees from Exhibit A or Exhibit D 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 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 Executives, Key Employees and Directors/Officers. 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 Executives, Key Employees and Directors/Officers. 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 Executives, Key Employees and Directors/Officers. 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 Executives, Key Employees and Directors/Officers (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, or the Trustee may apply to a court of competent jurisdiction for the appointment of a successor trustee. The costs and expenses of such application will be charged against the Trust. 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."

(a) For purposes of the removal or appointment of a trustee under this Section 11, if any Executive, Key Employee or Director/Officer shall be deceased or adjudged incompetent, such person's personal representative (including his or her guardian, executor or administrator) shall participate in such person's stead.

2. 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 Executives, Key Employees and Directors/Officers, 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.

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(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 sixth 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 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:

KeyBank National Association  
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 an Indemnitee, to:

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.

IN WITNESS WHEREOF, each of Cleveland-Cliffs and the Trustee have caused counterparts of this Amended and Restated Trust Agreement No. 2 effective as of the Effective Date to be executed on their behalf on the date set forth above, each of which shall be an original agreement.

CLEVELAND-CLIFFS INC

By: /s/ Randy L. Kummer  
Its: VP, Human Resources

KEYBANK NATIONAL ASSOCIATION  
as Trustee

By: /s/ Kelley Clark  
Its: VP

and

By: /s/ Thor Haraldsson  
Its: AVP

AMENDED AND RESTATED TRUST AGREEMENT NO. 2EXECUTIVES AND KEY EMPLOYEESExecutives

Name	Title
John S. Brinzo	Chairman and Chief Executive Officer
David H. Gunning	Vice Chairman
Thomas J. O'Neil	President and Chief Operating Officer
William R. Calfee	Executive Vice President-Commercial
Cynthia B. Bezik	Senior Vice President-Finance

Key Employees

Name	Title
E. C. Dowling, Jr.	Senior Vice President — Operations
J. A. Trethewey	Senior Vice President — Business Operations
R. L. Kummer	Vice President — Human Resources
R. Emmet	Vice President — Financial Planning and Treasurer
D. J. Gallagher	Vice President — Sales
R. L. Shultz	Vice President — Reduced Iron Sales
J. E. Lenhard	Vice President, Secretary and General Counsel
R. J. Leroux	Vice President and Controller
R. C. Berglund	General Manager — Northshore Mine
S. A. Elmquist	General Manager — Cliffs and Associates Ltd.
R. L. Mariani	General Manager — Empire Mine
M. P. Mlinar	General Manager — Tilden Mine
J. W. Sanders	President — Wabush Mine
J. N. Tuomi	General Manager — Hibbing Taconite Mine
E. W. Smith	Assistant General Counsel and Assistant Secretary

**AMENDED AND RESTATED TRUST AGREEMENT NO. 2**  
**FORM OF DIRECTOR INDEMNIFICATION AGREEMENT**

INDEMNIFICATION AGREEMENT

This indemnification Agreement ("Agreement") is made as of the \_\_\_\_\_ day of \_\_\_\_\_ by and between Cleveland-Cliffs Inc, an Ohio corporation (the "Company"), and \_\_\_\_\_ (the "Indemnitee"), a Director of the Company.

RECITALS

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

B. In addition to the indemnification to which the Indemnitee is entitled under the Regulations of the Company (the "Regulations"), the Company has obtained, at its sole expense, insurance protecting the Company and its officers and directors including the Indemnitee against certain losses arising out of actual or threatened actions, suits, or proceedings to which such persons may be made or threatened to be made parties. However, as a result of circumstances having no relation to, and beyond the control of, the Company and the Indemnitee, the scope of that insurance has been reduced and there can be no assurance of the continuation or renewal of that insurance.

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

1. *Continued Service*. The Indemnitee shall continue to serve at the will of the Company as a Director of the Company so long as he is duly elected and qualified in accordance with the Regulations or until he resigns in writing in accordance with applicable law.

2. *Initial Indemnity*. (a) The Company shall indemnify the Indemnitee, if or when he is a party or is threatened to be made a party to any threatened, pending, or completed action, suit, or proceeding, whether civil, criminal, administrative, or investigative (other than an action by or in the right of the Company), by reason of the fact that he is or was a Director of the Company or is or was serving at the request of the Company as a director, trustee, officer, employee, or agent of another corporation, domestic or foreign, nonprofit or for profit, partnership, joint venture, trust, or other enterprise, or by reason of any action alleged to have been taken or omitted in any such capacity, against any and all costs, charges, expenses (including without limitation fees and expenses of attorneys and/or others; all such costs, charges and expenses being herein jointly referred to as "Expenses"), judgments, fines, and amounts paid in settlement, actually and reasonably incurred by the Indemnitee in connection therewith including any appeal of or from any judgment or decision, unless it is proved by clear and convincing evidence in a court of competent jurisdiction that the Indemnitee's action or failure to act involved an act or omission undertaken with deliberate intent to cause injury to the Company or undertaken with reckless disregard for the best interests of the Company.

In addition, with respect to any criminal action or proceeding, indemnification hereunder shall be made only if the Indemnitee had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, or conviction, or upon a plea of no lo contendere or its equivalent, shall not, of itself, create a presumption that the Indemnitee did not satisfy the foregoing standard of conduct to the extent applicable thereto.

(b) The Company shall indemnify the Indemnitee, if or when he is a party or is threatened to be made a party to any threatened, pending, or completed action, suit, or proceeding by or in the right of the Company to procure a judgment in its favor, by reason of the fact that the Indemnitee is or was a Director of the Company or is or was serving at the request of the Company as a director, trustee, officer, employee, or agent of another corporation, domestic or foreign, nonprofit or for profit, partnership, joint venture, trust, or other enterprise, against any and all Expenses actually and reasonably incurred by the Indemnitee in connection with the defense or settlement thereof or any appeal of or from any judgment or decision, unless it is proved by clear and convincing evidence in a court of competent jurisdiction that the Indemnitee's action or failure to act involved an act or omission undertaken with deliberate intent to cause injury to the Company or undertaken with reckless disregard for the best interests of the Company, except that no indemnification shall be made in respect of any action or suit in which the only liability asserted against Indemnitee is pursuant to Section 1701.95 of the Ohio Revised Code.

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

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

(c) For purposes of this Agreement, references to "other enterprises" shall include employee benefit plans; references to "fines" shall include any excise taxes assessed on the Indemnitee with respect to any employee benefit plan; references to "serving at the request of the Company" shall include any service as a director, officer, employee, or agent of the Company which imposes duties on, or involves services by, the Indemnitee with respect to an employee benefit plan, its participants or beneficiaries; references to the masculine shall include the feminine; and references to the singular shall include the plural and *vice versa*.

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

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

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

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

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

(b) For purposes of obtaining payments of Expenses in advance of final disposition pursuant to the second sentence of Section 2(d) or the last sentence of Section 3 hereof, the Indemnitee shall submit to the Company a sworn request for advancement of Expenses substantially in the form of Exhibit 2 attached hereto and made a part hereof (the "Undertaking"), averring that he has reasonably incurred actual Expenses in defending an action, suit or proceeding referred to in Section 2(a) or 2(b) or any claim referred to in Section 3, or pursuant to Section 7 hereof. Unless at the time of the Indemnitee's act or omission at issue, the Articles of Incorporation or Regulations of the Company prohibit such advances by specific reference to ORC Section 1701.13(E)(5)(a) and unless the only liability asserted against the Indemnitee in the subject action, suit or proceeding is pursuant to ORC Section 1701.95, the Indemnitee shall be eligible to execute Part A of the Undertaking by which he undertakes to (a) repay such amount if it is proved by clear and convincing evidence in a court of competent jurisdiction that the Indemnitee's action or failure to act involved an act or omission undertaken with deliberate intent to cause injury to the Company or undertaken with reckless disregard for the best interests of the Company and (b) reasonably cooperate with the Company concerning the action, suit, proceeding or claim. In all cases, the Indemnitee shall be eligible to execute Part B of the Undertaking by which he undertakes to repay such amount if it ultimately is determined that he is not entitled to be indemnified by the Company under this Agreement or otherwise. In the event that the Indemnitee is eligible to and does execute both Part A and Part B of the Undertaking, the Expenses which are paid by the Company pursuant thereto shall be required to be repaid by the Indemnitee only if he is required to do so under the terms of both Part A and Part B of the Undertaking. Upon receipt of the Undertaking, the Company

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shall thereafter promptly pay such Expenses of the Indemnitee as are noticed to the Company in writing and in reasonable detail arising out of the matter described in the Undertaking. No security shall be required in connection with any Undertaking.

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

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

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

7. *Fees and Expenses of Enforcement* . It is the intent of the Company that the Indemnitee not be required to incur the expenses associated with the enforcement of his rights under this Agreement by litigation or other legal action because the cost and expense thereof would substantially detract from the benefits intended to be extended to the Indemnitee hereunder. Accordingly, if it should appear to the Indemnitee that the Company has failed to comply with any of its obligations under this Agreement or in the event that the Company or any other person takes any action to declare this Agreement void or unenforceable, or institutes any action, suit or proceeding to deny, or to recover from, the Indemnitee the benefits intended to be provided to the Indemnitee hereunder, the Company irrevocably authorizes the Indemnitee from time to time to retain counsel of his choice, at the expense of the Company as hereafter provided, to represent the Indemnitee in connection with the initiation or defense of any litigation or other legal action, whether by or against the Company or any director, officer, shareholder, or other person affiliated with the Company, in any jurisdiction. Regardless of the outcome thereof, the Company shall pay and be solely responsible for any and all costs, charges, and expenses, including without limitation fees and expenses of attorneys and others, reasonably incurred by the Indemnitee pursuant to this Section 7.

8. *Merger or Consolidation* . In the event that the Company shall be a constituent corporation in a consolidation, merger, or other reorganization, the Company, if it shall not be the surviving, resulting, or acquiring corporation therein, shall require as a condition thereto that the

surviving, resulting, or acquiring corporation agree to assume all of the obligations of the Company hereunder and to indemnify the Indemnitee to the full extent provided herein. Whether or not the Company is the resulting, surviving, or acquiring corporation in any such transaction, the Indemnitee shall also stand in the same position under this Agreement with respect to the resulting, surviving, or acquiring corporation as he would have with respect to the Company if its separate existence had continued.

9. *Nonexclusivity and Severability* . (a) The rights to indemnification provided by this Agreement shall not be exclusive of any other rights of indemnification to which the Indemnitee may be entitled under the Articles of Incorporation, the Regulations, the ORC or any other statute, any insurance policy, agreement, or vote of shareholders or directors or otherwise, as to any actions or failures to act by the Indemnitee, and shall continue after he has ceased to be a Director, officer, employee, or agent of the Company or other entity for which his service gives rise to a right hereunder, and shall inure to the benefit of his heirs, executors, and administrators.

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

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

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

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

CLEVELAND-CLIFFS INC

By \_\_\_\_\_  
President and Chief Executive Officer

\_\_\_\_\_  
[Signature of Indemnitee]

INDEMNIFICATION STATEMENT

STATE OF )  
 ) SS:  
COUNTY OF )

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

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

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

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

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

\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
[Signature of Indemnitee]

Subscribed and sworn to before me, a Notary Public in and for said County and State, this \_\_\_\_\_ of \_\_\_\_\_, \_\_\_\_\_.

[Seal]

My commission expires the \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

UNDERTAKING

STATE OF )  
 ) SS:  
COUNTY OF )

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

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

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

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

4. Part A

I hereby undertake to (a) repay all amounts paid pursuant hereto if it is proved by clear and convincing evidence in a court of competent jurisdiction that my action or failure to act which is the subject of the matter described herein involved an act or omission undertaken with deliberate intent to cause injury to the Company or undertaken with reckless disregard for the best interests of the Company and (b) reasonably cooperate with the Company concerning the action, suit, proceeding or claim.

\_\_\_\_\_  
(Signature of Indemnitee)

4. Part B

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

\_\_\_\_\_  
(Signature of Indemnitee)

Subscribed and sworn to before me, a Notary Public in and for said County and State, this \_\_\_\_\_day of \_\_\_\_\_, \_\_\_\_\_.

[Seal]

My commission expires the \_\_\_\_\_day of \_\_\_\_\_, \_\_\_\_\_.

AMENDED AND RESTATED TRUST AGREEMENT NO. 2.

DIRECTORS/OFFICERS

Directors

John S. Brinzo  
Ronald C. Cambre  
Robert S. Colman  
Ranks Cucuz  
James D. Ireland III  
G. Frank Joklik  
E. Bradley Jones  
Leslie Lazar Kanuk  
Anthony A. Massaro  
Francis R. McAllister  
M. Thomas Moore  
John C. Morley  
Stephen B. Oresman  
Roger Phillips  
Richard K. Riederer  
Alan Schwartz  
Jeptha H. Wade  
Alton W. Whitehouse

Directors/Officers

David H. Gunning

**AMENDED AND RESTATED TRUST AGREEMENT NO. 2**  
**FORM OF DIRECTOR/OFFICER INDEMNIFICATION AGREEMENT**  
**DIRECTOR AND OFFICER INDEMNIFICATION AGREEMENT**

This Director and Officer Indemnification Agreement ("**Agreement**") is made as of \_\_\_\_\_, by and between Cleveland-Cliffs Inc, an Ohio corporation (the "**Company**"), and \_\_\_\_\_ (the "**Indemnitee**"), a Director and an officer of the Company.

**RECITALS:**

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

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

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

**AGREEMENT:**

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

2. **Initial Indemnity.** (a) The Company shall indemnify the Indemnitee if or when he is a party or is threatened to be made a party to any threatened, pending, or completed action, suit, or proceeding, whether civil, criminal, administrative, or investigative (other than an action by or in the right of the Company), by reason of the fact that he is or was a Director, officer, employee or agent of the Company or is or was serving at the request of the Company as a director, trustee, officer, employee, member, manager or agent of another corporation, domestic or foreign, nonprofit or for profit, a limited liability company, or a partnership, joint venture, trust, or other enterprise, or by reason of any action alleged to have been taken or omitted in any such capacity, against any and all costs, charges, expenses (including without limitation fees and expenses of attorneys and/or others; all such costs, charges and expenses being herein jointly referred to as "**Expenses**"), judgments, fines, and amounts paid in settlement, actually and reasonably incurred by the Indemnitee in connection therewith, including any appeal of or from

any judgment or decision, unless it is proved by clear and convincing evidence in a court of competent jurisdiction that the Indemnitee's action or failure to act involved an act or omission undertaken with deliberate intent to cause injury to the Company or undertaken with reckless disregard for the best interests of the Company, and, with respect to any criminal action or proceeding, if the Indemnitee had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, or conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the Indemnitee did not satisfy the foregoing standard of conduct to the extent applicable thereto.

(b) The Company shall indemnify the Indemnitee if or when he is a party, or is threatened to be made a party, to any threatened, pending, or completed action, suit, or proceeding by or in the right of the Company to procure a judgment in its favor, by reason of the fact that the Indemnitee is or was a Director, officer, employee or agent of the Company or is or was serving at the request of the Company as a director, trustee, officer, employee, member, manager or agent of another corporation, domestic or foreign, nonprofit or for profit, a limited liability company, or a partnership, joint venture, trust, or other enterprise, against any and all Expenses actually and reasonably incurred by the Indemnitee in connection with the defense or settlement thereof or any appeal of or from any judgment or decision, unless it is proved by clear and convincing evidence in a court of competent jurisdiction that the Indemnitee's action or failure to act involved an act or omission undertaken with deliberate intent to cause injury to the Company or undertaken with reckless disregard for the best interests of the Company, except that no indemnification pursuant to this Section 2(b) shall be made in respect of any action or suit in which the only liability asserted against the Indemnitee is pursuant to Section 1701.95 of the Ohio Revised Code (the "**ORC**").

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

(d) To the extent that the Indemnitee has been successful on the merits or otherwise, including without limitation the dismissal of an action without prejudice, in defense of any action, suit, or proceeding referred to in Section 2(a) or 2(b), or in defense of any claim, issue, or matter therein, he shall be indemnified against Expenses actually and reasonably incurred by him in connection therewith.

(e) Expenses actually and reasonably incurred by the Indemnitee in defending any such action, suit, or proceeding shall be paid by the Company as they are incurred in advance of the final disposition of such action, suit, or proceeding under the procedure set forth in Section 4(b) hereof.

(f) For purposes of this Agreement, references to "other enterprises" shall include employee benefit plans; references to "fines" shall include any excise taxes assessed on the Indemnitee with respect to any employee benefit plan; references to "serving at the request of the Company" shall include any service as a Director, officer, employee, or agent of the Company which imposes duties on, or involves services by, the Indemnitee with respect to an employee benefit plan, its participants or beneficiaries; references to the masculine shall include the feminine; references to the singular shall include the plural and vice versa; and with respect to conduct by Indemnitee in his capacity as a trustee, administrator or other fiduciary of any employee benefit plan of the Company, if the Indemnitee acted in good faith and in a manner he reasonably believed to be in the interest of the participants or beneficiaries of such employee benefit plan, he shall be deemed to have acted in a manner "not opposed to the best interests of the Company" as referred to herein.

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

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

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

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

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

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

(b) For purposes of obtaining payments of Expenses in advance of final disposition pursuant to Section 2(e) or the last sentence of Section 3(b), the Indemnitee shall submit to the Company a sworn request for advancement of Expenses substantially in the form of Exhibit 2 attached hereto and made a part hereof (the "Undertaking"), averring that he has reasonably incurred actual Expenses in defending an action, suit or proceeding referred to in Section 2(a) or 2(b) or any claim referred to in Section 3(a), or pursuant to Section 7 hereof. The Indemnitee shall execute Part A of the Undertaking by which he undertakes to: (i) repay such

amount if it is proved by clear and convincing evidence in a court of competent jurisdiction that the Indemnitee's action or failure to act involved an act or omission undertaken with deliberate intent to cause injury to the Company or undertaken with reckless disregard for the best interests of the Company; and (ii) reasonably cooperate with the Company concerning the action, suit, proceeding or claim. In all cases, Indemnitee shall be eligible to execute Part B of the Undertaking by which he undertakes to repay such amount if it ultimately is determined that he is not entitled to be indemnified by the Company under this Agreement or otherwise. In the event that the Indemnitee is eligible to and does execute both Part A and Part B of the Undertaking, the Expenses which are paid by the Company pursuant thereto shall be required to be repaid by the Indemnitee only if he is required to do so under the terms of both Part A and Part B of the Undertaking. Upon receipt of the Undertaking, the Company shall thereafter promptly pay such Expenses of the Indemnitee as are noticed to the Company in writing in reasonable detail arising out of the matter described in the Undertaking. No security shall be required in connection with any Undertaking.

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

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

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

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

person affiliated with the Company, in any jurisdiction. Regardless of the outcome thereof, the Company shall pay and be solely responsible for any and all costs, charges, and expenses, including without limitation, fees and expenses of attorneys and others, reasonably incurred by the Indemnitee pursuant to this Section 7.

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

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

(b) Except as provided in Section 9(a), the rights to indemnification provided by this Agreement are personal to Indemnitee and are non-transferable by Indemnitee, and no party other than the Indemnitee is entitled to indemnification under this Agreement.

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

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

11. Notices. All notices and other communications hereunder shall be in writing and shall be personally delivered or sent by recognized overnight courier service (a) if to the Company, to the then-current principal executive offices of the Company (Attention: General Counsel) or (b) if to the Indemnitee, to the last known address of Indemnitee as reflected in the

Company's records. Either party may change its address or the delivery of notices or other communications hereunder by providing notice to the other party as provided in this Section 12. All notices shall be effective upon actual delivery by the methods specified in this Section 12.

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

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

14. Prior Agreement. This Agreement amends and restates the Officer Indemnification Agreement, dated as of \_\_\_\_\_ (the "**Prior Agreement**"), between the Company and the Indemnitee, which Prior Agreement shall, without further action, be superseded as of the date first above written.

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

CLEVELAND-CLIFFS INC

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

\_\_\_\_\_  
Indemnitee

INDEMNIFICATION STATEMENT

STATE OF \_\_\_\_\_)

) SS:

COUNTY OF \_\_\_\_\_)

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

1. This Indemnification Statement is submitted pursuant to the Director and Officer

Indemnification Agreement, dated \_\_\_\_\_, \_\_\_\_\_, between Cleveland-Cliffs Inc, an Ohio corporation (the "*Company*"), and the undersigned.

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

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

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

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_.

\_\_\_\_\_  
[Signature of Indemnitee]

Subscribed and sworn to before me, a Notary Public in and for said County and State, this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_.

[Seal]

My commission expires the \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

UNDERTAKING

STATE OF \_\_\_\_\_)

) SS:

COUNTY OF \_\_\_\_\_)

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

1. This Undertaking is submitted pursuant to the Director and Officer

Indemnification Agreement, dated \_\_\_\_\_, \_\_\_\_\_, between Cleveland-Cliffs Inc, an Ohio corporation (the "*Company* ") and the undersigned.

2. I am requesting payment of costs, charges, and expenses which I have reasonably incurred or will reasonably incur in defending an action, suit or proceeding, referred to in Section 2(a) or 2(b) or any claim referred to in Section 3(a), or pursuant to Section 8, of the aforesaid Indemnification Agreement.

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

4. Part A <sup>1</sup>

I hereby undertake to (a) repay all amounts paid pursuant hereto if it is proved by clear and convincing evidence in a court of competent jurisdiction that my action or failure to act which is the subject of the matter described herein involved an act or omission undertaken with deliberate intent to cause injury to the Company or undertaken with reckless disregard for the best interests of the Company and (b) reasonably cooperate with the Company concerning the action, suit, proceeding or claim.

\_\_\_\_\_  
[Signature of Indemnitee]

4. Part B

<sup>1</sup> The Indemnitee shall not be eligible to execute Part A of this Undertaking if, at the time of the Indemnitee's act or omission at issue, the Articles or the Regulations of the Company prohibit such advances by specific reference to the Ohio Revised Code (the "ORC") Section 1701.13(E)(5)(a), or if the only liability asserted against the Indemnitee is in an action, suit or proceeding on the Company's behalf pursuant to ORC Section 1701.95. In the event that the Indemnitee is eligible to and does execute both Part A and Part B hereof, the costs, charges and expenses which are paid by the Company pursuant hereto shall be required to be repaid by the Indemnitee only if he is required to do so under the terms of both Part A and Part B hereof.

---

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

\_\_\_\_\_  
[Signature of Indemnitee]

Subscribed and sworn to before me, a Notary Public in and for said County and State, this \_\_\_\_\_day of \_\_\_\_\_, \_\_\_\_\_.

[Seal]

My commission expires the \_\_\_\_\_day of \_\_\_\_\_, \_\_\_\_\_.

TRUST AGREEMENT

This Trust Agreement ("Trust Agreement") made this 28th day of October, 1987 by and between Cleveland-Cliffs Inc, an Ohio corporation ("Cleveland-Cliffs"), and AmeriTrust Company National Association, a national banking association, as trustee (the "Trustee");

WITNESSETH:

WHEREAS, certain benefits are or may become payable under the provisions of certain Deferred Compensation Agreements ("Agreements") between Cleveland-Cliffs, or between The Cleveland-Cliffs Iron Company and assumed by Cleveland-Cliffs, effective July 1, 1985, and certain executives ("Executives"), to the persons (who may be Executives or beneficiaries of Executives) listed (from time to time as provided in Section 9(b) hereof) on Exhibit A hereto or to the beneficiaries of such persons (Executives and Executives' beneficiaries are referred to herein as "Trust Beneficiaries"), as the case may be;

WHEREAS, the Agreements provide for certain deferred income benefits, and Cleveland-Cliffs wishes specifically to assure the payment to the Trust Beneficiaries of amounts due thereunder (the amounts so payable being collectively referred to herein as the "Benefits") in the event of a "Change of Control" (as defined herein);

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WHEREAS, subject to Section 9 hereof, the amounts and timing of Benefits to which each Trust Beneficiary is presently or may become entitled are as provided in the Agreement applicable to him or her ("Applicable Agreement");

WHEREAS, Cleveland-Cliffs wishes to establish a trust (the "Trust") and to transfer to the Trust 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 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 do hereby establish the Trust 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 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

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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," as that term is defined in this Section 1(b); on or after such date ("Irrevocability 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) a tender offer shall be made and consummated for the ownership of 30% or more of the outstanding voting securities of Cleveland-Cliffs;

(ii) Cleveland-Cliffs shall 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, other than affiliates (within the meaning of the Securities Exchange Act of 1934) of any party to such merger or consolidation, as the same shall have existed immediately prior to such merger or consolidation;

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(iii) Cleveland-Cliffs shall sell substantially all of its assets to another corporation which is not a wholly owned subsidiary;

(iv) 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 acquire 30% or more of the outstanding voting securities of Cleveland-Cliffs (whether directly, indirectly, beneficially or of record), or

(v) during any period of two 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 two-thirds of the Directors of Cleveland-Cliffs then still in office who are Directors of Cleveland-Cliffs on the date at the beginning of any such period.

For purposes hereof, ownership of voting securities shall take into account and shall include ownership as determined by applying the provisions of Rule 13d-3(d)(1)(i) (as in effect on the date hereof) pursuant to the Securities Exchange Act of 1934.

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(c) Upon the earlier to occur of (i) a Change of Control or (ii) a declaration by the Board of Directors of Cleveland-Cliffs that a Change of Control is imminent, Cleveland-Cliffs shall promptly, and in any event within five (5) business days, transfer to the Trustee to be added to the principal of the Trust under this Trust Agreement property or cash equal to the then value of the separate accounts of the Executives under the Agreements. Any payments by the Trustee pursuant to this Trust Agreement shall, to the extent thereof, discharge the obligation of Cleveland-Cliffs to pay benefits under the Agreements, 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.

(d) 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.

(e) Any Company 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-Cliffs or any other person or entity on behalf of Cleveland-Cliffs except as herein expressly provided.

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(f) The term "Company" as used herein shall mean Cleveland-Cliffs, any wholly owned subsidiary or any entity that is a successor to Cleveland-Cliffs in ownership of substantially all its assets.

(g) 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 thereto, and shall be construed accordingly.

2. Payments to Trust Beneficiaries. (a) Provided that Cleveland-Cliffs is not Insolvent and commencing with the earliest 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 Agreements 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 an Executive's separate account maintained pursuant to Section 7(b) hereof is not sufficient to provide for full payment of Benefits to which such Executive's Trust Beneficiaries are entitled as provided herein, Cleveland-Cliffs shall make the balance of each such payment as provided in his Applicable Agreement. No payment from the Trust assets to a Trust Beneficiary shall exceed the balance of such separate account.

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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. The Board of Directors ("Board") of Cleveland-Cliffs and its Chief Executive Officer ("CEO") shall have the duty to inform the Trustee if either the Board or the CEO 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 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 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. If payments to any

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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 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 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 under the Applicable Agreement shall in no way be affected or diminished by any provision of this Trust Agreement or action taken pursuant to this Trust Agreement except that any payment actually received by any Trust Beneficiary hereunder shall reduce dollar-per-dollar amounts otherwise due to such Trust Beneficiary pursuant to the Applicable Agreement.

(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 certificates issued or offered by the Trustee or any successor corporation but excluding obligations of Cleveland-Cliffs) as

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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 during the period of such discontinuance, less the aggregate amount of payments made to any Trust Beneficiary by Cleveland-Cliffs pursuant to the Applicable Agreement 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 Executive's account as provided in Section 7(b) hereof.

4. Payments to Cleveland-Cliffs: Except to the extent expressly contemplated by Section 1(b) hereof, 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.

5. Investment of Principal: The Trustee shall invest and reinvest the principal of the Trust, including any income accumulated and added to principal, as directed by the Compensation Committee of the Board of Directors of Cleveland-Cliffs (which direction may include investment in Common Shares of Cleveland-Cliffs). In the absence of any such direction,

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the Trustee shall have sole power to invest the assets of the Trust (including 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 not be required to invest nominal amounts.

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 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 Executive, or in the event of an Executive's death or adjudged

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incompetence, by his Trust Beneficiaries (as to his account), 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 to each Executive, or in the event of his death or adjudged incompetence, his Trust Beneficiaries (as to his 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 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 Executive.

(b) The Trustee shall maintain a separate account for each Trust Beneficiary. The Trustee shall credit or debit each Trust Beneficiary's account as appropriate to reflect such Trust Beneficiary's 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. Prior to the Irrevocability

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Date, all deposits of principal pursuant to Section 1(a) hereof shall be allocated as directed by Cleveland-Cliffs; on or after such date deposits of principal, once allocated, may not be reallocated by Cleveland-Cliffs. Income, expense, gain or loss on assets allocated to the separate accounts of the Trust Beneficiaries shall be allocated separately to such accounts by the Trustee in proportion to the balances of the separate accounts of the Executives.

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, given in writing by Cleveland-Cliffs, by the Compensation Committee 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 Agreements, and the Trustee shall not be responsible for the adequacy of this Trust.

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(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 that all such securities are part of the trust fund.

(d) If the Trustee shall undertake or defend any litigation arising in connection with this Trust Agreement, 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 refraining from acting in accordance with the advice of such counsel, independent accountants and actuaries.

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(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 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.

(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 shall promptly furnish the Trustee a complete and correct copy of each Agreement, 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.

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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 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 Trust Agreement 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 the applicable Agreement; and provided, further, that no such determinations shall be deemed to modify this Trust Agreement or any Agreement.

(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 additional Executives (or the deletion of Executives who (together with their Trust Beneficiaries) have no Benefits currently due or payable in the future) to Exhibit A; provided, however, that no such amendment shall be made after the Irrevocability Date.

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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 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 Irrevocability Date, the Trustee may be removed by Cleveland-Cliffs. On or after the Irrevocability Date, the Trustee may be removed at any time by agreement of Cleveland-Cliffs and a majority of the Executives. The Trustee may resign after providing not less than 90 days' notice to Cleveland-Cliffs and to the Executives. 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 Executives. No such

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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 Executive shall be deceased or adjudged incompetent, such Executive's Trust Beneficiaries shall participate in such Executive'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 may be amended by Cleveland-Cliffs and the Trustee without the consent of any Trust Beneficiaries provided the amendment does not adversely affect any Trust Beneficiary. This Trust Agreement 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(b) hereof shall be made as therein provided.

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(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.

13. Special Distribution: (a) It is intended that (i) the creation of, and transfer of assets to, the Trust will not cause the Plan to be other than "unfunded" for purposes of title I of the Employee Retirement Income Security Act of 1974, as amended, or any successor provision thereto ("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, 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

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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 Beneficiary by the Trustee, then (A) the assets held in Trust shall be allocated in accordance with Section 7(b) hereof, and (B) subject to the last sentence of Section 2(b) hereof, the Trustee shall promptly make a distribution to each affected Trust Beneficiary 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 for any of the reasons described in clause (i), (ii), (iii) or (iv) of this Section 13(b).

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14. Severability, Alienation, Etc.: (a) Any provision of this Trust Agreement 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 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.

(c) This Trust Agreement shall be governed by and construed in accordance with the laws of the State of Ohio, without giving effect to the principles of conflict of laws thereof.

(d) This Trust Agreement may be executed in two or more counterparts, each of which shall be considered an original agreement. This Trust Agreement 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.

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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:

AmeriTrust Company National Association  
900 Euclid Avenue  
Cleveland, Ohio 44115

Attention: Trust Department  
Employee Benefit Administration

If to Cleveland-Cliffs, to:

Cleveland-Cliffs Inc  
1100 Superior Avenue  
Cleveland, OH 44114

Attention: Secretary

If to the Executives or 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 Executives or beneficiaries under the Plan (and who are, therefore, Trust Beneficiaries hereunder).

IN WITNESS WHEREOF, Cleveland-Cliffs has caused counterparts of this Trust Agreement to be executed on its behalf at 4:13 p.m. Eastern Standard Time on October 28, 1987, each of which shall be an original agreement, intending that the Trust shall be effective immediately, and the Trustee has caused counterparts of this Trust Agreement to be executed on its behalf at 4:14 p.m. Eastern Standard Time on October 28, 1987.

CLEVELAND-CLIFFS INC

By: /s/ Richard E. Novak  
Its: Vice President - Human Resources

AMERITRUST COMPANY NATIONAL ASSOCIATION

By: /s/ Gary W. Queen  
Its: Senior Vice President

5058C

AMENDMENT NO. 1 TO TRUST AGREEMENT NO. 5

This Amendment No. 1 to Trust Agreement made on May 12, 1989 by and between Cleveland-Cliffs Inc, an Ohio corporation ("Cleveland-Cliffs") and Ameritrust Company National Association, a national banking association, as trustee (the "Trustee");

WITNESSETH:

WHEREAS, on October 28, 1987, Cleveland-Cliffs and the Trustee entered into a Trust Agreement ("Trust Agreement");

WHEREAS, the Deferred Compensation Agreements referred to in the first WHEREAS clause of the Trust Agreement have been terminated and all accounts thereunder have been paid to the executives or beneficiaries who are entitled to payment thereunder;

WHEREAS, Cleveland-Cliffs has reserved the right, with the Trustee, pursuant to Section 12 of the Trust Agreement, to amend the Trust Agreement without the consent of any Trust Beneficiaries, as defined in the Trust Agreement.

NOW, THEREFORE, Cleveland-Cliffs and the Trustee hereby adopt this Amendment No. 1 to the Trust Agreement as follows:

1. The first "WHEREAS" clause of the Trust Agreement is hereby amended to read as follows:

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WHEREAS, certain benefits are or may become payable under the provisions of the Cleveland-Cliffs Inc Voluntary Non-Qualified Deferred compensation Plan, effective June 1, 1989 (the "Plan"), and certain Participation Agreements entered into under the Plan between Cleveland-Cliffs and certain executives ("Executives"), to the persons (who may be Executives or beneficiaries of Executives) listed (from time to time as provided in Section 9(b) hereof) on Exhibit A hereto or to the beneficiaries of such persons (Executives and Executives' beneficiaries are referred to herein as "Trust Beneficiaries"), as the case may be;

2. The third "WHEREAS" clause of the Trust Agreement is hereby amended to read as follows:

WHEREAS, subject to Section 9 hereof, the amounts and timing of Benefits to which each Trust Beneficiary is presently or may become entitled are as provided in the Participation Agreement applicable to him or her ("Applicable Agreement" or "Agreement");

IN WITNESS WHEREOF, Cleveland-Cliffs and the Trustee have caused this Amendment No. 1 to the Trust Agreement to be originally executed on May 12, 1989 and reexecuted on April 12, 1991.

CLEVELAND-CLIFFS INC

By: /s/ R.F. Novak

Its: VICE PRESIDENT - HUMAN RESOURCES  
Vice President - Human Resources

AMERITRUST COMPANY NATIONAL ASSOCIATION

By: /s/ J.R. Russell

Its: VICE PRESIDENT  
Vice President

IN WITNESS WHEREOF, Cleveland-Cliffs and the Trustee have caused this Amendment No. 1 to the Trust Agreement to be executed on May 12, 1989.

CLEVELAND-CLIFFS INC

By /s/ R.F. Novak  
Its Vice President

AMERITRUST COMPANY NATIONAL  
ASSOCIATION (Formerly known

By /s/ J.R. Russell  
Its Vice President

as the Cleveland Trust Company), Solely as Directed Trustee of The Cleveland-Cliffs Iron Company and Associated Companies' Collective Investment Trust for Its Retirement Trusts with The Cleveland Trust company, and Not In Its Individual Corporate Capacity

SECOND AMENDMENT TO TRUST AGREEMENT NO. 5

This Second Amendment to Trust Agreement made on April 9, 1991, by and between Cleveland-Cliffs Inc, an Ohio corporation ("Cleveland-Cliffs") and Ameritrust Company National Association, a national banking association, as trustee (the "Trustee");

W I T N E S S T H :

WHEREAS, on October 28, 1987, Cleveland-Cliffs and the Trustee entered into a Trust Agreement ("Trust Agreement");

WHEREAS, on May 12, 1989, Cleveland-Cliffs and the Trustee entered into Amendment No. 1 to Trust Agreement;

WHEREAS, the Trust Agreement, as so amended, is for the purpose of providing benefits under the Cleveland-Cliffs Inc Voluntary Non-Qualified Deferred Compensation Plan; and

WHEREAS, Cleveland-Cliffs has reserved the right, with the Trustee, pursuant to Section 12 of the Trust Agreement, to amend the Trust Agreement without the consent of any Trust Beneficiaries, as defined in the Trust Agreement.

NOW, THEREFORE, Cleveland-Cliffs and the Trustee hereby agree that the Trust Agreement shall be amended as follows:

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1. The Trust Agreement is hereby renamed "Trust Agreement No. 5," and each reference in such Trust Agreement No. 5 to "Trust Agreement" shall be amended to read "Trust Agreement No. 5."

2. The second WHEREAS clause is amended by deleting the words "in the event of a 'Change of Control' (as defined herein)" from the end thereof.

3. Section 1(a) is amended to read 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 (\$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 and income 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.

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4. The first sentence of Section 1(b) is amended to read as follows:

(b) The Trust hereby established shall be irrevocable.

5. Section 1(c) is amended to read as follows:

(c) Upon the earlier to occur of (i) a Change of Control or (ii) a declaration by the Board of Directors of Cleveland-Cliffs that a Change of Control is imminent, Cleveland-Cliffs shall promptly, and in any event within five (5) business days, transfer to the Trustee to be added to the principal of the Trust under this Trust Agreement No. 5 property or cash equal to the then value of the separate accounts of the Executives under the Agreements, less the balances in the Executives' accounts provided in Section 7(b) hereof as of the most recent completed valuation thereof, as certified by the Trustee; provided, however, if the Trustee does not so certify by the end of the fourth (4th) business day after the earlier of (i) or (ii) above, then the balances of such accounts shall be deemed to be zero. Any payments by the Trustee pursuant to this Trust Agreement No. 5 shall, to the extent thereof, discharge the obligation of Cleveland-Cliffs to pay benefits under the Agreements.

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6. Section 1(g) is amended by adding at the end thereof the following:

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"). The Trust established under this Trust Agreement No. 5 does not fund and is not intended to fund 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 as and when it so determines in its sole discretion for the meeting of part or all of its future obligations with respect to Benefits to some or all of the Trust Beneficiaries under the Plan.

7. Section 2(a) is amended to read as follows:

(a) Provided that the Trustee has not received notice as provided in Section 3 hereof that Cleveland-Cliffs is Insolvent, the Trustee shall make payments of Benefits to each Trust Beneficiary from the assets of the Trust in accordance with the terms of the Agreements 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.

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8. Section 4 is amended to read as follows:

4. Payments to Cleveland Cliffs :

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.

9. Section 5 is amended by adding the following at the end of the second sentence thereof:

and including investments in 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 Trust may receive fees as a participating depository institution for services relating to the investment of funds in an eligible mutual fund.

10. Section 7 is amended to read as follows:

7. Accounting by Trustee : (a) 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 Cleveland-Cliffs and the Trustee, and shall render to Cleveland-Cliffs within

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60 days following the close of each calendar year following 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), 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 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. The Trustee shall at all times maintain separate bookkeeping accounts for each Trust Beneficiary as prescribed by Section 7(b) hereof, and shall provide each Trust Beneficiary with an annual statement of his account. Upon the written request of Cleveland-Cliffs or, on or after the date on which a Change of Control has occurred, a Trust Beneficiary, the Trustee shall deliver to such Trust Beneficiary or Cleveland-Cliffs, as the case may be, a written report setting forth the amount held in the Trust and a record of the deposits made with respect thereto by Cleveland-Cliffs. Unless

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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 Beneficiaries 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 Trust Beneficiaries were parties.

(b) The Trustee shall maintain a separate account for each Trust Beneficiary. The Trustee shall credit or debit each Trust Beneficiary's account as appropriate to reflect such Trust Beneficiary's 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. 5. Prior to the date of a Change of Control, all deposits of principal pursuant to Section 1(a) hereof shall be allocated as directed by Cleveland-Cliffs; on or after such date deposits of principal, once allocated, may not be reallocated by Cleveland-Cliffs. Income, expense, gain or loss on assets allocated to the separate accounts of the Trust Beneficiaries shall be allocated separately to such accounts by the Trustee in proportion to the balances of the separate accounts of the Executives.

IN WITNESS WHEREOF, Cleveland-Cliffs and the Trustee have caused this Second Amendment to Trust Agreement No. 5 to be executed on April 9, 1991.

CLEVELAND-CLIFFS INC

By: /s/ Richard F. Novak  
Its: Vice President - Human Resources

AMERITRUST COMPANY NATIONAL  
ASSOCIATION

By: /s/ J.R. Russell  
Its: Vice President

2282D

THIRD AMENDMENT TO TRUST AGREEMENT NO. 5

This Third Amendment to Trust Agreement No. 5 is made on this 9th day of March, 1992, by and between Cleveland-Cliffs Inc, an Ohio corporation ("Cleveland-Cliffs") and Ameritrust Company National Association, a national banking association, as trustee (the "Trustee");

WITNESSETH:

WHEREAS, on October 28, 1987, Cleveland-Cliffs and the Trustee entered into a trust agreement ("Trust Agreement No. 5");

WHEREAS, on May 12, 1989, Cleveland-Cliffs and the Trustee entered into Amendment No. 1 to Trust Agreement No. 5;

WHEREAS, on April 9, 1991, Cleveland-Cliffs and the Trustee entered into a Second Amendment to Trust Agreement No. 5;

WHEREAS, Trust Agreement No. 5, as amended, is for the purpose of providing benefits under the Cleveland-Cliffs Inc Voluntary Non-Qualified Deferred Compensation Plan; and

WHEREAS, Cleveland-Cliffs has reserved the right, with the Trustee, pursuant to Section 12 of Trust Agreement No. 5, to amend Trust Agreement No. 5 without the consent of any Trust Beneficiaries, as defined in Trust Agreement No. 5.

NOW, THEREFORE, Cleveland-Cliffs and the Trustee hereby agree that Trust Agreement No. 5 shall be amended as follows:

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1. The third sentence of Section 1(b) of Trust Agreement No. 5 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 shall have existed immediately prior to such merger or consolidation;

(ii) Cleveland-Cliffs 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 Cleveland-Cliffs 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;

(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, including, without limitation, the year 1991, 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."

IN WITNESS WHEREOF, Cleveland-Cliffs and the Trustee have caused counterparts of this Third Amendment to Trust Agreement No. 5 to be executed on March 9, 1992.

CLEVELAND-CLIFFS INC

By: /s/ R.F. Novak

Its: Vice President

AMERITRUST COMPANY NATIONAL ASSOCIATION

By: /s/ J.R. Russell

Its: Vice President

FOURTH AMENDMENT  
TO  
TRUST AGREEMENT NO. 5

WHEREAS, Cleveland-Cliffs Inc ("Cleveland-Cliffs") and AmeriTrust Company National Association entered into Trust Agreement No. 5, formerly known as Trust Agreement, (the "Agreement") effective October 28, 1987, which Agreement was amended on three previous occasions;

WHEREAS, Society National Bank (the "Trustee") is the successor in interest to AmeriTrust Company National Association; and

WHEREAS, Cleveland-Cliffs and the Trustee desire to amend the Agreement;

NOW, THEREFORE, effective November 1, 1994, Cleveland-Cliffs and the Trustee hereby amend the Agreement to provide as follows:

1. The first recital on page one of the Agreement is amended to provide as follows:

"WHEREAS, certain benefits are or may become payable under the provisions of certain Deferred Compensation Agreements ("Agreements") between Cleveland-Cliffs, or between The Cleveland-Cliffs Iron Company and assumed by Cleveland-Cliffs, effective July 1, 1995, and certain executives ("Executives"), to the persons listed from time to time on Exhibit A hereto (as provided in Section 9(c) hereof) or to the beneficiaries of such persons (Executives and Executives' beneficiaries are referred to herein as "trust beneficiaries"), as the case may be;"

2. Exhibit A to the Agreement, which Exhibit A is attached hereto and made a part hereof, is amended to provide as hereinafter set forth.

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IN WITNESS WHEREOF, Cleveland-Cliffs and the Trustee have executed this Fourth Amendment at Cleveland, Ohio, this [ILLEGIBLE] day of November, 1994.

**CLEVELAND-CLIFFS INC**

By /s/ R.F. Novak  
Title: Vice President-Human Resources

**SOCIETY NATIONAL BANK**

By /s/ M.O. Minar  
Title: Vice President

/s/ Deanna J. Krizman  
Trust Officer

FIFTH AMENDMENT TO TRUST AGREEMENT NO. 5

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

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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 Common 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 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 23<sup>rd</sup> day of May, 1997.

CLEVELAND-CLIFFS INC

By /s/ R.F. Novak  
Title: V.P. - H.R.

KEY TRUST COMPANY OF OHIO, N.A.

By /s/ Kelley Clark  
Title: VP

/s/ J.A. Radazzo  
Title: VP

TRUST AGREEMENT NO. 7

This Trust Agreement ("Trust Agreement No. 7") made this 9th day of April, 1991 by and between Cleveland-Cliffs Inc, an Ohio corporation ("Cleveland-Cliffs"), and Ameritrust Company National Association, a national banking association (the "Trustee");

WITNESSETH:

WHEREAS, certain benefits are or may become payable under the provisions of the Cleveland-Cliffs Inc Supplemental Retirement Benefit Plan, as Amended and Restated Effective January 1, 1991 as the same may hereafter be supplemented, amended or restated, or any successor thereto (the "Plan"), a current copy of which is attached hereto as Exhibit B and incorporated herein by reference, to the participants in the Plan (the "Participants") listed (from time to time as provided in Section 9(b) hereof) on Exhibit A hereto or to the beneficiaries of such Participants (the "Beneficiaries") as the case may be;

WHEREAS, the Plan provides for the payment of benefits resulting from contributions made to the Plan which would have been made for the Participants 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

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"Code"), and the Plan also provides for the payment of benefits due under agreements entered into by Cleveland-Cliffs (and which may be entered into in the future by Cleveland-Cliffs and its subsidiary corporations and affiliates) with certain executives providing for additional service credit and/or other features for purposes of computing retirement benefits;

WHEREAS, Cleveland-Cliffs wishes specifically to assure the payment to the Participants and Beneficiaries of amounts due under the Plan (the amounts so payable being collectively referred to herein as the "Benefits");

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

WHEREAS, Cleveland-Cliffs wishes to establish a trust (the "Trust") under which Cleveland-Cliffs and each of its subsidiaries or affiliates that executes a Participating Subsidiary Deposit Agreement ("Deposit Agreement") as provided in Section 14 hereof (a "Participating Subsidiary"; and "Participating Employer" shall mean Cleveland-Cliffs or any Participating Subsidiary) may transfer to the Trust assets which shall be held therein subject to the claims of the creditors of each Participating Employer to the extent set forth in Section 3 hereof until paid in full to all Participants and Beneficiaries as Benefits in such manner and at such times as specified herein unless the Participating Employer with respect to the Participant or Beneficiary is Insolvent (as defined herein) at the time that such Benefits become payable;

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WHEREAS, each Participating Subsidiary that executes a Deposit Agreement has irrevocably appointed Cleveland-Cliffs its agent and attorney for purposes of acting on its behalf with respect to this Trust; and

WHEREAS, a Participating Employer shall be considered "Insolvent" for purposes of this Trust Agreement at such time as such Participating Employer (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 do hereby establish the Trust and agree that the Trust shall be comprised, held and disposed of as follows:

1. Trust Fund: (a) Subject to the claims of creditors of Participating Employers to the extent set forth in Section 3 hereof, 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, 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. The Trust hereby established shall be irrevocable.

(b) Cleveland-Cliffs shall notify the Trustee promptly in the event that a "Change of Control", (as defined herein) has occurred. The term "Change of Control" shall mean the occurrence of any of the following events:

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(i) a tender offer shall be made and consummated for the ownership of 30% or more of the outstanding voting securities of Cleveland-Cliffs;

(ii) Cleveland-Cliffs shall 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, other than affiliates (within the meaning of the Securities Exchange Act of 1934) of any party to such merger or consolidation, as the same shall have existed immediately prior to such merger or consolidation;

(iii) Cleveland-Cliffs shall sell substantially all of its assets to another corporation which is not a wholly owned subsidiary;

(iv) 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 acquire 30% or more of the outstanding voting securities of Cleveland-Cliffs (whether directly, indirectly, beneficially or of record), or

(v) during any period of two 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.

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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 two-thirds of the Directors of Cleveland-Cliffs then still in office who are Directors of Cleveland-Cliffs on the date at the beginning of any such period.

For purposes hereof, ownership of voting securities shall take into account and shall include ownership as determined by applying the provisions of Rule 13d-3(d) (1) (i) (as in effect on the date hereof) pursuant to the Securities Exchange Act of 1934.

(c) Any payments by the Trustee pursuant to this Agreement shall, to the extent thereof, discharge the obligation of the Participating Employers to pay benefits under the Plan, it being the intent of the Participating Employers that assets in the Trust established hereby be held as security for the obligation of the Participating Employers to pay benefits under the Plan.

(d) The principal of the Trust and any earnings thereon shall be held in trust separate and apart from other funds of each Participating Employer exclusively for the uses and purposes herein set forth. No Participant or 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 Participant or Beneficiary as Benefits as provided herein.

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(e) A Participating Employer 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 a Participating Employer or any other person or entity on behalf of a Participating Employer except as herein expressly provided.

(f) The Trust is intended with respect to each Participating Employer, 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 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. 7 does not fund and is not intended to fund the Plan or any other employee benefit plan or program of a Participating Employer. Such Trust is and is intended to be a depository arrangement with the Trustee for the setting aside of cash and other assets of the Participating Employers as and when each of them so determines in its sole discretion for the meeting of part or all of its future obligations with respect to Benefits to some or all of the Participants under the Plan.

2. Payments to Participants or Beneficiaries.

(a) Provided that the Trustee has not actually received notice as provided in Section 3 hereof that a Participant's or

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Beneficiary's Participating Employer is Insolvent, the Trustee shall make payments of Benefits to each Participant or Beneficiary from the assets of the Trust in accordance with the terms 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 Participant's separate account maintained pursuant to Section 7(b) hereof is not sufficient to provide for full payment of Benefits to which a Participant or Beneficiary is entitled as provided herein, the respective Participating Employer shall make the balance of each such payment as provided in the Plan. No payment from the Trust assets to a Participant or Beneficiary shall exceed the balance of such separate account.

**3. The Trustee's Responsibility Regarding Payments to a Participant or Beneficiary When a Participating Employer is Insolvent:**

(a) At all times during the continuance of this Trust, the principal and income of the Trust with respect to accounts maintained hereunder on behalf of a Participating Employer shall be subject to claims of creditors of such Participating Employer as set forth in this Section 3(a). The Board of Directors ("Board") of Cleveland-Cliffs and of each Participating Subsidiary and the Chief Executive Officer ("CEO") of Cleveland-Cliffs and of each Participating Subsidiary shall have the duty to inform the Trustee if either

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the Board or the CEO believes that his or their respective Participating Employer is Insolvent. If the Trustee receives a notice from the Board, the CEO, or a creditor of a Participating Employer alleging that such Participating Employer is Insolvent, then unless the Trustee independently determines that such Participating Employer is not Insolvent, the Trustee shall (i) discontinue payments to any Participant or his Beneficiary from accounts maintained hereunder on behalf of such Participating Employer (the "Identified Participating Employer"), (ii) determine and allocate all Account Excesses in accordance with Sections 4 and 7(b) hereof for the accounts of the Participants then employed by the Identified Participating Employer, or for whom such Identified Participating Employer has obligations and liabilities pursuant to a Deposit Agreement, treating such accounts solely for this purpose as if they comprised all of the accounts of the Trust, and provided that for this purpose the Threshold Percentage shall be equal to 100%, (iii) hold the Trust assets attributable to accounts maintained hereunder on behalf of Participants then employed by the Identified Participating Employer, or for whom such Identified Participating Employer has obligations and liabilities or has assumed obligations and liabilities pursuant to a Deposit Agreement, for the benefit of the general creditors of such Identified Participating Employer, and (iv) promptly seek the determination of a court of competent jurisdiction regarding the Insolvency of the Identified Participating Employer. The Trustee shall deliver any

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undistributed principal and income in the Trust to the extent of the balances of the accounts maintained hereunder on behalf of the Identified Participating Employer to the extent necessary to satisfy the claims of the creditors of such Identified Participating Employer as a court of competent jurisdiction may direct. Such payments of principal and income shall be borne by the separate accounts of the Participants in proportion to the balances on the date of such court order of their respective accounts maintained pursuant to Section 7(b) hereof. If payments to any Participant or Beneficiary have discontinued pursuant to this Section 3(a), the Trustee shall resume payments to such Participant or Beneficiary only after receipt of an order of a court of competent jurisdiction. The Trustee shall have no duty to inquire as to whether a Participating Employer is Insolvent and may rely on information concerning the Insolvency of a Participating Employer which has been furnished to the Trustee by any creditor of a Participating Employer or by any person. Nothing in this Trust Agreement shall in any way diminish any rights of any Participant or Beneficiary to pursue his rights as a general creditor of the Participant's or Beneficiary's Participating Employer with respect to Benefits or otherwise, and the rights of each Participant or Beneficiary under the Plan shall in no way be affected or diminished by any provision of this Trust Agreement No. 7 or action taken pursuant to this Trust Agreement No. 7 except that any payment actually received by any Participant or Beneficiary hereunder shall reduce dollar-per-dollar amounts otherwise due to such Participant or Beneficiary pursuant to the Plan.

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(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 certificates issued or offered by the Trustee or any successor corporation but excluding obligations of any Participating Employer) 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 Participants and Beneficiaries in accordance with this Trust Agreement No. 7 during the period of such discontinuance, less the aggregate amount of payments made to any Participant or Beneficiary by the Participating Employer pursuant to the 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 Participant's or Beneficiary's account as provided in Section 7(b) hereof.

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4. Payments to Participating Employers : Except to the extent expressly contemplated by this Section 4, no Participating Employer shall have any right or power to direct the Trustee to return any of the Trust assets to such Participating Employer before all payments of Benefits have been made to all Participants or Beneficiaries of such Participating Employer as herein provided. From time to time, if and when requested by Cleveland-Cliffs to do so and/or in order to comply with Section 7(b) hereof, the Trustee shall engage the services of Hewitt Associates 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 by each Participating Employer under the Plan with respect to the Participants and Beneficiaries. The Trustee shall determine the fair market values of the Trust assets allocated to the account of each Participant 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 independent actuary shall make its calculations using 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 Participants (subject to the provisions of Sections 11(b) (i) and (b) (ii) hereof). For purposes of this Trust Agreement, (A) the "Fully Funded" amount with respect to the account of a Participant or Beneficiary maintained pursuant

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to Section 7(b) 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 Participants and Beneficiaries, (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 Participant's account over the respective Fully Funded amount, and (C) the "Aggregate Account Excess" with respect to a Participating Employer shall be equal to the excess, if any, of the aggregate account balances of Participants then employed by the Participating Employer, or for whom such Participating Employer has obligations and liabilities or has assumed obligations and liabilities or has assumed obligations and liabilities pursuant to a Deposit Agreement, over their aggregate Fully Funded amounts. 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(b) hereof. Thereafter, upon the request of Cleveland-Cliffs, the Trustee shall pay to the Participating Employer its Aggregate Account Excess computed upon the basis of a Threshold Percentage equal to 140%.

5. Investment of Principal. (a) The Trustee shall invest and reinvest the principal of the Trust including any income accumulated and added to principal, as directed by the

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Compensation Committee of the Board of Directors of Cleveland-Cliffs (which direction may 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 (including 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 not be required to invest nominal amounts. 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. 7.

(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

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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 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;

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(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 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

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

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7. Accounting by Trustee: (a) The Trustee shall maintain books, records and accounts as may be necessary for the proper administration of Trust assets, including such specific records as shall be agreed upon in writing by Cleveland-Cliffs and the Trustee, and shall render to Cleveland-Cliffs within 60 days following the close of each calendar year following 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), 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 each Participating Employer 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 each Participating Employer shall require for purposes of preparing its statements of financial condition. The Trustee shall at all times maintain separate bookkeeping accounts for each Participating Employer and for each Participant as prescribed by Section 7(b) hereof, and, upon the written request of a Participant, shall provide to him an annual statement of his account. Upon the written request of Cleveland-Cliffs or, on or after the date of a Change of Control, a Participant, the Trustee shall deliver to such Participant or Cleveland-Cliffs, as the case may be, a written report setting forth the amount held in the Trust and a record of the deposits made with respect thereto by each Participating

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Employer. Unless Cleveland-Cliffs or any Participant 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 Participants 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, the Participating Employers and the Participants were parties.

(b) The Trustee shall maintain a separate account for each Participating Employer (a "Participating Employer Account") and within such Participating Employer Account, a separate account for each Participant who performs services for such Participating Employer and from whom such Participant is entitled to Benefits (a "Participant account"). Each asset of the Trust shall be allocated to the account of a Participating Employer. Participant accounts within a Participating Employer Account shall reflect undivided portions of each asset in such Account. The Trustee shall credit or debit each Participant account as appropriate to reflect such Participant's allocable portion of the Trust assets allocated to each Participating Employer Account, as such Trust assets may be adjusted from time to time pursuant to the terms of this Trust Agreement No. 7. Except as otherwise provided in this Section 7(b), the Trustee shall allocate the income (or loss) of the Trust with

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respect to each Participating Employer Account, and within such Account, to the separate Participant accounts maintained thereunder in proportion to the balances of the separate accounts of the Participants. Prior to the date of a Change of Control, all deposits of principal pursuant to Section 1(a) and 1(e) shall be allocated and reallocated as directed by the Participating Employer making such deposit. On or after such date of a Change of Control deposits of principal shall be allocated as Account Excess in accordance with this Section 7(b). Prior to the date of a Change of Control, at the request of Cleveland-Cliffs 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 Excess of a Participating Employer to any accounts of Participants then employed by such Participating Employer that are not Fully Funded, as defined in Section 4 hereof, in proportion to the differences between the respective Fully Funded amount and account balance, insofar as possible until all accounts of Participants then employed by such Participating Employer are Fully Funded. Any then remaining aggregate Account Excess of a Participating Employer shall be allocated to all the accounts of Participants then employed by such Participating Employer, in proportion to the respective Fully Funded amounts.

(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. 7, given in writing by any Participating Employer, by the Compensation Committee or by a Participant or 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 any Participating Employer for additional amounts accrued under 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

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depository; provided that the books and records of the Trustee shall at all times show that all such securities are part of the trust fund.

(d) If the Trustee shall undertake or defend any litigation arising in connection with this Trust Agreement No. 7, it shall be indemnified jointly and severally by Cleveland-Cliffs and each Participating Subsidiary 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 any Participating Employer) 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, 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. 7 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 any Participating Employer, 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 Plan: Cooperation of Participating Employers:**

(a) Cleveland-Cliffs has previously furnished the Trustee a complete and correct copy of the Plan, and Cleveland-Cliffs shall, and any Participating Subsidiary, Participant, or 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 Participants and Beneficiaries or withholding of taxes as provided in Section 2. Upon the failure of Cleveland-Cliffs or any Participant or 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 Participant or Beneficiary; and (ii) notify Cleveland-Cliffs and the

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Participant or Beneficiary in writing of its computations. Thereafter this Trust Agreement No. 7 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 Participant or Beneficiary hereunder or under the Plan; and provided, further, that no such determinations shall be deemed to modify this Trust Agreement No. 7 or the Plan. Nothing in this Trust Agreement No. 7 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 Participants (or the deletion of Participants who (together with their Beneficiaries) have no Benefits currently due or payable in the future)) to Exhibit A; 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 to 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

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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 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 Participants. The Trustee may resign after providing not less than 90 days' notice to Cleveland-Cliffs and to the Participants. In case of removal or resignation, a new trustee, which shall be independent and not subject to control of either Cleveland-Cliffs or the Participants and Beneficiaries, shall be appointed as shall be agreed by Cleveland-Cliffs and a majority of the Participants. 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 Participants 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.

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(b) For purposes of the removal or appointment of a Trustee under this Section 11, (i) if any Participant shall be deceased or adjudged incompetent, such Participant's Beneficiaries shall participate in such Participant's stead, and (ii) a Participant shall not participate if all payments of Benefits then currently due or payable in the future have been made to such Participant or his Beneficiary.

12. Amendment or Termination: (a) This Trust Agreement No. 7 may be amended by Cleveland-Cliffs and the Trustee without the consent of any Participant or Beneficiary provided the amendment does not adversely affect any Participant or Beneficiary. This Trust Agreement No. 7 may also be amended at any time and to any extent by a written instrument executed by the Trustee, all Participating Employers, and a majority of the Participants, except to alter Section 12(b), and except that amendments to Exhibit A contemplated by Section 9(b) 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 no Participant or Beneficiary is entitled to 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.

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13. Special Distribution: (a) It is intended that (i) the creation of, and transfer of assets to, the Trust will not cause the Plan to be other than "unfunded" for purposes of title I of the Employee Retirement Income Security Act of 1974, as amended, or any successor provision thereto ("ERISA"); (ii) transfers of assets to the Trust will not be transfers of property for purposes of section 83 or the Code, or any successor provision thereto, nor will such transfers cause a currently taxable benefit to be realized by a Participant or 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 Participant or Beneficiary in the taxable year or years in which such amounts are actually distributed or made available to such Participant or Beneficiary by the Trustee.

(b) Notwithstanding anything to the contrary contained in this Trust Agreement No. 7, 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 Participant or 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

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includable as compensation in the gross income of a Participant or 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 Participant or Beneficiary by the Trustee, then (A) the assets held in Trust shall be allocated in accordance with Section 7(b) hereof, and (B) subject to the last sentence of Section 2(b) hereof, the Trustee shall promptly make a distribution to each affected Participant or Beneficiary 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 Participant or Beneficiary for any of the reasons described in clause (i), (ii), (iii) or (iv) of this Section 13(b).

14. Participating Subsidiary Deposit Agreement: (a) Upon execution of a Deposit Agreement in the form of Exhibit C hereto, a Subsidiary may at any time or from time to time make deposits of cash or other property in the Trust pursuant to Section 1(d) hereof. Such Deposit Agreement shall provide, among other things, for the designation of Cleveland-Cliffs as agent and attorney for the Participating Subsidiary for all purposes under this Trust Agreement No. 7, including consenting to any amendments hereto, consenting to any Trustee accounts and consenting to anything requiring the approval or consent of a Participating Employer hereunder.

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(b) Cleveland-Cliffs is the sponsoring grantor for this Trust Agreement No. 7. It reserves to itself, and each Subsidiary by execution of a Deposit Agreement delegates to Cleveland-Cliffs, the power to amend or terminate this Trust Agreement No. 7 in accordance with its terms.

15. Severability, Alienation, Etc.: (a) Any provision of this Trust Agreement No. 7 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 Participants and Beneficiaries under this Trust Agreement No. 7 may not be anticipated, assigned (either by 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 Participant or Beneficiary by the Trustee shall be subject to any claim for repayment by any Participating Employer or the Trustee.

(c) This Trust Agreement No. 7 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. 7 may be executed in two or more counterparts, each of which shall be considered an original agreement. This Trust Agreement No. 7 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.

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(e) Each action taken by Cleveland-Cliffs hereunder shall, unless otherwise designated in such action by Cleveland-Cliffs or unless the context or this Trust Agreement No. 7 requires otherwise, be deemed to be an action of Cleveland-Cliffs on behalf of each Participating Subsidiary pursuant to the authority granted to Cleveland-Cliffs by such Participating Subsidiary in the Deposit Agreement.

16. Notices; Identification of Certain Participants or 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:

Ameritrust Company National Association  
900 Euclid Avenue  
Cleveland, Ohio 44115  
Attention: Trust Department  
Employee Benefit Administration

If to Cleveland-Cliffs, to:

Cleveland-Cliffs Inc  
1100 Superior Avenue  
Cleveland, OH 44114  
Attention: Secretary

If to the Participants, to the addresses listed on Exhibit A hereto; and if to the Beneficiaries, to the addresses provided to the Trustee by Cleveland-Cliffs;

provided, however, that if any party or any Participant or 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.

IN WITNESS WHEREOF, Cleveland-Cliffs and the Trustee have caused counterparts of this Trust Agreement No. 7 to be executed on their behalf on April 9, 1991, each of which shall be an original agreement.

CLEVELAND-CLIFFS INC

By: /s/ Richard F. Novak  
Its: V.P. of Human Resources

AMERITRUST COMPANY NATIONAL ASSOCIATION

By: /s/ J.R. Russell  
Its: Vice President

2225D

All Senior Officers and Other Full-Time  
Salaried Employees Grade 18 and Above/  
Eligible Participants in SERP

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Grade	Name	Title
56	M. T. Moore	Chairman and Chief Executive Officer
43	W. R. Calfee	Senior Executive Vice President
36	F. S. Forsythe	Executive Vice President-Operations
33	J. S. Brinzo	Executive Vice President-Finance
28	G. N. Carlson	Senior Vice President-Operations
	J. W. Villar	Senior Vice President-Technical
	A. S. West	Senior Vice President-Sales
22	R. Emmet	Vice President and Treasurer
	F. L. Hartman	Vice President and Corporate Counsel
	J. D. Kucera	Corporate Medical Director
	R. F. Novak	Vice President-Human Resources
	J. A. Trethewey	Vice President and Controller
20	G. N. Chandler II	Vice President
	J. L. Kelley	Vice President-Public Affairs
	T. C. Levan	Vice President-Corporate Development
18	J. A. Fegan	General Manager-Empire Mine
	J. D. Jeffries	General Manager-Hibbing Taconite
	R. C. Berglund	General Manager-Tilden Mine
	W. H. Muloin	General Manager-Wabash Mines
	R. W. von Bitter	General Manager-LTV Steel Mining Company
17	M. E. Jackson	Secretary

CLEVELAND-CLIFFS INC  
SUPPLEMENTAL RETIREMENT BENEFIT PLAN  
(as Amended and Restated Effective January 1, 1991)

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.

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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

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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.

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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 18 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.

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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, 1991 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, 1991 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

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Pension Plan did not contain a 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, 1991 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, 1991, 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.

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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 a lump sum amount of equivalent actuarial value determined by the actuary selected by Cleveland-Cliffs and based on the actuarial factors and assumptions then set forth in the Pension Plan for the purpose of determining the lump sum equivalent of a monthly benefit payable under the Pension Plan, or if no such factors and assumptions are therein set forth, then based on the Pension Benefit Guaranty Corporation interest rate for immediate annuities then in effect (the "Pension Plan Lump Sum Amount"). The Participant's former Employer shall pay the Pension Plan Lump Sum Amount to such Participant or his Beneficiary on the first day of February of the calendar year following the calendar year in which the Participant's retirement or death shall have occurred or such earlier time prior thereto, after the Participant's retirement or death, as shall be fixed by Cleveland-Cliffs.

4. Forfeiture. 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

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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,

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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 consents to such inapplicability, which consent shall not unreasonably be withheld.

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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

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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. Cleveland-Cliffs shall interpret where necessary, in its reasonable and good faith judgment, the provisions of the Supplemental Retirement Benefit Plan and, except as otherwise provided in the Plan, shall determine the rights and status of Participants and Beneficiaries hereunder (including, without limitation, the amount of any Supplemental Benefit to which a Participant or Beneficiary may be entitled under the Plan). 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.

B. Cleveland-Cliffs may, from time to time, delegate all or part of the administrative powers, duties and authorities delegated to it under this Plan to such person or persons, office or committee as it shall select by written notice to the Participants. For the purposes of ERISA, Cleveland-Cliffs shall be the plan sponsor and the plan administrator.

C. 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

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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

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(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.

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

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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

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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, 1991.

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 9th day of April, 1991.

CLEVELAND-CLIFFS INC

By /s/ Richard F. Novak  
Vice President — Human Resources

2291D

Deposit Agreement for Participating Subsidiary

WITNESSETH:

WHEREAS, the undersigned is a subsidiary corporation or affiliate of Cleveland-Cliffs Inc and contributes to the Plan as defined in a certain Trust Agreement No. 7 dated April 9, 1991, by and between Cleveland-Cliffs Inc, an Ohio corporation ("Cleveland-Cliffs"), and Ameritrust Company National Association, a national banking association ("Trustee"); and

WHEREAS, the undersigned wishes to become a Participating Subsidiary and Participating Employer pursuant to the terms of Trust Agreement No. 7.

NOW, THEREFORE, in consideration of the premises the undersigned ("Subsidiary") hereby adopts Trust Agreement No. 7 and agrees to be bound by its terms effective the \_\_\_\_ day of \_\_\_\_\_, 199 \_\_\_\_\_. In addition:

1. Capitalized terms in this Deposit Agreement shall have the meanings set forth in Trust Agreement No. 7 unless the context clearly requires otherwise.

2. The Subsidiary by its signature hereto irrevocably makes, constitutes and appoints Cleveland-Cliffs its agents and its true and lawful attorney in its name, place and stead, with the power from time to time to substitute or resubstitute one or more others as such attorney, and to make, execute, swear to, acknowledge, verify, deliver, file, record and publish any or all of the following:

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(a) All documents, agreements, requests, undertakings, certificates or other instruments which may be required or deemed desirable by Cleveland-Cliffs to effectuate the provisions of any part of Trust Agreement No. 7 and by way of extension and not in limitation to do all such other things as shall be necessary to continue the Trust under the laws of the State of Ohio.

(b) Amendments to Trust Agreement No. 7 authorized or approved in accordance with Sections 4, 9 and 14 thereof and all documents, certificates or other instruments deemed desirable by Cleveland-Cliffs or required in connection therewith.

3. It is expressly intended by the Subsidiary that the foregoing power of attorney is a special power of attorney coupled with an interest in favor of Cleveland-Cliffs appointed as attorney-in-fact on the Subsidiary's behalf, and as such shall be irrevocable and shall survive the Subsidiary's merger, dissolution or other termination of existence.

4. In the event a Participant is transferred from the employ of the Subsidiary to another Participating Employer, effective on the date of such transfer, the Subsidiary may agree to assign assets with a value equal to, or greater or lesser than, the value of the transferred Participant's account under Section 7(b) of the Trust to the successor Participating Employer in exchange for such Participating Employer assuming and being responsible for the Subsidiary's liabilities and obligations to such transferred Participant under the Plan.

5. In the event a Participant is transferred from the employ of another Participating Employer to the Subsidiary, effective on the date of such transfer, the Subsidiary may agree that upon the assignment by such Participating Employer to the Subsidiary of assets with a value equal to, or greater or lesser than, the value of the transferred Executive's account under Section 7(b) of the Trust, in exchange therefor, the Subsidiary will assume and be responsible for the Participating Employer's liabilities and obligations to such participant under the Plan.

6. The Subsidiary agrees to bear its pro rata share (as determined by Cleveland-Cliffs) of any and all expenses of the Trust.

IN WITNESS WHEREOF, the Subsidiary has caused this Deposit Agreement, to be executed on its behalf on \_\_\_\_\_, 199 \_\_\_\_.

Accepted:

\_\_\_\_\_  
Subsidiary

By: \_\_\_\_\_  
Its: \_\_\_\_\_

CLEVELAND-CLIFFS INC

By: \_\_\_\_\_  
Its: \_\_\_\_\_

AMERITRUST COMPANY, NATIONAL  
ASSOCIATION

By: \_\_\_\_\_  
Its: \_\_\_\_\_

FIRST AMENDMENT TO TRUST AGREEMENT NO. 7

This First Amendment to Trust Agreement No. 7 is made on this 9th day of March, 1992, by and between Cleveland-Cliffs Inc, an Ohio corporation ("Cleveland-Cliffs") and Ameritrust Company National Association, a national banking association, as trustee (the "Trustee");

WITNESSETH:

WHEREAS, on April 9, 1991, Cleveland-Cliffs and the Trustee entered into a trust agreement ("Trust Agreement No. 7") for the purpose of providing benefits under the Cleveland-Cliffs Inc Supplemental Retirement Benefit Plan, as Amended and Restated (Effective January 1, 1991), to certain employees of Cleveland-Cliffs and its subsidiary corporations and affiliates; and

WHEREAS, Cleveland-Cliffs has reserved the right, with the Trustee, pursuant to Section 12 of Trust Agreement No. 7, to amend Trust Agreement No. 7 without the consent of any Trust Beneficiaries, as defined in Trust Agreement No. 7.

NOW, THEREFORE, Cleveland-Cliffs and the Trustee hereby agree that Trust Agreement No. 7 shall be amended as follows:

1. The second sentence of Section 1(b) of Trust Agreement No. 7 is hereby amended to read as follows:

"The term "Change of Control" shall mean the occurrence of any of the following events:

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(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 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 Cleveland-Cliffs 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;

(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, including, without limitation, the year 1991, 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.”

IN WITNESS WHEREOF, Cleveland-Cliffs and the Trustee have caused counterparts of this First Amendment to Trust Agreement No. 7 to be executed on March 9, 1992.

CLEVELAND-CLIFFS INC

By: /s/ R.F. Novak  
Its: Vice President

AMERITRUST COMPANY NATIONAL ASSOCIATION

By: /s/ J.R. Russell  
Its: Vice President

SECOND 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 one previous occasion;

WHEREAS, Society National Bank (the "Trustee") is 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 November 1, 1994, 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 WITNESS WHEREOF, Cleveland-Cliffs and the Trustee have executed this Second Amendment at Cleveland, Ohio, this 18<sup>th</sup> day of November, 1994.

CLEVELAND-CLIFFS INC

By /s/ R.F. Novak  
Title: Vice President-Human Resources

SOCIETY NATIONAL BANK

By /s/ M.O. Minar  
Title: Vice President  
Deanna J. Krizman  
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;

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(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 23rd day of May, 1997.

CLEVELAND-CLIFFS INC

By /s/ R.F. Novak  
Title: V.P.-HR

KEY TRUST COMPANY OF OHIO, N.A.

By /s/ M.O. Minar  
Title: VP

/s/ Deanna J. Krizman  
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

And /s/ J.A. Radazzo  
Title: VP

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 Controller
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—Chiffs Reduced Iron Corp.

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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

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

3. Payment of the Supplemental Pension Plan Benefit.

- (a) A Participant's (or his Beneficiary's) Supplemental Pension Plan Benefit (calculated as provided in paragraph 2) shall be converted, at the 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

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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.

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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 (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

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.

CLEVELAND -CLIFFS INC

By /s/ R.F. Novak  
Vice President—Human Resources

Pension Plans

Pension Plan for Salaried Employees of Cleveland-Cliffs Inc

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

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

TRUST AGREEMENT NO. 7

Amendments to Exhibits Effective January 1, 2000

This Amendment to Exhibits to Trust Agreement No. 7 is made as of January 1, 2000 by and between Cleveland-Cliffs Inc, an Ohio corporation ("Cleveland-Cliffs"), and Key Trust Company of Ohio, N.A., a national banking association, as Trustee (the "Trustee").

WITNESSETH:

WHEREAS, on April 9, 1991 Cleveland-Cliffs and the Trustee entered into a Trust Agreement No. 7, as amended;

WHEREAS, Section 12 of the Trust Agreement No. 7 provides that such Trust Agreement may be amended by Cleveland-Cliffs and the Trustee; and

WHEREAS, Section 9(c) of the Trust Agreement No. 7 provides that Exhibit A thereto may be amended by Cleveland-Cliffs by furnishing to the Trustee an amendment thereto.

NOW, THEREFORE, the parties amend Trust Agreement No. 7, and Cleveland-Cliffs furnishes the following Amendment to Exhibit A to Trust Agreement No. 7 as follows:

1. Section 1(b) is amended to read as follows:

- (b) Cleveland-Cliffs shall notify the Trustee promptly in the event that a Change of Control (as defined herein) has occurred. The Term "Change of Control" shall mean the occurrence of any of the following events:
- (i) The acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act) (a "Person") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 30% or more of the combined voting power of the then outstanding Voting Stock of Cleveland-Cliffs; provided, however, that for purposes of this Section 1(b)(i), the following acquisitions shall not constitute a Change in Control: (A) any issuance of Voting Stock of Cleveland-Cliffs directly from Cleveland-Cliffs that is approved by the Incumbent Board (as defined in Section 1(b)(ii), below), (B) any

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acquisition by Cleveland-Cliffs of Voting Stock of Cleveland-Cliffs, (C) any acquisition of Voting Stock of Cleveland-Cliffs by any employee benefit plan (or related trust) sponsored or maintained by Cleveland-Cliffs or any Subsidiary, or (D) any acquisition of Voting Stock of Cleveland-Cliffs by any Person pursuant to a Business Combination that complies with clauses (A), (B) and (C) of Section 1(b) (iii) , below;

- (ii) or individuals who, as of the date hereof, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a Director subsequent to the date hereof whose election, or nomination for election by Cleveland-Cliffs' s shareholders, was approved by a vote of at least a majority of the Directors then comprising the Incumbent Board (either by a specific vote or by approval of the proxy statement of Cleveland-Cliffs in which such person is named as a nominee for director, without objection to such nomination) shall be deemed to have been a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest (within the meaning of Rule 14a-11 of the Exchange Act) with respect to the election or removal of Directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board;
- (iii) or consummation of a reorganization, merger or consolidation involving Cleveland-Cliffs, a sale or other disposition of all or substantially all of the assets of Cleveland-Cliffs, or any other transaction involving Cleveland- Cliffs (each, a "Business Combination"), unless, in each case, immediately following such Business Combination, (A) all or substantially all of the individuals and entities who were the beneficial owners of Voting Stock of Cleveland-Cliffs immediately prior to such Business Combination beneficially own, directly or indirectly, more than 55% of the combined voting power of the then outstanding shares of Voting Stock of the entity resulting from such Business Combination (including, without limitation, an entity which as a result of such transaction owns Cleveland-Cliffs or all or substantially all of Cleveland-Cliffs' s assets either directly or through one or more subsidiaries) in substantially the same proportions relative to each other as their ownership, immediately prior to such Business Combination, of the Voting Stock of Cleveland-Cliffs, (B) no Person (other than Cleveland-Cliffs, such entity resulting from such Business Combination, or any employee benefit plan (or related trust) sponsored or maintained by Cleveland-Cliffs, any Subsidiary or such entity resulting from such Business Combination) beneficially owns, directly or indirectly, 30% or more of the combined voting power of the then outstanding shares of Voting Stock of the entity resulting from such Business Combination, and (C) at least a majority of the members of the Board of Directors of the entity resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement or of the action of the Board providing for such Business Combination; or

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

2. Exhibit A is amended to read as attached hereto.

IN WITNESS WHEREOF, Cleveland-Cliffs and the Trustee have caused counterparts of this Amendment to be executed on their behalf on February 15, each of which shall be an original Amendment.

CLEVELAND-CLIFFS INC

By: /s/ R.F. Novak  
Its: Vice President - Human Resources

KEY TRUST COMPANY OF OHIO, N.A.,

as Trustee

By: /s/ Kelley Clark  
Its: Vice President

By: /s/ Meg H. Halloran  
Title: AVP

## TRUST AGREEMENT NO. 7

All Senior Officers and Other Full-Time Salaried Employees Grade Ex-28 and Above, including:

Name	Title
J. S. Brinzo	Chairman and Chief Executive Officer
T. J. O'Neil	President and Chief Operating Officer
W. R. Calfee	Executive Vice President - Commercial
C.B. Bezik	Senior Vice President and Chief Financial Officer
J. H. Ballway, Jr.	Vice President and General Counsel
E.C. Dowling, Jr.	Senior Vice President - Operations
J. W. Sanders	Senior Vice President - International Development
J. A. Trethewey	Senior Vice President - Operations Services
G.N. Chandler	Vice President - Reduced Iron
R. Emmet	Vice President - Financial Planning and Treasurer
D. J. Gallagher	Vice President - Sales
J. E. Lenhard	Secretary and Assistant General Counsel
R. J. Leroux	Controller
R. F. Novak	Vice President - Human Resources
R. C. Berglund	General Manager - Northshore Mine
L. G. Dykers	General Manager - Hibbing Taconite
D. Lebel	General Manager - Wabush Mines
M. P. Minar	General Manager - Tilden Mine
T. S. Petersen	General Manager - Empire Mine
J. N. Toumi	General Manager - LTV Steel Mining Company
R. W. von Bitter	General Manager - Cliffs Reduced Iron Corp.

1-1-00  
Trust 7

TRUST AGREEMENT NO. 8

This Trust Agreement ("Trust Agreement No. 8") made this 9th day of April, 1991 by and between Cleveland-Cliffs Inc, an Ohio corporation ("Cleveland-Cliffs"), and Ameritrust Company National Association, a national banking association (the "Trustee");

WITNESSETH:

WHEREAS, certain benefits are or may become payable under the provisions of the Amended and Restated Cleveland-Cliffs Inc Retirement Plan for Non-Employee Directors, effective June 1, 1984 and amended and restated effective January 1, 1988, as the same may hereafter be supplemented, amended or restated, or any successor thereto (the "Plan"), a current copy of which is attached hereto as Exhibit B and incorporated herein by reference, to the non-employee Directors listed (from time to time as provided in Section 9(c) hereof) on Exhibit A hereto ("Directors");

WHEREAS, the Plan provides for the payment, following retirement from the Board of Directors of Cleveland-Cliffs Inc (the "Board"), of an annual retainer to all non-employee Directors with five years of active service or with less than five years of active service in the event of a "Change of Control" (as defined herein);

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WHEREAS Cleveland-Cliffs wishes specifically to assure the payment to the Directors of amounts due under the Plan (the amounts so payable being collectively referred to herein as the "Benefits");

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

WHEREAS, Cleveland-Cliffs wishes to establish a trust (the "Trust") and to transfer to the Trust 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 Directors 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 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 do hereby establish the Trust 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 hereby deposits with the Trustee in trust Ten

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Dollars (\$10.00) which shall become the principal of this Trust, 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-Cliffs or any other person or entity on behalf of Cleveland-Cliffs except as herein expressly provided. The Trust hereby established shall be irrevocable.

(b) Cleveland-Cliffs shall notify the Trustee promptly in the event that a "Change of Control," (as defined herein) has occurred. The term "Change of Control" shall mean the occurrence of any of the following events:

(i) a tender offer shall be made and consummated for the ownership of 30% or more of the outstanding voting securities of Cleveland-Cliffs;

(ii) Cleveland-Cliffs shall 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, other than affiliates (within the meaning of the Securities Exchange Act of 1934) of any party to such merger or consolidation, as the same shall have existed immediately prior to such merger or consolidation;

(iii) Cleveland-Cliffs shall sell substantially all of its assets to another corporation which is not a wholly owned subsidiary;

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(iv) 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 acquire 30% or more of the outstanding voting securities of Cleveland-Cliffs (whether directly, indirectly, beneficially or of record), or

(v) during any period of two 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 two-thirds of the Directors of Cleveland-Cliffs then still in office who are Directors of Cleveland-Cliffs on the date at the beginning of any such period.

For purposes hereof, ownership of voting securities shall take into account and shall include ownership as determined by applying the provisions of Rule 13d-3(d)(1)(i) (as in effect on the date hereof) pursuant to the Securities Exchange Act of 1934.

(c) Any payments by the Trustee pursuant to this Agreement shall, to the extent thereof, discharge the obligation of Cleveland-Cliffs to pay benefits under 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 Plan.

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(d) 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 Director 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.

(e) The Company 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-Cliffs or any other person or entity on behalf of Cleveland-Cliffs except as herein expressly provided.

(f) 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 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"). The Trust established under this Trust Agreement No. 8 does not fund and is not intended to fund 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 as

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and when it so determines in its sole discretion for the meeting of part or all of its future obligations with respect to Benefits to some or all of the Trust Beneficiaries under the Plan.

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, the Trustee shall make payments of Benefits to each Director from the assets of the Trust in accordance with the terms 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 Director's separate account maintained pursuant to Section 7(b) hereof is not sufficient to provide for full payment of Benefits to which such Director is entitled as provided herein, Cleveland-Cliffs shall make the balance of each such payment as provided in the Plan. No payment from the Trust assets to a Director shall exceed the balance of such separate account.

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. The Board and the Chief Executive Officer ("CEO") of Cleveland-Cliffs shall have the duty to inform the Trustee if either the Board or the CEO believes that Cleveland-Cliffs is Insolvent. If the Trustee

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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 Director, (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 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 separate accounts of the Directors in proportion to the balances on the date of such court order of their respective accounts maintained pursuant to Section 7(b) hereof; and provided further, that for this purpose the Threshold Percentage shall be equal to 100%. If payments to any Director have discontinued pursuant to this Section 3(a), the Trustee shall resume payments to such Director only after receipt of an order of a court of competent jurisdiction. The Trustee shall have no duty to inquire as to whether 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 shall in any way diminish any rights of any Director to pursue his rights as a general creditor of Cleveland-Cliffs with respect to Benefits or otherwise, and the rights of each Director under the

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Plan shall in no way be affected or diminished by any provision of this Trust Agreement or action taken pursuant to this Trust Agreement except that any payment actually received by any Director hereunder shall reduce dollar-per-dollar amounts otherwise due to such Director pursuant to the Plan.

(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 certificates 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 Directors in accordance with this Trust Agreement during the period of such discontinuance, less the aggregate amount of payments made to any Director by Cleveland-Cliffs pursuant to the 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 Director's account as provided in Section 7(b) hereof.

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4. Payments to Cleveland-Cliffs: Except to the extent expressly contemplated by 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 Directors as herein provided. From time to time, if and when requested by Cleveland-Cliffs to do so and/or in order to comply with Section 7(b) hereof, the Trustee shall engage the services of Hewitt Associates 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 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(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 independent actuary shall make its calculations based upon the assumptions that (i) the Annual Retainer payable to each active Director shall increase by ten percent per year, and (ii) each Director shall retire from the Board at age 70. 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 Directors (subject to the provisions of

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Sections 11(b) hereof). For purposes of this Trust Agreement, (A) the "Fully Funded" amount with respect to the account of a Director maintained pursuant to Section 7(b) 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(b) hereof. Thereafter, upon the request of Cleveland-Cliffs, the Trustee shall pay to Cleveland-Cliffs 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%.

5. Investment of Principal: (a) The Trustee shall invest and reinvest the principal of the Trust including any income accumulated and added to principal, as directed by the Compensation Committee of the Board (which direction may 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 (including investment in common shares of Cleveland-Cliffs). The Trustee shall act at

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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 not be required to invest nominal amounts. 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. 8.

(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

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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 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

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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 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;

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

7. Accounting by Trustee: (a) The Trustee shall maintain books, records and accounts as may be necessary for the proper administration of Trust assets, including such specific records as shall be agreed upon in writing by Cleveland-Cliffs and the Trustee, and shall render to Cleveland-Cliffs within 60 days following the close of each calendar year following the date of this Trust until the termination of this Trust or the removal or resignation of the Trustee and within 60 days after

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the date of such termination, removal or resignation) 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 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. The Trustee shall at all times maintain separate bookkeeping accounts for each Director as prescribed by Section 7(b) hereof, and, upon the written request of a Director, shall provide to him an annual statement of his account. Upon the written request of Cleveland-Cliffs or, on or after the date of Change of Control, a Director, the Trustee shall deliver to such Director or Cleveland-Cliffs, as the case may be, a written report setting forth the amount held in the Trust and a record of the deposits made with respect thereto by Cleveland-Cliffs. Unless Cleveland-Cliffs 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, Cleveland-Cliffs 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 Cleveland-Cliffs and the Directors were parties.

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(b) 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 Trust Agreement No. 8. Except as provided in this Section 7(b), 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(a) and 1(e) hereof shall be allocated as directed by Cleveland-Cliffs. On or after such date deposits of principal shall be allocated as an Account Excess in accordance with this Section 7(b). 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 Cleveland-Cliffs 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 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.

(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. 8, given in writing by Cleveland-Cliffs, by the Compensation Committee or by a Director 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 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 that all such securities are part of the trust fund.

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(d) If the Trustee shall undertake or defend any litigation arising in connection with this Trust Agreement No. 8, 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 refraining 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. 8 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.

(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.

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

9. Amendments, Etc. to Plan; Cooperation of Cleveland-Cliffs:

(a) Cleveland-Cliffs has previously furnished the Trustee a complete and correct copy of the Plan, and Cleveland-Cliffs shall, and any Director 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 Directors or withholding of taxes as provided in Section 2. Upon the failure of Cleveland-Cliffs or any Director 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 Director; and (ii) notify Cleveland-Cliffs and the Director in writing of its computations. Thereafter this Trust Agreement No. 8 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 Director hereunder or under

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the Plan; and provided, further, that no such determinations shall be deemed to modify this Trust Agreement No. 8 or the Plan. Nothing in this Trust Agreement No. 8 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 Directors to Exhibit A (or the deletion of Directors from Exhibit A who have no Benefits currently due or payable in the future) to Exhibit A; 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 to 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 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.

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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 Directors. The Trustee may resign after providing not less than 90 days' notice to Cleveland-Cliffs and to the Directors. In case of removal or resignation, a new trustee, which shall be independent and not subject to control of either Cleveland-Cliffs or the Directors, shall be appointed as shall be agreed by Cleveland-Cliffs and a majority of the Directors. 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 Directors 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, a Director shall not participate if all payments of Benefits then currently due or payable in the future have been made to such Director.

12. Amendment or Termination: (a) This Trust Agreement No. 8 may be amended by Cleveland-Cliffs and the Trustee without the consent of any Director provided the amendment does not adversely affect any Director. This Trust Agreement No. 8 may also be amended at any time and to any extent by a written instrument executed by the Trustee,

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Cleveland-Cliffs and a majority of the Directors, except to alter Section 12(b), and except that amendments to Exhibit A contemplated by Section 9(b) 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 Director 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.

13. Special Distribution : (a) It is intended that (i) the creation of, and transfer of assets to, the Trust will not cause the Plan to be other than "unfunded" for purposes of title I of the Employee Retirement Income Security Act of 1974, as amended, or any successor provision thereto ("ERISA"); (ii) transfers of assets to the Trust will not be transfers of property for purposes of section 83 or the Code, or any successor provision thereto, nor will such transfers cause a currently taxable benefit to be realized by a Director 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 Director in the taxable year or years in which such amounts are actually distributed or made available to such Director by the Trustee.

(b) Notwithstanding anything to the contrary contained in this Trust Agreement No. 8, in the event it is determined by

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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 Director 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 Director 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 Director by the Trustee, then (A) the assets held in Trust shall be allocated in accordance with Section 7(b) hereof, and (B) subject to the last sentence of Section 2(b) hereof, the Trustee shall promptly make a distribution to each affected Director 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 Director for any of the reasons described in clause (i), (ii), (iii) or (iv) of this Section 13(b).

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14. Severability, Alienation, Etc.: (a) Any provision of this Trust Agreement No. 8 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 Directors under this Trust Agreement No. 8 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 Director by the Trustee shall be subject to any claim for repayment by Cleveland-Cliffs or Trustee.

(c) This Trust Agreement No. 8 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. 8 may be executed in two or more counterparts, each of which shall be considered an original agreement. This Trust Agreement No. 8 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: All notices, requests, consents and other communications hereunder shall be in writing and shall be deemed to have been duly given when received:

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If to the Trustee, to:

Ameritrust Company National Association  
900 Euclid Avenue  
Cleveland, Ohio 44115  
Attention: Trust Department  
Employee Benefit Administration

If to Cleveland-Cliffs, to:

Cleveland-Cliffs Inc  
1100 Superior Avenue  
Cleveland, OH 44114  
Attention: Secretary

If to the Directors, to the addresses listed on Exhibit A hereto;

provided, however, that if any party or any Director 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.

IN WITNESS WHEREOF, Cleveland-Cliffs and the Trustee have caused counterparts of this Trust Agreement No. 8 to be executed on their behalf on April 9, 1991, each of which shall be an original agreement.

CLEVELAND-CLIFFS INC

By: /s/ Richard F. Novak  
Its: V.P. of Human Resources

AMERITRUST COMPANY NATIONAL ASSOCIATION

By: /s/ J.R. Russell  
Its: Vice President

2224D

FIRST AMENDMENT TO TRUST AGREEMENT NO. 8

This First Amendment to Trust Agreement No. 8 is made on this 9th day of March, 1992, by and between Cleveland-Cliffs Inc, an Ohio corporation ("Cleveland-Cliffs") and Ameritrust Company National Association, a national banking association, as trustee (the "Trustee");

WITNESSETH:

WHEREAS, on April 9, 1991, Cleveland-Cliffs and the Trustee entered into a trust agreement ("Trust Agreement No. 8") for the purpose of providing benefits under the Cleveland-Cliffs Inc Retirement Plan for Non-Employee Directors (Effective June 1, 1984 and amended and restated effective January 1, 1988) to retired non-employee directors of Cleveland-Cliffs; and

WHEREAS, Cleveland-Cliffs has reserved the right, with the Trustee, pursuant to Section 12 of Trust Agreement No. 8, to amend Trust Agreement No. 8 without the consent of any Trust Beneficiaries, as defined in Trust Agreement No. 8.

NOW, THEREFORE, Cleveland-Cliffs and the Trustee hereby agree that Trust Agreement No. 8 shall be amended as follows:

1. The second sentence of Section 1(b) of Trust Agreement No. 8 is hereby amended to read as follows:

"The term "Change of Control" shall mean the occurrence of any of the following events:

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(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 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 Cleveland-Cliffs 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;

(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, including, without limitation, the year 1991, 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.”

IN WITNESS WHEREOF, Cleveland-Cliffs and the Trustee have caused counterparts of this First Amendment to Trust Agreement No. 8 to be executed on March 9, 1992.

CLEVELAND-CLIFFS INC

By: /s/ R.F. Novak  
Its: V.P. of Human Resources

AMERITRUST COMPANY NATIONAL ASSOCIATION

By: /s/ J.R. Russell  
Its: Vice President

3000F

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  
Title: Vice President - Human Resources

**KEY TRUST COMPANY OF OHIO, N.A. [ILLEGIBLE]**

By /s/ Kelley Clark  
Title: Vice President

And /s/ Meg H. Halloran  
Title: Trust Officer

[Trust for Nonemployee Directors' Supplemental  
Compensation Plan]

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TRUST AGREEMENT NO. 9

Between  
CLEVELAND-CLIFFS INC  
and  
KEY TRUST COMPANY OF OHIO, N.A.

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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:

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");

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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 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.

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1.6 Not later than the date of any Change of Control, the Company shall (a) specify the nature, amounts and timing of 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

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 in accordance with Exhibit C, and subject to Article IX.

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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 amounts otherwise due to such Trust Beneficiary pursuant to the Plan.

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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

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.

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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 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

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

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.

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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

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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

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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.

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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 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

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

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.

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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.

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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

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  
By: /s/ J.E. Lenhard  
Its: Secretary

CLEVELAND-CLIFFS INC  
By: /s/ R.F. Novak  
Its: Vice President

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Attested

By: /s/ Kathryn L. Kaesberg  
Its: Vice President

Key Trust Company of Ohio, N.A.

By: /s/ Kelley Clark  
Its: Vice President

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  
30195 Chagrin Boulevard  
Suite 210N  
Pepper Pike, OH 44124

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

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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:

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(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.

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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.

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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 in accordance herewith, except that notices of change of address shall be effective only upon receipt.

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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

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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]

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TRUST AGREEMENT NO. 10  
Between  
CLEVELAND-CLIFFS INC  
and  
KEY TRUST COMPANY OF OHIO, N.A.

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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

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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

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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 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.

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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;

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(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

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 pay over to the appropriate government authority the amounts withheld.

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III. THE TRUSTEE'S RESPONSIBILITY REGARDING PAYMENTS TO A TRUST BENEFICIARY WHEN THE COMPANY IS INSOLVENT

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

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

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

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

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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.

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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 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

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 even though such order, judgment or decree subsequently may be reversed, modified, annulled, set aside or vacated.

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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

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, expenses, taxes and other charges under this Agreement as of such date of termination, shall be returned to the Company.

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XII. GENERAL PROVISIONS

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 Agreement shall be valid and enforced to the maximum extent permitted by law.

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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.

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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

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

By: /s/ J.E. Lenhard  
Its: Secretary

Attested

By: /s/ Kathryn L. Kaesberg  
Its: Vice President

CLEVELAND-CLIFFS INC

By: /s/ R.F. Novak  
Its: Vice President

Key Trust Company of Ohio, N.A.

By: /s/ Kelley Clark  
Its: Vice President

CLEVELAND-CLIFFS INC  
NONEMPLOYEE DIRECTORS' COMPENSATION PLAN PARTICIPANTS

Ronald C. Cambre  
Newmont Mining Corporation  
1700 Lincoln Street, Suite 2800  
Denver, CO 80203

Robert S. Colman  
Colman Partners, LLC  
One Maritime Plaza, Suite 2535  
San Francisco, CA 94111

James D. Ireland III  
Citizens Building  
850 Euclid Avenue, Suite 650  
Cleveland, OH 44115

G. Frank Joklik  
Eagle Gate Tower, Suite 2100  
60 East South Temple  
Salt Lake City, UT 84111

E. Bradley Jones  
30195 Chagrin Boulevard  
Suite 104W  
Pepper Pike, OH 44124

Leslie L. Kanuk  
40 Central Park South, #9A  
New York, NY 10019

Francis R. McAllister  
ASARCO Incorporated  
1150 North 7th Avenue  
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30195 Chagrin Boulevard  
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Stephen B. Oresman  
Saltash Ltd.  
49 Sunswyck Road  
Darien, CT 06820

Alan Schwartz  
Yale Law School  
127 Wall Street  
New Haven, CT 06520

Jeptha H. Wade  
Choate, Hall & Stewart  
53 State Street, 34th Floor  
Boston, MA 02109

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

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 thereby 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:

(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.

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 RETAINER 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 Director's 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.

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 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.

*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.

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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.

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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 provisions thereof. The use of the singular shall also include within its meaning the plural, and vice versa.



*Cleveland-Cliffs Inc*

**JOHN S. BRINZO**  
**CHAIRMAN**  
**AND**  
**CHIEF EXECUTIVE OFFICER**

**Direct: (216) 694-5400**  
**Fax: (216) 241-6842**  
 jsbrinzo@cleveland-cliffs.com

April 18, 2005

CONFIDENTIAL

Mr. Joe Carrabba  
 5018 49<sup>th</sup> Street  
 Yellow Knife, Northwest Territories, X1A3R6 Canada

Dear Joe:

This letter confirms my verbal offer to you for the position of President and Chief Operating Officer with Cleveland-Cliffs Inc. In this role, you will report directly to me.

The following are the details of this offer:

**BASE SALARY**

Your starting salary will be \$450,000 per year, payable semi-monthly. Individual performance and salaries of elected officers are periodically reviewed by the Compensation and Organization Committee of the Board of Directors based on recommendations of the Chief Executive Officer.

**MANAGEMENT PERFORMANCE INCENTIVE PLAN**

Effective with your starting date, you will participate in the Management Performance Incentive Plan, which provides an annual target cash bonus of \$225,000 (50 percent of your salary). The actual bonus awards can be 0 to 200 percent of target based upon Board Compensation Committee judgment of individual, unit and corporate performance as recommended by the CEO. Your 2005 award will not be prorated (based on confirmation that you will not receive a year 2005 bonus from your current employer) and will be at least 100% of your target bonus.

**LONG-TERM EQUITY INCENTIVE PLAN**

You will participate in the Long Term Equity Incentive Plan and be eligible to receive annual Performance Share awards (including Retention Units) based on the Plan formula. Normally, the grant size will be determined based upon a market review and analysis and your then current job position. While you remain in the position of President and Chief Operating Officer, the grant size will normally, subject to market reviews and analysis, be approximately 100% of your then base salary. However, for 2005, your 2005 equity incentive award will be a combination of Performance Shares and restricted stock.

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For 2005 your performance share award will be 3,800 Performance Shares of Cleveland-Cliffs Inc stock. The Performance Shares vest into actual shares on a three-year moving cycle based on achieving corporate objectives of return on investment and stock price performance against a peer group. Fifteen percent of your award, or 570 shares, represents "retention units" and will vest after three years based on your continuing employment to that date. The 2005 award, to the extent earned, would be converted to an actual number of shares in early 2008 based on total 2005-2007 corporate performance and your continued employment to that date. The shares earned and issued can range from 0 to 175 percent of the Performance Share award. Your participation in the Performance Share award will be computed as though you had been an employee of the Company beginning on January 1, 2005 and shall not be prorated because of your being hired during 2005.

In addition, for 2005, you will receive an award of restricted stock under the Long Term Equity Incentive Plan of 3,800 Shares of restricted stock as of your first day of employment with Cliffs (your "Date of Employment"). One third of such shares of restricted stock will vest and the restrictions will lapse on each of the first three anniversaries of your Date of Employment. The restricted stock shall also vest and the restrictions shall lapse if your employment is involuntarily terminated by the Company or your employment responsibilities and duties are substantially diminished within three years after a corporate change-of-control. You understand that the Company will withhold any and all withholding taxes applicable to the restricted stock from your other compensation payments at the times and in the amounts specified by law and regulations.

**SIGNING BONUS**

You will receive a \$250,000 signing bonus payable as soon as practical after your Date of Employment with Cliffs.

**RELOCATION ALLOWANCE**

You will be reimbursed for reasonable expenses for transfer of household personal property, relocation travel for you and your spouse, and residence-finding visits by you and your spouse to the Cleveland area. Reimbursement will be made for temporary Cleveland housing rental expense until you establish a permanent residence in the Cleveland area, subject to a time limit which we can work out.

In addition, the Company will reimburse your realtor's fees (up to a maximum of 6%) and the normal closing costs you incur with the sale of your home in Yellow Knife and the purchase of a home in the Cleveland, Ohio area. You will also be eligible for interim living expenses and will be reimbursed for your reasonable travel expenses to Yellow Knife as frequently as every other weekend, as you may elect for a reasonable period to be determined.

**SEVERANCE PROTECTION**

Separately, the Company will enter into a change-of-control severance agreement with you. This agreement will provide, among other things, three years' compensation (base salary plus target bonus) in the event your position is eliminated or substantially diminished following a corporate change-of-control.

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## **EMPLOYEE BENEFIT PLANS**

Subject to the eligibility rules of the various plans, you will be entitled to participate in the pension, 401(k), life insurance, hospitalization and medical plans or insurance coverage, disability, other employee benefit plans, programs and arrangements, and executive perquisites that are generally made available by the Company to employees in your position from time to time including certain non-qualified deferred compensation and supplemental retirement plans. Attached is a brief summary of these benefits. Of course, the terms of the benefit plans themselves will be determinative of the plan's features subject to the following:

### Supplemental Employee Retirement Plan

In addition to your normal accruals under the Supplemental Employee Retirement Plan, you will be given an initial credit to your cash balance account of \$1,000,000 as of your Date of Employment. Such credit, along with all other credits that you subsequently earn, will vest and be payable in accordance with the terms of the Supplemental Employee Retirement Plan.

### Vacation Benefits

You will be eligible for four (4) weeks of vacation during 2005 and during each calendar year thereafter.

### Retiree Medical Coverage

Subsidized retiree medical coverage is not a part of the Company's retirement benefit program for employees hired or rehired after January 1, 1993.

### Periodic Review of Benefit Plans

The Company periodically reviews all employee benefit plans and programs to ensure that employees are offered competitive and affordable benefits. Accordingly, from time to time, changes may be made to meet the future needs of employees, or to conform with industry trends and practices or Company conditions. The Company reserves the right to amend or terminate any such employee benefit plan, program or perquisite at any time and for any reason without the consent of any employee or participant.

## **TERMS OF EMPLOYMENT**

This offer is contingent upon your successful completion of a Company pre-employment physical and drug/alcohol screen, which will be administered and evaluated consistent with the Americans with Disabilities Act of 1990.

By accepting this offer as President and COO, you agree to act honestly, in good faith, and in the Company's best interests, and to exercise the degree of skill and diligence that a person having your expertise and knowledge of the Company's affairs would reasonably be expected to exercise in comparable circumstances. Further, you agree to devote yourself exclusively and full-time to the Company's business and not to be employed or engaged in other businesses without the Company's prior written approval. You agree to observe and abide by all the Company's policies, rules and procedures, as may be in effect from time to time, including the Company's Code of Business Conduct and Ethics policy. A copy of that policy is enclosed.

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In accordance with corporate policy, this letter and your response are not meant to constitute a contract of employment for any specific period of time and you will remain, at all times, an employee at-will, which means that you will not be obligated to remain employed by the Company for any specific period of time. Likewise, the Company is not obligated to employ you for any specific period of time. Absolutely no one except the Board of Directors of the Company may change the at-will nature of our relationship, and then only in writing. Any reliance on any representations, oral or otherwise, contrary to "employment-at-will" is unreasonable.

Joe, I look forward to you joining the Cliffs' team and working with you. We believe that you will find the challenges to be significant, the rewards to be competitive, and the satisfaction to be substantial in working for a highly professional organization with a proud history in a vital industry.

Please confirm in writing your acceptance of this offer and return the signed copy of the enclosed Employee Invention and Secrecy Agreement with your confirmation.

If you have any questions regarding the terms of the offer or the responsibility of the position, please do not hesitate to contact me or Randy Kummer.

Very truly yours,

/s/ John S. Brinzo  
John S. Brinzo

Acceptance of Offer :

I have read and understand and accept all the terms of the offer of employment as set forth in the foregoing letter. I have not relied on any agreements or representations, express or implied, that are not set forth expressly in the foregoing letter.

/s/ Joe Carrabba

Joe Carrabba

April 29, 2005

Date

JSB/drm

Enclosure

cc: Randy L. Kummer  
Personnel File



*Cleveland-Cliffs Inc*

November 14, 2006

RANDY L. KUMMER  
SENIOR VICE PRESIDENT—HUMAN RESOURCES

Direct: (216)694-5940  
Fax: (216) 694-5381  
rkummer@cleveland-cliffs.com

**CONFIDENTIAL**

Ms. Laurie Brlas  
10715 Pine Valley Circle  
Concord, OH 44077

Dear Ms. Brlas:

This letter revises our original offer to you for the position of Senior Vice President-Chief Financial Officer and Treasurer with Cleveland-Cliffs Inc dated November 8, 2006.

The following are the details of the revised offer:

**BASE SALARY**

Your starting salary will be \$365,000 per year, payable semi-monthly. Individual performance and the salaries of elected officers are periodically reviewed by the Compensation and Organization Committee of the Board of Directors based on the recommendations of the Chief Executive Officer.

**MANAGEMENT PERFORMANCE INCENTIVE PLAN**

Effective with your starting date, you will participate in the Management Performance Incentive Plan, which provides an annual target cash bonus of 60 percent of your base salary. The actual bonus awards can be 0 to 200 percent of target based upon Board Compensation Committee judgment of individual, unit and corporate performance as recommended by the CEO. Your 2006 award will not be prorated is guaranteed to be no less than the 100 percent target.

**LONG-TERM EQUITY INCENTIVE PLAN**

You will participate in the Long Term Equity Incentive Plan and be eligible to receive annual Performance Share awards (including Retention Units) based on the Plan formula. Normally, the grant size will be determined based upon a market review and analysis of your current position.

For 2006 your performance share award will be 8,000 Performance shares / Retention Units. This includes 6,800 Performance Shares of Cleveland-Cliffs Inc stock. The

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Performance Shares vest into actual shares on a three-year moving cycle based on achieving corporate objectives of return on investment and stock price performance against a peer group. Fifteen percent of your award, or 1,200 shares, represent "retention units" and will vest after three years based on your continuing employment to that date. Your Performance Share award will be computed as though you had been an employee of the Company beginning on January 1, 2006 and shall not be prorated because of your being hired during 2006.

**SIGNING BONUS**

You will receive a \$115,000 signing bonus payable within thirty days of your Date of Employment with Cleveland-Cliffs Inc. This signing bonus is to recognize the intrinsic value of your unvested prior equity grants from your current employer.

**SEVERANCE PROTECTION**

The Company will enter into a change-of-control severance agreement with you. This agreement will provide, among other things, compensation in the event your position is eliminated or substantially diminished following a corporate change-of-control.

**EMPLOYEE BENEFIT PLANS**

Subject to the eligibility rules of the various plans, you will be entitled to participate in the pension, 401(k), life insurance, medical and dental insurance coverage, disability, other employee benefit programs and arrangements, including any executive perquisites that are generally made available by the Company to employees in your position. Below is a brief summary of these benefits.

**Vacation Benefits**

You will be eligible for four (4) weeks of vacation during 2007 and during each calendar year thereafter.

**Financial Counseling**

At present, your position will qualify you for financial and tax counseling service, typically provided for Cleveland-Cliffs executives through AYCO. If you prefer to use another financial services company, the Company will reimburse up to \$10,000 annually for service fees.

**Parking**

At present, your position will qualify you for a company paid parking space in the Diamond Building garage, 1100 Superior Avenue.

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Retiree Medical Coverage

Subsidized retiree medical coverage is not a part of the Company's retirement benefit program for employees hired or rehired after January 1, 1993.

Periodic Review of Benefit Plans

The Company periodically reviews all employee benefit plans and programs to ensure that employees are offered competitive and affordable benefits. The Company reserves the right to amend or terminate any such employee benefit plan, program or perquisite at any time and for any reason without the consent of any employee or participant.

**TERMS OF EMPLOYMENT**

This offer is contingent upon your successful completion of a Company pre-employment physical and drug/alcohol screen, which will be administered and evaluated consistent with the Americans with Disabilities Act of 1990.

By accepting this offer as Sr. Vice President, Chief Financial Officer and Treasurer, you agree to act honestly, in good faith, in the Company's best interests, and to exercise the degree of skill and diligence that a person having your expertise and knowledge of the Company's affairs would reasonably be expected to exercise in comparable circumstances. Further, you agree to devote yourself exclusively and full-time to the Company's business and not to be employed or engaged in other businesses without the Company's prior written approval. You agree to observe and abide by all the Company's policies, rules and procedures, including the Company's Code of Business Conduct and Ethics policy. A copy of that policy is enclosed.

In accordance with corporate policy, this letter and your response are not meant to constitute a contract of employment for any specific period of time and you will remain, at all times, an employee at-will. Absolutely no one except the Board of Directors of the Company may change the at-will nature of our relationship, and then only in writing. Any reliance on any representations, oral or otherwise, contrary to "employment-at-will" is unreasonable.

We look forward to you joining the Cliffs' team and working with you. We believe that you will find the challenges to be significant, the rewards to be competitive, and the satisfaction to be substantial in working for a highly professional organization with a proud history in a vital industry.

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Please confirm in writing your acceptance of this offer and return the signed copy of the enclosed Employee Invention and Secrecy Agreement with your confirmation.

If you have any questions regarding the terms of the offer or the responsibility of the position, please do not hesitate to contact me.

Very truly yours,

/s/ Randy L. Kummer  
Randy L. Kummer

Acceptance of Offer:

I have read and accept all of the terms of the offer of employment as set forth in the foregoing letter. I have not relied on any agreements or representations, expressed or implied, that are not set forth expressly in the foregoing letter.

/s/ Laurie Brlas  
Laurie Brlas

Nov. 22, 2006  
Date

JAC/dmr

Enclosure

cc: Joseph A. Carrabba  
Personnel File

May 26<sup>th</sup>, 2011

Employment Contract

Cliffs Asia Pacific Iron Ore Management  
Pty Ltd

ACN 001 720 903

and

Duncan Price

Blake Dawson

Level 32, Exchange Plaza  
2 The Esplanade  
Perth WA 6000  
Australia  
T 61 8 9366 8000  
F 61 893668111

Reference

AOD CAV 09 1433 9751

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**Employment Contract**

**DATE** \_\_May 2011

**PARTIES**

**Cliffs Asia Pacific Iron Ore Management Pty Ltd**  
ACN 001 720 903 (**Employer**)

**Duncan Price**  
1 Shacklock Crescent, Winthrop, Western Australia 6150 (**Executive**)

**OPERATIVE PROVISIONS**

**1 INTERPRETATION**

**1.1 Definitions**

The following definitions apply in this document.

**Board** means the board of directors of the Employer.

**Cause** means that, prior to any termination pursuant to clause 16.3(a) or (b), the Executive shall have committed:

- (a) and been convicted of a criminal violation involving fraud, embezzlement or theft in connection with his duties or in the course of his employment with the Employer or the Group;
- (b) intentional wrongful damage to property of the Group;
- (c) intentional wrongful disclosure of secret processes or confidential information of the Group; or
- (d) intentional wrongful engagement in any Competitive Activity;

and any such act shall have been demonstrably and materially harmful to the Group. For purposes of this Agreement, no act or failure to act on the part of the Executive shall be deemed "intentional" if it was due primarily to an error in judgment or negligence, but shall be deemed "intentional" only if done or omitted to be done by the Executive not in good faith and without reasonable belief that the Executive's action or omission was in the best interest of the Group, as applicable. Notwithstanding the foregoing, the Executive shall not be deemed to have been terminated for "Cause" hereunder unless and until there shall have been delivered to the Executive a copy of a resolution duly adopted by the affirmative vote of not less than three quarters of the Board of Directors of Cliffs then in office at a meeting of the Cliffs' Board called and held for such purpose, after reasonable notice to the Executive and an opportunity for the Executive, together with the Executive's counsel (if the Executive chooses to have counsel present at such meeting), to be heard before the Cliffs' Board, finding that, in the good faith opinion of the Cliffs' Board, the Executive had committed an act constituting "Cause" as herein defined and specifying the particulars thereof in detail. Nothing herein will limit the right of the Executive or his beneficiaries to contest the validity or propriety of any such determination.

**Chairperson** means the chairperson of the Board.

**Change in Control** has the meaning given by clause 16.

**CIC Term** means the period commencing as of the date hereof and expiring as of the later of (i) the close of business on December 31, 2011, or (ii) the expiration of the Protection Period; provided, however, that (A) on January 1, 2012, January 1, 2015 and each third January 1 thereafter, the term of the Change in Control provision of this document will automatically be extended for an additional three years unless, not later than September 30 of the immediately preceding year, the Employer or the Executive shall have given notice that it or the Executive, as the case may be, does not wish to have the CIC Term extended and (B) subject to the last sentence of clause 16.6, if, prior to a Change in Control, the Executive ceases for any reason to be an officer of the Group, thereupon without further action the CIC Term shall be deemed to have expired and the Change in Control provision of this document will immediately terminate upon such cessation and be of no further effect.

**Cliffs** means Cliffs Natural Resources Inc., the publicly traded Ohio corporation, which is also the ultimate parent company of the Group.

**Closing Time** means 5.00 pm Australian Western Standard Time.

**Code** shall mean the United States Internal Revenue Code of 1986 and regulations thereunder, both as amended from time to time.

**Compensation and Organization Committee** means the Compensation and Organization Committee of the Board of Directors of Cliffs.

**Competitive Activity** means the Executive's participation, without the written consent of an officer of Cliffs, in the management of any business enterprise if such enterprise engages in substantial and direct competition with Cliffs and such enterprise's sales of any product or service competitive with any product or service of Cliffs amounted to 10% of such enterprise's net sales for its most recently completed fiscal year and if Cliffs' net sales of said product or service amounted to 10% of Cliffs' net sales for its most recently completed fiscal year. "Competitive Activity" will not include (i) the mere ownership of securities in any such enterprise and the exercise of rights appurtenant thereto or (ii) participation in the management of any such enterprise other than in connection with the competitive operations of such enterprise.

**Confidential Information** means all information (whether or not it is described as confidential) in any form or medium concerning any past, present or future business, operations or affairs of the Group, or of any customer of the Group including, without limitation:

- (a) all technical or non-technical data, formulae, patterns, programs, devices, methods, techniques, plans, drawings, models and processes, source and object code, software and computer records;
- (b) all business and marketing plans and projections, details of agreements and arrangements with third parties, and customer and supplier information and lists;
- (c) all financial information, pricing schedules and structures, product margins, remuneration details and investment outlays;
- (d) all information concerning any employee, customer, contractor or agent of the Group;
- (e) the Group's policies and procedures;
- (f) all information contained in this document; and
- (g) any other information identified or known to be regarded as confidential by the Employer or any member of the Group, but excludes information that has come into the public domain other than by a breach of this document.

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**Continuation Period** means the three year period commencing on the Executive's Separation from Service.

**Corporations Act** means the Corporations Act 2001, (Cth).

**Employee Benefits** means the perquisites, benefits and service credit for benefits as provided under any and all employee retirement income, incentive compensation and/or welfare benefit policies, plans, programs or arrangements in which Executive is entitled to participate, including without limitation any stock option, performance share, performance unit, stock purchase, stock appreciation, savings, pension, supplemental executive retirement, or other retirement income or welfare benefit, deferred compensation, incentive compensation, group or other life, health, medical/hospital or other insurance (whether funded by actual insurance or self-insured by the Employer, Cliffs or the Group), disability, salary continuation, expense reimbursement and other employee benefit policies, plans, programs or arrangements that may now exist or any equivalent successor policies, plans, programs or arrangements that may be adopted hereafter by Cliffs, the Employer or the Group, providing perquisites, benefits and service credit for benefits at least as great in value in the aggregate as are payable thereunder prior to a Change in Control.

**Existing Materials** means works, ideas, concepts, designs, inventions, developments, improvements, systems or other material or information, created, made or discovered by the Executive prior to the Executive's employment, that the Executive wishes to use in the course of the Executive's employment.

**Good Reason** means the initial occurrence, without the Executive's consent, of one or more of the following events:

- (a) a material diminution in his base pay;
- (b) a material diminution in his authority, duties or responsibilities;
- (c) a material change in the geographic location at which he must perform services, except as otherwise provided for in this document;
- (d) a reduction in his Incentive Pay opportunity which results in a material diminution of the Executive's potential total compensation; and
- (e) any other action or inaction that constitutes a material breach by his employer of the employment agreement, if any, under which he provides services;

provided, however, that "Good Reason" shall not be deemed to exist unless:

- (i) the Executive has provided notice to his employer of the existence of one or more of the conditions listed in (a) through (e) above within 90 days after the initial occurrence of such condition or conditions; and
- (ii) such condition or conditions have not been cured by his employer within 30 days after receipt of such notice.

**Group** means:

- (a) the Employer; and
- (b) any related body corporate (as that term is defined in the *Corporations Act 2001* (Cth)); and

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- (c) any entity that controls, is controlled by or is under common control with, the Employer; and
  - (d) any other entity that is connected with the Employer or any other member of the Group by a common interest in an economic enterprise, for example, a partner or another member of a joint venture.

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

**Intellectual Property Rights** means all present and future rights conferred by law in or in relation to copyright, trade marks, designs, patents, circuit layouts, plant varieties, business and domain names, inventions and confidential information, and other results of intellectual activity in the industrial, commercial, scientific, literary or artistic fields whether or not registrable, registered or patentable.

These rights include:

- (a) all rights in all applications to register these rights;
- (b) all renewals and extensions of these rights; and
- (c) all rights in the nature of these rights, such as Moral Rights.

**Materials** means works, ideas, concepts, designs, inventions, developments, improvements, systems or other material or information, created, made or discovered by the Executive (either alone or with others and whether before or after the date of this document) in the course of the Executive's employment or as a result of using the resources of the Employer or the Group or the Employer's or Group's Confidential Information or Intellectual Property Rights, or in any way relating to any business of the Employer or the Group.

**Minimum Superannuation Contribution** means the amount that the Employer must contribute to a Superannuation Arrangement on behalf of the Executive to avoid being liable for a superannuation guarantee charge under the Superannuation Guarantee Legislation.

**Moral Rights** means rights of integrity of authorship, rights of attribution of authorship, rights not to have authorship falsely attributed, and rights of a similar nature conferred by statute anywhere in the world, that may now exist, or that may come to exist, in all Materials made or to be made by the Executive in the course of the Executive's employment.

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

**Remuneration** means the amount specified in clause 6.1.

**Separation from Service** means the Executive's separation from service within the meaning of Section 409A of the Code with Cliffs and all members of the Group, for any reason, including without limitation, quit, discharge, or retirement, or a leave of absence (including military leave, sick leave, or other bona fide leave of absence such as temporary employment by the government if the period of such leave exceeds the greater of six months or the period for which the Executive's right to reemployment is provided either by statute or by contract). "Separation from Service" also means the permanent decrease in

the Executive's service for the Employer and all Group members to a level that is no more than 20% of its prior level. For this purpose, whether a Separation from Service has occurred is determined based on whether it is reasonably anticipated that no further services as an employee will be performed by the Executive after a certain date or that the level of bona fide services the Executive will perform after such date (whether as an employee or as an independent contractor) would permanently decrease to no more than 20% of the average level of bona fide services performed (whether as an employee or an independent contractor) over the immediately preceding 36-month period (or the full period of services if the Executive has been providing services less than 36 months).

**Severance Compensation** means the severance pay and other benefits provided by clauses 16.4(a) and 16.4(b).

**Superannuation Arrangement** means a superannuation fund or RSA (Retirement Savings Account) (as those expressions are defined in the Superannuation Guarantee Legislation) in respect of which contributions made by the Employer reduce the Employer's potential liability for the superannuation guarantee charge under the Superannuation Guarantee Legislation.

**Superannuation Guarantee Legislation** means the *Superannuation Guarantee Charge Act 1992* (Cth) and the *Superannuation Guarantee (Administration) Act 1992* (Cth).

## 1.2 Rules for interpreting this document

Headings are for convenience only, and do not affect interpretation. The following rules also apply in interpreting this document, except where the context makes it clear that a rule is not intended to apply.

- (a) A reference to:
  - (i) a legislative provision or legislation (including subordinate legislation) is to that provision or legislation as amended, re-enacted or replaced, and includes any subordinate legislation issued under it;
  - (ii) a policy, document (including this document) or agreement, or a provision of a policy, document (including this document) or agreement, is to that policy, document, agreement or provision as amended, supplemented, replaced or novated;
  - (iii) a party to this document or to any other document or agreement includes a successor in title, permitted substitute or a permitted assign of that party;
  - (iv) a person includes any type of entity or body of persons, whether or not it is incorporated or has a separate legal identity, and any executor, administrator or successor in law of the person; and
  - (v) anything (including a right, obligation or concept) includes each part of it.
- (b) A singular word includes the plural, and vice versa.
- (c) A word which suggests one gender includes the other genders.
- (d) If a word or phrase is defined, any other grammatical form of that word or phrase has a corresponding meaning.
- (e) If an example is given of anything (including a right, obligation or concept), such as saying it includes something else, the example does not limit the scope of that thing.

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- (f) The word **agreement** includes an undertaking or other binding arrangement or understanding, whether or not in writing.
  - (g) The expression this document includes the agreement, arrangement, understanding or transaction recorded in this document.
  - (h) A reference to **dollars** or **\$** is to an amount in Australian currency.
  - (i) A reference to **Group** includes any member of the Group
  - (j) The words **subsidiary**, **holding company** and **related body corporate** have the same meanings as in the Corporations Act.

## 2. ENGAGEMENT

### 2.1 Appointment

- (a) The Employer employs the Executive on the terms set out in this document. These terms replace and supersede all prior arrangements between the Employer and the Executive or between Cliffs Natural Resources Holdings Pty Ltd, or any other entity within the Group, and the Executive.
- (b) At some point in the future, should the Executive relocate to the United States, the Executive may be offered ongoing employment by Cliffs subject to the parties agreeing on terms and conditions of employment.

### 2.2 Role

The Executive is employed by the Employer, and the Employer will provide the services of the Employee for the benefit of the Group. The Employee will have the title of Executive Vice President and President, Global Operations of the **Group**, which includes the Employer, and performs the function of Executive Vice President and President, Global Operations for the executive leadership team of Cliffs.

### 2.3 Employment

The Executive's employment in the role described in clause 2.2:

- (a) commenced on **11 January 2011**, but for all purposes where service is relevant will be taken to have commenced on **11 April 2007** (see clause 2.5 below); and
- (b) will continue until the employment is terminated.

### 2.4 Employment status

The Executive is employed on a full-time basis.

### 2.5 Recognition of prior service and release

The Employer recognises **11 April 2007** as the commencement date of the Executive's employment with the Employer for unpaid leave accrual and all service related purposes. The Executive also releases Cliffs Natural Resources Holdings Pty Ltd from all claims in relation to, any benefit or entitlement relating directly or indirectly to his employment with Cliffs Natural Resources Holdings Pty Ltd or the termination of that employment.

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**2.6 Location**

- (a) The Executive will be based in Perth, Western Australia.
- (b) The Executive will relocate to Cleveland, Ohio, United States, or some other mutually agreeable location, at a future date to be determined by the parties.
- (c) The Employer may require the Executive to travel to other locations (including interstate and overseas) to perform work from time to time. The Executive will do so as required.

**3. DUTIES AND RESPONSIBILITIES**

**3.1 Performance of duties**

The Executive must diligently perform the duties and responsibilities as set out in Schedule 1. The Employer may vary the Executive's duties and responsibilities at any time.

**3.2 Devoting whole time to business**

The Executive must devote the Executive's whole working time, attention and ability to the business of the Group.

**3.3 Work for another Group member**

The Employer may require the Executive to perform work for any other member of the Group. The Executive must do so if required.

**3.4 No obligation to provide work**

The Employer is not obliged to provide the Executive with work during any period of the Executive's employment.

**3.5 Reporting**

The Executive will report directly to the Chairman, President and Chief Executive Officer of Cliffs, the Chairperson and also to the Board of Cliffs, or any other person as nominated by the Employer or the Board of Cliffs from time to time.

**3.6 Provision of information and compliance with directions**

The Executive must:

- (a) comply with all lawful orders and instructions given by the Employer or the Board of Cliffs; and
- (b) provide full and prompt information to the Chairman, President and Chief Executive Officer of Cliffs, the Chairperson, the Board and the Board of Cliffs regarding the conduct of the business of the Group including any material issue within the Executive's knowledge affecting the Group.

**3.7 Policies and procedures**

The Executive must comply with all Cliffs' policies and any other Employer-specific policies as in place from time to time. The Executive acknowledges that he has access to Cliffs' policies and any Employer-specific policies to review. The Executive acknowledges receipt of the currently applicable Cliffs' Code of Business Conduct and Ethics (the **Code of Conduct**) and must comply with the Code of Conduct as in place from time to time. Such policies and the Code of Conduct operate independently of this document and are not incorporated into this document.

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**3.8 No conflict of interest or interest in other business**

Except with the prior written consent of the Chairman, President and Chief Executive Officer of Cliffs, the Chairperson, the Board or the Board of Cliffs, the Executive must not:

- (a) have any direct or indirect financial interest in any entity or body, or otherwise engage in any conduct, that would be in conflict with the duties or responsibilities of the Executive, or otherwise conflict or compete with the interests of the Employer or the Group, (except to the extent that it is permitted Competitive Activity, as that term is described in clause 1.1);
- (b) hold any directorship or other office or accept any appointment to any other entity or body;
- (c) undertake any other trade, business or profession;
- (d) become an employee, agent or contractor of another person; or
- (e) accept any payment or other benefit as an inducement or reward for any act or omission in connection with the business and affairs of the Employer, the Group or the Executive's employment.

**4. HOURS OF WORK**

- (a) The Executive is required to work a standard of 40 hours per week (including some additional hours) plus work such further hours as are reasonably necessary to fulfil the requirements of the Executive's position, or as required by the Employer or the Board of Cliffs (including work after business hours and on weekends and public holidays).
- (b) The Executive's remuneration includes compensation for all hours the Executive is required to work.

**5. PERFORMANCE REVIEWS**

The Executive must participate fully in performance reviews as required by the Employer or its delegate.

**6. REMUNERATION**

**6.1 Remuneration**

The Executive's Remuneration comprises:

- (a) A gross base salary of \$532,000 per annum payable in equal monthly instalments; and
- (b) A superannuation contribution of 15% of the Executive's base salary, which includes the Minimum Superannuation Contribution.

**6.2 Payment of Salary**

The Employer will pay the Executive's base salary directly into a financial institution account nominated by the Executive, and acceptable to the Employer.

**6.3 Taxes**

The Employer may deduct or withhold from the Executive's Remuneration, an amount equal to any fringe benefits tax or other tax payable by the Employer (other than payroll tax) on any component of the Executive's Remuneration.

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**7. OTHER BENEFITS**

**7.1 Travel**

The Employer will pay for the Executive's reasonable business related travel and accommodation expenses in accordance with Group policy.

**7.2 Travel Insurance**

The Employer will cause to be maintained for the Executive corporate travel insurance for any periods where the Executive is required to travel overnight more than 50 kilometres from the Executive's usual place of work, in the performance of the Executive's duties.

**7.3 Car Parking**

The Employer will provide an undercover car parking bay for the Executive's sole use or provide reasonable recompense in lieu thereof.

**7.4 Other expenses**

The Employer will reimburse the Executive for entertainment and other out of pocket expenses, including the Executive's home phone bill, which are properly incurred in the performance of the Executive's duties, and for which prior approval has been obtained. However the Executive must first provide proper records such as invoices and receipts in accordance with Employer or Group policy.

**7.5 Insurance**

For the time being, the Employer will ensure that Executive accident insurance is maintained in accordance with Employer or Group policy. The accident insurance policy should provide cover for the Executive relating to accidents occurring while the Executive is travelling between the Executive's place of work and home. The provision of this accident insurance is at the sole discretion of the Employer and may be altered or revoked at any time. The Executive will be notified of any alteration or revocation of accident insurance.

**7.6 Taxes or duty**

If any tax (other than taxes on the income of the Executive) or duty is payable by the Executive relating to a benefit or payment that is reimbursable under clause 7, the Employer will pay (in addition to the amount reimbursed under clause 7) an amount sufficient to ensure that after the Executive pays the tax or duty the Executive is not "out of pocket".

**8. INCENTIVE ARRANGEMENTS**

**8.1 Incentive plans**

- (a) The Executive is eligible to participate in Cliffs' Short Term Incentive Program (the **STIP**) and Cliffs' Long-Term Incentive Program (the **LTIP**) as set out in:
  - (i) an individual annual participant notification and participant agreement, respectively, between Cliffs and the Executive; together with
  - (ii) the plan documents of the STIP and the LTIP in place from time to time as determined by Cliffs. (The STIP and the LTIP operate independently of this document and are not incorporated into this document);both subject to any other documented participation requirements, as Cliffs may deem appropriate.

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- (b) Any accrued STIP and LTIP payments will not be paid to the Executive until after the financial results of Cliffs have been audited and finalised for the applicable financial year.
  - (c) Where there is any inconsistency between this document and the plan documents of the STIP or the LTIP (as the case may be) in place from time to time, the plan documents of the STIP or the LTIP apply to the extent of the inconsistency.
  - (d) Unless otherwise required by legislation, incentives do not form part of the Executive's Remuneration for the purpose of calculating payment in lieu of notice or any other entitlement.

#### **8.2 Short Term Incentive Program (STIP)**

- (a) The STIP will be determined for the Executive in accordance with the Cliffs Executive Management Performance Incentive Plan (the **EMPI Plan**) from time to time. The actual amount of any payment to the Executive under the EMPI Plan will be subject to, and dependent upon Cliffs' financial performance relative to metrics approved by the Compensation and Organization Committee and in accordance with the terms and provisions of the EMPI Plan. The Executive will not receive any accrued STIP payment until after the financial results of Cliffs have been audited and finalised for the applicable financial year. Any STIP will be paid solely at the discretion of the Compensation and Organization Committee.
- (b) In addition, a superannuation contribution of 15% will be made calculated on the cash payment made to the Executive under the STIP in the relevant year.

#### **8.3 Long Term Incentive Program (LTIP)**

- (a) The parameters of the LTIP will be set by and based on determined performance/target objectives over a defined period of time. This program is offered at the discretion of Cliffs and is presented to the Compensation and Organization Committee on an annual basis. Actual payment is subject to, and dependent upon performance against performance/target objectives set under the LTIP and the Executive remaining in employment with the Group at the date the LTIP payment falls due. The Compensation and Organization Committee has been appointed to administer the LTIP in accordance with the Amended and Restated Cliffs 2007 Incentive Equity Plan and an annual participant agreement. Any payment will otherwise be made in accordance with the LTIP, which is subject to revocation or amendment by Cliffs.
- (b) In addition, a superannuation contribution of 15% will be made calculated on the cash payment made to the Executive under the LTIP in the relevant year. The multiples provided for in clause 14.5(a) and clause 16.2, already take into account (and are inclusive of) the value of this superannuation contribution, therefore no further superannuation amount is required under any of these specific clauses.

### **9. REMUNERATION REVIEWS**

#### **9.1 Review**

The Employer or its delegate may review the Executive's base salary in or around January each year. Any variation to the Executive's Remuneration will be effective from 1 April each year.

**9.2 Criteria**

In reviewing the Executive's base salary, the Employer or its delegate may consider various factors including but not limited to the Executive's performance, the Employer's and/or Group's performance, market forces, the remuneration of executives who have qualifications and experience similar to the Executive and who are employed by corporations similar to the Employer, and the prevailing business climate. However the Employer or its delegate may take into account any matter it considers relevant to its decision whether or not to increase the Executive's base salary.

**10. ANNUAL AND OTHER LEAVE**

**10.1 Annual leave**

- (a) The Executive is entitled to four weeks annual leave per annum in accordance with the *Fair Work Act 2009* (Cth) and Group policy.
- (b) The Executive agrees to take annual leave at a time or times mutually convenient to the Employer and the Executive, or otherwise as directed by the Employer.

**10.2 Public holidays**

The Executive is entitled to public holidays in accordance with the *Fair Work Act 2009* (Cth). The Executive agrees to work on public holidays if required to do so. This possibility is taken into account in setting the Executive's base salary.

**10.3 Personal/Carer's leave**

- (a) The Executive is entitled to paid personal/carer's leave (currently 10 days each year) in accordance with the *Fair Work Act 2009* (Cth) and Group policy.
- (b) Accrued but untaken personal/carer's leave is not payable when the Executive's employment ends.

**10.4 Long service leave**

The Executive is entitled to long service leave in accordance with the *Long Service Leave Act 1958* (WA) and Group policy.

**10.5 Parental leave**

The Executive may be eligible for parental leave in accordance with the *Fair Work Act 2009* (Cth) and Group policy.

**10.6 Other leave**

The Executive may be eligible for other leave (such as compassionate leave or jury leave) in accordance with the *Fair Work Act 2009* (Cth) and Group policy.

**11. CONFIDENTIAL INFORMATION**

**11.1 Proper use and security of Confidential Information**

Subject to clause 11.2, the Executive:

- (a) must not use, disclose or copy Confidential Information in any form or in any manner; and
- (b) must use the Executive's best endeavours, including keeping such information in a safe place and implementing adequate security measures, to ensure that third parties do not use, disclose or copy Confidential Information,

except for the purpose of and to the extent necessary to perform the Executive's employment duties.

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**11.2 Exceptions**

The obligations in clause 11.1 do not apply if:

- (a) the Chairperson, the Board or the Board of Cliffs Natural Resources Inc, has agreed in writing to the specific disclosure, use or copying of Confidential Information; or
- (b) disclosure of specific Confidential Information is required to comply with any applicable law.

**11.3 Notifying the Employer**

The Executive:

- (a) must immediately notify the Chairperson and the Board if the Executive becomes aware of any breach of the obligations in clause 11.1, or becomes aware of a breach of confidentiality affecting the Employer by any other officer or employee of the Employer; and
- (b) must immediately notify the Chairperson and the Board if the Executive is lawfully obliged to disclose any Confidential Information to a third party and must comply with the Employer's lawful directions in relation to the disclosure.

**11.4 Continuation**

The Executive's obligations under this clause 11 continue after the Executive's employment ends.

**12. INTELLECTUAL PROPERTY AND MORAL RIGHTS****12.1 Disclose all Materials**

The Executive must disclose all Materials to the Employer.

**12.2 Intellectual Property Rights in Materials**

- (a) The Executive:
  - (i) agrees that the Employer or any member of the Group designated by the Employer will own all rights in, and to, the Materials including any Intellectual Property Rights which subsist in the Materials or which may be obtained from the Materials;
  - (ii) to the extent necessary to give effect to this clause, assigns all of the Intellectual Property Rights in such Materials to the Employer (or any member of the Group designated by the Employer); and
  - (iii) grants the Employer (or any member of the Group designated by the Employer) a non-exclusive, royalty-free, transferable and perpetual licence to use any Existing Materials for any purpose in connection with the Employer's business activities.
- (b) The Executive warrants to the best of the Executive's knowledge and belief after making all reasonable enquiries, that the use of the Materials and any Existing Materials by the Employer and the Group will not infringe any Intellectual Property Rights of any third party nor give rise to any liability to make royalty or other payments to any third party.

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- (c) The Executive indemnifies the Employer against all actions, claims, demands, costs, charges and expenses arising from any infringement or alleged infringement of any Intellectual Property Rights by the use of any Materials or Existing Materials in the course of the Executive's employment.

**12.3 Moral Rights**

To the extent permitted by applicable law the Executive unconditionally:

- (a) consents to any act or omission that would otherwise infringe the Executive's Moral Rights, whether occurring before or after this consent is given; and  
(b) waives all of the Executive's Moral Rights that the Executive may have worldwide,

for the benefit of the Employer, its licensees (including other members of the Group, where applicable), successors in title and anyone authorised by any of them to do any act comprised in any copyright in the Materials.

**12.4 Effect to clause**

- (a) The Executive must, on request by the Employer, do all things and sign all documents necessary to give effect to this clause, including without limitation anything necessary to assist the Employer/the designated Group member to obtain registration or to secure the ownership of any Intellectual Property Rights in any Materials.  
(b) If the Executive does not immediately comply with a request by the Employer under clause 12.4(a), the Executive authorises the Employer (or any persons authorised by the Employer) to do all things and execute all documents necessary on behalf of the Executive to give effect to that request.

**12.5 Continuation**

The Executive's obligations under this clause continue after the Executive's employment ends.

**13. WARRANTIES**

The Executive warrants that:

- (a) the Executive is skilled, trained, qualified and competent to work in his current role and to perform the functions and offices that he has agreed he will perform under this document;  
(b) any information provided to the Group by the Executive about the background, work experience and qualifications of the Executive is correct; and  
(c) by entering into this document or performing the Executive's duties and responsibilities, the Executive will not breach any obligation the Executive has to a third party.

**14. TERMINATION OF EMPLOYMENT**

**14.1 Immediate termination by the Employer**

- (a) The Employer may immediately terminate the Executive's employment without notice or payment in lieu of notice if:  
(i) the Executive:

- (A) commits any serious breach of a provision of this document or the Group's or Employer's policies or Code of Conduct (a copy of the Code of Conduct has been provided to the Executive with this document and may be updated by the Group from time to time);
  - (B) engages in any misconduct;
  - (C) wilfully fails to discharge the Executive's duties or responsibilities;
  - (D) engages in any other conduct (either inside or outside of the workplace) which is likely to affect adversely the reputation of the Employer or the Group;
  - (E) commits any other act which at common law would entitle the Employer to terminate the Executive's employment summarily; or
- (ii) the Executive becomes bankrupt or makes an arrangement or composition with creditors.
- (b) If the Employer terminates the Executive's employment under clause 14.1, the Employer will pay the Executive up to the date of termination only.

**14.2 Termination by the Employer with notice**

- (a) The Employer may terminate the Executive's employment by giving the Executive **three** months written notice or **three** months payment in lieu of notice, or a combination of notice and payment in lieu of notice.
- (b) A payment in lieu of notice made under this clause, will be calculated on the Executive's Remuneration.

**14.3 Resignation by the Executive**

- (a) The Executive may resign from the Executive's employment by giving the Employer **three** months written notice.
- (b) If the Executive resigns under this clause, the Employer may choose:
- (i) to retain the services of the Executive during the notice period; or
  - (ii) not to retain the services of the Executive for some or all of the notice period, and make a payment in lieu of notice for the part of the notice period for which the Executive is not retained.
- (c) A payment in lieu of notice made under this clause, will be calculated on the Executive's base salary and constitutes satisfaction of the Employer's obligation to employ the Executive during the notice period.

**14.4 Direction not to attend work or to perform different duties**

- (a) For all or part of the Executive's notice period under clauses 14.2 or 14.3 (or at any time during the Executive's employment), the Employer may direct the Executive:
- (i) not to attend for work at the Employer's premises;
  - (ii) to perform no work; or
  - (iii) to perform designated duties whether or not these duties form part of the Executive's usual role.
- (b) The Executive's obligations under this document continue to apply during the period contemplated under clause 14.4(a).

#### 14.5 Redundancy payment

- (a) Subject to clause 14.5(b) below, if the Employer terminates the Executive's employment for reason of redundancy, the Executive will receive a redundancy payment (inclusive of notice) calculated at 4.083 times the Executive's annual base salary of which:
- (i) 50% of the amount will be paid out within 10 days following separation (ie retirement from office and cessation from employment); and
  - (ii) 50% of the amount will be paid out progressively over time in equal monthly instalments during the 12 month period following separation.
- (b) The Executive will also be paid any accrued but untaken annual leave and a prorated long service leave payment.
- (c) For the purposes of this document, **redundancy** means termination by the Employer because the Employer no longer requires anyone to perform the Executive's role, and the Executive has not been offered employment by the Employer or a member of the Group on overall no less favourable terms and conditions (which must include recognising service with the Employer for all purposes).
- (d) Redundancy Example:  
The Employer decides that it no longer requires anyone to perform the Executive's job. This is not a direct or indirect consequence of a Change in Control. No other employment is offered to the Executive within the Group.  
The Executive will be paid  $\$532,000 \times 4.083 = \$2,172,156$  (gross). An amount of \$1,086,078 (gross) is payable to the Executive within 10 days following separation (i.e. retirement from office and cessation from employment). A further amount of \$1,086,078 (gross) is payable to the Executive in equal monthly instalments of \$90,506.50 (gross) over the following 12 months.  
The Executive will also be paid any accrued but untaken annual leave and a prorated long service leave payment and monies due under the LTIP.

#### 15. TERMINATION PAYMENTS

##### 15.1 Shareholder approvals

The Executive and the Employer acknowledge that:

- (a) shareholder approval in respect of any amount payable to the Executive under this document in connection with the termination of the Executive's employment/the employee's "retirement from office" have been obtained prior to the execution of this document; and
- (b) if other shareholder approval is required to avoid the Employer breaching section 200B of the Corporation's Act, the Employer will seek such shareholder approval in respect of the payment at a mutually agreed time. However shareholder approval will not be sought where the Executive agrees to accept a reduced amount ( **Reduced Amount** ). The Reduced Amount must not exceed the

maximum amount for exemption termination benefits under the Corporations Act. The Reduced Amount is to be paid in lieu of the amount the Executive would otherwise be entitled to receive under this document).

**15.2 No further claims**

If the Executive's employment is terminated or ceases:

- (a) the Executive has no further claim against the Employer (or any member of the Group) for remuneration or any other benefits in respect of the Executive's employment or termination, except as provided in this document.
- (b) to the extent permitted by law, any payment made to the Executive in respect to the cessation of his employment satisfies (in whole or in part) any statutory entitlements of the Executive to payments in lieu of notice and redundancy pay and is conditional upon the Executive executing and delivering to Cliffs a release substantially in the form provided in Exhibit A.

**16. CHANGE IN CONTROL**

**16.1 Interpretation**

For convenience only, a copy of the definition of Change in Control in effect as of the date of this document is included in Schedule 2, attached hereto.

**16.2 Operation of Change in Control provision**

This Change in Control provision will be effective and binding immediately upon the execution of this document, but, anything in this document to the contrary notwithstanding, this Change in Control provision will not be operative unless and until a Change in Control occurs. Upon the occurrence of a Change in Control at any time during the course of the CIC Term, without further action, this Change in Control provision shall become immediately operative, including without limitation, the last sentence of clause 16.6 notwithstanding that the CIC Term may have theretofore terminated.

**16.3 Termination Following a Change in Control**

- (a) In the event of the occurrence of a Change in Control, the Executive's employment may be terminated by the Group during the Protection Period and the Executive shall be entitled to the benefits provided by clause 16.4 unless such termination is the result of the occurrence of one or more of the following events:
  - (i) The Executive's death;
  - (ii) If the Executive becomes permanently disabled within the meaning of, and begins actually to receive disability benefits pursuant to, the long-term disability plan in effect for, or applicable to, the Executive immediately prior to the Change in Control; or
  - (iii) Cause.If, during the Protection Period, the Executive's employment is terminated by the Group other than pursuant to clauses 16.3(a)(i), 16.3(a)(ii) or 16.3(a)(iii), the Executive will be entitled to the benefits provided by clause 16.4 hereof.
- (b) The Executive may terminate employment with the Group for Good Reason during the Protection Period with the right to Severance Compensation as provided in clause 16.4.

- (c) A termination by the Group pursuant to clause 16.3(a) or by the Executive pursuant to clause 16.3(b) will not affect any rights that the Executive may have pursuant to any agreement, policy, plan, program or arrangement of the Group providing Employee Benefits, which rights shall be governed by the terms thereof, except for any rights to severance compensation to which the Executive may be entitled upon termination or Separation from Service under any redundancy pay or severance pay policy, plan, program or arrangement of the Group, which rights shall, during the Protection Period, not be payable where benefits are provided under this Change in Control provision.

**16.4 Severance Compensation.**

- (a) If, following the occurrence of a Change in Control, the Group terminates the Executive's employment during the Protection Period other than pursuant to clause 16.3(a)(i), 16.3(a)(ii) or 16.3(a)(iii), or if the Executive terminates his employment pursuant to clause 16.3(b), the Employer will pay to the Executive the amounts described in Annex A at the times and in the manner described therein.
- (b) Without limiting the rights of the Executive at law or in equity, if the Employer fails to make any payment or provide any benefit required to be made or provided hereunder on a timely basis, the Employer will pay interest on the amount or value thereof at an annualized rate of interest equal to the so-called composite "prime rate" as quoted from time to time during the relevant period in the Midwest Edition of The Wall Street Journal, plus 2%. Such interest will be payable as it accrues on demand. Any change in such prime rate will be effective on and as of the date of such change.
- (c) Notwithstanding any provision of this document to the contrary, the parties' respective rights and obligations under this clauses 16.4 and 16.5, the last sentence of clause 16.6, and clause 16.7 will survive any termination or expiration of this document or the Executive's termination or Separation from Service following a Change in Control for any reason whatsoever.
- (d) In the event that there is no provision in any applicable policy, plan, program or agreement dealing with the occurrence of a Change in Control, all equity incentive grants and awards held by the Executive shall become fully vested and immediately payable in cash on the date of the Change in Control valued at target on such date and all stock options held by the Executive shall become fully exercisable on the date of the Change in Control.

**16.5 Certain Additional Payments by the Company.**

Anything in this document to the contrary notwithstanding, in the event that this Change in Control provision of this document shall become operative and it shall be determined (as hereafter provided) that any payment (other than the Gross-Up payments provided for in this clause 16.5) or distribution by the Employer or any of its affiliates to or for the benefit of the Executive, whether paid or payable or distributed or distributable pursuant to the terms of this document or otherwise pursuant to or by reason of any other agreement, policy, plan, program or arrangement, including without limitation any stock option, performance share, performance unit, stock appreciation right or similar right, or the lapse or termination of any restriction on or the vesting or exercisability of any of the foregoing (a "Payment"), would be subject to the excise tax imposed by Code Section 4999 by reason of being considered "contingent on a change in ownership or control" of the Employer, within the meaning of Code Section 280G or to any similar tax imposed by state or local law, or any interest or penalties with respect to such tax (such tax or taxes, together with any such interest and penalties, being hereinafter collectively referred to as the "Excise Tax"), then the Executive shall be entitled to receive an additional payment or payments (collectively, a "Gross-Up Payment"); provided, however, that no

Gross-Up Payment shall be made with respect to the Excise Tax, if any, attributable to (i) any incentive stock option, as defined by Code Section 422 ("ISO") granted prior to the execution of this document, or (ii) any stock appreciation or similar right, whether or not limited, granted in tandem with any ISO described in clause (i). The Gross-Up Payment shall be in an amount such that, after payment by the Executive of all taxes (including any interest or penalties imposed with respect to such taxes), including any Excise Tax imposed upon the Gross-Up Payment, the Executive retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Payment.

- (b) Subject to the provisions of clause 16.5(f), all determinations required to be made under this clause 16.5, including whether an Excise Tax is payable by the Executive and the amount of such Excise Tax and whether a Gross-Up Payment is required to be paid by the Employer to the Executive and the amount of such Gross-Up Payment, if any, shall be made by a nationally recognized accounting firm (the "Accounting Firm") selected by the Executive in his sole discretion. The Executive shall direct the Accounting Firm to submit its determination and detailed supporting calculations to both the Employer and the Executive within 30 calendar days after the Executive's termination or Separation from Service, if applicable, and any such other time or times as may be requested by the Employer or the Executive during the period of the statute of limitations, including extensions, with respect to the payment of any Excise Tax. If the Accounting Firm determines that any Excise Tax is payable by the Executive, the Employer shall pay the required Gross-Up Payment to the Executive within five business days after receipt of such determination and calculations with respect to any Payment to the Executive. If the Accounting Firm determines that no Excise Tax is payable by the Executive, it shall, at the same time as it makes such determination, furnish the Employer and the Executive an opinion that the Executive has substantial authority not to report any Excise Tax on his federal, state or local income or other tax return. As a result of the uncertainty in the application of Code Section 4999 (or any successor provision thereto) and the possibility of similar uncertainty regarding applicable state or local tax law at the time of any determination by the Accounting Firm hereunder, it is possible that Gross-Up Payments which will not have been made by the Employer should have been made (an "Underpayment"), consistent with the calculations required to be made hereunder. In the event that the Employer exhausts or fails to pursue its remedies pursuant to clause 16.5(f) and the Executive thereafter is required to make a payment of any Excise Tax, the Executive shall direct the Accounting Firm to determine the amount of the Underpayment that has occurred and to submit its determination and detailed supporting calculations to both the Employer and the Executive as promptly as possible. Any such Underpayment shall be promptly paid by the Employer to, or for the benefit of, the Executive within five business days after receipt of such determination and calculations.
- (c) The Employer and the Executive shall each provide the Accounting Firm access to and copies of any books, records and documents in the possession of the Employer or the Executive, as the case may be, reasonably requested by the Accounting Firm, and otherwise cooperate with the Accounting Firm in connection with the preparation and issuance of the determinations and calculations contemplated by clause 16.5(b). Any determination by the Accounting Firm as to the amount of the Gross-Up Payment shall be binding upon the Employer and the Executive.
- (d) The federal, state and local income or other tax returns filed by the Executive shall be prepared and filed on a consistent basis with the determination of the Accounting Firm with respect to the Excise Tax payable by the Executive. The Executive shall make proper payment of the amount of any Excise Payment, and at the request of the Employer, provide to the Employer true and correct copies (with any amendments) of his federal income tax return as filed with the Internal

Revenue Service or the Australian Taxation Office and corresponding state and local tax returns whether in the US or Australia, if relevant, as filed with the applicable taxing authority, and such other documents reasonably requested by the Employer, evidencing such payment. If prior to the filing of the Executive's federal income tax return, or corresponding state or local tax return whether in the US or Australia, if relevant, the Accounting Firm determines that the amount of the Gross-Up Payment should be reduced, the Executive shall within five business days pay to the Employer the amount of such reduction.

- (e) The fees and expenses of the Accounting Firm for its services in connection with the determinations and calculations contemplated by clause 16.5(b) shall be borne by the Employer; if such fees and expenses are initially paid by the Executive, the Employer shall reimburse the Executive the full amount of such fees and expenses within five business days after receipt from the Executive of a statement therefor and reasonable evidence of his payment thereof, provided that such evidence is submitted by the Executive at least five days before the end of the taxable year of the Executive following the year in which the services of the Accounting Firm are performed.
- (f) The Executive shall notify the Employer in writing of any claim by the Internal Revenue Service, the Australian Taxation Office or any other taxing authority that, if successful, would require the payment by the Employer of a Gross-Up Payment. Such notification shall be given as promptly as practicable but no later than 10 business days after the Executive actually receives notice of such claim and the Executive shall further apprise the Employer of the nature of such claim and the date on which such claim is requested to be paid (in each case, to the extent known by the Executive). The Executive shall not pay such claim prior to the earlier of (i) the expiration of the 30-calendar-day period following the date on which he gives such notice to the Employer and (ii) the date that any payment of amount with respect to such claim is due. If the Employer notifies the Executive in writing prior to the expiration of such period that it desires to contest such claim, the Executive shall:
  - (i) provide the Employer with any written records or documents in his possession relating to such claim reasonably requested by the Employer;
  - (ii) take such action in connection with contesting such claim as the Employer shall reasonably request in writing from time to time, including without limitation accepting legal representation with respect to such claim by an attorney competent in respect of the subject matter and reasonably selected by the Employer;
  - (iii) cooperate with the Employer in good faith in order effectively to contest such claim; and
  - (iv) permit the Employer to participate in any proceedings relating to such claim; provided, however, that the Employer shall bear and pay directly all costs and expenses (including interest and penalties) incurred in connection with such contest and shall indemnify and hold harmless the Executive, on an after-tax basis, for and against any Excise Tax or income tax, including interest and penalties with respect thereto, imposed as a result of such representation and payment of costs and expenses. Without limiting the foregoing provisions of this clause 16.5(f), the Employer shall control all proceedings taken in connection with the contest of any claim contemplated by this clause 16.5(f) and, at its sole option, may pursue or forego any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim (provided, however, that the Executive may participate therein at his own cost and expense) and may, at its option, either direct the Executive to pay

the tax claimed and sue for a refund or contest the claim in any permissible manner, and the Executive agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Employer shall determine; provided, however, that if the Employer directs the Executive to pay the tax claimed and sue for a refund, the Employer shall advance the amount of such payment to the Executive on an interest-free basis and shall indemnify and hold the Executive harmless, on an after-tax basis, from any Excise Tax or income or other tax, including interest or penalties with respect thereto, imposed with respect to such advance; and provided further, however, that any extension of the statute of limitations relating to payment of taxes for the taxable year of the Executive with respect to which the contested amount is claimed to be due is limited solely to such contested amount. Furthermore, the Employer's control of any such contested claim shall be limited to issues with respect to which a Gross-Up Payment would be payable hereunder and the Executive shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service, the Australian Taxation Office or any other taxing authority. Any payment by the Employer to the Executive in satisfaction of its obligations under this clause 16.5(f) shall be paid within five business days after receipt from the Executive of a statement and reasonable evidence of his payment thereof, provided that such evidence is submitted by the Executive at least five business days before the end of the Executive's taxable year following the Executive's taxable year in which the Excise Tax is remitted to the taxing authority, or where as a result of an audit or litigation no Excise Tax is remitted, at least five business days before the end of the Executive's taxable year following the Executive's taxable year in which the audit is completed or there is a final and nonappealable settlement or other resolution of the litigation.

- (g) If, after the receipt by the Executive of an amount advanced by the Employer pursuant to clause 16.5(f), the Executive receives any refund with respect to such claim, the Executive shall (subject to the Employer's complying with the requirements of clause 16.5(f)) promptly pay to the Employer the amount of such refund (together with any interest paid or credited thereon after any taxes applicable thereto). If, after the receipt by the Executive of an amount advanced by the Employer pursuant to clause 16.5(f), a determination is made that the Executive shall not be entitled to any refund with respect to such claim and the Employer does not notify the Executive in writing of its intent to contest such denial or refund prior to the expiration of 30 calendar days after such determination, then such advance shall be forgiven and shall not be required to be repaid and the amount of any such advance shall offset, to the extent thereof, the amount of Gross-Up Payment required to be paid by the Employer to the Executive pursuant to this clause 16.5.
- (h) The provisions of subsections (a) to (g) of this clause 16.5 shall control the timing of the payment of the Gross-Up Payment and specifically provide that such Payment shall be made prior to the end of the tax year of the Executive next following the tax year when the Excise Tax is paid to the government. In the unlikely event that the Gross-Up Payment might otherwise be paid after the end of such tax year, the Gross-Up Payment shall be accelerated so that it is paid no later than the last day of the tax year of the Executive next following the tax year when the Excise Tax is paid to the government.
- (i) Mitigation. The Employer acknowledges that it will be difficult and may be impossible for the Executive to find reasonably comparable employment following his Separation from Service. In addition, the Employer acknowledges that its severance pay plans applicable in general to its salaried employees do not provide for mitigation, offset or reduction of any severance payment received thereunder.

Accordingly, the payment of the Severance Compensation to the Executive in accordance with this document is hereby acknowledged by the Company to be reasonable, and the Executive will not be required to mitigate the amount of any payment provided for in this document by seeking other employment or otherwise, Nor will any profits, income, earnings or other benefits from any source whatsoever create any mitigation, offset, reduction or any other obligation on the part of the Executive hereunder or otherwise except as expressly set out in Annex A.

- (j) Payments not Considered for Other Benefits. Payments made pursuant to Annex A will be counted for purposes of determining benefits under the Cleveland-Cliffs Inc Supplemental Retirement Benefit Plan (as Amended and Restated as of 1 January 2001) as it may be amended prior to a Change in Control, and modified as provided in Annex A ( **SRP** ) (if applicable). However such payments will not be counted for purposes of any other employee benefit plan. All other payments under this Agreement, including the Gross-up Payment and reimbursement for outplacement counselling as provided for in Annex A will not count for any purpose under any employee benefit plan of the Employer or the Group. Such payments and payments of severance pay will not be made from any benefit plan funds, and shall constitute an unfunded unsecured obligation of the Company.

**16.6 Employment Rights.**

Nothing expressed or implied in this document shall create any right or duty on the part of the Employer, Cliffs or the Group or the Executive to have the Executive remain in the employment of Cliffs or the Group at any time prior to or following a Change in Control. Any termination or Separation from Service of the Executive or the removal of the Executive from the office or position in Cliffs or the Group prior to a Change in Control but following the commencement of any discussion with any third person that ultimately results in a Change in Control shall be deemed to be a termination or Separation from Service of the Executive after a Change in Control for all purposes of this document.

**16.7 Release.**

Receipt of Severance Compensation and other benefits or amounts by the Executive under this document, to the extent representing new or additional amounts and/or rights, is conditioned upon the Executive executing and delivering to Cliffs a release substantially in the form provided in Exhibit A. Such release must be executed and delivered by no later than the fifth day following the expiration of the 21 -day period referred to in paragraph 5(c) of Exhibit A, and no payment of any Severance Compensation will be made until the expiration of the 7-day revocation period referred to in paragraph 5(d) of Exhibit A.

**17. RETURN OF PROPERTY**

**17.1 Return of Property**

Immediately on the Executive's employment ending or at any other time requested by the Employer, the Executive must return to the Employer or its authorised representative:

- (a) all property belonging to the Group (for example cards, keys, motor vehicles, mobile telephones, computers, equipment and materials) that the Executive has or can reasonably obtain; and
- (b) all property that the Executive has, or can reasonably obtain, that contains Confidential Information.

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**17.2 Property**

In this clause, property includes anything on which information is recorded, for example, documents, computer disks and computer records.

**18. RESIGNATION FROM OFFICES**

**18.1 Resignation**

Immediately on the Executive's employment ending, the Executive must resign from all directorships, offices and positions that the Executive holds in the Group or in any other body or entity in connection with the Executive's employment.

**18.2 Execution of documents**

If the Executive does not immediately resign from all directorships, offices and positions, the Executive authorises the Chairperson or the Board (or any person authorised by the Chairperson or the Board) to do all things and execute all documents necessary on behalf of the Executive to give effect to these resignations.

**19. DEBRIEFING AND ASSISTANCE**

After the Executive's employment ends:

- (a) for a period of **six months**, the Executive agrees to provide such debriefing, and assistance to the Group as may reasonably be required by the Employer; and
- (b) upon payment of reasonable expenses by the Employer, the Executive agrees (subject to compliance with the law) to assist the Employer as required in relation to any investigation, claim or litigation which may affect the Group.

**20. PRIVACY**

**20.1 Compliance with privacy and health laws**

The Executive must comply with all obligations regarding the collection, use and disclosure of personal and health information in accordance with applicable privacy and health laws and Group policy.

**20.2 Collection of the Executive's personal information**

The Executive consents to the Group collecting, using and storing the Executive's personal and health information for any lawful purpose relating to the Executive's employment. The Executive consents to the Group transferring the personal and health information outside Western Australia and Australia in the course of the Group's business activities.

**20.3 Disclosure of the Executive's personal information**

The Executive consents to the Group disclosing the Executive's personal and health information to other persons (and to those other persons collecting, using and disclosing that information) for any lawful purpose relating to the Executive's employment or the Group's business. These persons include the Australian Tax Office, superannuation fund trustees and administrators, contractors, bankers, insurers, medical, rehabilitation or occupational practitioners, laboratory analysts, investigators, financial and legal advisers, potential purchasers on sale of business, law enforcement bodies and regulatory authorities.

**20.4 Privacy and health information policies**

Further detail regarding privacy and health information policies of the Group is set out in the Group's policies.

**21. ACKNOWLEDGEMENTS BY THE EMPLOYEE**

The Executive acknowledges:

- (a) that the terms of this document are fair and reasonable; and
- (b) that the Executive has had a reasonable opportunity to obtain independent legal or other advice about this document.

**22. NOTICES**

- (a) A notice, consent or other communication under this document is only effective if it is in writing, signed and either handed personally to the addressee, left at the addressee's address or sent to the addressee by mail, fax or email.
- (b) A notice, consent or other communication that complies with this clause is regarded as given and received:
  - (i) if it is sent by mail:
    - (A) within Australia—three business days after posting; or
    - (B) to or from a place outside Australia—seven business days after posting, or
  - (ii) if it is delivered to the person's address, or sent by fax or by email:
    - (A) by 5.00 pm (local time in the place of receipt) on a business day—on that day; or
    - (B) after 5.00 pm (local time in the place of receipt) on a business day, or on a day that is not a business day—on the next business day.
- (c) A person's mail address and fax number is as set out below, or as the person notifies the sender:

**Cliffs Asia Pacific Iron Ore Management Pty Ltd**

Address: Level 12, The Quadrant, 1 William Street, Perth, Western Australia 6000,  
GPO Box W2017, Perth, Western Australia 6000  
Fax number:(08) 9426 3344  
Attention: The Chairperson

**Mr. Duncan Price**

Address: 1 Shacklock Crescent, Winthrop, Western Australia 6150  
Attention: Duncan Price

**23. AMENDMENT**

This document can only be amended or replaced by another document executed by the parties.

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**24. GENERAL**

**24.1 Governing Law**

- (a) This document is governed by the laws of Western Australia.
- (b) Each party submits to the jurisdiction of the courts of Western Australia and of any court that may hear appeals from any of those courts, for any proceedings in connection with this document.

**24.2 Giving effect to this document**

Each party must do anything (including execute any document), and must ensure that its employees and agents do anything (including execute any document), that the other party may reasonably require to give full effect to this document.

**24.3 Waiver of rights**

A right may only be waived in writing, signed by the party giving the waiver, and:

- (a) no other conduct of a party (including a failure to exercise, or delay in exercising, the right) operates as a waiver of the right or otherwise prevents the exercise of the right;
- (b) a waiver of a right on one or more occasions does not operate as a waiver of that right or as an estoppel precluding enforcement of that right if it arises again; and
- (c) the exercise of a right does not prevent any further exercise of that right or of any other right.

**24.4 Operation of this document**

- (a) This document contains the entire agreement between the parties about its subject matter. Any previous understanding, agreement, representation or warranty relating to that subject matter is replaced by this document and has no further effect.
- (b) Any provision of this document which is unenforceable or partly unenforceable is, where possible, to be severed to the extent necessary to make this document enforceable, unless this would materially change the intended effect of this document.

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**Schedule 1—DUTIES AND RESPONSIBILITIES OF EMPLOYEE**

The duties and responsibilities of the Executive are:

As Executive Vice President and President, Global Operations of the **Group**, including Cliffs Asia Pacific Iron Ore Management Pty Ltd, the Executive has sole operating responsibility for all minerals and other products that the Group produces; will provide leadership for safety, capital projects, cost management and continuous improvement; will be for managing the operations of the iron ore business, overseeing business growth and development work and performing other duties as may be assigned to the Executive by the Chairman and the Board from time to time. The Executive agrees that he will perform his duties to the best of his abilities and knowledge, in a manner that is consistent with the authority and status of his position.

The Employer may vary these duties and responsibilities from time to time or assign the Executive additional duties and responsibilities.

The Executive will also perform functions, as directed, as Executive Vice President and President, Global Operations for the executive leadership team of Cliffs.

**SCHEDULE 2—CHANGE IN CONTROL** (DEFINITION AS IT APPEARS IN THE AMENDED AND RESTATED CLIFFS 2007 INCENTIVE EQUITY PLAN, WHICH MAY BE AMENDED FROM TIME TO TIME)

Change in Control Defined. The words "Change in Control" mean the occurrence of any of the following events:

(a) Any one person, or more than one person acting as a group, acquires ownership of stock of Cliffs Natural Resources Inc. ( **Cliffs** ) that, together with stock held by such person or group, constitutes more than 50% of the total fair market value or total voting power of the stock of Cliffs. However, if any one person, or more than one person acting as a group, is considered to own more than 50% of the total fair market value or total voting power of the stock of Cliffs, the acquisition of additional stock by the same person or persons is not considered to cause a Change in Control. An increase in the percentage of stock owned by any one person, or persons acting as a group, as a result of a transaction in which Cliffs acquires its stock in exchange for property will be treated as an acquisition of stock for purposes of this document. This provision applies only when there is a transfer of stock of Cliffs (or issuance of stock of Cliffs) and stock in Cliffs remains outstanding after the transaction.

(b) Any one person, or more than one person acting as a group, acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or persons) ownership of stock of Cliffs possessing 35% or more of the total voting power of the stock of Cliffs.

(c) A majority of members of the Board of Directors of Cliffs ( **Board of Directors** ) is replaced during any 12-month period by Directors whose appointment or election is not endorsed by a majority of the members of the Board of Directors prior to the date of the appointment or election.

(d) Any one person, or more than one person acting as a group, acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or persons) assets from Cliffs that have a total gross fair market value equal to or more than 40% of the total gross fair market value of all of the assets of Cliffs immediately prior to such acquisition or acquisitions.

Notwithstanding the foregoing, for purposes of this document, any acquisition of ownership of stock of Cliffs by any one person, or more than one person acting as a group, pursuant to a Business Combination shall not constitute a Change in Control. A "Business Combination" shall mean any business transaction such as a reorganization, merger or consolidation involving Cliffs, a sale or other disposition of all or substantially all of the assets of Cliffs, or any other transaction involving Cliffs, if, in each case, immediately following any such business transaction, (A) all or substantially all of the individuals and entities who were the beneficial owners of stock of Cliffs immediately prior to such business transaction beneficially own, directly or indirectly, more than 55% of the combined voting power of the then outstanding shares of stock of the entity resulting from such business transaction (including, without limitation, an entity which as a result of such transaction owns Cliffs or all or substantially all of Cliffs' assets either directly or through one or more subsidiaries) in substantially the same proportions relative to each other as their ownership, immediately prior to such business transaction, of the stock of Cliffs, (B) no one person, or more than one person acting as a group (other than Cliffs, such entity resulting from such business transaction, or any employee benefit plan (or related trust) sponsored or maintained by Cliffs, any subsidiary or such entity resulting from such business transaction), beneficially owns, directly or indirectly, 30% or more of the combined voting power of the then outstanding shares of stock of the entity resulting from

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such business transaction, and (C) at least a majority of the members of the board of directors of the entity resulting from such business transaction were members of the Incumbent Board at the time of the execution of the initial agreement or of the action of the Board of Directors providing for such business transaction.

The "Incumbent Board" shall mean those individuals who, as of August 11, 2008, constitute the Board of Directors; provided, however, that any individual becoming a Director subsequent to August 11, 2008 whose election, or nomination for election by Cliffs' shareholders, was approved by a vote of at least a majority of the Directors then comprising the Incumbent Board (either by a specific vote or by approval of the proxy statement of Cliffs in which such person is named as a nominee for Director, without objection to such nomination) shall be deemed to have been a member of the Incumbent Board, but excluding for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest (as described in Rule 14a-12(c) of the Exchange Act) with respect to the election or removal of Directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board of Directors.

For purposes of this document, other than the definition of "Business Combination," (i) persons will be considered to be acting as a group if they are owners of a corporation that enters into a merger, consolidation, purchase or acquisition of stock, or similar business transaction with Cliffs, and (ii) if a person, including an entity, owns stock in both corporations that enter into a merger, consolidation, purchase or acquisition of stock, or similar transaction, such shareholder is considered to be acting as a group with other shareholders in a corporation prior to the transaction giving rise to the change and not with respect to the ownership interest in the other corporation."

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**Annex A—Severance Compensation**

(1) A lump sum payment in an amount equal to the number of years in the Continuation Period defined in clause 1.1 of the Employment Contract multiplied by the sum of (A) Remuneration (at the highest rate in effect for any period prior to the Executive's termination or Separation from Service), plus (B) Incentive Pay (in an amount equal to not less than the greatest of (i) the target bonus and/or target award opportunity for the fiscal year immediately preceding the year in which the Change in Control occurred, (ii) the target bonus and/or target award opportunity for the fiscal year in which the Change in Control occurred or (iii) the target bonus and/or target award opportunity for the fiscal year in which the Executive's termination or Separation from Service occurs). Such payment shall be made by the later of ten (10) business days after the Executive's termination or Separation from Service or the end of the seven (7) day revocation period described in Paragraph 5(d) of Exhibit A.

(2) During the Continuation Period as defined in clause 1.1 of the Employment Contract, the Employer will arrange to provide the Executive with medical and dental benefits that are the same as those that the Executive was receiving or entitled to receive immediately prior to the Executive's termination or Separation from Service (or, if greater, immediately prior to the Change in Control); provided, however, that if such medical and dental benefits are subject to income tax, the reimbursement of an eligible expense shall be made on or before the last day of the Executive's taxable year following the taxable year in which the medical or dental expense was incurred. Without otherwise limiting the purposes or effect of clause 16.5(a), the medical and dental benefits otherwise receivable by the Executive pursuant to this Paragraph 2 will be reduced to the extent comparable medical and dental benefits are actually received by the Executive from another employer during the Continuation Period following the Executive's termination or Separation from Service, and any such benefits actually received by the Executive shall be reported by the Executive to the Company.

(3) For the Continuation Period defined in clause 1.1 of the Employment Contract, the Company will arrange to provide the Executive with Employee Benefits that are welfare benefits, other than medical and dental benefits covered by Paragraph 2, (such "welfare benefits" by their nature exclude stock option, performance share, performance unit, stock purchase, stock appreciation or similar compensatory or incentive benefits) that are the same as those that the Executive was receiving or entitled to receive immediately prior to the Executive's termination or Separation from Service (or, if greater, immediately prior to the Change in Control); provided, however, that if such welfare benefits are subject to income tax, the amount of expenses eligible for reimbursement, or in-kind benefits provided, during the Executive's taxable year may not affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other taxable year and the reimbursement of an eligible expense shall be made on or before the last day of the Executive's taxable year following the taxable year in which the welfare benefit expense was incurred. Without otherwise limiting the purposes or effect of clause 16.5(a), Employee Benefits otherwise receivable by the Executive pursuant to this Paragraph 3 will be reduced to the extent comparable welfare benefits are actually received by the Executive from another employer during the Continuation Period following the Executive's termination or Separation from Service, and any such benefits actually received by the Executive shall be reported by the Executive to the Company. Notwithstanding the foregoing to the contrary, no such Employee Benefits that are not excludable from the income of the Executive and are in excess of the then current dollar limit set forth in Code Section 402(g)(1)(B) shall be payable during the first six (6) months after the termination or Separation from Service of the Executive. To the extent that amounts would have been payable during such six (6) month period in excess of such limit, the excess amount shall be payable in the first five (5) days of the seventh (7<sup>th</sup>) month after his termination or Separation from Service. The Executive shall have the right during such six (6) month period to pay any unpaid part of the premiums on such welfare benefits at his own expense in order for the Executive to keep such welfare benefits in force.

(4) If and to the extent that any benefit described in Paragraphs 2 and 3 is not or cannot be paid or provided under a policy, plan, program or arrangement of the Employer, Cliffs or the Group, as the case may be, then the Employer will itself pay or provide for the payment to the

Executive, his dependents and beneficiaries, of such Employee Benefits along with, in the case of any benefit described in Paragraphs 2 or 3 which becomes subject to tax because it is not or cannot be paid or provided under any such policy, plan, program or arrangement of the Employer, Cliffs or the Group, an additional amount such that after payment by the Executive, or his dependents or beneficiaries, as the case may be, of all taxes imposed on the benefit and payment and all taxes imposed on the additional amount, the recipient retains an amount equal to the taxes on the original benefit or payment; provided that any such additional amount shall be paid no later than the end of the taxable year of the Executive following the year in which the Executive remits to the appropriate taxing authority the taxes to which the additional payment relates.

(5) A lump sum amount equal to

- (a) Remuneration earned through the period up until the Executive's termination or Separation from Service, plus
- (b) unless otherwise expressly provided by the applicable policy, plan, program or agreement, the value of any annual bonus or long-term incentive pay (including, without limitation, incentive-based annual cash bonuses, performance units, and retention units but not including any equity-based compensation or compensation provided under a plan intended to be qualified under Code Sections 401 (a) and 501 (a) or any other plan included in the definition of "qualified plan" for purposes of Code Section 409A): (i) earned but unpaid relating to performance periods ending prior to the date on which the termination or Separation from Service occurred; and (ii) earned or granted with respect to the Executive's service during the performance periods or retention periods that include the date on which the Executive's termination or Separation from Service occurred, disregarding any applicable vesting requirements. Amounts payable pursuant to (i) shall be calculated at actual performance, and amounts payable pursuant to (ii) shall be calculated at the plan target rate.

Such payment shall be made by the later of ten (10) business days after the Executive's termination or Separation from Service or the end of the seven (7) day revocation period described in Paragraph 5(d) of Exhibit A.

(6) Reasonable outplacement services by a firm selected by the Executive, at the expense of the Employer in an amount up to 15% of the Executive's Remuneration. Such outplacement services shall be provided within a period ending no later than the end of the second taxable year of the Executive following the year in which the Executive's termination or Separation from Service occurred and the fees for such services shall be paid by the Employer within five days of receipt of an invoice from the outplacement provider for its services or within five days of the time the Executive presents the provider's invoice for such services to the Employer, provided in either case that the invoice shall be submitted no later than five days prior to the end of the third taxable year of the Executive following the year in which his termination or Separation from Service occurred.

(7) Post-retirement medical, hospital, surgical and prescription drug coverage for the lifetime of the Executive, his spouse and any eligible dependents that are the same as that which would have been furnished on the day prior to the Change in Control to the Executive if he had retired on such date with full eligibility for such benefits. Such retiree medical coverage shall have a level of employer subsidy, if any, as the Executive would have had upon his retirement or termination or Separation from Service as of the end of the Continuation Period determined in accordance with the terms of the Plan immediately prior to the Change in Control. Such retiree medical coverage will not start until after the end of the Continuation Period during which he will be provided with active employee medical coverage pursuant to Paragraph 2 above; provided, however, that if such retiree medical coverage is subject to income tax, the reimbursement of an eligible expense shall be made on or before the last day of the Executive's taxable year following the taxable year in which the retiree medical expense was incurred.

EXHIBIT A

Form of Release

WHEREAS, the Executive's employment has been terminated in accordance with clause 16.3 of the Employment Contract (the "Agreement") dated as of May 26, 2011 between the Executive and Cliffs Asia Pacific Iron Ore Management Pty Ltd.; and

WHEREAS, the Executive is required to sign this Release in order to receive the Severance Compensation (as such term is defined in the Agreement) and other benefits or amounts by the Executive provided under the Agreement, to the extent representing new or additional amounts and/or rights..

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

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

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

- (a) any and all claims arising out of or relating to the Executive's employment by or service with the Company and his termination from the Company other than any claims arising under Clause 16 of the Agreement or under any employee benefit programs or executive compensation programs not specifically addressed in the Agreement;
- (b) any and all claims of discrimination, including but not limited to claims of discrimination on the basis of sex, race, age, national origin, marital status, religion or handicap, including, specifically, but without limiting the generality of the foregoing, any claims under the Age Discrimination in Employment Act, as amended, Title VII of the Civil Rights Act of 1964, as amended, the Americans with Disabilities Act, Ohio Revised Code Section 4101.17 and Ohio Revised Code Chapter 4112, including Sections 4112.02 and 4112.99 thereof and the *Equal Opportunity Act*, WA; the *Sex Discrimination Act* (Cth), the *Disability Discrimination Act* (Cth), the *Age Discrimination Act* (Cth), the *Racial Discrimination Act* (Cth) and the general protections under the *Fair Work Act* (Cth); and
- (c) any and all claims of wrongful or unjust discharge or breach of any contract or promise, express or implied.

3. The Executive hereby gives up any and all rights or claims to be a class representative or otherwise participate in any class action on behalf of any employee benefit plan of the Company.

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

5. The Executive further agrees and acknowledges that:

- (a) The release provided for herein releases claims to and including the date of this Release;
- (b) He has been advised by the Company to consult with legal counsel prior to executing this Release, has had an opportunity to consult with and to be advised by legal counsel of his choice, fully understands the terms of this Release, and enters into this Release freely, voluntarily and intending to be bound;
- (c) He has been given a period of 21 days, commencing on the day after his termination or Separation from Service, to review and consider the terms of this Release, prior to its execution and that he may use as much of the 21 day period as he desires; and
- (d) He may, within 7 days after execution, revoke this Release. Revocation shall be made by delivering a written notice of revocation to the Vice President Human Resources at the Company. For such revocation to be effective, written notice must be actually received by the Vice President Human Resources at the Company no later than the close of business on the 7th day after the Executive executes this Release. If the Executive does exercise his right to revoke this Release, all of the terms and conditions of the Release shall be of no force and effect and the Company shall not have any obligation to make payments or provide benefits to the Executive otherwise required as a result of the Agreement.

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

7. The Executive waives and releases any claim that he has or may have to reemployment after \_\_\_\_\_.

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

Dated: May 26, 2011

/s/ James Michaud  
James Michaud

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EXECUTED as an agreement.

SIGNED for Cliffs Asia Pacific Iron Ore Management Pty Ltd ACN 001 720 903 , by its duly authorised officer, in the presence of:

/s/ James R. Michaud  
Signature of witness

James R. Michaud  
Name

SIGNED by Duncan Price in the presence of:

/s/ James R. Michaud  
Signature of witness

James R. Michaud  
Name

/s/ Joseph A. Carrabba  
Signature of officer

Joseph A. Carrabba  
Name

/s/ Duncan Price  
Signature of party



CLIFFS ASIA PACIFIC IRON ORE MANAGEMENT PTY LTD  
ABN 82 001 720 903  
Level 12.1 William Street, Perth, Western Australia, 6000  
P 61.8.9426.3333 F 61.8.9426.3344 cliffsnaturalresources.com  
Postal Address: GPO Box W2017, Perth. WA 6846

30 December 2011

Duncan Price  
1 Shacklock Crescent  
WINTHROP WA 6150

Dear Duncan:

**Variation of employment contract with Cliffs Asia Pacific Iron Ore Management Pty Ltd**

The following letter sets out amendments to your Contract of Employment with Cliffs Asia Pacific Iron Ore Management Pty Ltd, dated 26 May 2011 ( **Employment Contract** ). This letter is to be read in conjunction with your Employment Contract.

**Recitals**

- A. On 13 September 2011, Cliffs Natural Resources Inc ( **Cliffs** ) approved a new form of Change in Control Severance Agreement ( **New Severance Agreement** ). (A copy of the New Severance Agreement is **enclosed** with this letter.) The New Severance Agreement will replace the current form of the Change in Control Severance Agreement in place immediately prior to the New Severance Agreement ( **Old Severance Agreement** ). The New Severance Agreement will apply to relevant Cliffs officers from 31 December 2011.
- B. Some definitions in clause 1, and the provisions of Clause 16, Schedule 2, Annex A and Exhibit A (together, the **CIC Provisions** ) of the Employment Contract set out the terms that currently apply between you and Cliffs APIOM in the event of a relevant Change in Control. These CIC Provisions derived from particular clauses of the Old Severance Agreement that were extracted, amended slightly (eg taking into account some Australian law and employing entity differences) and included in your Employment Contract.
- C. You and Cliffs APIOM agree to vary the CIC Provisions of the Employment Contract:
  - (a) To ensure that any relevant variations (ie deletions, additions or insertions) made to the Old Severance Agreement in preparing the New Severance Agreement are made in a similar manner to the CIC Provisions; and
  - (b) To ensure that, unless otherwise agreed, any relevant future variations to the New Severance Agreement (or any successor version) are similarly made to the CIC Provisions,in accordance with the terms below.

## Variation

In accordance with clause 23 of the Employment Contract, the parties agree that clause 1.1, clause 16, Schedule 2, Annex A and Exhibit A of the Employment Contract (ie the CIC Provisions) are amended immediately, and are further amended from time to time, so that:

- (a) Any changes from the Old Severance Agreement to the New Severance Agreement that affect relevant provisions of the Old Severance Agreement from which the CIC Provisions are derived (the **Relevant Provisions**) are similarly incorporated into the Employment Contract; and
- (b) Unless otherwise agreed, any future variations to the Relevant Provisions made from time to time are incorporated into the Employment Contract.

It is further agreed that at all times:

- (c) Where the following phrase appears in the New Severance Agreement or any successor:  
*Age Discrimination in Employment Act, as amended, Title VII of the Civil Rights Act of 1964, as amended, the Americans with Disabilities Act, Ohio Revised Code Section 4101.17 and Ohio Revised Code Chapter 4112, including Sections 4112.02 and 4112.9 thereof...*  
it shall be directly followed by:  
*and the Equal Opportunity Act (WA), the Sex Discrimination Act (Cth), the Disability Discrimination Act (Cth), the Age Discrimination Act (Cth), the Racial Discrimination Act (Cth) and the general protections under the Fair Work Act (Cth).*
- (d) Wherever the words "severance pay" appear in the Severance Agreement, they will be preceded by the words "redundancy pay and".
- (e) Wherever the words "the Company", "the Company or its subsidiaries" or any like provision of the Old Severance Agreement has been replaced (or supplemented) in the CIC Provisions with "Cliffs", "the Group" or "the Employer" or the like, those changes shall be retained (and shall also be used, in like fashion, to replace any use of "the Company", "the Company or its subsidiaries" or any like terminology arising from any additions or insertions made to the New Severance Agreement or any future amendments thereto).
- (f) No clause contained in the Old Severance Agreement that is absent in the CIC Provisions in the Employment Contract as at 26 May 2011, shall be included by virtue of this variation agreement. That is, section 7 (Legal Fees and Expenses), Section 8 (Competitive Activity; Confidentiality; Nonsolicitation) and Sections 11 (Withholding of Taxes) to 20 (Counterparts) of the Old Severance Agreement do not form part of the Employment Contract as varied, and any variation to those provisions contained in the New Severance Agreement or any future variation shall not affect the Employment Contract as varied, and do not form a part of the Employment Contract.



(g) Similarly paragraphs (5), (6) and (7) of Annex A to the Old Severance Agreement do not form part of the Employment Contract as at 26 May 2011, and any variation to those provisions contained in the New Severance Agreement or any future variation shall not affect the Employment Contract as varied.

All other terms and conditions of your employment with the Company will remain the same.

This variation will take effect from 1 January 2012.

Please sign the acknowledgement and each page of the Severance Agreement to indicate that you understand and agree to the amended terms. Please return a signed copy of the acknowledgement and the Severance Agreement by 15 January 2012.

We look forward to your ongoing commitment and contribution to Cliffs.

Yours faithfully,

/s/ James R. Michaud

James R. Michaud

Senior Vice President, Human Resources

CLIFF NATURAL RESOURCES INC.

DUNCAN PRICE

I acknowledge and agree to the terms of this letter and the variation to my Employment Contract.

Duncan Price

Duncan Price

5/1/2012.

Date

CHANGE IN CONTROL

SEVERANCE AGREEMENT

This CHANGE IN CONTROL SEVERANCE AGREEMENT (this "Agreement"), dated and effective as of this \_\_\_\_ day of \_\_\_\_\_, 20\_\_ (the "Effective Date") is made and entered into by and between Cliffs Natural Resources Inc., an Ohio corporation (the "Company"), and «Executive» (the "Executive").

WITNESSETH:

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

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

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

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

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

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

1. Certain Defined Terms. In addition to terms defined elsewhere herein, the following terms have the following meanings when used in this Agreement with initial capital letters:
  - (a) "Base Pay" means the Executive's annual base salary rate as in effect from time to time.
  - (b) "Board" means the Board of Directors of the Company.
  - (c) "Cause" means that, prior to any termination pursuant to Section 3(a) or (b), the Executive shall have committed:

- any such enterprise and/or the exercise of rights appurtenant thereto or (ii) participation in the management of any such enterprise other than in connection with the competitive operations of such enterprise.
- (g) "Controlled Group" means the Company and all other persons or entities that would be considered a single employer under Code Section 414(b) and/or 414(c) provided that in such Code Sections "50%" shall be used wherever "80%" appears, but only during the periods any such corporation, business organization or member would be so considered under Code Section 414(b) and/or 414(c).
  - (h) "Continuation Period" means the «NUMBER»-year period commencing on the date of the Executive's Separation from Service.
  - (i) "Employee Benefits" means the perquisites, benefits and service credit for benefits as provided under any and all employee retirement income, incentive compensation and/or welfare benefit policies, plans, programs or arrangements in which the Executive is entitled to participate, including without limitation any savings, pension, supplemental executive retirement, or other retirement income or welfare benefit, deferred compensation, incentive compensation, group or other life, health, medical/hospital or other insurance (whether funded by actual insurance or self-insured by the Company or a Subsidiary), disability, salary continuation, expense reimbursement and other employee benefit policies, plans, programs or arrangements that may now exist or any equivalent successor policies, plans, programs or arrangements that may be adopted hereafter by the Company or a Subsidiary, providing perquisites, benefits and service credit for benefits at least as great in value in the aggregate as are payable thereunder prior to a Change in Control.
  - (j) "Exchange Act" means the Securities Exchange Act of 1934, as amended.
  - (k) "Good Reason" means the initial occurrence, without the Executive's consent, of one or more of the following events:
    - (i) a material diminution in his Base Pay;
    - (ii) a material diminution in his authority, duties or responsibilities;
    - (iii) a material change in the geographic location at which he must perform services;
    - (iv) a reduction in his Incentive Pay opportunity which results in a material diminution of the Executive's potential total compensation; and
    - (v) any other action or inaction that constitutes a material breach by his employer of the employment agreement, if any, under which he provides services; contractor) over the immediately preceding 36-month period (or the full period of services if the Executive has been providing services less than 36 months).

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- (q) "Severance Compensation" means the severance pay and other benefits provided by Sections 4(a) and (b).
  - (r) "Subsidiary" means an entity in which the Company directly or indirectly beneficially owns 50% or more of the outstanding capital or profits interests or Voting Stock.
  - (s) "Supplemental Retirement Plan" or "SRP" means the Cliffs Natural Resources Inc. Supplemental Retirement Benefit Plan (as Amended and Restated as of December 1, 2006), as it may be amended prior to a Change in Control, and modified as provided in Annex A.
  - (t) "Term" means the period commencing as of the {{Date}} and expiring as of the later of (i) the close of business on December 31, 2014, or (ii) the expiration of the Protection Period; provided, however, that (A) on January 1, 2015, January 1, 2018 and each third January 1 thereafter, the term of this Agreement will automatically be extended for an additional three years unless, not later than September 30 of the immediately preceding year, the Company or the Executive shall have given notice that it or the Executive, as the case may be, does not wish to have the Term extended and (B) subject to the last sentence of Section 10, if, prior to a Change in Control, the Executive ceases for any reason to be an Officer or Mine Manager of the Company and any Subsidiary, thereupon without further action the Term shall be deemed to have expired and this Agreement will immediately terminate upon such cessation and be of no further effect.
  - (u) "Voting Stock" means securities entitled to vote generally in the election of directors.
2. Operation of Agreement. This Agreement will be effective and binding immediately upon its execution, but, anything in this Agreement to the contrary notwithstanding, this Agreement will not be operative unless and until a Change in Control occurs. Upon the occurrence of a Change in Control at any time during the course of the Term, without further action, this Agreement shall become immediately operative, including without limitation, the last sentence of Section 10 notwithstanding that the Term may have theretofore terminated.
3. Termination Following a Change in Control.
- (a) In the event of the occurrence of a Change in Control, the Executive's employment may be terminated by the Company or a Subsidiary during the Protection Period and the Executive shall be entitled to the benefits provided by Section 4 unless such termination is the result of the occurrence of one or more of the following events:
    - (i) The Executive's death; any termination or expiration of this Agreement or the Executive's Separation from Service following a Change in Control for any reason whatsoever.

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- (d) In the event that there is no express provision in any applicable policy, plan, program or agreement dealing with the occurrence of a Change in Control, all equity incentive grants and awards held by the Executive shall become fully vested and immediately payable in cash on the date of the Change in Control valued at target on such date and all stock options held by the Executive shall become fully exercisable on the date of the Change in Control; provided, however, to the extent that the payment of any such amounts that is subject to the timing requirements of Code Section 409A, payment timing shall conform to such requirements.
5. No Mitigation Obligation. The Company hereby acknowledges that it will be difficult and may be impossible for the Executive to find reasonably comparable employment following his Separation from Service and that the non-competition covenant contained in Section 8 will further limit the employment opportunities for the Executive. In addition, the Company acknowledges that its severance pay plans applicable in general to its salaried employees do not provide for mitigation, offset or reduction of any severance payment received thereunder. Accordingly, the payment of the Severance Compensation by the Company to the Executive in accordance with the terms of this Agreement is hereby acknowledged by the Company to be reasonable, and the Executive will not be required to mitigate the amount of any payment provided for in this Agreement by seeking other employment or otherwise, nor will any profits, income, earnings or other benefits from any source whatsoever create any mitigation, offset, reduction or any other obligation on the part of the Executive hereunder or otherwise, except as expressly provided in Paragraphs (2) and (3) of Annex A.
6. Payments not Considered for Other Benefits, etc. Payments made pursuant to Paragraphs (1) and (6) of Annex A will be counted for purposes of determining benefits under the SRP, but will not be counted for purposes of any other employee benefit plan. All other payments under this Agreement, including the legal fee and expense reimbursement provided under Section 7 and reimbursements for outplacement counseling provided under Paragraph (9) of Annex A will not be counted for any purpose under any employee benefit plan of the Company. Such payments and payments of severance pay will not be made from any benefit plan funds, and shall constitute an unfunded unsecured obligation of the Company.
7. Legal Fees and Expenses.
- (a) It is the intent of the Company that the Executive not be required to incur legal fees and the related expenses associated with the interpretation, enforcement or defense of the Executive's rights under this Agreement by litigation or otherwise because the cost and expense thereof would substantially detract from the benefits intended to be extended to the Executive hereunder. Accordingly, if it should appear to the Executive that the Company has failed to comply with any of its obligations under this Agreement or in the event that the Company or any other

- (A) transfer to the Trustee to be added to the principal of the Trust under Trust Agreement No. 1 a sum equal to (I) the present value on the date of the Change in Control (or on such fifth business day if the Board has declared a Change in Control to be imminent) of the payments to be made to the Executive under the provisions of Annex A, such present value to be computed using the assumptions set forth in Annex A hereof less (II) the balance in the Executive's accounts provided for in Trust Agreement No. 1 as of the most recent completed valuation thereof, as certified by the Trustee under Trust Agreement No. 1 less (III) the balance in the Executive's accounts provided for in Trust Agreement No. 7 as of the most recently completed valuation thereof, as certified by the Trustee under Trust Agreement No. 7; provided, however, that if the Trustee under Trust Agreement No. 1 and/or Trust Agreement No. 7 does not so certify by the end of the fourth (4th) business day after the earlier of such Change in Control or declaration, then the balance of such respective account shall be deemed to be zero. Any payments of compensation, pension or other benefits by the Trustee pursuant to Trust Agreement No. 1 or Trust Agreement No. 7 shall, to the extent thereof, correspondingly discharge the Company's obligation to pay compensation, pension and other benefits hereunder; and
- (B) transfer to the Trustee to be added to the principal of the Trust under Trust Agreement No. 2 the sum of TWO HUNDRED FIFTY THOUSAND DOLLARS (\$250,000) less any principal in such Trust on such fifth business day. Any payments of the Executive's attorneys' and related fees and expenses by the Trustee pursuant to Trust Agreement No. 2 shall, to the extent thereof, correspondingly discharge the Company's obligation hereunder. The Executive understands and acknowledges that the entire corpus of the Trust under Trust Agreement No. 2 will be \$250,000 and that said amount will be available to discharge not only the obligations of the Company to the Executive under Section 7(a) hereof, but also similar obligations of the Company to other executives and employees under similar provisions of other agreements and plans.

8. Competitive Activity; Confidentiality; Nonsolicitation.

- (a) During the Term and for the duration of the Continuation Period, if the Executive shall have received or shall be receiving benefits under Section 4, the Executive shall not, without the prior written consent of the Company, which consent shall not be unreasonably withheld, engage in any Competitive Activity.
- (b) During the Term, the Company agrees that it will disclose to the Executive its confidential or proprietary information (as defined in this Section 8(b)) to the extent necessary for the Executive to carry out his obligations to the Company. The Executive hereby covenants and agrees that he will not, without the prior written consent of the Company, during the Term or thereafter disclose to any person not employed by the Company, or use in connection with engaging in

- 
- (f) During the term and for the duration of the Continuation Period, the Executive further agrees that he will not, directly or indirectly:
- (i) induce or attempt to induce customers, business relations or accounts of the Company or any of the Subsidiaries to relinquish their contracts or relationships with the Company or any of the Subsidiaries; or
  - (ii) solicit, entice, assist or induce other employees, agents or independent contractors to leave the employ of the Company or any of the Subsidiaries or to terminate their engagements with the Company and/or any of the Subsidiaries or assist any competitors of the Company or any of the Subsidiaries in securing the services of such employees, agents or independent contractors.
9. Release. Receipt of Severance Compensation and other benefits or amounts by the Executive under this Agreement, to the extent representing new or additional amounts and/or rights, is conditioned upon the Executive executing and delivering to the Company a release substantially in the form provided in Exhibit A. Such release must be executed and delivered by no later than the fifth day following the expiration of the 21-day period referred to in paragraph 5(c) of Exhibit A, and no payment of any Severance will be made until the expiration of the 7-day revocation period referred to in paragraph 5(d) of Exhibit A.
10. Employment Rights. Nothing expressed or implied in this Agreement shall create any right or duty on the part of the Company, a Subsidiary or the Executive to have the Executive remain in the employment of the Company or a Subsidiary at any time prior to or following a Change in Control. Any Separation from Service of the Executive or the removal of the Executive from his office or position in the Company or a Subsidiary prior to a Change in Control shall be deemed to be a Separation from Service of the Executive after a Change in Control for all purposes of this Agreement, but only if such Separation from Service is both: (a) during the 6-month period preceding a Change in Control; and (b) following the commencement of any discussion with any third person that ultimately resulted in Change in Control.
11. Withholding of Taxes. The Company may withhold from any amounts payable under this Agreement all federal, state, city or other taxes as the Company is required to withhold pursuant to any applicable law, regulation or ruling.
12. Successors and Binding Agreement.
- (a) The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation, reorganization or otherwise) to all or substantially all of the business or assets of the Company, by agreement in form and substance reasonably satisfactory to the Executive, expressly to assume and agree to perform this Agreement in the same manner and to the same extent the Company would be required to perform if no such succession had taken place. This Agreement will be binding upon and inure to the benefit of the Company and any

14. Governing Law. The validity, interpretation, construction and performance of this Agreement will be governed by and construed in accordance with the substantive laws of the State of Ohio, without giving effect to the principles of conflict of laws of such State.
15. Validity. If any provision of this Agreement or the application of any provision hereof to any person or circumstances is held invalid, unenforceable or otherwise illegal, the remainder of this Agreement and the application of such provision to any other person or circumstances will not be affected, and the provision so held to be invalid, unenforceable or otherwise illegal will be reformed to the extent (and only to the extent) necessary to make it enforceable, valid or legal.
16. Administration of this Agreement
- (a) In General. This Agreement shall be administered by the Company.
- (b) Delegation of Duties. The Company may delegate any of its administrative duties, including, without limitation, duties with respect to the processing, review, investigation, approval and payment of Severance Compensation under this Agreement, and any severance pay generally, to named administrator or administrators.
- (c) Regulations. The Company shall promulgate any rules and regulations it deems necessary in order to carry out the purposes of this Agreement or to interpret the terms and conditions of this Agreement; provided, however, that no rule, regulation or interpretation shall be contrary to the provisions of this Agreement.
- (d) Claims Procedure. The Company shall determine the rights of any claimant to any Severance Compensation hereunder. Any claimant who believes that he has not received any benefit under this Agreement to which he believes he is entitled, may file a claim in writing with the Senior Vice President Human Resources. The Company shall, no later than 90 days after the receipt of a claim, either allow or deny the claim by written notice to the claimant. If a claimant does not receive written notice of the Company's decision on his claim within such 90-day period, the claim shall be deemed to have been denied in full.
- A denial of a claim by the Company, wholly or partially, shall be written in a manner calculated to be understood by the claimant and shall include:
- (i) the specific reason or reasons for the denial;
- (ii) specific reference to pertinent provisions of this Agreement on which the denial is based;
- (iii) a description of any additional material or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary; and
- (iv) an explanation of the claim review procedure.

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

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

CLIFFS NATURAL RESOURCES INC.

By: \_\_\_\_\_  
Officer of the Company  
\_\_\_\_\_  
Duncan Price  
Executive

\_\_\_\_\_  
Date  
\_\_\_\_\_  
5/1/2012  
Date

benefits are actually received by the Executive from another employer during the Continuation Period following the Executive's Separation from Service, and any such benefits actually received by the Executive shall be reported by the Executive to the Company. Notwithstanding the foregoing to the contrary, no such Employee Benefits that are not excludable from the income of the Executive and are in excess of the then current dollar limit set forth in Code Section 402 (g)(1)(B) shall be payable during the first six (6) months after the Separation from Service of the Executive. To the extent that amounts would have been payable during such six (6) month period in excess of such limit, the excess amount shall be payable in the first five (5) days of the seventh (7<sup>th</sup>) month after his Separation from Service. The Executive shall have the right during such six (6) month period to pay any unpaid part of the premiums on such welfare benefits at his own expense in order for the Executive to keep such welfare benefits in force.

(4) If and to the extent that any benefit described in Paragraphs (2) and (3) is not or cannot be paid or provided under a policy, plan, program or arrangement of the Company or any Subsidiary, as the case may be, then the Company will itself pay or provide for the payment to the Executive, his dependents and beneficiaries, of such Employee Benefits.

(5) A payment or series of payments under the SRP in an amount equal to the actuarial equivalent of his accrued benefit under the SRP as of the date of his Separation from Service (the "Accrued SRP Payment") payable commencing as provided under the terms of the SRP, but no sooner than the beginning of the seventh (7<sup>th</sup>) month after his Separation from Service. In determining such lump sum payment, any benefit under the SRP attributable to the "final average pay" formula of the Pension Plan shall be converted to a lump sum actuarial equivalent as described below and any benefit under the SRP attributable to the "cash balance" formula of the Pension Plan shall be based on the amount that would be the Executive's account balance under the cash balance formula of the SRP.

(6) A lump sum payment (the "Non-accrued SRP Payment") payable within the first five days of the seventh (7<sup>th</sup>) month after his Separation from Service in an amount equal to the actuarial equivalent of the future pension benefits which the Executive would have been entitled to accrue under the SRP during the Continuation Period, as modified by this Paragraph (6) (including Base Salary and Incentive Pay as determined in Paragraph (1) as being the amount earned during such period), if the Executive had remained in the full-time employment of the Company for the entire Continuation Period. In determining such lump sum payment, any benefit under the SRP attributable to the "final average pay" formula of the Pension Plan shall be converted to a lump sum actuarial equivalent as described below and any benefit under the SRP attributable to the "cash balance" formula of the Pension Plan shall be based on the amount that would be the Executive's account balance under the cash balance formula of the SRP.

(7) The calculation of the SRP Payments and its actuarial equivalence shall be made as of the date six (6) months after Executive's Separation from Service using the assumptions and factors used in the salaried pension plan for similar calculations. Any payment attributable to the "final average pay" formula under the salaried pension plan shall be discounted from the date the Executive would have been eligible to receive an unreduced benefit under such formula (using as his "continuous service" for this purpose the sum of his actual continuous service and the continuous service he would have had during the Continuation Period) to the date of payment using the discount rate specified in the salaried pension plan of the third taxable year of the Executive following the year in which his Separation from Service occurred.

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(10) Post-retirement medical, hospital, surgical and prescription drug coverage for the lifetime of the Executive, his spouse and any eligible dependents that are the same as that which would have been furnished on the day prior to the Change in Control to the Executive if he had retired on such date with full eligibility for such benefits. Such retiree medical coverage shall have a level of employer subsidy, if any, as the Executive would have had upon his retirement or Separation from Service as of the end of the Continuation Period determined in accordance with the terms of the Plan immediately prior to the Change in Control. Such retiree medical coverage will not start until after the end of the Continuation Period during which he will be provided with active employee medical coverage pursuant to Paragraph (2) above; provided, however, that if such retiree medical coverage is subject to income tax, the payment of an eligible retiree medical expense amount shall be made on or before the last day of the Executive's taxable year following the taxable year in which that retiree medical expense was incurred.

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claims under the Age Discrimination in Employment Act, as amended, Title VII of the Civil Rights Act of 1964, as amended, the Americans with Disabilities Act, Ohio Revised Code Section 4101.17 and Ohio Revised Code Chapter 4112, including Sections 4112.02 and 4112.99 thereof; and

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

3. The Executive hereby gives up any and all rights or claims to be a class representative or otherwise participate in any class action on behalf of any employee benefit plan of the Company or any Subsidiary.

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

5. The Executive further agrees and acknowledges that:

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

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

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

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

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

10 March 2010

**Employment Contract**

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**Cliffs Natural Resources Pty Ltd**  
ACN 112 437 180

**Richard Mehan**

**Blake Dawson**

Level 32, Exchange Plaza  
2 The Esplanade  
Perth WA 6000  
Australia  
T 61 8 9366 8000  
F 61 8 9366 8111

Reference  
AOD CAV 09 1433 0751  
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**Employment Contract****DATE**

10 March 2010

**PARTIES**

**Cliffs Natural Resources Pty Ltd** ACN 112 437 180 ( **Employer** ), Level 12 The Quadrant, 1 William Street, Perth, Western Australia, 6000  
**Richard Mehan (Employee)** , 2 Croke Lane, Fremantle, Western Australia, 6160

**OPERATIVE PROVISIONS****1. INTERPRETATION**

---

**1.1 Definitions**

The following definitions apply in this document.

**Board** means the board of directors of the Employer.

**Chairperson** means the chairperson of the Board.

**Change of Control** has the meaning given by clause 15.

**Closing Time** means 5.00 pm Australian Western Standard Time.

**Confidential Information** means all information (whether or not it is described as confidential) in any form or medium concerning any past, present or future business, operations or affairs of the Group, or of any customer of the Group including, without limitation:

- (a) all technical or non-technical data, formulae, patterns, programs, devices, methods, techniques, plans, drawings, models and processes, source and object code, software and computer records;
- (b) all business and marketing plans and projections, details of agreements and arrangements with third parties, and customer and supplier information and lists;
- (c) all financial information, pricing schedules and structures, product margins, remuneration details and investment outlays;
- (d) all information concerning any employee, customer, contractor or agent of the Group;
- (e) the Group's policies and procedures; and
- (f) all information contained in this document,

but excludes information that has come into the public domain other than by a breach of this document.

**Control** has the meaning given in section 50AA of the Corporations Act except that in addition an entity controls a second entity if:

- (a) the first entity would be taken to control the second entity but for subsection 50AA(4); or
- (b) the first entity has voting power (as defined in section 610 of the Corporations Act) of at least 50% in the second entity.

**Control Event Notice** means a notice given by the Employee to the Employer in accordance with clause 15. In respect of the Employee's right to exercise his option to terminate his employment with the Employer in return for the benefit provided for in clause 15 (and particularly the benefit in paragraph 15.2(b)).

**Control Event Notice Period** means any time during a period of 180 calendar days from the occurrence of a Change of Control, up to the Closing Time on the last day of that period.

**Corporations Act** means the *Corporations Act 2001* (Cth).

**Existing Materials** means works, ideas, concepts, designs, inventions, developments, improvements, systems or other material or information, created, made or discovered by the Employee prior to the Employee's employment, that the Employee wishes to use in the course of the Employee's employment.

**Group** means:

- (a) the Employer; and
- (b) any related body corporate (as that term is defined in the *Corporations Act 2001* (Cth)); and
- (c) any entity that controls, is controlled by or is under common control with, the Employer; and
- (d) any other entity that is connected with the Employer or any other member of the Group by a common interest in an economic enterprise, for example, a partner or another member of a joint venture.

**Intellectual Property Rights** means all present and future rights conferred by law in or in relation to copyright, trade marks, designs, patents, circuit layouts, plant varieties, business and domain names, inventions and confidential information, and other results of intellectual activity in the industrial, commercial, scientific, literary or artistic fields whether or not registrable, registered or patentable.

These rights include:

- (a) all rights in all applications to register these rights;
- (b) all renewals and extensions of these rights; and
- (c) all rights in the nature of these rights, such as Moral Rights.

**Managing Director** means the managing director of the Employer as appointed from time to time and includes any person nominated by the managing director (except the Employee).

**Materials** means works, ideas, concepts, designs, inventions, developments, improvements, systems or other material or information, created, made or discovered by the Employee (either alone or with others and whether before or after the date of this

document) in the course of the Employee's employment or as a result of using the resources of the Employer or the Group or the Employer's or Group's Confidential Information or Intellectual Property Rights, or in any way relating to any business of the Employer or the Group.

**Minimum Superannuation Contribution** means the amount that the Employer must contribute to a Superannuation Arrangement on behalf of the Employee to avoid being liable for a superannuation guarantee charge under the Superannuation Guarantee Legislation.

**Moral Rights** means rights of integrity of authorship, rights of attribution of authorship, rights not to have authorship falsely attributed, and rights of a similar nature conferred by statute anywhere in the world, that may now exist, or that may come to exist, in all Materials made or to be made by the Employee in the course of the Employee's employment.

**Superannuation Arrangement** means a superannuation fund or RSA (Retirement Savings Account) (as those expressions are defined in the Superannuation Guarantee Legislation) in respect of which contributions made by the Employer reduce the Employer's potential liability for the superannuation guarantee charge under the Superannuation Guarantee Legislation.

**Superannuation Guarantee Legislation** means the *Superannuation Guarantee Charge Act 1992* (Cth) and the *Superannuation Guarantee (Administration) Act 1992* (Cth).

**Total Remuneration** means the amount specified in clause 6.1.

## 1.2 Rules for interpreting this document

Headings are for convenience only, and do not affect interpretation. The following rules also apply in interpreting this document, except where the context makes it clear that a rule is not intended to apply.

- (a) A reference to:
  - (i) a legislative provision or legislation (including subordinate legislation) is to that provision or legislation as amended, re-enacted or replaced, and includes any subordinate legislation issued under it;
  - (ii) a policy, document (including this document) or agreement, or a provision of a policy, document (including this document) or agreement, is to that policy, document, agreement or provision as amended, supplemented, replaced or novated;
  - (iii) a party to this document or to any other document or agreement includes a successor in title, permitted substitute or a permitted assign of that party;
  - (iv) a person includes any type of entity or body of persons, whether or not it is incorporated or has a separate legal identity, and any executor, administrator or successor in law of the person; and
  - (v) anything (Including a right, obligation or concept) includes each part of it.
- (b) A singular word includes the plural, and vice versa.
- (c) A word which suggests one gender includes the other genders.
- (d) if a word or phrase is defined, any other grammatical form of that word or phrase has a corresponding meaning.

- (e) if an example is given of anything (including a right, obligation or concept), such as by saying it includes something else, the example does not limit the scope of that thing.
- (f) The word agreement includes an undertaking or other binding arrangement or understanding, whether or not in writing.
- (g) The expression this document includes the agreement, arrangement, understanding or transaction recorded in this document.
- (h) A reference to dollars or \$ is to an amount in Australian currency.
- (i) A reference to Group includes any member of the Group
- (j) The words subsidiary, holding company and related body corporate have the same meanings as in the Corporations Act.

---

## 2. ENGAGEMENT

### 2.1 Appointment

The Employer employs the Employee on the terms set out in this document. These terms replace and supersede all prior arrangements between the Employer and the Employee.

### 2.2 Role

The Employee is employed in the role of President and Chief Executive Officer of Cliffs Natural Resources Pty Ltd and performs the function of Senior Vice President for the executive committee of Cliffs Natural Resources Inc.

### 2.3 Employment period

The Employee's employment:

- (a) commenced on 1 January 2007; and
- (b) will continue until the employment is terminated.

### 2.4 Employment status

The Employee is employed on a full-time basis.

### 2.5 Recognition of prior service

The Employer recognises 1 January 2007 as the commencement date of the Employee's employment with the Employer for leave accrual and all purposes.

### 2.6 Location

- (a) The Employee will be based in Perth, Western Australia.
- (b) The Employer may require the Employee to travel to other locations (including interstate and overseas) to perform work from time to time. The Employee will do so as required.

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**3. DUTIES AND RESPONSIBILITIES**

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**3.1 Performance of duties**

The Employee must diligently perform the duties and responsibilities as set out in Schedule 1. The Employer may vary the Employee's duties and responsibilities at any time.

**3.2 Devoting whole time to business**

The Employee must devote the Employee's whole working time, attention and ability to the business of the Employer.

**3.3 Work for another Group member**

The Employer may require the Employee to perform work for any other member of the Group. The Employee must do so if required.

**3.4 No obligation to provide work**

The Employer is not obliged to provide the Employee with work during any period of the Employee's employment.

**3.5 Reporting**

The Employee will report directly to the Chairperson and the Board and also to the Board of Cliffs Natural Resources Inc. or any other person as nominated by the Employer from time to time.

**3.6 Provision of information and compliance with directions**

The Employee must:

- (a) comply with all lawful orders and instructions given by the Employer or the Board of Cliffs Natural Resources Inc; and
- (b) provide full and prompt information to the Chairperson and the Board and the Board of Cliffs Natural Resources Inc regarding the conduct of the business of the Employer including any material issue within the Employee's knowledge affecting the Employer.

**3.7 Policies and procedures**

The Employee must comply with all policies of the Employer and applicable Group policies as in place from time to time. The Employee acknowledges that he has access to the Company's policies to review. The Employee acknowledges receipt of the currently applicable Code of Conduct and must comply with the Code of Conduct as in place from time to time. Such policies and the Code of Conduct operate independently of this document and are not incorporated into this document.

**3.8 No conflict of interest or interest in other business**

Except with the prior written consent of the Chairperson and the Board, the Employee must not:

- (a) have any direct or indirect financial interest in any entity or body, or otherwise engage in any conduct, that would be in conflict with the duties or responsibilities of the Employee, or otherwise conflict or compete with the interests of the Employer, (except as permitted under clause 3.9);

- (b) hold any directorship or other office or accept any appointment to any other entity or body;
- (c) undertake any other trade, business or profession;
- (d) become an employee, agent or contractor of another person; or
- (e) accept any payment or other benefit as an inducement or reward for any act or omission in connection with the business and affairs of the Employer or the Employee's employment.

**3.9 Investment**

Except with the prior written consent of the Chairperson and the Board, the Employee must not invest directly or indirectly in securities of a corporation which carries on business similar to or in competition with the Employer or the Group, unless the total of all such investments in the corporation is limited to no more than 0.5% of the securities of the corporation if those securities are of a class listed on a stock exchange.

**4. HOURS OF WORK**

- (a) The Employee is required to work a standard of 40 hours per week plus work such further hours as are reasonably necessary to fulfil the requirements of the Employee's position, or as required by the Employer (including work after business hours and on weekends and public holidays).
- (b) The Employee's remuneration includes compensation for all hours the Employee is required to work.

**5. PERFORMANCE REVIEWS**

The Employee must participate fully in performance reviews as required by the Employer.

**6. REMUNERATION****6.1 Remuneration**

The Employee's Total Remuneration comprises:

- (a) a gross base salary of \$538,000 per annum payable in equal monthly instalments; and
- (b) a superannuation contribution of 15% of the Employee's base salary, which includes the Minimum Superannuation Contribution.

**6.2 Payment of Salary**

The Employer will pay the Employee's base salary directly into a financial institution account nominated by the Employee, and acceptable to the Employer.

**6.3 Taxes**

The Employer may deduct or withhold from the Employee's Remuneration, an amount equal to any fringe benefits tax or other tax payable by the Employer (other than payroll tax) on any component of the Employee's Remuneration.

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**7. OTHER BENEFITS**

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- 7.1 Travel**  
The Employer will pay for the Employee's reasonable business related travel and accommodation expenses in accordance with the Employer policy.
- 7.2 Travel Insurance**  
The Employer will maintain for the Employee corporate travel insurance for any periods where the Employee is required to travel overnight more than 50 kilometres from the Employee's usual place of work, in the performance of the Employee's duties.
- 7.3 Car Parking**  
The Employer will provide an undercover car parking bay for the Employee's sole use or provide reasonable recompense in lieu thereof.
- 7.4 Other expenses**  
The Employer will reimburse the Employee for entertainment and other out of pocket expenses which are properly incurred in the performance of the Employee's duties, and for which prior approval has been obtained, upon the Employee providing proper records such as invoices and receipts in accordance with Employer policy.
- 7.5 Insurance**  
For the time being, the Employer will pay for the Employee's accident insurance in accordance with Employer policy. The accident insurance policy provides cover for the Employee relating to accidents occurring while the Employee is travelling between the Employee's place of work and home. The provision of this accident insurance is at the sole discretion of the Employer and may be altered or revoked at any time. The Employee will be notified of any alteration or revocation of accident insurance.
- 7.6 Taxes or duty**  
If any tax (other than taxes on the income of the Employee) or duty is payable by the Employee relating to a benefit or payment that is reimbursable under clause 7, the Employer will pay (in addition to the amount reimbursed under clause 7) an amount sufficient to ensure that after the Employee pays the tax or duty the Employee is not "out of pocket".

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**8. INCENTIVE ARRANGEMENTS**

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**8.1 Incentive plans**

- (a) The Employee is eligible to participate in a Short Term Incentive Programme (the **STIP**) and a Long Term Incentive Programme (the **LTIP**) as set out in:
- (i) Schedule 2; read together with
  - (ii) the STIP plan in place from time to time as determined by Cliffs Natural resources Inc, and the LTIP scheme in place from time to time as determined by Cliffs Natural Resources Inc. (The STIP plan and the LTIP scheme operate independently of this document and are not incorporated into this document). The Employer and the Employee agree that the January 1, 2010 to December 31, 2012 target for long term incentives is to be determined as set out in a letter (and attachments) dated March 17, 2010 from Joseph Carrabba to Richard Mehan read together with item 2.2 of Schedule 2 of this document; and

- (iii) any other participation requirements the Employer may deem appropriate.
- (b) Any accrued STIP and LTIP payments will not be paid to the Employee until after the Employer's financial results have been audited and finalised for the applicable financial year.
- (c) Where there is any inconsistency between this document and the rules of the STIP plan or the LTIP scheme (as the case may be) in place from time to time, the rules of the STIP plan or the LTIP scheme apply to the extent of the inconsistency, excepting that clause 8.1(b) and items 2.1 and 2.2 of Schedule 2 of this document apply to the extent of inconsistency (if any) between it and the rules of the LTIP scheme.
- (d) Unless otherwise required by legislation, incentives do not form part of the Employee's Total Remuneration for the purpose of calculating payment in lieu of notice or any other entitlement.

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**9. REMUNERATION REVIEWS****9.1 Review**

The Employer may review the Employee's base salary in or around November or January each year. Any variation to the Employee's Remuneration will be effective from 1 April each year.

**9.2 Criteria**

In reviewing the Employee's base salary, the Employer may consider various factors including but not limited to the Employee's performance, the Employer's performance, market forces, the remuneration of executives who have qualifications and experience similar to the Employee and who are employed by corporations similar to the Employer, and the prevailing business climate. However the Employer may take into account any matter it considers relevant to its decision whether or not to increase the Employee's base salary.

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**10. ANNUAL AND OTHER LEAVE****10.1 Annual leave**

- (a) The Employee is entitled to four weeks annual leave per annum in accordance with the *Fair Work Act 2009* (Cth) and Employer policy.
- (b) The Employee agrees to take annual leave at a time or times mutually convenient to the Employer and the Employee, or otherwise as directed by the Employer.

**10.2 Public holidays**

The Employee is entitled to public holidays in accordance with the *Fair Work Act 2009* (Cth). The Employee agrees to work on public holidays if required to do so. This possibility is taken into account in setting the Employee's base salary.

**10.3 Personal/Carer's leave**

- (a) The Employee is entitled to paid personal/carer's leave (currently 10 days each year) in accordance with the Fair Work Act 2009 (Cth) and Employer policy.
- (b) Accrued but untaken personal/carer's leave is not payable when the Employee's employment ends.

**10.4 Long service leave**

The Employee is entitled to long service leave in accordance with the *Long Service Leave Act 1958* (WA) and Employer policy. Long service leave may be taken in advance, on a pro rata basis, after 7 years' service.

**10.5 Parental leave**

The Employee may be eligible for parental leave in accordance with the *Fair Work Act 2009* (Cth) and Employer policy.

**10.6 Other leave**

The Employee may be eligible for other leave (such as compassionate leave or jury leave) in accordance with the *Fair Work Act 2009* (Cth) and Employer policy.

**11. CONFIDENTIAL INFORMATION****11.1 Proper use and security of Confidential Information**

Subject to clause 11.2, the Employee:

- (a) must not use, disclose or copy Confidential Information in any form or in any manner; and
- (b) must use the Employee's best endeavours, including keeping such information in a safe place and implementing adequate security measures, to ensure that third parties do not use, disclose or copy Confidential Information,

except for the purpose of and to the extent necessary to perform the Employee's employment duties.

**11.2 Exceptions**

The obligations in clause 11.1 do not apply if:

- (a) the Chairperson or the Board has agreed in writing to the specific disclosure, use or copying of Confidential Information; or
- (b) disclosure of specific Confidential Information is required to comply with any applicable law.

**11.3 Notifying the Employer**

The Employee:

- (a) must immediately notify the Chairperson and the Board if the Employee becomes aware of any breach of the obligations in clause 11.1, or becomes aware of a breach of confidentiality affecting the Employer by any other officer or employee of the Employer; and

- (b) must immediately notify the Chairperson and the Board if the Employee is lawfully obliged to disclose any Confidential Information to a third party and must comply with the Employer's lawful directions in relation to the disclosure.

**11.4 Continuation**

The Employee's obligations under this clause 11 continue after the Employee's employment ends.

**12. INTELLECTUAL PROPERTY AND MORAL RIGHTS****12.1 Disclose all Materials**

The Employee must disclose all Materials to the Employer.

**12.2 Intellectual Property Rights in Materials**

- (a) The Employee:
- (i) agrees that the Employer or any member of the Group designated by the Employer will own all rights in, and to, the Materials including any Intellectual Property Rights which subsist in the Materials or which may be obtained from the Materials;
  - (ii) to the extent necessary to give effect to this clause, assigns all of the Intellectual Property Rights in such Materials to the Employer (or any member of the Group designated by the Employer); and
  - (iii) grants the Employer (or any member of the Group designated by the Employer) a non-exclusive, royalty-free, transferable and perpetual licence to use any Existing Materials for any purpose in connection with the Employer's business activities.
- (b) The Employee warrants to the best of the Employee's knowledge and belief after making all reasonable enquiries, that the use of the Materials and any Existing Materials by the Employer and the Group will not infringe any intellectual Property Rights of any third party nor give rise to any liability to make royalty or other payments to any third party.
- (c) The Employee indemnifies the Employer against all actions, claims, demands, costs, charges and expenses arising from any infringement or alleged infringement of any intellectual Property Rights by the use of any Materials or Existing Materials in the course of the Employee's employment.

**12.3 Moral Rights**

To the extent permitted by applicable law the Employee unconditionally:

- (a) consents to any act or omission that would otherwise infringe the Employee's Moral Rights, whether occurring before or after this consent is given; and
- (b) waives all of the Employee's Moral Rights that the Employee may have worldwide,

for the benefit of the Employer, its licensees (including other members of the Group, where applicable), successors in title and anyone authorised by any of them to do any act comprised in any copyright in the Materials.

**12.4 Effect to clause**

- (a) The Employee must, on request by the Employer, do all things and sign all documents necessary to give effect to this clause, including without limitation anything necessary to assist the Employer/the designated Group member to obtain registration or to secure the ownership of any Intellectual Property Rights in any Materials.
- (b) If the Employee does not immediately comply with a request by the Employer under paragraph 12.4(a), the Employee authorises the Employer (or any persons authorised by the Employer) to do all things and execute all documents necessary on behalf of the Employee to give effect to that request.

**12.5 Continuation**

The Employee's obligations under this clause continue after the Employee's employment ends.

**13. WARRANTIES**

The Employee warrants that:

- (a) the Employee is skilled, trained, qualified and competent to work as a President and Chief Executive Officer;
- (b) any information provided to the Employer by the Employee about the background, work experience and qualifications of the Employee is correct; and
- (c) by entering into this document or performing the Employee's duties and responsibilities, the Employee will not breach any obligation the Employee has to a third party.

**14. TERMINATION OF EMPLOYMENT****14.1 Immediate termination by the Employer**

- (a) Subject to, and without limiting the remainder of this clause 14, the Employer may terminate the Employee's employment immediately (including due to redundancy) by written notice to the Employee. If so, the Employer must pay to the Employee:
  - (i) 1.0 times the Employee's Total Remuneration;
  - (ii) 0.5 times the Employee's Total Remuneration, payable in a lump sum within 10 days of termination (in lieu of any further payment under the STIP plan in respect of periods to which paragraph 14.1(a)(iii) does not apply);
  - (iii) any accrued but unpaid STIP and LTIP payments as at the date of termination;
  - (iv) monies due under the LTIP scheme as provided for in item 2.2(b) of Schedule 2 of this document; and
  - (v) accrued but unpaid statutory annual leave or long service leave entitlements,

provided that if the termination occurs after a Change of Control during the Control Event Notice Period, the Employee will receive the termination benefit specified in clause 15.2(b) and not the amounts in (i) to (iv) above.

- (b) Notwithstanding clause 14.1(a), the Employer may immediately terminate the Employee's employment without notice or payment in lieu of notice if:
- (i) the Employee:
    - (A) commits any serious breach of a provision of this document or the Employer's policies or Code of Conduct which has been provided to the Employee with this document (and is updated by the Employer from time to time);
    - (B) engages in any misconduct;
    - (C) willfully fails to discharge the Employee's duties or responsibilities;
    - (D) engages in any other conduct (either inside or outside of the workplace) which is likely to affect adversely the reputation of the Employer or the Group; or
    - (E) commits any other act which at common law would entitle the Employer to terminate the Employee's employment summarily; or
  - (ii) the Employee becomes bankrupt or makes an arrangement or composition with creditors.
- (c) if the Employer terminates the Employee's employment under clause 14.1(b), the Employer will pay the Employee up to the date of termination only, including any accrued but unpaid STIP and LTIP payments as at the date of termination, and statutory annual leave or long service leave entitlements but no other amounts.

**14.2 Immediate termination by the Employer due to incapacity or illness**

- (a) Notwithstanding clause 14.1(a), the Employer may terminate the Employee's employment immediately by written notice to the Employee if:
- (i) the Employee is unable to perform his duties under this document as a result of incapacity due to illness, injury or any other cause for a period of more than six months continuously or aggregated in any 12 month period; and
  - (ii) the Employer reasonably believes that the Employee will not recover within a reasonable period.
- (b) If the Employer terminates the Employee's employment under this clause, the Employee will receive:
- (i) a termination payment of the Employee's Total Remuneration paid in equal monthly instalments during the 12 month period following termination, less any payments made to the Employee while absent due to illness or incapacity;
  - (ii) any accrued but unpaid STIP and LTIP payments as at the date of termination; and
  - (iii) accrued but unpaid statutory annual leave or long service leave entitlements.

**14.3 Termination by the Employer with notice**

- (a) Notwithstanding clause 14.1(a), the Employer may terminate the Employee's employment (including due to redundancy) by giving the Employee three months written notice or three months payment in lieu of notice, or a combination of notice and payment in lieu of notice, calculated on the Employee's Total Remuneration.
- (b) Subject to paragraph (c) below, if the Employer terminates the Employee's employment under this clause, the Employer must also pay to the Employee:
  - (i) 0.75 times the Employee's Total Remuneration; and
  - (ii) any accrued but unpaid STIP and LTIP payments as at the date of termination; and
  - (iii) accrued but unpaid statutory annual leave or long service leave entitlements.
- (c) If the termination occurs after a Change of Control during the Control Event Notice Period, the Employer must pay to the Employee 1.25 times the Employee's Total Remuneration rather than 0.75 times the Employee's Total Remuneration.

**14.4 Resignation by the Employee**

- (a) The Employee may resign from the Employee's employment by giving the Employer three months written notice.
- (b) If the Employee resigns under this clause, the Employer may choose:
  - (i) to retain the services of the Employee during the notice period; or
  - (ii) not to retain the services of the Employee for some or all of the notice period, and make a payment in lieu of notice for the part of the notice period for which the Employee is not retained.
- (c) A payment in lieu of notice made under this clause will be calculated on the Employee's Total Remuneration.
- (d) Upon termination, the Employee will receive:
  - (i) any accrued but unpaid STIP and LTIP payments as at the date of retirement; and
  - (ii) accrued but unpaid statutory annual leave or long service leave entitlements.

**14.5 Direction not to attend work or to perform different duties**

- (a) For all or part of the Employee's notice period under clauses 14.3 or 14.4 (or at any time during the Employee's employment), the Employer may direct the Employee:
  - (i) not to attend for work at the Employer's premises;
  - (ii) to perform no work; or
  - (iii) to perform designated duties whether or not these duties form part of the Employee's usual role.

(b) The Employee's obligations under this document continue to apply during the period contemplated under paragraph 14.5(a).

**14.6 Corporations Act**

- (a) In the event that the amount of any payments calculated in accordance with this clause 14 exceed the specified maximum amount for exempt termination benefits under Part 2D.2 of the Corporations Act (if any) and would require member approval in order to comply with the Corporations Act, the Employer will:
- (i) seek member approval for the payment in accordance with the Corporations Act; or
  - (ii) subject to the Employee agreeing to accept a reduction prior to a vote of members, (or, if the Employee requires), reduce the payment to the maximum amount permitted under the Corporations Act for termination benefits (in lieu of the amount otherwise payable under clause 14).

**14.7 No further claims**

If the Employee's employment is terminated or ceases, the Employee has no further claim against the Employer (or any member of the Group) for remuneration or any other benefits in respect of the Employee's employment or termination, except as provided in this document.

**15. CHANGE OF CONTROL**

**15.1 Interpretation**

- (a) In this clause 15:
- (i) each of **body corporate** and **wholly-owned subsidiary** has the meaning given in section 9 of the Corporations Act;
  - (ii) **entity** has the meaning given in section 64A of the Corporations Act; and
  - (iii) **retirement** has the meaning given in section 200A of the Corporations Act.
- (b) Subject to paragraph (c), a Change of Control occurs in relation to a body corporate or entity (the **Body**) where:
- (i) an entity that Controls the Body ceases to Control the Body; and
  - (ii) an entity that does not Control the Body comes to Control the Body.
- (c) No Change of Control occurs if:
- (i) the entity that ceases to Control the Body under paragraph (b)(i) was, immediately beforehand, Controlled by a body corporate that Controls the Body; and
  - (ii) the entity that comes to Control the Body under paragraph (b)(ii) is, immediately afterward, a wholly-owned subsidiary of a body corporate that previously Controlled and continues to Control the Body.

**15.2 Termination payment on Change of Control**

In the event of a Change of Control of the Employer or the Employer's ultimate holding company (being Cliffs Natural Resources Inc as at the date of this document) (**Control Event**), the Employee may elect to give a Control Event Notice to the Employer during the Control Event Notice Period. The Control Event Notice must give the Employer **one month** written notice of retirement from office and employment with the Employer. Upon such retirement the Employer is required to pay a termination benefit to the Employee. The termination benefit is to be calculated in accordance with the following provisions:

- (a) If the Employee does not give a Control Event Notice to the Employer during the Control Event Notice Period, the Employee's right to give a Control Event Notice will automatically lapse at the end of that period and no termination benefit is payable under this clause 15.
- (b) If the Employee gives a Control Event Notice to the Employer during the Control Event Notice Period the Employee will be entitled to receive, on retirement from office and employment, a gross termination benefit calculated in accordance with the following formula:
  - (i) 1.5 times the Employee's Total Remuneration;
  - (ii) 0.75 times the Employee's Total Remuneration, payable in a lump sum within 10 days of termination (in lieu of any further payment under the STIP plan in respect of periods to which paragraph 15.2(b)(iii) does not apply);
  - (iii) accrued but unpaid STIP and LTIP amounts as at the date of termination;
  - (iv) monies due under the LTIP scheme as provided for in item 2.2(b) of Schedule 2 of this document; and
  - (v) accrued but unpaid statutory annual leave or long service leave entitlements,
 provided always that if the amount of the termination payment calculated in accordance with the above formula would exceed an applicable specified maximum amount for exempt termination benefits under the Corporations Act (if any), the provisions of clause 14.6(a) will apply, with any necessary modifications, to such payment.

**16. RETURN OF PROPERTY****16.1 Return of Property**

Immediately on the Employee's employment ending or at any other time requested by the Employer, the Employee must return to the Employer or its authorised representative:

- (a) all property belonging to the Group (for example cards, keys, motor vehicles, mobile telephones, computers, equipment and materials) that the Employee has or can reasonably obtain; and
- (b) all property that the Employee has, or can reasonably obtain, that contains Confidential Information.

**16.2 Property**

In this clause, property includes anything on which information is recorded, for example, documents, computer disks and computer records.

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**17. RESIGNATION FROM OFFICES**

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**17.1 Resignation**

Immediately on the Employee's employment ending, the Employee must resign from all directorships, offices and positions that the Employee holds in the Group or in any other body or entity in connection with the Employee's employment.

**17.2 Execution of documents**

If the Employee does not immediately resign from all directorships, offices and positions, the Employee authorises the Chairperson and/or the Board (or any person authorised by the Chairperson or the Board) to do all things and execute all documents necessary on behalf of the Employee to give effect to these resignations.

**18. DEBRIEFING AND ASSISTANCE**

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After the Employee's employment ends:

- (a) for a period of **six** months, the Employee agrees to provide such debriefing, and assistance to the Group as may reasonably be required by the Employer; and
- (b) upon payment of reasonable expenses by the Employer, the Employee agrees (subject to compliance with the law) to assist the Employer as required in relation to any investigation, claim or litigation which may affect the Group.

**19. PRIVACY**

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**19.1 Compliance with privacy and health laws**

The Employee must comply with all obligations regarding the collection, use and disclosure of personal and health information in accordance with applicable privacy and health laws and Employer policy.

**19.2 Collection of the Employee's personal information**

The Employee consents to the Group collecting, using and storing the Employee's personal and health information for any lawful purpose relating to the Employee's employment. The Employee consents to the Group transferring the personal and health information outside Western Australia and Australia in the course of the Group's business activities.

**19.3 Disclosure of the Employee's personal information**

The Employee consents to the Group disclosing the Employee's personal and health information to other persons for any lawful purpose relating to the Employee's employment. These persons include the Australian Tax Office, superannuation fund trustees and administrators, contractors, bankers, insurers, medical, rehabilitation or occupational practitioners, laboratory analysts, investigators, financial and legal advisers, potential purchasers on sale of business, law enforcement bodies and regulatory authorities.

**19.4 Privacy and health information policies**

Further detail regarding privacy and health information policies of the Group is set out in the Employer's policies.

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**20. ACKNOWLEDGEMENTS BY THE EMPLOYEE**

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The Employee acknowledges:

- (a) that the terms of this document are fair and reasonable; and
- (b) that the Employee has had a reasonable opportunity to obtain independent legal or other advice about this document.

**21. NOTICES**

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- (a) A notice, consent or other communication under this document is only effective if it is in writing, signed and either handed personally to the addressee, left at the addressee's address or sent to the addressee by mail, fax or email.
- (b) A notice, consent or other communication that complies with this clause is regarded as given and received:
  - (i) If it is sent by mail:
    - (A) within Australia – three business days after posting; or
    - (B) to or from a place outside Australia – seven business days after posting, or
  - (ii) If it is delivered to the person's address, or sent by fax or by email:
    - (A) by 5:00 pm (local time in the place of receipt) on a business day – on that day; or
    - (B) after 5:00 pm (local time in the place of receipt) on a business day, or on a day that is not a business day – on the next business day.
- (c) A person's mail address and fax number is as set out below, or as the person notifies the sender:

**Cliffs Natural Resources Pty Ltd**

Address: Level 12, The Quadrant, 1 William Street, Perth, Western  
Australia 6000, GPO Box W2017, Perth, Western Australia  
6000

Fax number: (08) 9426 3344

Attention: The Chairperson

**Mr Richard Mehan**

Address: PO Box 8136, Subiaco East, Western Australia 6008  
Attention: Richard Mehan

**22. AMENDMENT**

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This document can only be amended or replaced by another document executed by the parties.

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**23. GENERAL**

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**23.1 Governing Law**

- (a) This document is governed by the laws of Western Australia.
- (b) Each party submits to the jurisdiction of the courts of Western Australia and of any court that may hear appeals from any of those courts, for any proceedings in connection with this document.

**23.2 Giving effect to this document**

Each party must do anything (including execute any document), and must ensure that its employees and agents do anything (including execute any document), that the other party may reasonably require to give full effect to this document.

**23.3 Waiver of rights**

A right may only be waived in writing, signed by the party giving the waiver, and:

- (a) no other conduct of a party (including a failure to exercise, or delay in exercising, the right) operates as a waiver of the right or otherwise prevents the exercise of the right;
- (b) a waiver of a right on one or more occasions does not operate as a waiver of that right or as an estoppel precluding enforcement of that right if it arises again; and
- (c) the exercise of a right does not prevent any further exercise of that right or of any other right.

**23.4 Operation of this document**

- (a) This document contains the entire agreement between the parties about its subject matter. Any previous understanding, agreement, representation or warranty relating to that subject matter is replaced by this document and has no further effect.
- (b) Any provision of this document which is unenforceable or partly unenforceable is, where possible, to be severed to the extent necessary to make this document enforceable, unless this would materially change the intended effect of this document.

**Schedule 1**

**DUTIES AND RESPONSIBILITIES OF EMPLOYEE**

The duties and responsibilities of the Employee are:

As President and Chief Executive Officer of Cliffs Natural Resources Pty Ltd, the Employee is responsible for managing the operations of the Employer and its subsidiaries, overseeing business growth and development work and performing other duties as may be assigned to the Employee by the Board from time to time. The Employee agrees that he will perform his duties to the best of his abilities and knowledge, in a manner that is consistent with the authority and status of his position.

The Employer may vary these duties and responsibilities from time to time or assign the Employee additional duties and responsibilities.

The Employee will also perform functions, as directed, as Senior Vice President for the executive committee of Cliffs Natural Resources Inc.

**Schedule 2****INCENTIVE PLANS****1. SHORT TERM INCENTIVE (STIP)**

- 1.1 The STIP plan will be determined for the Employee by the Cliffs Natural Resources Inc. Management Performance Incentive (MPI) Plan from time to time. Currently under the MPI plan for the Employee, the Employee may be entitled to a cash payment of 50% of the Employee's base salary. From 1 January 2010, the Employee may be entitled to a maximum cash payment of 100% of the Employee's base salary. The actual amount of any payment to the Employee under the MPI plan will be subject to, and dependent upon the Employee's performance against KPIs set at or near the beginning of each calendar year and the Company's performance against the performance metrics approved by the Company's Compensation & Organization Committee. The Employee will not receive any accrued STIP payment until after the Employer's financial results have been audited and finalised for the applicable financial year.
- 1.2 In addition, a superannuation contribution of 15% will be made calculated on the cash payment made to the Employee under the STIP scheme in the relevant year.

**2. LONG TERM INCENTIVE (LTIP)**

- 2.1 The LTIP scheme operates in accordance with the LTIP rules (as amended from time to time). The Employee will only be entitled to a payment under the LTIP scheme if the LTIP rules so provide. Currently under the LTIP scheme the Employee may be entitled to a cash payment of a maximum of 75% of the Employee's base salary (and possibly higher subject to certain performance criteria). (At all times any future LTIP schemes in place will ensure that the maximum of the Employee's base salary payable subject to KPI criteria being met is at least 70%). Subject to any other term in respect of payment contained in the LTIP itself, the LTIP payment in respect of a particular year is payable on the third anniversary after the awarding/declaration of the LTIP payment, provided that the Employee will not receive any LTIP payment until after the Employer's financial results have been audited and finalised for the applicable financial year/period.
- 2.2 The actual payment of an amount to the Employee under the LTIP scheme will be subject to, and dependent upon:
- (a) Performance against KPIs set under the LTIP; and
  - (b) The Employee remaining in employment with the Employer at the date the LTIP payment falls due (ie 3 years after the date of the award/declaration of the LTIP amount), or the Employee ceasing to be employed due to:
    - (i) retirement from work altogether (as opposed to the Employee resigning but continuing to work or seek work); or
    - (ii) termination of the Employee's employment due to redundancy; or
    - (iii) termination upon change in control in accordance with clause 15.2(b)(iv); or
    - (iv) otherwise as provided for in this document or the LTIP scheme.

Any LTIP amount will be paid on a pro rata basis, at the same date as the incentive payment otherwise would have fallen due, having regard to performance against KPIs as at that date.

- (c) In addition, a superannuation contribution of 15% will be made calculated on the cash payment made to the Employee under LTIP scheme in the relevant year. The multiples provided for in clauses 14 and 15 already take into account the value of this superannuation contribution.

**EXECUTED as an agreement.**

**SIGNED for Cliffs Natural Resources Pty Ltd**, by Its duly authorised officer, in the presence of:

/s/ Joseph A. Carrabba  
Signature of officer

/s/ Erica L. Regan  
Signature of witness

Joseph A. Carrabba  
Name

Erica L. Regan  
Name

**SIGNED by Richard Mehan** in the presence of:

/s/ Richard Mehan  
Signature of party

/s/ Robyn Wheatley  
Signature of witness

Robyn Wheatley  
Name



CLIFFS NATURAL RESOURCES INC.  
200 Public Square, Suite 3300, Cleveland, OH 44114-2315  
P 216.694 5700 cliffsnaturalresources.com

March 23, 2010

**CONFIDENTIAL**

Mr. P. Kelly Tompkins  
1560 Barclay Boulevard  
Westlake, Ohio 44145-6837

Dear Mr. Tompkins:

This letter confirms our offer to you for the position of Executive Vice President Legal, Government Affairs and Sustainability with Cliffs Natural Resources Inc. effective May 3, 2010. In this role, you will report directly to Joseph A. Carrabba, Chairman, President and Chief Executive Officer.

The following are the details of this offer:

**BASE SALARY**

Your starting salary will be \$412,000 per year, payable semi-monthly. Individual performance and the salaries of elected officers are periodically reviewed by the Compensation and Organization Committee of the Board of Directors based on the recommendations of the Chief Executive Officer.

**2010 BONUS**

Based on the discretion of the Chief Executive Officer you will be eligible for a bonus equal to up to 168% of base pay or \$692,160. Then beginning in 2011 you will begin to participate in the Executive Management Performance Incentive Plan described below.

Your 2010 bonus award will not be prorated from your date of hire.

**EXECUTIVE MANAGEMENT PERFORMANCE INCENTIVE PLAN**

Beginning in 2011 you begin to participate in the Executive Management Performance Incentive Plan (EMPI), which provides an annual target cash bonus of 80 percent of your base salary. The Compensation Committee establishes a maximum EMPI Plan opportunity at the beginning of each year, expressed as a percentage of base salary. Your maximum EMPI opportunity for 2011 will be 168% of base or \$692,160. Actual Incentive payouts are determined under a weighted scoring system, with the scoring of each performance element expressed as the percentage of the overall maximum payout that is attributable to that element. The "target" level of overall performance produces a payout equal to 50% of the maximum award and an overall scoring at the "minimum" or threshold level produces a payout equal to 25% of the maximum award.

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#### **LONG-TERM EQUITY INCENTIVE PLAN**

You will participate in the Long Term Equity Incentive Plan and be eligible to receive annual Long Term Equity Incentive award (including Restricted Share Units) based on the Plan formula. Normally, the grant size will be determined based upon a market review and analysis of your current position.

For 2010 your total Long Term Incentive award will be 16,100 shares of Cliffs Natural Resources Inc. stock. Seventy five percent of this award, or 12,075 shares, will be Performance Shares. The Performance Shares vest into actual shares on a three-year moving cycle based on achieving corporate objectives as to total shareholder return (share price plus reinvested dividends) performance against a peer group and Free Cash Flow. Twenty five percent of your award, or 4,025 Restricted Share Units, will vest after three years based on your continuing employment to that date. Your Performance Share award will be computed as though you had been an employee of the Company beginning on January 1, 2010 and shall not be prorated because of your being hired during 2010.

The Company will recognize your RPM, Inc hire date of 1996 as your date of hire for purposes of determining your eligibility status for certain going-forward benefit levels under certain Cliffs' benefit plans. Below are the employee benefit plans that will be modified by recognizing 1996 instead of 2010.

##### ***Short term disability***

By recognizing the 1996 date of hire your Short Term Disability benefit would provide 100% of base pay until the month then 75% of base pay through the 12th month of disability

##### ***Long term disability***

You will immediately be able to elect any of the five Long Term Disability options available under the Cliffs' Plan.

##### ***Supplemental Retirement Plan***

Your pay crediting percentage will increase in the non-qualified Supplemental Retirement Plan.

##### ***Vacation***

You will now be eligible for 4 weeks of vacation.

#### **SEVERANCE PROTECTION**

The Company will enter into a change-of-control severance agreement with you. This agreement will provide, among other things, compensation in the event your position is eliminated or substantially diminished following a corporate change-of-control.

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#### EMPLOYEE BENEFIT PLANS

Subject to the eligibility rules of the various plans, you will be entitled to participate in the pension, 401(k), life insurance, medical and dental insurance coverage, disability, other employee benefit programs and arrangements, including any executive perquisites that are generally made available by the Company to employees in your position. Attached is a brief summary of these benefits.

##### Retiree Medical Coverage

Subsidized retiree medical coverage is not a part of the Company's retirement benefit program for employees hired or rehired after January 1, 1993.

##### Periodic Review of Benefit Plans

The Company periodically reviews all employee benefit plans and programs to ensure that employees are offered competitive and affordable benefits. The Company reserves the right to amend or terminate any such employee benefit plan, program or perquisite at any time and for any reason without the consent of any employee or participant.

##### Terms of Employment

This offer is contingent upon your successful completion of a Company pre-employment physical and drug/alcohol screen, which will be administered and evaluated consistent with the Americans with Disabilities Act of 1990.

By accepting this offer as Executive Vice President Legal, Government Affairs and Sustainability, you agree to act honestly, in good faith, in the Company's best interests, and to exercise the degree of skill and diligence that a person having your expertise and knowledge of the Company's affairs would reasonably be expected to exercise in comparable circumstances. Further, you agree to devote yourself exclusively and full-time to the Company's business and not to be employed or engaged in other businesses without the Company's prior written approval. You agree to observe and abide by all the Company's policies, rules and procedures, including the Company's Code of Business Conduct and Ethics policy. A copy of that policy is enclosed.

In accordance with corporate policy, this letter and your response are not meant to constitute a contract of employment for any specific period of time and you will remain, at all times, an employee at-will. Absolutely no one except the Board of Directors of the Company may change the at-will nature of our relationship, and then only in writing. Any reliance on any representations, oral or otherwise, contrary to "employment-at-will" is unreasonable.

I look forward to you joining the Cliffs' team and working with you. I believe that you will find the challenges to be significant, the rewards to be competitive, and the satisfaction to be substantial in working for a highly professional organization with a proud history in a vital industry.

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Please confirm in writing your acceptance of this offer and return the signed copy of the enclosed Employee Invention and Secrecy Agreement with your confirmation.

If you have any questions regarding the terms of the offer or the responsibility of the position, please do not hesitate to contact me.

Very truly yours,

/s/ William A. Brake  
William A. Brake

Acceptance of Offer:

I have read and accept all of the terms of the offer of employment as set forth in the foregoing letter. I have not relied on any agreements or representations, express or implied, that are not set forth expressly in the foregoing letter.

/s/ P. Kelly Tompkins  
P. Kelly Tompkins

March 31, 2010  
Date

Enclosure

cc: Joseph A. Carrabba  
Personnel File



JAMES R. MICHAUD  
Senior Vice President – Human Resources  
P. 216.694.5533 james.michaud@cliffsnr.com

CLIFFS NATURAL RESOURCES INC.  
200 Public Square, Suite 3300, Cleveland, OH 44114-2315  
P 216.694.5700 cliffsnaturalresouces.com

June 7, 2011

William R. Calfee  
3911-3 Lander Road  
Chagrin Falls, Ohio 44022

Dear Mr. Calfee:

Due to your planned retirement on July 1, 2011, the Compensation & Organization Committee of the Board of Directors has approved a consulting arrangement and special treatment of your Long-Term Incentive (LTI) and Management Performance Incentive (MPI) awards.

The specific elements include:

- One year consulting agreement paid at a monthly rate of \$8,000.00.
  - The consulting agreement would be renewable after 12 months; by agreement of both you and a designated representative of Cliffs Natural Resources Inc. (the "Company"). The parties commit to give each other at least 60 days advance written notice of intent to renew this agreement.
  - Consulting duties include:
    - Assistance in the development of the new commercial organization.
    - Working on the Arcelor Mittal Issues, and .
    - Any other assignments that help add value to the organization.
  - Your consulting duties should not prevent you from experiencing a "separation from service" for purposes of nonqualified deferred compensation plans of the Company that are subject to the requirements of Section 409A of the Internal Revenue Code (the "Code") because we anticipate that the level of consulting services you will be asked to perform will not exceed 20 percent of the average level of services you performed during the last few years of your employment.
- Upon signing the consulting agreement and prior to your planned retirement, the Company will make a one-time payment of \$30,000 to you.

- 
- Your outstanding LTI awards for the 2009 - 2011 and 2010 - 2012 LTI Incentive Periods will not be prorated as a result of your retirement and the amounts payable thereunder will be based on the degree of actual achievement and will be determined and paid in the normal course following the completion of each LTI cycle. You will not forfeit any portion of the Performance Shares or the Restricted Share Units (RSUs) granted to you for both cycles solely as a result of your retirement, notwithstanding Section 8.4 or 10.5 of the Amended and Restated Cliffs 2007 Incentive Equity Plan, as amended, or any other provision of that Plan or the applicable award agreements that would have required such proration or forfeiture. In effect, your Performance Shares and RSUs will be settled as though you remained employed throughout the entire incentive period and will be based on the level of the Company's actual performance when measured against the applicable performance objectives over the entire applicable incentive period. This additional vesting will not accelerate the date of payment of such awards, and the Company will make such payments to you in a manner that complies with Section 409A of the Code.
  - Your 2011 MPI Plan award will not be prorated on account of your retirement. Instead, you will be paid the 2011 MPI award as though you remained employed through the date the 2011 MPI awards are paid to other senior executives. The Organizational MPI Grant will be calculated based upon the Company's actual performance during 2011 when measured against the twelve performance criteria listed in the March 8, 2011 MPI award letter from Joe Carrabba. The additional vesting and the waiving of the requirement that you be employed on the date of payment of the 2011 MPI award provided by this paragraph will not accelerate the date of payment of the 2011 MPI award, and the Company will make such payment to you in a manner that complies with Section 409A of the Code.
  - The Company will provide you with additional payments, if necessary, equal to the amount of any additional tax or interest incurred or assessed, including an amount equal to the income tax on such additional payments, if the 2009-2011 LTI award, the 2010-2012 LTI award, the 2011 MPI award or any payments thereof do not comply with Section 409A of the Code. The Company shall make such additional payments to you by the end of the calendar year following the calendar year in which you remit the additional taxes or interest.

Bill, please sign below to indicate your acceptance of the consulting arrangement and special treatment of your LTI and MPI awards described above. A separate agreement detailing your responsibilities and those of the Company in your consulting role will be supplied as well.

Sincerely,

/s/ James R. Michaud

James R. Michaud

Senior Vice President – Human Resources

Accepted: /s/ William R. Calfee

William R. Calfee

Date: June 7, 2011

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**CONSULTING AGREEMENT**

This Consulting Agreement (this "**Agreement**") is being entered into by and between Cliffs Natural Resources Inc., an Ohio corporation with its headquarters located at 200 Public Square, Suite 3300, Cleveland, OH 44114-2315 (the "**Company**") and William R. Calfee, an individual with an address at 3911-3 Lander Road, Chagrin Falls, Ohio 44022 ( "**Consultant** " ).

1. **Term.** The term of this Agreement shall be for the period beginning on July 5, 2011, and ending on June 29, 2012, unless terminated earlier in accordance with the terms set forth below. The parties may extend the term of this Agreement if they mutually agree to do so in writing at least sixty (60) days prior to the end of the term then in effect.

2. **Relationship of the Parties/Engagement of Consultant by Company.** The Consultant and the Company intend to create an independent contractor relationship between them. In this regard, the Company is interested only in the results to be achieved through the services described below, and the conduct and control of the work will be determined solely by Consultant. Consultant is neither an agent nor an employee of the Company and shall not hold himself out as such.

3. **Scope of Services.** The Consultant agrees to advise, support and collaborate with the Company at the Company's request on development of the new commercial organization, assistance with major customer issues, and other assignments that add value to the organization all on mutually agreeable terms (the "**Services**"). The Company's requests for Services shall be made through the Executive Vice President, President – Global Commercial of the Company, and the Consultant shall submit invoices and expense reports and direct other communications through that officer. Consultant shall generally be available to provide Services at least four business days per month during the term of this Agreement. The parties hereto reasonably anticipate that the level of Services that Consultant will be asked to perform will not exceed twenty percent (20%) of the average level of services the Consultant performed for the Company during the 36-month period immediately prior to the effective date of this Agreement, and the Consultant will not be required to provide Services exceeding that level. In rendering Services under this Agreement, Consultant shall conform to high professional standards of work and business ethics. Consultant shall not use time, materials, or equipment of the Company for purposes other than providing the Services without the prior written consent of the Company. In no event shall Consultant take any action, accept any assistance or engage in any activity that would result in any entity or organization acquiring any rights of any nature in the results of work performed by or for the Company.

4. **Consulting Fee.** As payment for the Services, the Company shall pay the Consultant a base monthly consulting fee in the gross amount of \$ 8,000.00. The fee shall not be reduced in the event that Consultant performs less than the equivalent of four business days of Services per month. The fee shall be increased at the rate of \$2,000.00 per day for each day in excess of four days that Consultant performs Services during any month. Consultant shall provide a monthly invoice itemizing the Services provided in the previous month, and Company shall issue payment within forty-five (45) days of receipt of the invoice.

5. **Expenses.** The Company will reimburse Consultant for reasonable travel and other expenses incurred in connection with the Services pursuant to the guidelines set forth in the Company's expense reimbursement policy; provided, reimbursement of any eligible expenses will be paid within 45 days following the Consultant's written request for such reimbursement; provided further that the Consultant provide such written notice no later than 60 days before the last day of the calendar year following the calendar year in which said expenses were incurred so that the Company can make the reimbursement within the time periods required by Section 409A. The amount of expenses otherwise eligible for reimbursement during any calendar year will not affect the amount of expenses eligible for reimbursement during any other calendar year. The right to reimbursement will not be subject to liquidation or exchange for any other benefit. Except as approved in advance in writing by the Company, Consultant will be responsible for any other expenses incurred by him in performing Services hereunder.

6. **Taxes/Benefits.** Since Consultant is an independent contractor, he will be responsible for payment of all federal, state and local taxes with respect to all payments made to him or on his behalf by the Company pursuant to this Agreement, including self-employment taxes. The Company will issue to the Consultant a Form 1099 (or like or similar Internal Revenue Service form) for any fees paid to the Consultant under this Agreement during the term hereof. Similarly, since Consultant is an independent contractor, he will not be eligible to participate in the Company's active group health insurance, workers' compensation coverage or other active employee benefits programs.

7. **Insurance.** Consultant agrees to purchase and maintain at his own expense worker's compensation insurance, general liability insurance and automobile liability insurance. Certificates of insurance shall be provided to the Company upon request.

8. **Patents, Trademarks, Trade Names and Copyrights.** The Company owns or has exclusive rights to all patents, trademarks, trade names, copyrights and any other intellectual property applicable to its products and services. During the term of this Agreement, Consultant shall have the right to use in connection with his provision of the Services any of the Company's trademarks, trade names, copyrights and other intellectual property used in connection with its products and services. Upon termination of this Agreement, Consultant will immediately cease all use of the Company's trademarks, trade names, copyrights and other intellectual property.

9. **Workspace Access.** Upon request, the Company will provide Consultant access at its headquarters to workspace upon request, including basic administrative support services when Consultant utilizes workspace. The Company will provide Consultant e-mail access, a laptop and other supplies or services as needed from time to time during the term of this Agreement.

10. **Confidential and Inside Information.** Consultant acknowledges that prior to and during his engagement he was and will be given access to and may acquire knowledge or Confidential Information and/or Trade Secrets. For purposes of this Agreement, "Confidential Information and/or Trade Secrets" shall include but not be limited to information in any form or medium regarding (i) customers of the Company and persons employed by customers of the Company; (ii) vendors and suppliers of the Company; (iii) pricing structure and profit margins of the Company; (iv) employees of the Company and payroll policies; (v) information relating to the Company's computer and billing systems; (vi) activities of the Company's officers, directors, employees and affiliates, (vii) the Company's production methods, formulations and research and development efforts, and (viii) other proprietary, legal, confidential or secret information relating to the business, services, activities, plans, strategies, negotiations, finances or operating aspects of the Company.

Consultant shall not during the term of his engagement, unless expressly authorized by the Executive Vice President, President – Global Commercial of the Company or required by law, disclose to any third parties Confidential Information and/or Trade Secrets, and he shall confine his use of Confidential Information and/or Trade Secrets exclusively to carrying out his responsibilities for the Company, Consultant agrees to keep all Confidential Information and/or Trade Secrets entrusted to him in a secure place during his engagement and further agrees not to publish, communicate, divulge, use, or disclose, directly or indirectly, for his own benefit or for the benefit of another, either during or after the term of this Agreement any Confidential Information and/or Trade Secrets.

Upon termination or expiration of this Agreement, Consultant shall immediately return to the Company all Confidential Information and/or Trade Secrets in any written, electronic or other format produced or acquired during the performance of this Agreement and all copies thereof, including handwritten notes, made or derived from that information. Such material is and shall remain the property of the Company.

In addition to access to Confidential Information and/or Trade Secrets, Consultant may also have access to **“Inside Information”** as set forth in the Company’s Policy on Insider Information and Insider Trading, which is incorporated by reference herein, and with which Consultant shall comply if applicable.

11. **Non-Compete, Non-Circumvent and Non-Solicitation.** Consultant will not establish or engage in any business that competes or intends to compete with the Company’s business either during the term of this Agreement or for a period of twelve (12) months after the termination of this Agreement. Consultant hereby acknowledges that the fees paid by the Company to Consultant under this Agreement have included the consideration for such twelve month noncompetition obligation. Nothing herein shall prevent Consultant from entering into similar arrangements with others or holding himself out to the public as available to provide consulting services for others, provided that Consultant does not violate the restrictions of this Agreement. In addition, Consultant covenants and agrees that, during the term of this Agreement and for a period of twelve (12) months following the termination thereof, Consultant will not: (a) directly or indirectly induce any customers of the Company to cease doing business with the Company or to patronize any business similar to that of the Company; (b) directly or indirectly request or advise any customer of the Company to withdraw, curtail or cancel such customer’s business with the Company; or (c) directly or indirectly solicit any of the employees of the Company to terminate employment or employ any of the employees of the Company.

12. **Remedies for Breach.** The parties hereto recognize that Consultant’s Services to be rendered hereunder are of a special and unique character and that in the event of a breach by Consultant of his obligations under this Agreement, the Company shall be entitled to institute and prosecute proceedings in a state or federal court located in Cleveland, Ohio, either in law or in equity, to: (i) obtain damages for any breach of this Agreement; and (ii) enjoin Consultant from further violations. Consultant consents to personal jurisdiction in the state and federal courts located in Cleveland, Ohio, for purposes of such proceedings.

13. **Termination.** Either party may terminate this Agreement at any time upon thirty (30) days written notice to the other party. If the Company terminates this Agreement without Good Cause, the Company shall pay to Consultant within thirty (30) days of such termination final earned fees otherwise owed to Consultant and the balance of the monthly payments that would have been paid under this Agreement but for such termination. In addition, either party may terminate this Agreement immediately for "**Good Cause**". The Company shall have "Good Cause" to terminate this Agreement if Consultant: (a) materially violates any of the provisions of this Agreement; (b) breaches or fails to perform his obligations under this Agreement; (c) engages in criminal conduct in connection with the performance of his duties hereunder; or (d) becomes involved in insolvency, receivership or bankruptcy proceedings, provided that Good Cause under items (a) and (b) will not exist unless the Consultant fails during a thirty (30) day period following written notice from the Company of the facts and circumstances it alleges give rise to Good Cause to take appropriate corrective action. In the event of a termination by the Company for Good Cause, Company shall pay final earned fees otherwise owed to Consultant within thirty (30) days following termination, provided that Consultant has fulfilled all other obligations under this Agreement. The Consultant may terminate this Agreement if the Company fails to make timely payment of any amount due to Consultant under this Agreement and be paid, within thirty (30) days of such termination, final earned fees otherwise owed to Consultant and the balance of the monthly payments that would have been paid under this Agreement but for such termination.

14. **Amendment.** This Agreement may not be modified, amended, or waived in any manner except by an instrument in writing signed by both of the parties hereto.

15. **Miscellaneous.** This Agreement constitutes the entire agreement of the parties with respect to its subject matter and there are no other oral or written agreements or understandings between the parties in respect thereof. This Agreement shall be governed and construed in accordance with the laws of the State of Ohio. This Agreement may be signed in any number of counterparts, and by electronic means. This Agreement may not be assigned by the Consultant without the written consent of the Company.

The Company

By: /s/ D. J. Gallagher  
Title: Executive V.P., President-Global Commercial  
Date: June 7, 2011

Consultant

/s/ William R. Calfee  
Date: June 7, 2011



JAMES R. MICHAUD  
Senior Vice President – Human Resources  
P. 216.694.5533 james.michaud@cliffsnr.com

CLIFFS NATURAL RESOURCES INC.  
200 Public Square, Suite 3300, Cleveland, OH 44114-2315  
P 216.694.5700 cliffsnaturalresources.com

June 7, 2011

William R. Calfee  
3911-3 Lander Road  
Chagrin Falls, Ohio 44022

Dear Mr. Calfee:

Due to your planned retirement on July 1, 2011, the Compensation & Organization Committee of the Board of Directors has approved a consulting arrangement and special treatment of your Long-Term Incentive (LTI) and Management Performance Incentive (MPI) awards.

The specific elements include:

- One year consulting agreement paid at a monthly rate of \$8,000.00.
  - The consulting agreement would be renewable after 12 months; by agreement of both you and a designated representative of Cliffs Natural Resources Inc. (the “Company”). The parties commit to give each other at least 60 days advance written notice of intent to renew this agreement.
  - Consulting duties include:
    - Assistance in the development of the new commercial organization,
    - Working on the Arcelor Mittal Issues, and
    - Any other assignments that help add value to the organization.
  - Your consulting duties should not prevent you from experiencing a “separation from service” for purposes of nonqualified deferred compensation plans of the Company that are subject to the requirements of Section 409A of the Internal Revenue Code (the “Code”) because we anticipate that the level of consulting services you will be asked to perform will not exceed 20 percent of the average level of services you performed during the last few years of your employment.
- Upon signing the consulting agreement and prior to your planned retirement, the Company will make a one-time payment of \$30,000 to you.

- 
- Your outstanding LTI awards for the 2009 - 2011 and 2010 - 2012 LTI Incentive Periods will not be prorated as a result of your retirement and the amounts payable thereunder will be based on the degree of actual achievement and will be determined and paid in the normal course following the completion of each LTI cycle. You will not forfeit any portion of the Performance Shares or the Restricted Share Units (RSUs) granted to you for both cycles solely as a result of your retirement, notwithstanding Section 8.4 or 10.5 of the Amended and Restated Cliffs 2007 Incentive Equity Plan, as amended, or any other provision of that Plan or the applicable award agreements that would have required such proration or forfeiture. In effect, your Performance Shares and RSUs will be settled as though you remained employed throughout the entire incentive period and will be based on the level of the Company's actual performance when measured against the applicable performance objectives over the entire applicable incentive period. This additional vesting will not accelerate the date of payment of such awards, and the Company will make such payments to you in a manner that complies with Section 409A of the Code.
  - Your 2011 MPI Plan award will not be prorated on account of your retirement. Instead, you will be paid the 2011 MPI award as though you remained employed through the date the 2011 MPI awards are paid to other senior executives. The Organizational MPI Grant will be calculated based upon the Company's actual performance during 2011 when measured against the twelve performance criteria listed in the March 8, 2011 MPI award letter from Joe Carrabba. The additional vesting and the waiving of the requirement that you be employed on the date of payment of the 2011 MPI award provided by this paragraph will not accelerate the date of payment of the 2011 MPI award, and the Company will make such payment to you in a manner that complies with Section 409A of the Code.
  - The Company will provide you with additional payments, if necessary, equal to the amount of any additional tax or interest incurred or assessed, including an amount equal to the income tax on such additional payments, if the 2009-2011 LTI award, the 2010-2012 LTI award, the 2011 MPI award or any payments thereof do not comply with Section 409A of the Code. The Company shall make such additional payments to you by the end of the calendar year following the calendar year in which you remit the additional taxes or interest.

Bill, please sign below to indicate your acceptance of the consulting arrangement and special treatment of your LTI and MPI awards described above. A separate agreement detailing your responsibilities and those of the Company in your consulting role will be supplied as well.

Sincerely,

/s/ James R. Michaud

James R. Michaud

Senior Vice President – Human Resources

Accepted: /s/ William R. Calfee

William R. Calfee

Date: June 7, 2011

**CLEVELAND-CLIFFS INC AND SUBSIDIARIES  
MANAGEMENT PERFORMANCE INCENTIVE PLAN  
SUMMARY**

**Effective January 1, 2004**

1. The Management Performance Incentive Plan ("MPI Plan") provides a significant financial incentive for designated management employees of Cleveland-Cliffs Inc and subsidiaries ("Company") to maximize Company, unit, and personal performance in achieving current results and longer range objectives. The MPI Plan is designed to place a significant portion of annual compensation at risk with performance and to provide above average compensation for outstanding performance.
2. The MPI Plan is administered by the Company's Compensation and Organization Committee ("Committee") which is composed of non-employee Directors, none of whom are eligible to participate in the MPI Plan.
3. Participants in the MPI Plan are officers and salaried employees in designated management positions. The number of designated management positions is controlled through the broadband classification system to maintain an efficient ratio of management to non-management employees.
4. Utilizing the broadband system, the management positions fall under one of six separate salary ranges ("Bands"), with each Band defining a broad range of salaries and specifying a percentage target bonus ("Percentage Target Bonus") applicable to all positions within that Band. The general objective is to establish salary control points based on the 50<sup>th</sup> percentile of market survey data. Position salaries are based on national compensation data and internal organizational relationships and are periodically reviewed to maintain a compensation level which is competitive with similar positions in similar companies.
5. The national compensation data includes determination of typical performance bonus payments for management positions at various responsibility levels. This data is used to determine a competitive Percentage Target Bonus applicable to each Band which Percentage Target Bonus is applied to salaries within that Band to determine the participants' respective target bonuses ("Target Bonuses"). The Percentage Target Bonus may be revised periodically according to survey data.
6. The Chief Executive Officer ("CEO") approves the Bands for all management positions except Bands for officer positions, which are approved by the Committee.

7. Each year the Committee will approve a bonus funding structure which will be used to determine the bonus pool for the then current year. The bonus funding structure will be based on the Company's performance as measured by a scorecard formula ("Scorecard") utilizing performance drivers, which reflect the criteria for attainment of objectives for that year ("Performance Drivers") at threshold, target and outstanding performance levels ("Performance Standards"). The Performance Drivers will be assigned specific weightings to be applied in determining final overall performance for the year ("Total Weighted Performance"). The Performance Standards required under the Scorecard with respect to each Performance Driver will be calibrated each year based upon the current business environment with a minimum bonus opportunity at defined threshold levels for officers and other management positions. Bonus pool funding is based upon the percentage level of the Company's achievement of the Performance Standards set by the Scorecard for each Performance Driver ("Funding Percentages"), and the weighting assigned to each Funding Percentage for the year. Notwithstanding the established Performance Standards for such year, and if otherwise warranted, the Committee has the discretion to increase Funding Percentages with respect to each Performance Driver so as to have an overall result in Total Weighted Performance up to 35% of the Target Bonuses for officers and up to 50% of the Target Bonuses for other management positions.
8. In the quarter following the close of each year, the bonus pool will be determined using the Scorecard. Such funded bonus pool can be zero and cannot exceed 200% of the Participant's aggregate Target Bonuses. The funded pool will be distributed to participants based on Target Bonuses and performance. Upon approval of the Committee, an additional bonus pool of 10% of target bonuses will be set aside for distribution at the discretion of the CEO. When used, discretionary awards will reward participants whose contributions to achievement of the Company's performance objectives exceeded all expectations.
9. At the discretion of the Committee and subject to the availability of authorized stock, bonus payments to participants may be made in cash or shares of the Company's stock or a combination thereof, and restrictions may be placed on the vesting of any stock award.
10. Generally, bonus payments to participants will be made by the end of March for the prior calendar year after audited financial results are determined.
11. Following designation as a participant in the MPI Plan and prior to the payment of a bonus, neither the participant nor the estate or anyone claiming through such participant has any right to share in the bonus pool for such year. However, the MPI Plan provides, at the sole discretion of the Committee and CEO, that awards may be made to a participant whose employment terminates during the calendar year or to the participant's beneficiaries when circumstances warrant favorable consideration for an award for such year.

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12. A participant has no right, title or interest in any assets of the Company and subsidiaries by reason of any award made pursuant to this MPI Plan and such award reflects only an unsecured contractual obligation to make the payment to the participant of the approved award under the terms and conditions of the MPI Plan.
  13. The Board of Directors may modify or terminate this MPI Plan at any time.

CLIFFS NATURAL RESOURCES INC.

2009 PARTICIPANT GRANT  
UNDER THE  
2007 INCENTIVE EQUITY PLAN

Effective March 9, 2009 ("Date of Grant"), the Compensation and Organization Committee ("Committee") of the Board of Directors of Cliffs Natural Resources Inc. ("Company") hereby grants to \_\_\_\_\_ ("Participant"), an employee of the Company or of a Subsidiary of the Company, \_\_\_\_\_ (\_\_\_\_\_) Performance Shares and an additional \_\_\_\_\_ (\_\_\_\_\_) Restricted Share Units covering the incentive period commencing January 1, 2009 and ending December 31, 2011 ("Incentive Period") under the 2007 Incentive Equity Plan ("Plan") of the Company.

Such Grant shall be subject to the Terms and Conditions of the 2009 Participant Grants under the 2007 Incentive Equity Plan approved by the Committee at its March 9, 2009 meeting ("Terms and Conditions") and provided to the Participant.

CLIFFS NATURAL RESOURCES INC.  
("Company")

The undersigned Participant hereby acknowledges receipt of the Terms and Conditions, hereby declares that he has read the Terms and Conditions, agrees to the Terms and Conditions, and accepts the Performance Shares and Restricted Share Units granted hereunder subject to the Terms and Conditions and the Plan.

\_\_\_\_\_  
Participant

Print Name: \_\_\_\_\_

\*Return one executed copy of the 2009 Participant Grant to the Company indicating receipt and acceptance of the 2009 Participant Grant and the Terms and Conditions of the 2009 Participant Grants under the 2007 Incentive Equity Plan.\*

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CLIFFS NATURAL RESOURCES INC.

THE TERMS AND CONDITIONS OF  
THE 2009 PARTICIPANT GRANTS  
UNDER THE  
2007 INCENTIVE EQUITY PLAN

The Compensation and Organization Committee of the Board of Directors of Cliffs Natural Resources Inc. hereby establishes the Terms and Conditions of the 2009 Participant Grants ("Grants" or individually "Grant") under the 2007 Incentive Equity Plan ("Plan") as follows:

ARTICLE 1.

Definitions

All terms used herein with initial capital letters shall have the meanings assigned to them in a Grant or the Plan and the following additional terms, when used herein with initial capital letters, shall have the following meanings:

**1.1 "Free Cash Flow"** shall mean the Company's cash from operations minus its capital expenditures from the Company's consolidated cash flow statement as more particularly described on the attached Exhibit D.

**1.2 "Market Value Price"** shall mean the latest available closing price of a Share of the Company and the latest available closing price per share of a common share of each of the entities in the Peer Group, as the case may be, on the New York Stock Exchange or other recognized market if the stock does not trade on the New York Stock Exchange at the relevant time.

**1.3 "Peer Group"** shall mean the group of companies, as more particularly set forth on attached Exhibit A, against which the Relative Total Shareholder Return of the Company is measured over the Incentive Period and shall mean the S&P Metals ETF as defined in Section 1.8 hereof as a replacement of each and every company listed on Exhibit A that is excluded from the Peer Group during the Incentive Period as described on Exhibit A.

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**1.4 “Performance Objectives”** shall mean for the Incentive Period the target objectives of the Company of the Relative Total Shareholder Return and Free Cash Flow goals established by the Committee and reported to the Board, as more particularly set forth on attached Exhibit B.

**1.5 “Performance Shares Earned”** shall mean the number of Shares of the Company (or cash equivalent) earned by a Participant following the conclusion of an Incentive Period in which one of Company Performance Objectives was met at the “Threshold” level or a higher level.

**1.6 “Relative Total Shareholder Return”** shall mean for the Incentive Period the Total Shareholder Return of the Company compared to the Total Shareholder Return of the Peer Group, as more particularly set forth on attached Exhibit C.

**1.7 “Share Ownership Guidelines”** shall mean the Cliffs Natural Resources Inc. Directors’ and Officers’ Share Ownership Guidelines, as amended from time to time.

**1.8 “S&P Metals ETF”** shall mean the SPDR S&P Metals & Minerals ETF (XME) managed by State Street Global Advisors but with Cliffs Natural Resources Inc. taken out.

**1.9 “Total Shareholder Return”** shall mean for the Incentive Period the cumulative return to shareholders of the Company and to the shareholders of each of the entities in the Peer Group during the Incentive Period, measured by the change in Market Value Price per share of a Share of the Company plus dividends (or other distributions, excluding franking credits) reinvested over the Incentive Period and the change in the Market Value Price per share of the common share of each of the entities in the Peer Group plus dividends (or other distributions, excluding franking credits) reinvested over the Incentive Period, determined on the last business day of the Incentive Period compared to a base measured by the average Market Value Price per share of a Share of the Company and of a common share of each of the entities in the Peer Group on the last business day of the year immediately preceding the Incentive Period. Dividends (or other distributions, excluding franking credits) per share are assumed to

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be reinvested in the applicable stock on the last business day of the quarter during which they are paid at the then Market Value Price per share, resulting in a fractionally higher number of shares owned at the market price.

**ARTICLE 2.**

**Grant and Terms of Performance Shares**

**2.1 Grant of Performance Shares** . Pursuant to the Plan, the Company, by action of the Committee, has granted to the Participant the number of Performance Shares as specified in the Grant, without dividend equivalents, effective as of the Date of Grant.

**2.2 Issuance of Performance Shares** . The Performance Shares covered by the Grant and these Terms and Conditions shall only result in the issuance of Shares (or cash or a combination of Shares and cash, as decided by the Committee in its sole discretion), after the completion of the Incentive Period and only if such Performance Shares are earned as provided in Section 2.3 of this Article 2.

**2.3 Performance Shares Earned** . Performance Shares Earned, if any, shall be based upon the degree of achievement of the Company Performance Objectives, all as more particularly set forth in Exhibit B, with actual Performance Shares Earned interpolated between the performance levels shown on Exhibit B. In no event, shall any Performance Shares be earned for actual achievement by the Company in excess of the allowable maximum as established under the Performance Objectives.

**2.4 Calculation of Payout of Performance Shares** . The Performance Shares granted shall be earned as Performance Shares Earned based on the degree of achievement of the Performance Objectives established for the incentive Period. The percentage level of achievement determined for each Performance Objective shall be multiplied by the number of Performance Shares granted to determine the actual number of Performance Shares Earned. The calculation as to whether the Company has met or exceeded the Company Performance Objectives shall be determined in accordance with the Grant and these Terms and Conditions.

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## **2.5 Payment of Performance Shares.**

(a) The Payment of Performance Shares Earned shall be made in the form of Shares (or cash or a combination of Shares and cash, as decided by the Committee in its sole discretion), and shall be paid after the determination by the Committee of the level of attainment of the Company Performance Objectives (the calculation of which shall have been previously reviewed by an independent accounting professional), but in any event no later than the end of the first calendar year beginning after the end of the Incentive Period, unless the date of payment is deferred by the Participant pursuant to, and in compliance with, the terms of the Company's Voluntary Non-Qualified Deferred Compensation Plan. Notwithstanding the foregoing, no Performance Shares granted hereunder, may be paid in cash in lieu of Shares to any Participant who is subject to the Share Ownership Guidelines unless and until such Participant is either in compliance with, or no longer subject to, such Share Ownership Guidelines, provided, however, that the Committee may withhold Shares to the extent necessary to satisfy federal, state or local income tax withholding requirements, as described in Section 5.2. In addition, the Committee may restrict 50% of the Shares to be issued in satisfaction of the total Performance Shares Earned, before income tax withholding, so that they cannot be sold by Participant unless immediately after such sale the Participant is in compliance with the Share Ownership Guidelines that are applicable to the Participant at the time of sale.

(b) Any payment of Performance Shares Earned to a deceased Participant shall be paid to the beneficiary designated by the Participant on the Designation of Death Beneficiary attached as Exhibit E and filed with the Company. If no such beneficiary has been designated or survives the Participant, payment shall be made to the estate of a Participant. A beneficiary designation may be changed or revoked by a Participant at any time, provided the change or revocation is filed with the Company.

(c) Prior to payment, the Company shall only have an unfunded and unsecured obligation to make payment of Performance Shares Earned to the Participant. The Performance Shares covered by the Grant and these Terms and Conditions that have not yet been earned as Performance Shares Earned are not transferable other than by completion of the Designation of Death Beneficiary attached as Exhibit E or pursuant to the laws of descent and distribution.

**2.6 Death, Disability, Retirement or Other.**

(a) With respect to Performance Shares granted to a Participant whose employment is terminated because of death, Disability, Retirement, or is terminated by the Company without Cause, the Participant shall receive at the time specified in Section 2.5(a) as Performance Shares Earned the number of Performance Shares as is then determined under Section 2.4 at the end of such Incentive Period, prorated based upon the number of months between January 1, 2009 and the date the Participant ceased to be employed by the Company compared to the thirty-six (36) months in the Incentive Period.

(b) In the event a Participant voluntarily terminates employment prior to December 31, 2011 or is terminated by the Company with Cause prior to the date of payment of Performance Shares Earned, the Participant shall forfeit all right to any Performance Shares that would have been earned under the Grant and these Terms and Conditions.

**ARTICLE 3.**

**Grant and Terms of Restricted Share Units**

**3.1 Grant of Restricted Share Units.** Pursuant to the Plan, the Company has granted to the Participant the number of Restricted Share Units as specified in the Grant, without dividend equivalents, effective as of the Date of Grant.

**3.2 Condition of Payment.** The Restricted Share Units covered by the Grant and these Terms and Conditions shall only result in the payment in Shares of the Company equal in number to the Restricted Share Units if the Participant remains in the employ of the Company or a Subsidiary throughout the Incentive Period.

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### **3.3 Payment of Restricted Share Units.**

(a) Payment of Restricted Share Units shall be made in the form of Shares and shall be paid at the same time as the payment of Performance Shares Earned pursuant to Section 2.5(a), provided, however, in the event no Performance Shares are earned, then the Restricted Share Units shall be paid in Shares at the time the Performance Shares would normally have been paid. The Committee may restrict 50% of the Shares to be issued in satisfaction of the total Restricted Share Units, before income tax withholding, so that they cannot be sold by Participant unless immediately after such sale the Participant is in compliance with the Share Ownership Guidelines that are applicable to the Participant at the time of sale.

(b) Any payment of Restricted Share Units to a deceased Participant shall be paid to the beneficiary designated by the Participant on the Designation of Death Beneficiary attached as Exhibit E and filed with the Company. If no such beneficiary has been designated or survives the Participant, payment shall be made to the estate of a Participant. A beneficiary designation may be changed or revoked by a Participant at any time, provided the change or revocation is filed with the Company.

(c) Prior to payment, the Company shall only have an unfunded and unsecured obligation to make payment of Restricted Share Units to the Participant. The Restricted Share Units covered by the Grant and these Terms and Conditions that have not yet been earned are not transferable other than by completion of the Designation of Death Beneficiary attached as Exhibit E or pursuant to the laws of descent and distribution.

**3.4 Death, Disability, Retirement or Other.** With respect to Restricted Share Units granted to a Participant whose employment is terminated because of death, Disability, Retirement, or is terminated by the Company without Cause during the Incentive Period, the Participant shall receive at the time specified in Section 3.3(a) the number of Shares as calculated in Section 3.2, prorated based upon the number of months between January 1, 2009 and the date the Participant ceased to be employed by the Company compared to the thirty-six (36) months in the Incentive Period.

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ARTICLE 4.

**Other Terms Common to Restricted Share Units and Performance Shares**

**4.1 Forfeiture.**

(a) A Participant shall not render services for any organization or engage directly or indirectly in any business which is a competitor of the Company or any affiliate of the Company, or which organization or business is or plans to become prejudicial to or in conflict with the business interests of the Company or any affiliate of the Company.

(b) Failure to comply with subsection (a) above will cause a Participant to forfeit the right to Performance Shares and Restricted Share Units and require the Participant to reimburse the Company for the taxable income received or deferred on Performance Shares that become payable to the Participant and on Restricted Share Units that have been paid out in Shares within the 90-day period preceding the Participant's termination of employment.

(c) Failure of the Participant to repay to the Company the amount to be reimbursed in subsection (b) above within three days of termination of employment will result in the offset of said amount from the Participant's account balance in the Company's Voluntary Non-Qualified Deferred Compensation Plan, if applicable (at the time that the amounts owed under the Voluntary Non-Qualified Deferred Compensation Plan are scheduled for payment), and/or from any accrued salary or vacation pay owed at the date of termination of employment or from future earnings payable by the Participant's next employer. If applicable, such offset shall be deemed to constitute the payment due to him under the Voluntary Non-Qualified Deferred Compensation Plan in accordance with the time and form of payment specified under the Voluntary Non-Qualified Deferred Compensation Plan and the immediate repayment to the Company of the amounts owed under these Terms and Conditions.

**4.2 Change in Control.** In the event a Change in Control (as defined in the Plan) occurs, all Performance Shares granted to a Participant for Incentive Periods which have not ended shall immediately become Performance Shares Earned on a one-to-one basis regardless

of the Performance Objectives. All Performance Shares, if any, granted to a Participant for an Incentive Period which ended before the Change in Control, will be deemed to be Performance Shares Earned to the extent and only to the extent that they became Performance Shares Earned as of the end of the Incentive Period based upon the Performance Objectives for the Incentive Period. The value of all Performance Shares Earned, including ones for Incentive Periods which have already ended, shall be paid in cash based on the Fair Market Value of the Shares determined on the date the Change in Control occurs. Also, in the event of a Change in Control, all Restricted Share Units granted for all periods shall become nonforfeitable and shall be paid in cash based on the Fair Market Value of an equivalent number of Shares determined on the date the Change in Control occurs. All payments with respect to Performance Shares and Restricted Share Units shall be made within 10 days of the Change in Control.

#### ARTICLE 5.

##### General Provisions

**5.1 Compliance with Law.** The Company shall make reasonable efforts to comply with all applicable federal and state securities laws; provided, however, notwithstanding any other provision of the Grant and these Terms and Conditions, the Company shall not be obligated to issue any Shares pursuant to the Grant and these Terms and Conditions if the issuance or payment thereof would result in a violation of any such law; provided, however, that the Shares will be issued at the earliest date at which the Company reasonably anticipates that the issuance of the Shares will not cause such violation.

**5.2 Withholding Taxes.** To the extent that the Company is required to withhold federal, state, local or foreign taxes in connection with any payment of Performance Shares Earned or Restricted Share Units to a Participant under the Plan, the Company shall withhold the minimum amount of taxes which it determines it is required by law or required by the terms of the Plan to withhold in connection with any recognition of income incident to this Plan payable in cash or Shares to a Participant or beneficiary. In the event of a taxable event occurring with

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regard to Shares on or after the date that the Shares become nonforfeitable, the Company shall reduce the Shares owed to the Participant or beneficiary by the fewest number of such Shares owed to the Participant or beneficiary such that the Fair Market Value of such Shares shall equal (or exceed by not more than the Fair Market Value of a single Share) the Participant's or other person's "Minimum Withholding Tax Liability" resulting from such recognition of income. The Company shall pay cash equal to such Fair Market Value to the appropriate taxing authority for purposes of satisfying such withholding responsibility. If a distribution or other event does not result in any withholding tax liability as a result of the Participant's election to be taxed at an earlier date or for any other reason, the Company shall not reduce the Shares owed to the Participant or beneficiary. For purposes of this paragraph, a person's "Minimum Withholding Tax Liability" is the product of: (a) the aggregate minimum applicable federal and applicable state and local income withholding tax rates on the date of a recognition of income incident to the Plan; and (b) the Fair Market Value of the Shares recognized as income to the Participant or other person determined as of the date of recognition of income, or other taxable amount under applicable statutes.

**5.3 Continuous Employment.** For purposes of the Grant and these Terms and Conditions, the continuous employment of the Participant with the Company shall not be deemed to have been interrupted, and the Participant shall not be deemed to have ceased to be an employee of the Company, by reason of the transfer of his employment among the Company and its Subsidiaries or an approved leave of absence.

**5.4 Relation to Other Benefits.** Any economic or other benefit to the Participant under the Grant and these Terms and Conditions or the Plan shall not be taken into account in determining any benefits to which the Participant may be entitled under any profit-sharing, retirement or other benefit or compensation plan maintained by the Company or a Subsidiary and shall not affect the amount of any life insurance coverage available to any beneficiary under any life insurance plan covering employees of the Company or a Subsidiary.

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**5.5 These Terms and Conditions Subject to Plan.** The Restricted Share Units and Performance Shares granted under the Grant and these Terms and Conditions and all of the terms and conditions hereof are subject to all of the terms and conditions of the Plan, a copy of which is available upon request.

**5.6 Amendments.** The Plan, the Grant and these Terms and Conditions can be amended at any time by the Company. Any amendment to the Plan shall be deemed to be an amendment to the Grant and these Terms and Conditions to the extent that the amendment is applicable hereto. Except for amendments necessary to bring the Plan, the Grant and these Terms and Conditions into compliance with current law including Internal Revenue Code section 409A, no amendment to either the Plan, the Grant or these Terms and Conditions shall adversely affect the rights of the Participant under the Grant and the Grant and these Terms and Conditions without the Participant's consent.

**5.8 Severability.** In the event that one or more of the provisions of the Grant and these Terms and Conditions shall be invalidated for any reason by a court of competent jurisdiction, any provision so invalidated shall be deemed to be separable from the other provisions hereof, and the remaining provisions hereof shall continue to be valid and fully enforceable.

**5.9 Governing Law.** The Grant and these Terms and Conditions shall be construed and governed in accordance with the laws of the State of Ohio.

These Terms and Conditions are hereby adopted this \_\_\_\_\_day of March, 2009 by the members of the Compensation and Organization Committee of the Board of Directors of Cliffs Natural Resources Inc.

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Francis R. McAllister

James D. Ireland III

Roger Phillips

Richard K. Riederer

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**EXHIBITS**

Exhibit A	Peer Group
Exhibit B	Performance Objectives
Exhibit C	Relative Total Shareholder Return
Exhibit D	Free Cash Flow
Exhibit E	Beneficiary Designation

**Exhibit A**

PEER GROUP  
(2009-2011)

Massey Energy Corp  
Consol Energy Inc  
Peabody Energy Corp  
Foundation Coal Holdings Inc  
Arch Coal Inc  
Carpenter Technology Corp  
Steel Dynamics Inc  
Quanex Corp  
AK Steel Holding Corp  
Commercial Metals Co  
Worthington Inds Inc  
Alcoa Inc  
Nucor Corp  
United States Steel Corp (New)  
Reliance Steel & Aluminum Co  
Allegheny Technologies Inc  
Freeport-McMoran Cooper & Gold Inc  
Usec Inc

The Peer Group of 18 companies shall not be adjusted within the Incentive Period, except to exclude companies which during the Incentive Period (a) cease to be publicly traded, or (b) have experienced a major restructuring by reason of: (i) a Chapter 11 filing, or (ii) a spin-off of more than 50% of any such company's assets. The S&P Metals ETF as defined in Section 1.8 shall be substituted in place of the Peer Group companies that are excluded pursuant to the foregoing sentence with a weighting of 1/18 <sup>th</sup> times the number of Peer Group Companies that are so excluded.

The value of the stock of a Peer Group company will be determined in accordance with the following:

1. If the stock is listed on an exchange in the U.S. or Canada, then the value on such exchange will be used;
2. Otherwise, if the stock is traded in the U.S. as an American Depositary Receipt, then the value of the ADR will be used; or
3. Otherwise, the value on the exchange in the country where the company is headquartered will be used.

**Exhibit B**  
**PERFORMANCE OBJECTIVES**  
(2009-2011)

The target objectives of the Company are Relative Total Shareholder Return (share price plus reinvested dividends) and Free Cash Flow over the three-year Incentive Period from January 1, 2009 to December 31, 2011. Achievement of the Relative Total Shareholder Return objective shall be determined by the shareholder return of the Company relative to a predetermined group of steel, mining and metal companies. Achievement of the Free Cash Flow objective shall be determined against a scale set forth in the Table Below:

Performance Factor	Weight	Threshold	Performance Level Target	Maximum
Relative TSR	50%	35th % tile	55th % tile	75th % tile
Payout For Relative TSR		25%	50%	75%
3- Year Cumulative Free Cash Flow (\$000s)	50%	\$200	\$400	\$800
Payout For Free Cash Flow		25%	50%	75%
Total Payout If Achieve Level For Both Performance Factors		50%	100%	150%

**Exhibit C**

**RELATIVE TOTAL SHAREHOLDER RETURN**  
(2009-2011)

Relative Total Shareholder Return for the Incentive Period is calculated as follows:

1. The Total Shareholder Return as defined in Section 1.9 of these Terms and Conditions for the Incentive Period for the Company shall be compared to the Total Shareholder Return for each of the entities within the Peer Group for the Incentive Period. The results shall be ranked to determine the Company's Relative Total Shareholder Return percentile ranking compared to the Peer Group.
2. The Company's Relative Total Shareholder Return for the Incentive Period shall be compared to the Relative Total Shareholder Return Performance target range established for the Incentive Period.
3. The Relative Total Shareholder Return performance target range has been established for the 2009-2011 Incentive Period as follows:

<u>Performance Level</u>	<u>2009-2011 Relative Total Shareholder Return Percentile Ranking</u>
Maximum	75th Percentile
Target	55th Percentile
Threshold	35th Percentile

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**Exhibit D**

FREE CASH FLOW  
(2009-2011)

Free Cash Flow is calculated as follows:

1. Each year during the Incentive Period, the Cash from Operations from the Company's consolidated cash flow statement.
2. Each year during the Incentive Period, the Capital Expenditures from the Company's consolidated cash flow statement shall be subtracted from the Company's Cash from Operations.
3. The amounts determined in paragraph 2 above for each year during the Incentive Period shall be added together to determine the Cumulative Free Cash Flow of the Company during the Incentive Period.

The Cumulative Free Cash Flow shall be adjusted by the Committee, if necessary, to eliminate or review the impact of acquisitions and dispositions, non-operational businesses, significant expansions and other unusual items.

Exhibit E

BENEFICIARY DESIGNATION

In accordance with the terms and conditions of the Cleveland-Cliffs Inc 2007 Incentive Equity Plan ("Plan"), my 2009 Participant Grant ("Grant") and the 2009 Terms and Conditions ("Terms and Conditions"), I hereby designate the person(s) indicated below as my beneficiary(ies) to receive any payments under the Plan, Grant and Terms and Conditions after my death.

Name \_\_\_\_\_  
Address \_\_\_\_\_  
\_\_\_\_\_

Social Sec. Nos. of Beneficiary(ies) \_\_\_\_\_  
Relationship(s) \_\_\_\_\_  
Date(s) of Birth \_\_\_\_\_

In the event that the above-named beneficiary(ies) predecease(s) me, I hereby designate the following person(s) as beneficiary(ies):

Name \_\_\_\_\_  
Address \_\_\_\_\_  
\_\_\_\_\_

Social Sec. Nos. of Beneficiary(ies) \_\_\_\_\_  
Relationship(s) \_\_\_\_\_  
Date(s) of Birth \_\_\_\_\_

I hereby expressly revoke all prior designations of beneficiary(ies), reserve the right to change the beneficiary(ies) herein designated and agree that the rights of said beneficiary(ies) shall be subject to the terms of the Plan, Grant and these Terms and Conditions. In the event that there is no beneficiary living at the time of my death, I understand that the payments under the Plan, Grant and these Terms and Conditions will be paid to my estate.

\_\_\_\_\_  
Date

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Print or type name)

CLIFFS NATURAL RESOURCES INC.

2010 BRAZIL PARTICIPANT GRANT  
UNDER THE  
2007 INCENTIVE EQUITY PLAN

Effective March 8, 2010 ("Date of Grant"), the Compensation and Organization Committee ("Committee") of the Board of Directors of Cliffs Natural Resources Inc. ("Company") hereby grants to \_\_\_\_\_("Participant"), an employee of Cliffs International Mineração Brasil Ltda., a Subsidiary of the Company, \_\_\_\_\_ Performance Shares and an additional \_\_\_\_\_ Restricted Share Units covering the incentive period commencing January 1, 2010 and ending December 31, 2012 ("Incentive Period") under the 2007 Incentive Equity Plan ("Plan") of the Company.

Such Grant shall be subject to the Terms and Conditions of the 2010 Brazil Participant Grants under the 2007 Incentive Equity Plan approved by the Committee at its March 8, 2010 meeting ("Terms and Conditions") and provided to the Participant.

CLIFFS NATURAL RESOURCES INC.  
("Company")

/s/ Joseph A. Carrabba  
Joseph A. Carrabba  
Chairman, President & CEO

The undersigned Participant hereby acknowledges receipt of the Terms and Conditions, hereby declares that he has read the Terms and Conditions, agrees to the Terms and Conditions, and accepts the Performance Shares and Restricted Share Units granted hereunder subject to the Terms and Conditions and the Plan.

\_\_\_\_\_  
Leonardo Harris

**Return a signed copy of this 2010 International Participant Grant to the Company indicating receipt and acceptance of the 2010 International Participant Grant and the terms and Conditions of the 2010 International Participant Grants under the 2007 Incentive Equity Plan.**

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CLIFFS NATURAL RESOURCES INC.  
THE TERMS AND CONDITIONS OF  
THE 2010 BRAZIL PARTICIPANT GRANTS  
UNDER THE  
2007 INCENTIVE EQUITY PLAN

The Compensation and Organization Committee of the Board of Directors of Cliffs Natural Resources Inc. hereby establishes the Terms and Conditions of the 2010 Brazil Participant Grants ("Grants" or individually "Grant") under the 2007 Incentive Equity Plan ("Plan") as follows:

**ARTICLE 1.**

**Definitions**

All terms used herein with initial capital letters shall have the meanings assigned to them in a Grant or the Plan and the following additional terms, when used herein with initial capital letters, shall have the following meanings:

**1.1 "Free Cash Flow"** shall mean the Company's cash from operations minus its capital expenditures from the Company's consolidated cash flow statement as more particularly described on the attached Exhibit D.

**1.2 "Market Value Price"** shall mean the latest available closing price of a Share of the Company and the latest available closing price per share of a common share of each of the entities in the Peer Group, as the case may be, on the New York Stock Exchange or other recognized market if the stock does not trade on the New York Stock Exchange at the relevant time.

**1.3 "Peer Group"** shall mean the group of companies, as more particularly set forth on attached Exhibit A, against which the Relative Total Shareholder Return of the Company is measured over the Incentive Period and shall mean the S&P Metals ETF as defined in Section 1.8 hereof as a replacement of each and every company listed on Exhibit A that is excluded from the Peer Group during the Incentive Period as described on Exhibit A.

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**1.4 “Performance Objectives”** shall mean for the Incentive Period the predetermined objectives of the Company of the Relative Total Shareholder Return and Free Cash Flow goals established by the Committee and reported to the Board, as more particularly set forth on attached Exhibit B.

**1.5 “Performance Shares Earned”** shall mean the number of Shares of the Company (or cash equivalent) earned by a Participant following the conclusion of an Incentive Period in which one or more of Company Performance Objectives was met at the “Threshold” level or a higher level, as determined under Section 2.3.

**1.6 “Relative Total Shareholder Return”** shall mean for the Incentive Period the Total Shareholder Return of the Company compared to the Total Shareholder Return of the Peer Group, as more particularly set forth on attached Exhibit C.

**1.7 “Share Ownership Guidelines”** shall mean the Cliffs Natural Resources Inc. Directors’ and Officers’ Share Ownership Guidelines, as amended from time to time.

**1.8 “S&P Metals ETF”** shall mean the SPDR S&P Metals & Minerals ETF (XME) managed by State Street Global Advisors but with Cliffs Natural Resources Inc. taken out.

**1.9 “Total Shareholder Return”** shall mean for the Incentive Period the cumulative return to shareholders of the Company and to the shareholders of each of the entities in the Peer Group during the Incentive Period, measured by the change in Market Value Price per share of a Share of the Company plus dividends (or other distributions, excluding franking credits) reinvested over the Incentive Period and the change in the Market Value Price per share of the common share of each of the entities in the Peer Group plus dividends (or other distributions, excluding franking credits) reinvested over the Incentive Period, determined on the last business day of the Incentive Period compared to a base measured by the average Market Value Price per share of a Share of the Company and of a common share of each of the entities in the Peer Group on the last business day of the year immediately preceding the Incentive Period. Dividends (or other distributions, excluding franking credits) per share are assumed to

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be reinvested in the applicable stock on the last business day of the quarter during which they are paid at the then Market Value Price per share, resulting in a fractionally higher number of shares owned at the market price.

## ARTICLE 2.

### **Grant and Terms of Performance Shares**

**2.1 Grant of Performance Shares**. Pursuant to the Plan, the Company, by action of the Committee, has granted to the Participant the number of Performance Shares as specified in the Grant, without dividend equivalents, effective as of the Date of Grant.

**2.2 Issuance of Performance Shares**. The Performance Shares covered by the Grant and these Terms and Conditions shall only result in the issuance of Shares or Brazilian Reals (based on the average U.S. dollar exchange rate for the sixty (60) days ending on the date such amount would, if applicable, be subject to U.S. income tax) or a combination of Shares and Brazilian Reals, as decided by the Committee in its sole discretion, if at all, only after the completion of the Incentive Period and only if such Performance Shares are earned as provided in Section 2.3 of this Article 2.

**2.3 Performance Shares Earned**. Performance Shares Earned, if any, shall be based upon the degree of achievement of the Company Performance Objectives, all as more particularly set forth in Exhibit B, with actual Performance Shares Earned interpolated between the performance levels shown on Exhibit B, as determined and certified by the Committee as of the end of the Incentive Period. In no event, shall any Performance Shares be earned with respect to achievement by the Company in excess of the allowable maximum as established under the Performance Objectives.

**2.4 Calculation of Payout of Performance Shares**. The Performance Shares granted shall be earned as Performance Shares Earned based on the degree of achievement of the Performance Objectives established for the Incentive Period. The percentage level of achievement determined for each Performance Objective shall be multiplied by the number of

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Performance Shares granted to determine the actual number of Performance Shares Earned. The calculation as to whether the Company has met or exceeded the Company Performance Objectives shall be determined and certified by the Committee in accordance with the Grant and these Terms and Conditions.

**2.5 Payment of Performance Shares.**

(a) The Payment of Performance Shares Earned shall be made in the form of Shares or Brazilian Reals (based on the average U.S. dollar exchange rate for the sixty (60) days ending on the date such amount would, if applicable, be subject to U.S. income tax) or a combination of Shares and Brazilian Reals, as decided by the Committee in its sole discretion, and shall be paid after the determination and certification by the Committee of the level of attainment of the Company Performance Objectives (the calculation of which shall have been previously reviewed by an independent accounting professional), but in any event no later than 2-1/2 months after the end of the Incentive Period, unless the date of payment is deferred by the Participant pursuant to, and in compliance with, the terms of the Company's Voluntary Non-Qualified Deferred Compensation Plan. In the event that all or a portion of the Performance Shares Earned shall be paid in Brazilian Reals, the Brazilian Real equivalent of one Performance Share Earned shall be equal to the Fair Market Value of the one share of common stock of the Company on the last trading day of the calendar year in which the Performance Period ends. Notwithstanding the foregoing, no Performance Shares granted hereunder, may be paid in Brazilian Reals in lieu of Shares to any Participant who is subject to the Share Ownership Guidelines unless and until such Participant is either in compliance with, or no longer subject to, such Share Ownership Guidelines, provided, however, that the Committee may withhold Shares to the extent necessary to satisfy U.S. or Brazilian federal, state, local, or foreign income tax withholding requirements, as described in Section 5.2. In addition, the Committee may restrict 50% of the Shares to be issued in satisfaction of the total Performance Shares Earned, before income tax withholding, so that they cannot be sold by Participant unless immediately after such sale the Participant is in compliance with the Share Ownership Guidelines that are applicable to the Participant at the time of sale.

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(b) Any payment of Performance Shares Earned to a deceased Participant shall be paid to the beneficiary designated by the Participant on the Designation of Death Beneficiary attached as Exhibit E and filed with the Company. If no such beneficiary has been designated or survives the Participant, payment shall be made to the estate of a Participant. A beneficiary designation may be changed or revoked by a Participant at any time, provided the change or revocation is filed with the Company.

(c) Prior to payment, the Company shall only have an unfunded and unsecured obligation to make payment of Performance Shares Earned to the Participant. The Performance Shares covered by the Grant and these Terms and Conditions that have not yet been earned as Performance Shares Earned, and any interests of the Participant with respect thereto, are not transferable other than by completion of the Designation of Death Beneficiary attached as Exhibit E or pursuant to the laws of descent and distribution.

**2.6 Death, Disability, Retirement, or Other.**

(a) With respect to Performance Shares granted to a Participant whose employment is terminated because of the Participant's death, Disability, Retirement, or who is terminated by the Company without Cause, the Participant (or the Participant's beneficiary in the case of death) shall receive at the time specified in Section 2.5(a) as Performance Shares Earned the number of Performance Shares as is determined after the end of the Incentive Period under Sections 2.3 and 2.4, prorated based upon the number of full months between January 1, 2010 and the date the Participant ceased to be employed by the Company compared to the thirty-six (36) months in the Incentive Period.

(b) In the event a Participant voluntarily terminates employment prior to December 31, 2012 or is terminated by the Company with Cause prior to the date of payment of Performance Shares Earned, the Participant shall forfeit all right to any Performance Shares that would have been earned under the Grant and these Terms and Conditions.

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ARTICLE 3.

**Grant and Terms of Restricted Share Units**

**3.1 Grant of Restricted Share Units**. Pursuant to the Plan, the Company has granted to the Participant the number of Restricted Share Units as specified in the Grant, without dividend equivalents, effective as of the Date of Grant.

**3.2 Condition of Payment**. The Restricted Share Units covered by the Grant and these Terms and Conditions shall only result in the payment in Shares of the Company equal in number to the Restricted Share Units if the Participant remains in the employ of the Company or a Subsidiary throughout the Incentive Period.

**3.3 Payment of Restricted Share Units**.

(a) Payment of Restricted Share Units shall be made in the form of Shares and shall be paid at the same time as the payment of Performance Shares Earned pursuant to Section 2.5(a), provided, however, in the event no Performance Shares are earned, then the Restricted Share Units shall be paid in Shares at the time the Performance Shares would normally have been paid. The Committee may restrict 50% of the Shares to be issued in satisfaction of the total Restricted Share Units, before income tax withholding, so that they cannot be sold by Participant unless immediately after such sale the Participant is in compliance with the Share Ownership Guidelines that are applicable to the Participant at the time of sale.

(b) Any payment of Restricted Share Units to a deceased Participant shall be paid to the beneficiary designated by the Participant on the Designation of Death Beneficiary attached as Exhibit E and filed with the Company. If no such beneficiary has been designated or survives the Participant, payment shall be made to the estate of a Participant. A beneficiary designation may be changed or revoked by a Participant at any time, provided the change or revocation is filed with the Company.

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(c) Prior to payment, the Company shall only have an unfunded and unsecured obligation to make payment of Restricted Share Units to the Participant. The Restricted Share Units covered by the Grant and these Terms and Conditions that have not yet been earned, and any interests of the Participant with respect thereto, are not transferable other than by completion of the Designation of Death Beneficiary attached as Exhibit E or pursuant to the laws of descent and distribution.

**3.4 Death, Disability, Retirement or Other.** With respect to Restricted Share Units granted to a Participant whose employment is terminated because of the Participant's death, Disability, Retirement, or who is terminated by the Company without Cause during the Incentive Period, the Participant (or the Participant's beneficiary in the case of death) shall receive at the time specified in Section 3.3(a) the number of Shares as calculated in Section 3.2, prorated based upon the number of full months between January 1, 2010 and the date the Participant ceased to be employed by the Company compared to the thirty-six (36) months in the Incentive Period.

#### ARTICLE 4.

##### Other Terms Common to Restricted Share Units and Performance Shares

##### **4.1 Forfeiture.**

(a) A Participant shall not render services for any organization or engage directly or indirectly in any business which is a competitor of the Company or any affiliate of the Company, or which organization or business is or plans to become prejudicial to or in conflict with the business interests of the Company or any affiliate of the Company.

(b) Failure to comply with subsection (a) above will cause a Participant to forfeit the right to Performance Shares and Restricted Share Units and require the Participant to reimburse the Company for the taxable income received or deferred on Performance Shares that become payable to the Participant and on Restricted Share Units that have been paid out in Shares within the 90-day period preceding the Participant's termination of employment.

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(c) Failure of the Participant to repay to the Company the amount to be reimbursed in subsection (b) above within three days of termination of employment will result in the offset of said amount from the Participant's account balance in the Company's Voluntary Non-Qualified Deferred Compensation Plan, if applicable (at the time that the amounts owed under the Voluntary Non-Qualified Deferred Compensation Plan are scheduled for payment), and/or from any accrued salary or vacation pay owed at the date of termination of employment or from future earnings payable by the Participant's next employer. If applicable, such offset shall be deemed to constitute the payment due to him under the Voluntary Non-Qualified Deferred Compensation Plan in accordance with the time and form of payment specified under the Voluntary Non-Qualified Deferred Compensation Plan and the immediate repayment to the Company of the amounts owed under these Terms and Conditions.

**4.2 Change in Control.** In the event a Change in Control (as defined in the Plan) occurs, all Performance Shares granted to a Participant for Incentive Periods which have not ended before the Change in Control shall, notwithstanding any preceding provisions of these Terms and Conditions to the contrary, immediately become Performance Shares Earned on a one-to-one basis regardless of the Performance Objectives. All Performance Shares, if any, granted to a Participant for an Incentive Period which ended before the Change in Control, and which have not been paid in accordance with Section 2.5, will be deemed to be Performance Shares Earned to the extent and only to the extent that they became Performance Shares Earned as of the end of the Incentive Period based upon the Performance Objectives for the Incentive Period. The value of all Performance Shares Earned, including ones for Incentive Periods which have already ended, shall be paid in Brazilian Reals based on the Fair Market Value of the Shares determined on the date the Change in Control occurs. Also, in the event of a Change in Control, all Restricted Share Units granted for all periods shall become nonforfeitable and shall be paid in Brazilian Reals based on the Fair Market Value of an equivalent number of Shares determined on the date the Change in Control occurs. All payments with respect to Performance Shares and Restricted Share Units shall be made within 10 days of the Change in Control.

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ARTICLE 5.

**General Provisions**

**5.1 Compliance with Law.** The Company shall make reasonable efforts to comply with all applicable U.S., Ohio and Brazilian securities laws; provided, however, notwithstanding any other provision of the Grant and these Terms and Conditions, the Company shall not be obligated to issue any Shares pursuant to the Grant and these Terms and Conditions if the issuance or payment thereof would result in a violation of any such law; provided, however, that the Shares will be issued at the earliest date at which the Company reasonably anticipates that the issuance of the Shares will not cause such violation.

**5.2 Withholding Taxes.** To the extent that the Company is required to withhold U.S. or Brazilian federal, state, or local taxes in connection with any payment of Performance Shares Earned or Restricted Share Units to a Participant under the Plan, the Company shall withhold the minimum amount of taxes which it determines it is required by law or required by the terms of the Plan to withhold in connection with any recognition of income incident to this Plan payable in Brazilian Reals or Shares to a Participant or beneficiary. In the event of a taxable event occurring with regard to Shares on or after the date that the Shares become nonforfeitable, the Company shall reduce the Shares owed to the Participant or beneficiary by the fewest number of such Shares owed to the Participant or beneficiary such that the Fair Market Value of such Shares shall equal (or exceed by not more than the Fair Market Value of a single Share) the Participant's or other person's "Minimum Withholding Tax Liability" resulting from such recognition of income. The Company shall pay cash equal to such Fair Market Value to the appropriate taxing authority for purposes of satisfying such withholding responsibility. If a distribution or other event does not result in any withholding tax liability as a result of the Participant's election to be taxed at an earlier date or for any other reason, the Company shall

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not reduce the Shares owed to the Participant or beneficiary. For purposes of this paragraph, a person's "Minimum Withholding Tax Liability" is the product of: (a) the aggregate minimum applicable U.S. or Brazil federal, state, and local income withholding tax rates on the date of a recognition of income incident to the Plan; and (b) the Fair Market Value of the Shares recognized as income to the Participant or other person determined as of the date of recognition of income, or other taxable amount under applicable statutes .

**5.3 Continuous Employment.** For purposes of the Grant and these Terms and Conditions, the continuous employment of the Participant with the Company shall not be deemed to have been interrupted, and the Participant shall not be deemed to have ceased to be an employee of the Company, by reason of the transfer of his employment among the Company and its Subsidiaries or an approved leave of absence.

**5.4 Relation to Other Benefits.** Any economic or other benefit to the Participant under the Grant and these Terms and Conditions or the Plan shall not be taken into account in determining any benefits to which the Participant may be entitled under any profit-sharing, retirement or other benefit or compensation plan maintained by the Company or a Subsidiary and shall not affect the amount of any life insurance coverage available to any beneficiary under any life insurance plan covering employees of the Company or a Subsidiary. Notwithstanding the foregoing, for purposes of Brazilian law (if applicable), any compulsory social security, employee benefit or severance benefit contributions will be deducted from any payment hereunder at the time the payment is made and paid simultaneously to the appropriate fund.

**5.5 These Terms and Conditions Subject to Plan.** The Restricted Share Units and Performance Shares granted under the Grant and these Terms and Conditions and all of the terms and conditions hereof are subject to all of the terms and conditions of the Plan, a copy of which is available upon request.

**5.6 Amendments.** The Plan, the Grant and these Terms and Conditions can be amended at any time by the Company. Any amendment to the Plan shall be deemed to be an amendment to the Grant and these Terms and Conditions to the extent that the amendment is applicable hereto. Except for amendments necessary to bring the Plan, the Grant and these Terms and Conditions into compliance with current law including Internal Revenue Code Section 409A, no amendment to either the Plan, the Grant or these Terms and Conditions shall adversely affect the rights of the Participant under the Grant and the Grant and these Terms and Conditions without the Participant's consent.

**5.8 Severability.** In the event that one or more of the provisions of the Grant and these Terms and Conditions shall be invalidated for any reason by a court of competent jurisdiction, any provision so invalidated shall be deemed to be separable from the other provisions hereof, and the remaining provisions hereof shall continue to be valid and fully enforceable.

**5.9 Governing Law.** The Grant and these Terms and Conditions shall be construed and governed in accordance with the laws of the State of Ohio.

These Terms and Conditions of the 2010 Brazil Participant Grants under the 2007 Incentive Equity Plan are hereby adopted this 31st day of August, 2010 by the members of the Compensation and Organization Committee of the Board of Directors of Cliffs Natural Resources Inc.

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Francis R. McAllister

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Ronald C. Cambre

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Barry J. Eldridge

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James D. Ireland III

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Roger Phillips

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**EXHIBITS**

Exhibit A	Peer Group
Exhibit B	Performance Objectives
Exhibit C	Relative Total Shareholder Return
Exhibit D	Free Cash Flow
Exhibit E	Beneficiary Designation

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**Exhibit A**

PEER GROUP  
(2010-2012)

AK Steel Holding Corporation  
Alcoa, Inc.  
Allegheny Technologies, Inc.  
Alpha Natural Resources, Inc.  
Arch Coal, Inc.  
Carpenter Technology Corporation  
Commercial Metals Company  
Consol Energy, Inc.  
Freeport-McMoran Copper & Gold, Inc.  
Massey Energy Company  
Nucor Corporation  
Patriot Coal Corporation  
Peabody Energy Corporation  
Quanex Corp  
Reliance Steel & Aluminum Co.  
Steel Dynamics, Inc.  
United States Steel Corporation  
USEC Inc.  
Worthington Industries, Inc.

The Peer Group of 19 companies shall not be adjusted within the Incentive Period, except to exclude companies which during the Incentive Period (a) cease to be publicly traded, or (b) have experienced a major restructuring by reason of: (i) a Chapter 11 filing, or (ii) a spin-off of more than 50% of any such company's assets. The S&P Metals ETF as defined in Section 1.7 shall be substituted in place of the Peer Group companies that are excluded pursuant to the foregoing sentence with a weighting of 1/19<sup>th</sup> times the number of Peer Group Companies that are so excluded.

The value of the stock of a Peer Group company will be determined in accordance with the following:

1. If the stock is listed on an exchange in the U.S. or Canada, then the value on such exchange will be used;
2. Otherwise, if the stock is traded in the U.S. as an American Depositary Receipt, then the value of the ADR will be used; or
3. Otherwise, the value on the exchange in the country where the company is headquartered will be used.

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**Exhibit B**

**PERFORMANCE OBJECTIVES**  
(2010-2012)

The target objectives of the Company are Relative Total Shareholder Return (share price plus reinvested dividends) and Free Cash Flow over the three-year Incentive Period from January 1, 2010 to December 31, 2012. Achievement of the Relative Total Shareholder Return objective shall be determined by the shareholder return of the Company relative to a predetermined group of steel, mining and metal companies. Achievement of the Free Cash Flow objective shall be determined against a scale set forth in the Table Below:

	<u>Performance Factor</u>	<u>Weight</u>	<u>Performance Level</u>		
			<u>Threshold</u>	<u>Target</u>	<u>Maximum</u>
Relative TSR		50%	35th %tile	55th %tile	75th %tile
Payout For Relative TSR			25%	50%	75%
3- Year Cumulative Free Cash Flow (\$000s)		50%	\$1,260	\$1,680	\$2,100
Payout For Free Cash Flow			25%	50%	75%
Total Payout If Achieve Level For Both Performance Factors			50%	100%	150%

**Exhibit C**

**RELATIVE TOTAL SHAREHOLDER RETURN**  
(2010-2012)

Relative Total Shareholder Return for the Incentive Period is calculated as follows:

1. The Total Shareholder Return as defined in Section 1.9 of these Terms and Conditions for the Incentive Period for the Company shall be compared to the Total Shareholder Return for each of the entities within the Peer Group for the Incentive Period. The results shall be ranked to determine the Company's Relative Total Shareholder Return percentile ranking compared to the Peer Group.
2. The Company's Relative Total Shareholder Return for the Incentive Period shall be compared to the Relative Total Shareholder Return Performance target range established for the Incentive Period.
3. The Relative Total Shareholder Return performance target range has been established for the 2010-2012 Incentive Period as follows:

Performance Level  
Maximum  
Target  
Threshold

2010-2012  
Relative Total Shareholder Return  
Percentile Ranking  
75th Percentile  
55th Percentile  
35th Percentile

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**Exhibit D**

FREE CASH FLOW  
(2010-2012)

Free Cash Flow is calculated as follows:

1. Determine for each year during the Incentive Period the Cash from Operations from the Company's consolidated cash flow statement.
2. Each year during the Incentive Period, the Capital Expenditures from the Company's consolidated cash flow statement shall be subtracted from the Company's Cash from Operations.
3. The amounts determined in paragraph 2 above for each year during the Incentive Period shall be added together to determine the Cumulative Free Cash Flow of the Company during the Incentive Period.

The Cumulative Free Cash Flow shall be adjusted by the Committee, if necessary, to eliminate or revise the impact of acquisitions and dispositions, non-operational businesses, significant expansions and other unusual items.

Exhibit E

BENEFICIARY DESIGNATION

In accordance with the terms and conditions of the Cliffs Natural Resources Inc. 2007 Incentive Equity Plan ("Plan"), my 2010 Brazil Participant Grant ("Grant") and the 2010 Terms and Conditions ("Terms and Conditions"), I hereby designate the person(s) indicated below as my beneficiary(ies) to receive any payments under the Plan, Grant and Terms and Conditions after my death.

Name \_\_\_\_\_  
Address \_\_\_\_\_  
\_\_\_\_\_

Social Sec. Nos. of Beneficiary(ies) \_\_\_\_\_  
Relationship(s) \_\_\_\_\_  
Date(s) of Birth \_\_\_\_\_

In the event that the above-named beneficiary(ies) predecease(s) me, I hereby designate the following person(s) as beneficiary(ies):

Name \_\_\_\_\_  
Address \_\_\_\_\_  
\_\_\_\_\_

Social Sec. Nos. of Beneficiary(ies) \_\_\_\_\_  
Relationship(s) \_\_\_\_\_  
Date(s) of Birth \_\_\_\_\_

I hereby expressly revoke all prior designations of beneficiary(ies), reserve the right to change the beneficiary(ies) herein designated and agree that the rights of said beneficiary(ies) shall be subject to the terms of the Plan, Grant and these Terms and Conditions. In the event that there is no beneficiary living at the time of my death, I understand that the payments under the Plan, Grant and these Terms and Conditions will be paid to my estate.

\_\_\_\_\_  
Date

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Print or type name)

CLIFFS NATURAL RESOURCES INC.  
2010 INTERNATIONAL PARTICIPANT GRANT  
UNDER THE  
2007 INCENTIVE EQUITY PLAN

Effective March 8, 2010 ("Date of Grant"), the Compensation and Organization Committee ("Committee") of the Board of Directors of Cliffs Natural Resources Inc. ("Company") hereby grants to \_\_\_\_\_ ("Participant"), an employee of a Non-US Subsidiary of the Company, \_\_\_\_\_ (\_\_\_\_\_) Performance Units and an additional \_\_\_\_\_ (\_\_\_\_\_) Retention Units covering the incentive period commencing January 1, 2010 and ending December 31, 2012 ("Incentive Period") under the 2007 Incentive Equity Plan ("Plan") of the Company.

Such Grant shall be subject to the Terms and Conditions of the 2010 International Participant Grants under the 2007 Incentive Equity Plan approved by the Committee at its March 8, 2010 meeting ("Terms and Conditions") and provided to the Participant.

CLIFFS NATURAL RESOURCES INC.  
("Company")

/s/ Joseph A. Carrabba  
\_\_\_\_\_  
Joseph A. Carrabba  
Chairman, President & CEO

The undersigned Participant hereby acknowledges receipt of the Terms and Conditions, hereby declares that he has read the Terms and Conditions, agrees to the Terms and Conditions, and accepts the Performance Units and Retention Units granted hereunder subject to the Terms and Conditions and the Plan.

\_\_\_\_\_  
Participant  
Print Name: \_\_\_\_\_

**Return a signed copy of this 2010 International Participant Grant to the Company indicating receipt and acceptance of the 2010 International Participant Grant and the terms and Conditions of the 2010 International Participant Grants under the 2007 Incentive Equity Plan.**

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CLIFFS NATURAL RESOURCES INC.  
THE TERMS AND CONDITIONS OF  
THE 2010 INTERNATIONAL PARTICIPANT GRANTS  
UNDER THE  
2007 INCENTIVE EQUITY PLAN

The Compensation and Organization Committee of the Board of Directors of Cliffs Natural Resources Inc. hereby establishes the Terms and Conditions of the 2010 International Participant Grants ("Grants" or individually "Grant") under the 2007 Incentive Equity Plan ("Plan") as follows:

**ARTICLE 1.**

**Definitions**

All terms used herein with initial capital letters shall have the meanings assigned to them in a Grant or the Plan and the following additional terms, when used herein with initial capital letters, shall have the following meanings:

**1.1 "Free Cash Flow"** shall mean the Company's cash from operations minus its capital expenditures from the Company's consolidated cash flow statement as more particularly described on the attached Exhibit D.

**1.2 "Market Value Price"** shall mean the latest available closing price of a Share of the Company and the latest available closing price per share of a common share of each of the entities in the Peer Group, as the case may be, on the New York Stock Exchange or other recognized market if the stock does not trade on the New York Stock Exchange at the relevant time.

**1.3 "Peer Group"** shall mean the group of companies, as more particularly set forth on attached Exhibit A, against which the Relative Total Shareholder Return of the Company is measured over the Incentive Period and shall mean the S&P Metals ETF as defined in Section 1.7 hereof as a replacement of each and every company listed on Exhibit A that is excluded from the Peer Group during the Incentive Period as described on Exhibit A.

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**1.4 “Performance Objectives”** shall mean for the Incentive Period the predetermined objectives of the Company of the Relative Total Shareholder Return and Free Cash Flow goals established by the Committee and reported to the Board, as more particularly set forth on attached Exhibit B.

**1.5 “Performance Units Earned”** shall mean the number of Units of the Company (or cash equivalent) earned by a Participant following the conclusion of an Incentive Period in which one or more of Company Performance Objectives was met at the “Threshold” level or a higher level, as determined under Section 2.3.

**1.6 “Relative Total Shareholder Return”** shall mean for the Incentive Period the Total Shareholder Return of the Company compared to the Total Shareholder Return of the Peer Group, as more particularly set forth on attached Exhibit C.

**1.7 “S&P Metals ETF”** shall mean the SPDR S&P Metals & Minerals ETF (XME) managed by State Street Global Advisors but with Cliffs Natural Resources Inc. taken out.

**1.8 “Total Shareholder Return”** shall mean for the Incentive Period the cumulative return to shareholders of the Company and to the shareholders of each of the entities in the Peer Group during the Incentive Period, measured by the change in Market Value Price per share of a Share of the Company plus dividends (or other distributions, excluding franking credits) reinvested over the Incentive Period and the change in the Market Value Price per share of the common share of each of the entities in the Peer Group plus dividends (or other distributions, excluding franking credits) reinvested over the Incentive Period, determined on the last business day of the Incentive Period compared to a base measured by the average Market Value Price per share of a Share of the Company and of a common share of each of the entities in the Peer Group on the last business day of the year immediately preceding the Incentive Period. Dividends (or other distributions, excluding franking credits) per share are assumed to be reinvested in the applicable stock on the last business day of the quarter during which they are paid at the then Market Value Price per share, resulting in a fractionally higher number of shares owned at the market price.

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ARTICLE 2.

**Grant and Terms of Performance Units**

**2.1 Grant of Performance Units.** Pursuant to the Plan, the Company, by action of the Committee, has granted to the Participant the number of Performance Units as specified in the Grant, without dividend equivalents, effective as of the Date of Grant.

**2.2 Payment of Performance Units.** The Performance Units covered by the Grant and these Terms and Conditions shall only result in the payment of cash (in AUD\$ based on the average U.S. dollar exchange rate for the sixty (60) days ending on the date such amount would (if applicable) be subject to U.S. income tax), if at all, only after the completion of the Incentive Period and only if such Performance Units are earned as provided in Section 2.3 of this Article 2.

**2.3 Performance Units Earned.** Performance Units Earned, if any, shall be based upon the degree of achievement of the Company Performance Objectives, all as more particularly set forth in Exhibit B, with actual Performance Units Earned interpolated between the performance levels shown on Exhibit B, as determined and certified by the Committee as of the end of the Incentive Period. In no event, shall any Performance Units be earned with respect to achievement by the Company in excess of the allowable maximum as established under the Performance Objectives.

**2.4 Calculation of Payout of Performance Units.** The Performance Units granted shall become Performance Units Earned based on the degree of achievement of the Performance Objectives established for the Incentive Period. The percentage level of achievement determined for each Performance Objective shall be multiplied by the number of Performance Units granted to determine the actual number of Performance Units Earned. The calculation as to whether the Company has met or exceeded the Company Performance Objectives shall be determined and certified by the Committee in accordance with the Grant and these Terms and Conditions.

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## **2.5 Payment of Performance Units.**

(a) The Payment of Performance Units Earned shall be made in the form of cash (in AUD\$ based on the average U.S. dollar exchange rate for the sixty (60) days ending on the date such amount would (if applicable) be subject to U.S. income tax), and shall be paid after the determination and certification by the Committee of the level of attainment of the Company Performance Objectives (the calculation of which shall have been previously reviewed by an independent accounting professional), but in any event no later than 2-1/2 months after the end of the Incentive Period, unless the date of payment is deferred by the Participant pursuant to, and in compliance with, the terms of the Company's Voluntary Non-Qualified Deferred Compensation Plan. The determination of the cash value of the Performance Units Earned shall be based on the Market Value Price of a Share of the Company on the last day of the Incentive Period.

(b) Any payment of Performance Units Earned to a deceased Participant shall be paid to the beneficiary designated by the Participant on the Designation of Death Beneficiary attached as Exhibit E and filed with the Company. If no such beneficiary has been designated or survives the Participant, payment shall be made to the estate of a Participant. A beneficiary designation may be changed or revoked by a Participant at any time, provided the change or revocation is filed with the Company.

(c) Prior to payment, the Company shall only have an unfunded and unsecured obligation to make payment of Performance Units Earned to the Participant. The Performance Units covered by the Grant and these Terms and Conditions that have not yet been earned as Performance Units Earned, and any interests of the Participant with respect thereto, are not transferable other than by completion of the Designation of Death Beneficiary attached as Exhibit E or pursuant to the laws of descent and distribution.

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**2.6 Death, Disability, Retirement, or Other.**

(a) With respect to Performance Units granted to a Participant whose employment is terminated because of the Participant's death, Disability, Retirement, or who is terminated by the Company without Cause, the Participant (or the Participant's beneficiary in the case of death) shall receive at the time specified in Section 2.5(a) as Performance Units Earned the number of Performance Units as is determined after the end of the Incentive Period under Sections 2.3 and 2.4, prorated based upon the number of full months between January 1, 2010 and the date the Participant ceased to be employed by the Company compared to the thirty-six (36) months in the Incentive Period.

(b) In the event a Participant voluntarily terminates employment prior to December 31, 2011 or is terminated by the Company with Cause prior to the date of payment of Performance Units Earned, the Participant shall forfeit all right to any Performance Units that would have been earned under the Grant and these Terms and Conditions.

**ARTICLE 3.**

**Grant and Terms of Retention Units**

**3.1 Grant of Retention Units.** Pursuant to the Plan, the Company has granted to the Participant the number of Retention Units as specified in the Grant, without dividend equivalents, effective as of the Date of Grant.

**3.2 Condition of Payment.** The Retention Units covered by the Grant and these Terms and Conditions shall only result in the payment in cash of the value of the Retention Units if the Participant remains in the employ of the Company or a Subsidiary throughout the Incentive Period.

**3.3 Calculation of Cash Payout.** To determine the amount of the cash payout of the Retention Units, the number of Retention Units covered by the Grant and these Terms and Conditions shall be multiplied by the Market Value Price of a Share of the Company on the last day of the Incentive Period.

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**3.4 Payment of Retention Units.**

(a) Payment of Retention Units shall be made in cash (in AUD\$ based on the average U.S. dollar exchange rate for the sixty (60) days ending on the date such amount would (if applicable) be subject to U.S. income tax) and shall be paid at the same time as the payment of Performance Units Earned pursuant to Section 2.5(a), provided, however, in the event no Performance Units are earned, then the Retention Units shall be paid in cash at the time the Performance Units would normally have been paid.

(b) Any payment of Retention Units to a deceased Participant shall be paid to the beneficiary designated by the Participant on the Designation of Death Beneficiary attached as Exhibit E and filed with the Company. If no such beneficiary has been designated or survives the Participant, payment shall be made to the estate of a Participant. A beneficiary designation may be changed or revoked by a Participant at any time, provided the change or revocation is filed with the Company.

(c) Prior to payment, the Company shall only have an unfunded and unsecured obligation to make payment of Retention Units to the Participant. The Retention Units covered by the Grant and these Terms and Conditions that have not yet been earned, and any interests of the Participant with respect thereto, are not transferable other than by completion of the Designation of Death Beneficiary attached as Exhibit E or pursuant to the laws of descent and distribution.

**3.5 Death, Disability, Retirement or Other.** With respect to Retention Units granted to a Participant whose employment is terminated because of the Participant's death, Disability, Retirement, or who is terminated by the Company without Cause during the Incentive Period, the Participant (or the Participant's beneficiary in the case of death) shall receive at the time specified in Section 3.4(a) the number of Retention Units as calculated in Section 3.3, prorated based upon the number of full months between January 1, 2010 and the date the Participant ceased to be employed by the Company compared to the thirty-six (36) months in the Incentive Period.

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ARTICLE 4.

**Other Terms Common to Performance Units and Retention Units**

**4.1 Forfeiture.**

(a) A Participant shall not render services for any organization or engage directly or indirectly in any business which is a competitor of the Company or any affiliate of the Company, or which organization or business is or plans to become prejudicial to or in conflict with the business interests of the Company or any affiliate of the Company.

(b) Failure to comply with subsection (a) above will cause a Participant to forfeit the right to Performance Units and Retention Units and require the Participant to reimburse the Company for the taxable income received or deferred on Performance Units and Retention Units that have been paid out in cash within the 90-day period preceding the Participant's termination of employment.

(c) Failure of the Participant to repay to the Company the amount to be reimbursed in subsection (b) above within three days of termination of employment will result in the offset of said amount from the Participant's account balance in the Company's Voluntary Non-Qualified Deferred Compensation Plan, if applicable (at the time that the amounts owed under the Voluntary Non-Qualified Deferred Compensation Plan are scheduled for payment), and/or from any accrued salary or vacation pay owed at the date of termination of employment or from future earnings payable by the Participant's next employer. If applicable, such offset shall be deemed to constitute the payment due to him under the Voluntary Non-Qualified Deferred Compensation Plan in accordance with the time and form of payment specified under the Voluntary Non-Qualified Deferred Compensation Plan and the immediate repayment to the Company of the amounts owed under these Terms and Conditions.

**4.2 Change in Control.** In the event a Change in Control (as defined in the Plan) occurs, all Performance Units granted to a Participant for Incentive Periods which have not ended before the Change in Control shall, notwithstanding any preceding provisions of these Terms and Conditions to the contrary, immediately become Performance Units Earned on a one-to-one basis regardless of the Performance Objectives. All Performance Units, if any, granted to a Participant for an Incentive Period which ended before the Change in Control, and which have not been paid in accordance with Section 2.5, will be deemed to be Performance Units Earned to the extent and only to the extent that they became Performance Units Earned as of the end of the Incentive Period based upon the Performance Objectives for the Incentive Period. The value of all Performance Units Earned, including ones for Incentive Periods which have already ended, shall be paid in cash based on the Fair Market Value of an equivalent number of Shares determined on the date the Change in Control occurs. Also, in the event of a Change in Control, all Retention Units granted for all periods shall become nonforfeitable and shall be paid in cash based on the Fair Market Value of an equivalent number of Shares determined on the date the Change in Control occurs. All payments with respect to Performance Units and Retention Units shall be made within 10 days of the Change in Control.

#### **ARTICLE 5.**

##### **General Provisions**

**5.1 Compliance with Law.** The Company shall make reasonable efforts to comply with all applicable federal and state securities laws; provided, however, notwithstanding any other provision of the Grant and these Terms and Conditions, the Company shall not be obligated to issue any Shares pursuant to the Grant and these Terms and Conditions.

**5.2 Withholding Taxes.** To the extent that the Company is required to withhold federal, state, local or foreign taxes in connection with any payment of Performance Units Earned or Retention Units to a Participant under the Plan, the Company shall withhold the minimum amount of taxes which it determines it is required by law or required by the terms of the Plan to withhold in connection with any recognition of income incident to this Plan payable to a Participant or beneficiary.

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**5.3 Continuous Employment.** For purposes of the Grant and these Terms and Conditions, the continuous employment of the Participant with the Company shall not be deemed to have been interrupted, and the Participant shall not be deemed to have ceased to be an employee of the Company, by reason of the transfer of his employment among the Company and its Subsidiaries or an approved leave of absence.

**5.4 Relation to Other Benefits.** Any economic or other benefit to the Participant under the Grant and these Terms and Conditions or the Plan shall not be taken into account in determining any benefits to which the Participant may be entitled under any profit-sharing, retirement or other benefit or compensation plan maintained by the Company or a Subsidiary and shall not affect the amount of any life insurance coverage available to any beneficiary under any life insurance plan covering employees of the Company or a Subsidiary. Notwithstanding the foregoing, for purposes of Australian law (if applicable), any compulsory superannuation guarantee contributions will be deducted from any payment hereunder at the time the payment is made and paid simultaneously to the superannuation fund; provided that, if the maximum quarterly base has already been exceeded, no such deduction shall be made.

**5.5 These Terms and Conditions Subject to Plan.** The Retention Units and Performance Units granted under the Grant and these Terms and Conditions and all of the terms and conditions hereof are subject to all of the terms and conditions of the Plan, a copy of which is available upon request.

**5.6 Amendments.** The Plan, the Grant and these Terms and Conditions can be amended at any time by the Company. Any amendment to the Plan shall be deemed to be an amendment to the Grant and these Terms and Conditions to the extent that the amendment is applicable hereto. Except for amendments necessary to bring the Plan, the Grant and these Terms and Conditions into compliance with current law including Internal Revenue Code

Section 409A, no amendment to either the Plan, the Grant or these Terms and Conditions shall adversely affect the rights of the Participant under the Grant and the Grant and these Terms and Conditions without the Participant's consent.

**5.8 Severability.** In the event that one or more of the provisions of the Grant and these Terms and Conditions shall be invalidated for any reason by a court of competent jurisdiction, any provision so invalidated shall be deemed to be separable from the other provisions hereof, and the remaining provisions hereof shall continue to be valid and fully enforceable.

**5.9 Governing Law.** The Grant and these Terms and Conditions shall be construed and governed in accordance with the laws of the State of Ohio.

These Terms and Conditions of the 2010 International Participant Grants under the 2007 Incentive Equity Plan are hereby adopted this 9th day of March, 2010 by the members of the Compensation and Organization Committee of the Board of Directors of Cliffs Natural Resources Inc.

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Francis R. McAllister

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Ronald C. Cambre

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Barry J. Eldridge

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James D. Ireland III

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Roger Phillips

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**EXHIBITS**

Exhibit A	Peer Group
Exhibit B	Performance Objectives
Exhibit C	Relative Total Shareholder Return
Exhibit D	Free Cash Flow
Exhibit E	Beneficiary Designation

**Exhibit A**

PEER GROUP  
(2010-2012)

AK Steel Holding Corporation  
Alcoa, Inc.  
Allegheny Technologies, Inc.  
Alpha Natural Resources, Inc.  
Arch Coal, Inc.  
Carpenter Technology Corporation  
Commercial Metals Company  
Consol Energy, Inc.  
Freeport-McMoran Cooper & Gold, Inc.  
Massey Energy Company  
Nucor Corporation  
Patriot Coal Corporation  
Peabody Energy Corporation  
Quanex Corp  
Reliance Steel & Aluminum Co.  
Steel Dynamics, Inc.  
United States Steel Corporation  
USEC Inc.  
Worthington Industries, Inc.

The Peer Group of 19 companies shall not be adjusted within the Incentive Period, except to exclude companies which during the Incentive Period (a) cease to be publicly traded, or (b) have experienced a major restructuring by reason of: (i) a Chapter 11 filing, or (ii) a spin-off of more than 50% of any such company's assets. The S&P Metals ETF as defined in Section 1.7 shall be substituted in place of the Peer Group companies that are excluded pursuant to the foregoing sentence with a weighting of 1/19<sup>th</sup> times the number of Peer Group Companies that are so excluded.

The value of the stock of a Peer Group company will be determined in accordance with the following:

1. If the stock is listed on an exchange in the U.S. or Canada, then the value on such exchange will be used;
2. Otherwise, if the stock is traded in the U.S. as an American Depositary Receipt, then the value of the ADR will be used; or
3. Otherwise, the value on the exchange in the country where the company is headquartered will be used.

**Exhibit B**

**PERFORMANCE OBJECTIVES**  
(2010-2012)

The target objectives of the Company are Relative Total Shareholder Return (share price plus reinvested dividends) and Free Cash Flow over the three-year Incentive Period from January 1, 2010 to December 31, 2012. Achievement of the Relative Total Shareholder Return objective shall be determined by the shareholder return of the Company relative to a predetermined group of steel, mining and metal companies. Achievement of the Free Cash Flow objective shall be determined against a scale set forth in the Table Below:

Performance Factor	Weight	Threshold	Performance Level	
			Target	Maximum
Relative TSR	50%	35th %tile	55th %tile	75th %tile
Payout For Relative TSR		25%	50%	75%
3- Year Cumulative Free Cash Flow (\$000s)	50%	\$1,260	\$1,680	\$2,100
Payout For Free Cash Flow		25%	50%	75%
Total Payout If Achieve Level For Both Performance Factors		50%	100%	150%

**Exhibit C**

**RELATIVE TOTAL SHAREHOLDER RETURN**  
(2010-2012)

Relative Total Shareholder Return for the Incentive Period is calculated as follows:

1. The Total Shareholder Return as defined in Section 1.8 of these Terms and Conditions for the Incentive Period for the Company shall be compared to the Total Shareholder Return for each of the entities within the Peer Group for the Incentive Period. The results shall be ranked to determine the Company's Relative Total Shareholder Return percentile ranking compared to the Peer Group.
2. The Company's Relative Total Shareholder Return for the Incentive Period shall be compared to the Relative Total Shareholder Return Performance target range established for the Incentive Period.
3. The Relative Total Shareholder Return performance target range has been established for the 2010-2012 Incentive Period as follows:

Performance Level  
Maximum  
Target  
Threshold

2010-2012  
Relative Total Shareholder Return  
Percentile Ranking  
75th Percentile  
55th Percentile  
35th Percentile

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**Exhibit D**

FREE CASH FLOW  
(2010-2012)

Free Cash Flow is calculated as follows:

1. Determine for each year during the Incentive Period the Cash from Operations from the Company's consolidated cash flow statement.
2. Each year during the Incentive Period, the Capital Expenditures from the Company's consolidated cash flow statement shall be subtracted from the Company's Cash from Operations.
3. The amounts determined in paragraph 2 above for each year during the Incentive Period shall be added together to determine the Cumulative Free Cash Flow of the Company during the Incentive Period.

The Cumulative Free Cash Flow shall be adjusted by the Committee, if necessary, to eliminate or revise the impact of acquisitions and dispositions, non-operational businesses, significant expansions and other unusual items.

**Exhibit E**

**BENEFICIARY DESIGNATION**

In accordance with the terms and conditions of the Cleveland-Cliffs Inc 2007 Incentive Equity Plan ("Plan"), my 2010 International Participant Grant ("Grant") and the 2010 Terms and Conditions ("Terms and Conditions"), I hereby designate the person(s) indicated below as my beneficiary(ies) to receive any payments under the Plan, Grant and Terms and Conditions after my death.

Name \_\_\_\_\_  
Address \_\_\_\_\_  
\_\_\_\_\_

Social Sec. Nos. of Beneficiary(ies) \_\_\_\_\_  
Relationship(s) \_\_\_\_\_  
Date(s) of Birth \_\_\_\_\_

In the event that the above-named beneficiary(ies) predecease(s) me, I hereby designate the following person(s) as beneficiary(ies):

Name \_\_\_\_\_  
Address \_\_\_\_\_  
\_\_\_\_\_

Social Sec. Nos. of Beneficiary(ies) \_\_\_\_\_  
Relationship(s) \_\_\_\_\_  
Date(s) of Birth \_\_\_\_\_

I hereby expressly revoke all prior designations of beneficiary(ies), reserve the right to change the beneficiary(ies) herein designated and agree that the rights of said beneficiary(ies) shall be subject to the terms of the Plan, Grant and these Terms and Conditions. In the event that there is no beneficiary living at the time of my death, I understand that the payments under the Plan, Grant and these Terms and Conditions will be paid to my estate.

\_\_\_\_\_  
Date

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Print or type name)

CLIFFS NATURAL RESOURCES INC.

2010 PARTICIPANT GRANT  
UNDER THE  
2007 INCENTIVE EQUITY PLAN

Effective March 8, 2010 ("Date of Grant"), the Compensation and Organization Committee ("Committee") of the Board of Directors of Cliffs Natural Resources Inc. ("Company") hereby grants to \_\_\_\_\_ ("Participant"), an employee of the Company or of a Subsidiary of the Company, \_\_\_\_\_ ("Performance Shares") Performance Shares and an additional \_\_\_\_\_ ("Restricted Share Units") Restricted Share Units covering the incentive period commencing January 1, 2010 and ending December 31, 2012 ("Incentive Period") under the 2007 Incentive Equity Plan ("Plan") of the Company.

Such Grant shall be subject to the Terms and Conditions of the 2010 Participant Grants under the 2007 Incentive Equity Plan approved by the Committee at its March 8, 2010 meeting ("Terms and Conditions") and provided to the Participant.

CLIFFS NATURAL RESOURCES INC.  
("Company")

/s/ Joseph A. Carrabba  
\_\_\_\_\_  
Joseph A. Carrabba  
Chairman, President & CEO

The undersigned Participant hereby acknowledges receipt of the Terms and Conditions, hereby declares that he has read the Terms and Conditions, agrees to the Terms and Conditions, and accepts the Performance Shares and Restricted Share Units granted hereunder subject to the Terms and Conditions and the Plan.

\_\_\_\_\_  
Participant

**Return a signed copy of this 2010 International Participant Grant to the Company indicating receipt and acceptance of the 2010 International Participant Grant and the terms and Conditions of the 2010 International Participant Grants under the 2007 Incentive Equity Plan.**

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CLIFFS NATURAL RESOURCES INC.

THE TERMS AND CONDITIONS OF  
THE 2010 PARTICIPANT GRANTS  
UNDER THE  
2007 INCENTIVE EQUITY PLAN

The Compensation and Organization Committee of the Board of Directors of Cliffs Natural Resources Inc. hereby establishes the Terms and Conditions of the 2010 Participant Grants ("Grants" or individually "Grant") under the 2007 Incentive Equity Plan ("Plan") as follows:

ARTICLE 1.

Definitions

All terms used herein with initial capital letters shall have the meanings assigned to them in a Grant or the Plan and the following additional terms, when used herein with initial capital letters, shall have the following meanings:

**1.1 "Free Cash Flow"** shall mean the Company's cash from operations minus its capital expenditures from the Company's consolidated cash flow statement as more particularly described on the attached Exhibit D.

**1.2 "Market Value Price"** shall mean the latest available closing price of a Share of the Company and the latest available closing price per share of a common share of each of the entities in the Peer Group, as the case may be, on the New York Stock Exchange or other recognized market if the stock does not trade on the New York Stock Exchange at the relevant time.

**1.3 "Peer Group"** shall mean the group of companies, as more particularly set forth on attached Exhibit A, against which the Relative Total Shareholder Return of the Company is measured over the Incentive Period and shall mean the S&P Metals ETF as defined in Section 1.8 hereof as a replacement of each and every company listed on Exhibit A that is excluded from the Peer Group during the Incentive Period as described on Exhibit A.

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**1.4 “Performance Objectives”** shall mean for the Incentive Period the predetermined objectives of the Company of the Relative Total Shareholder Return and Free Cash Flow goals established by the Committee and reported to the Board, as more particularly set forth on attached Exhibit B.

**1.5 “Performance Shares Earned”** shall mean the number of Shares of the Company (or cash equivalent) earned by a Participant following the conclusion of an Incentive Period in which one or more of Company Performance Objectives was met at the “Threshold” level or a higher level, as determined under Section 2.3.

**1.6 “Relative Total Shareholder Return”** shall mean for the Incentive Period the Total Shareholder Return of the Company compared to the Total Shareholder Return of the Peer Group, as more particularly set forth on attached Exhibit C.

**1.7 “Share Ownership Guidelines”** shall mean the Cliffs Natural Resources Inc. Directors’ and Officers’ Share Ownership Guidelines, as amended from time to time.

**1.8 “S&P Metals ETF”** shall mean the SPDR S&P Metals & Minerals ETF (XME) managed by State Street Global Advisors but with Cliffs Natural Resources Inc. taken out.

**1.9 “Total Shareholder Return”** shall mean for the Incentive Period the cumulative return to shareholders of the Company and to the shareholders of each of the entities in the Peer Group during the Incentive Period, measured by the change in Market Value Price per share of a Share of the Company plus dividends (or other distributions, excluding franking credits) reinvested over the Incentive Period and the change in the Market Value Price per share of the common share of each of the entities in the Peer Group plus dividends (or other distributions, excluding franking credits) reinvested over the Incentive Period, determined on the last business day of the Incentive Period compared to a base measured by the average Market Value Price per share of a Share of the Company and of a common share of each of the entities in the Peer Group on the last business day of the year immediately preceding the Incentive Period. Dividends (or other distributions, excluding franking credits) per share are assumed to

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be reinvested in the applicable stock on the last business day of the quarter during which they are paid at the then Market Value Price per share, resulting in a fractionally higher number of shares owned at the market price.

**ARTICLE 2.**

**Grant and Terms of Performance Shares**

**2.1 Grant of Performance Shares.** Pursuant to the Plan, the Company, by action of the Committee, has granted to the Participant the number of Performance Shares as specified in the Grant, without dividend equivalents, effective as of the Date of Grant.

**2.2 Issuance of Performance Shares.** The Performance Shares covered by the Grant and these Terms and Conditions shall only result in the issuance of Shares (or cash or a combination of Shares and cash, as decided by the Committee in its sole discretion), if at all, only after the completion of the Incentive Period and only if such Performance Shares are earned as provided in Section 2.3 of this Article 2.

**2.3 Performance Shares Earned.** Performance Shares Earned, if any, shall be based upon the degree of achievement of the Company Performance Objectives, all as more particularly set forth in Exhibit B, with actual Performance Shares Earned interpolated between the performance levels shown on Exhibit B, as determined and certified by the Committee as of the end of the Incentive Period. In no event, shall any Performance Shares be earned with respect to achievement by the Company in excess of the allowable maximum as established under the Performance Objectives.

**2.4 Calculation of Payout of Performance Shares.** The Performance Shares granted shall be earned as Performance Shares Earned based on the degree of achievement of the Performance Objectives established for the Incentive Period. The percentage level of achievement determined for each Performance Objective shall be multiplied by the number of Performance Shares granted to determine the actual number of Performance Shares Earned. The calculation as to whether the Company has met or exceeded the Company Performance Objectives shall be determined and certified by the Committee in accordance with the Grant and these Terms and Conditions.

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## **2.5 Payment of Performance Shares.**

(a) The Payment of Performance Shares Earned shall be made in the form of Shares (or cash or a combination of Shares and cash, as decided by the Committee in its sole discretion), and shall be paid after the determination and certification by the Committee of the level of attainment of the Company Performance Objectives (the calculation of which shall have been previously reviewed by an independent accounting professional), but in any event no later than 2-1/2 months after the end of the Incentive Period, unless the date of payment is deferred by the Participant pursuant to, and in compliance with, the terms of the Company's Voluntary Non-Qualified Deferred Compensation Plan. In the event that all or any portion of the Performance Shares Earned shall be paid in cash, the cash equivalent of one Performance Share Earned shall be equal to the Fair Market Value of the one share of common stock of the Company on the last trading day of the calendar year in which the Performance Period ends. Notwithstanding the foregoing, no Performance Shares granted hereunder, may be paid in cash in lieu of Shares to any Participant who is subject to the Share Ownership Guidelines unless and until such Participant is either in compliance with, or no longer subject to, such Share Ownership Guidelines, provided, however, that the Committee may withhold Shares to the extent necessary to satisfy federal, state, local or foreign income tax withholding requirements, as described in Section 5.2. In addition, the Committee may restrict 50% of the Shares to be issued in satisfaction of the total Performance Shares Earned, before income tax withholding, so that they cannot be sold by Participant unless immediately after such sale the Participant is in compliance with the Share Ownership Guidelines that are applicable to the Participant at the time of sale.

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(b) Any payment of Performance Shares Earned to a deceased Participant shall be paid to the beneficiary designated by the Participant on the Designation of Death Beneficiary attached as Exhibit E and filed with the Company. If no such beneficiary has been designated or survives the Participant, payment shall be made to the estate of a Participant. A beneficiary designation may be changed or revoked by a Participant at any time, provided the change or revocation is filed with the Company.

(c) Prior to payment, the Company shall only have an unfunded and unsecured obligation to make payment of Performance Shares Earned to the Participant. The Performance Shares covered by the Grant and these Terms and Conditions that have not yet been earned as Performance Shares Earned, and any interests of the Participant with respect thereto, are not transferable other than by completion of the Designation of Death Beneficiary attached as Exhibit E or pursuant to the laws of descent and distribution.

**2.6 Death, Disability, Retirement, or Other**

(a) With respect to Performance Shares granted to a Participant whose employment is terminated because of the Participant's death, Disability, Retirement, or who is terminated by the Company without Cause, the Participant (or the Participant's beneficiary in the case of death) shall receive at the time specified in Section 2.5(a) as Performance Shares Earned the number of Performance Shares as is determined after the end of the Incentive Period under Sections 2.3 and 2.4, prorated based upon the number of full months between January 1, 2010 and the date the Participant ceased to be employed by the Company compared to the thirty-six (36) months in the Incentive Period.

(b) In the event a Participant voluntarily terminates employment prior to December 31, 2012 or is terminated by the Company with Cause prior to the date of payment of Performance Shares Earned, the Participant shall forfeit all right to any Performance Shares that would have been earned under the Grant and these Terms and Conditions.

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ARTICLE 3.

**Grant and Terms of Restricted Share Units**

**3.1 Grant of Restricted Share Units**. Pursuant to the Plan, the Company has granted to the Participant the number of Restricted Share Units as specified in the Grant, without dividend equivalents, effective as of the Date of Grant.

**3.2 Condition of Payment**. The Restricted Share Units covered by the Grant and these Terms and Conditions shall only result in the payment in Shares of the Company equal in number to the Restricted Share Units if the Participant remains in the employ of the Company or a Subsidiary throughout the Incentive Period.

**3.3 Payment of Restricted Share Units**.

(a) Payment of Restricted Share Units shall be made in the form of Shares and shall be paid at the same time as the payment of Performance Shares Earned pursuant to Section 2.5(a), provided, however, in the event no Performance Shares are earned, then the Restricted Share Units shall be paid in Shares at the time the Performance Shares would normally have been paid. The Committee may restrict 50% of the Shares to be issued in satisfaction of the total Restricted Share Units, before income tax withholding, so that they cannot be sold by Participant unless immediately after such sale the Participant is in compliance with the Share Ownership Guidelines that are applicable to the Participant at the time of sale.

(b) Any payment of Restricted Share Units to a deceased Participant shall be paid to the beneficiary designated by the Participant on the Designation of Death Beneficiary attached as Exhibit E and filed with the Company. If no such beneficiary has been designated or survives the Participant, payment shall be made to the estate of a Participant. A beneficiary designation may be changed or revoked by a Participant at any time, provided the change or revocation is filed with the Company.

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(c) Prior to payment, the Company shall only have an unfunded and unsecured obligation to make payment of Restricted Share Units to the Participant. The Restricted Share Units covered by the Grant and these Terms and Conditions that have not yet been earned, and any interests of the Participant with respect thereto, are not transferable other than by completion of the Designation of Death Beneficiary attached as Exhibit E or pursuant to the laws of descent and distribution.

**3.4 Death, Disability, Retirement or Other.** With respect to Restricted Share Units granted to a Participant whose employment is terminated because of the Participant's death, Disability, Retirement, or who is terminated by the Company without Cause during the Incentive Period, the Participant (or the Participant's Beneficiary in the case of death) shall receive at the time specified in Section 3.3(a) the number of Shares as calculated in Section 3.2, prorated based upon the number of full months between January 1, 2010 and the date the Participant ceased to be employed by the Company compared to the thirty-six (36) months in the Incentive Period.

#### ARTICLE 4.

##### **Other Terms Common to Restricted Share Units and Performance Shares**

###### **4.1 Forfeiture.**

(a) A Participant shall not render services for any organization or engage directly or indirectly in any business which is a competitor of the Company or any affiliate of the Company, or which organization or business is or plans to become prejudicial to or in conflict with the business interests of the Company or any affiliate of the Company.

(b) Failure to comply with subsection (a) above will cause a Participant to forfeit the right to Performance Shares and Restricted Share Units and require the Participant to reimburse the Company for the taxable income received or deferred on Performance Shares that become payable to the Participant and on Restricted Share Units that have been paid out in Shares within the 90-day period preceding the Participant's termination of employment.

(c) Failure of the Participant to repay to the Company the amount to be reimbursed in subsection (b) above within three days of termination of employment will result in

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the offset of said amount from the Participant's account balance in the Company's Voluntary Non-Qualified Deferred Compensation Plan, if applicable (at the time that the amounts owed under the Voluntary Non-Qualified Deferred Compensation Plan are scheduled for payment), and/or from any accrued salary or vacation pay owed at the date of termination of employment or from future earnings payable by the Participant's next employer. If applicable, such offset shall be deemed to constitute the payment due to him under the Voluntary Non-Qualified Deferred Compensation Plan in accordance with the time and form of payment specified under the Voluntary Non-Qualified Deferred Compensation Plan and the immediate repayment to the Company of the amounts owed under these Terms and Conditions.

**4.2 Change in Control.** In the event a Change in Control (as defined in the Plan) occurs, all Performance Shares granted to a Participant for Incentive Periods which have not ended before the Change in Control shall, notwithstanding any preceding provisions of these Terms and Conditions to the contrary, immediately become Performance Shares Earned on a one-to-one basis regardless of the Performance Objectives. All Performance Shares, if any, granted to a Participant for an Incentive Period which ended before the Change in Control, and which have not been paid in accordance with Section 2.5, will be deemed to be Performance Shares Earned to the extent and only to the extent that they became Performance Shares Earned as of the end of the Incentive Period based upon the Performance Objectives for the Incentive Period. The value of all Performance Shares Earned, including ones for Incentive Periods which have already ended, shall be paid in cash based on the Fair Market Value of the Shares determined on the date the Change in Control occurs. Also, in the event of a Change in Control, all Restricted Share Units granted for all periods shall become nonforfeitable and shall be paid in cash based on the Fair Market Value of an equivalent number of Shares determined on the date the Change in Control occurs. All payments with respect to Performance Shares and Restricted Share Units shall be made within 10 days of the Change in Control.

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ARTICLE 5.

**General Provisions**

**5.1 Compliance with Law.** The Company shall make reasonable efforts to comply with all applicable federal and state securities laws; provided, however, notwithstanding any other provision of the Grant and these Terms and Conditions, the Company shall not be obligated to issue any Shares pursuant to the Grant and these Terms and Conditions if the issuance or payment thereof would result in a violation of any such law; provided, however, that the Shares will be issued at the earliest date at which the Company reasonably anticipates that the issuance of the Shares will not cause such violation.

**5.2 Withholding Taxes.** To the extent that the Company is required to withhold federal, state, local or foreign taxes in connection with any payment of Performance Shares Earned or Restricted Share Units to a Participant under the Plan, the Company shall withhold the minimum amount of taxes which it determines it is required by law or required by the terms of the Plan to withhold in connection with any recognition of income incident to this Plan payable in cash or Shares to a Participant or beneficiary. In the event of a taxable event occurring with regard to Shares on or after the date that the Shares become nonforfeitable, the Company shall reduce the Shares owed to the Participant or beneficiary by the fewest number of such Shares owed to the Participant or beneficiary such that the Fair Market Value of such Shares shall equal (or exceed by not more than the Fair Market Value of a single Share) the Participant's or other person's "Minimum Withholding Tax Liability" resulting from such recognition of income. The Company shall pay cash equal to such Fair Market Value to the appropriate taxing authority for purposes of satisfying such withholding responsibility. If a distribution or other event does not result in any withholding tax liability as a result of the Participant's election to be taxed at an earlier date or for any other reason, the Company shall not reduce the Shares owed to the Participant or beneficiary. For purposes of this paragraph, a person's "Minimum Withholding Tax Liability" is the product of: (a) the aggregate minimum applicable federal and applicable

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state and local income withholding tax rates on the date of a recognition of income incident to the Plan; and (b) the Fair Market Value of the Shares recognized as income to the Participant or other person determined as of the date of recognition of income, or other taxable amount under applicable statutes .

**5.3 Continuous Employment.** For purposes of the Grant and these Terms and Conditions, the continuous employment of the Participant with the Company shall not be deemed to have been interrupted, and the Participant shall not be deemed to have ceased to be an employee of the Company, by reason of the transfer of his employment among the Company and its Subsidiaries or an approved leave of absence.

**5.4 Relation to Other Benefits.** Any economic or other benefit to the Participant under the Grant and these Terms and Conditions or the Plan shall not be taken into account in determining any benefits to which the Participant may be entitled under any profit-sharing, retirement or other benefit or compensation plan maintained by the Company or a Subsidiary and shall not affect the amount of any life insurance coverage available to any beneficiary under any life insurance plan covering employees of the Company or a Subsidiary.

**5.5 These Terms and Conditions Subject to Plan.** The Restricted Share Units and Performance Shares granted under the Grant and these Terms and Conditions and all of the terms and conditions hereof are subject to all of the terms and conditions of the Plan, a copy of which is available upon request.

**5.6 Amendments.** The Plan, the Grant and these Terms and Conditions can be amended at any time by the Company. Any amendment to the Plan shall be deemed to be an amendment to the Grant and these Terms and Conditions to the extent that the amendment is applicable hereto. Except for amendments necessary to bring the Plan, the Grant and these Terms and Conditions into compliance with current law including Internal Revenue Code Section 409A, no amendment to either the Plan, the Grant or these Terms and Conditions shall adversely affect the rights of the Participant under the Grant and the Grant and these Terms and Conditions without the Participant's consent.

**5.8 Severability.** In the event that one or more of the provisions of the Grant and these Terms and Conditions shall be invalidated for any reason by a court of competent jurisdiction, any provision so invalidated shall be deemed to be separable from the other provisions hereof, and the remaining provisions hereof shall continue to be valid and fully enforceable.

**5.9 Governing Law.** The Grant and these Terms and Conditions shall be construed and governed in accordance with the laws of the State of Ohio.

These Terms and Conditions are hereby adopted this \_\_\_\_\_ day of March, 2010 by the members of the Compensation and Organization Committee of the Board of Directors of Cliffs Natural Resources Inc.

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Francis R. McAllister

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Ronald C. Cambre

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Barry J. Eldridge

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James D. Ireland III

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Roger Phillips

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**EXHIBITS**

Exhibit A	Peer Group
Exhibit B	Performance Objectives
Exhibit C	Relative Total Shareholder Return
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Exhibit E	Beneficiary Designation

**Exhibit A**

**PEER GROUP**  
(2010-2012)

AK Steel Holding Corporation  
Alcoa, Inc.  
Allegheny Technologies, Inc.  
Alpha Natural Resources, Inc.  
Arch Coal, Inc.  
Carpenter Technology Corporation  
Commercial Metals Company  
Consol Energy, Inc.  
Freeport-McMoran Cooper & Gold, Inc.  
Massey Energy Company  
Nucor Corporation  
Patriot Coal Corporation  
Peabody Energy Corporation  
Quanex Corp  
Reliance Steel & Aluminum Co.  
Steel Dynamics, Inc.  
United States Steel Corporation  
USEC Inc.  
Worthington Industries, Inc.

The Peer Group of 19 companies shall not be adjusted within the Incentive Period, except to exclude companies which during the Incentive Period (a) cease to be publicly traded, or (b) have experienced a major restructuring by reason of: (i) a Chapter 11 filing, or (ii) a spin-off of more than 50% of any such company's assets. The S&P Metals ETF as defined in Section 1.7 shall be substituted in place of the Peer Group companies that are excluded pursuant to the foregoing sentence with a weighting of 1/19<sup>th</sup> times the number of Peer Group Companies that are so excluded.

The value of the stock of a Peer Group company will be determined in accordance with the following:

1. If the stock is listed on an exchange in the U.S. or Canada, then the value on such exchange will be used;
2. Otherwise, if the stock is traded in the U.S. as an American Depositary Receipt, then the value of the ADR will be used; or
3. Otherwise, the value on the exchange in the country where the company is headquartered will be used.

**Exhibit B**

**PERFORMANCE OBJECTIVES**  
(2010-2012)

The target objectives of the Company are Relative Total Shareholder Return (share price plus reinvested dividends) and Free Cash Flow over the three-year Incentive Period from January 1, 2010 to December 31, 2012. Achievement of the Relative Total Shareholder Return objective shall be determined by the shareholder return of the Company relative to a predetermined group of steel, mining and metal companies. Achievement of the Free Cash Flow objective shall be determined against a scale set forth in the Table Below:

Performance Factor	Weight	Threshold	Performance Level	
			Target	Maximum
Relative TSR	50%	35th %tile	55th %tile	75th %tile
Payout For Relative TSR		25%	50%	75%
3- Year Cumulative Free Cash Flow (\$000s)	50%	\$1,260	\$1,680	\$2,100
Payout For Free Cash Flow		25%	50%	75%
Total Payout If Achieve Level For Both Performance Factors		50%	100%	150%

**Exhibit C**

**RELATIVE TOTAL SHAREHOLDER RETURN**  
(2010-2012)

Relative Total Shareholder Return for the Incentive Period is calculated as follows:

1. The Total Shareholder Return as defined in Section 1.9 of these Terms and Conditions for the Incentive Period for the Company shall be compared to the Total Shareholder Return for each of the entities within the Peer Group for the Incentive Period. The results shall be ranked to determine the Company's Relative Total Shareholder Return percentile ranking compared to the Peer Group.
2. The Company's Relative Total Shareholder Return for the Incentive Period shall be compared to the Relative Total Shareholder Return Performance target range established for the Incentive Period.
3. The Relative Total Shareholder Return performance target range has been established for the 2010-2012 Incentive Period as follows:

<u>Performance Level</u>	2010-2012 Relative Total Shareholder Return <u>Percentile Ranking</u>
Maximum	75th Percentile
Target	55th Percentile
Threshold	35th Percentile

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**Exhibit D**

FREE CASH FLOW  
(2010-2012)

Free Cash Flow is calculated as follows:

1. Each year during the Incentive Period, the Cash from Operations from the Company's consolidated cash flow statement.
2. Each year during the Incentive Period, the Capital Expenditures from the Company's consolidated cash flow statement shall be subtracted from the Company's Cash from Operations.
3. The amounts determined in paragraph 2 above for each year during the Incentive Period shall be added together to determine the Cumulative Free Cash Flow of the Company during the Incentive Period.

The Cumulative Free Cash Flow shall be adjusted by the Committee, if necessary, to eliminate or review the impact of acquisitions and dispositions, non-operational businesses, significant expansions and other unusual items.

Exhibit E

BENEFICIARY DESIGNATION

In accordance with the terms and conditions of the Cleveland-Cliffs Inc 2007 Incentive Equity Plan ("Plan"), my 2010 Participant Grant ("Grant") and the 2010 Terms and Conditions ("Terms and Conditions"), I hereby designate the person(s) indicated below as my beneficiary(ies) to receive any payments under the Plan, Grant and Terms and Conditions after my death.

Name \_\_\_\_\_  
Address \_\_\_\_\_  
\_\_\_\_\_

Social Sec. Nos. of Beneficiary(ies) \_\_\_\_\_  
Relationship(s) \_\_\_\_\_  
Date(s) of Birth \_\_\_\_\_

In the event that the above-named beneficiary(ies) predecease(s) me, I hereby designate the following person(s) as beneficiary(ies):

Name \_\_\_\_\_  
Address \_\_\_\_\_  
\_\_\_\_\_

Social Sec. Nos. of Beneficiary(ies) \_\_\_\_\_  
Relationship(s) \_\_\_\_\_  
Date(s) of Birth \_\_\_\_\_

I hereby expressly revoke all prior designations of beneficiary(ies), reserve the right to change the beneficiary(ies) herein designated and agree that the rights of said beneficiary(ies) shall be subject to the terms of the Plan, Grant and these Terms and Conditions. In the event that there is no beneficiary living at the time of my death, I understand that the payments under the Plan, Grant and these Terms and Conditions will be paid to my estate.

\_\_\_\_\_

\_\_\_\_\_

(Signature)

\_\_\_\_\_

(Print or type name)

**CLIFFS NATURAL RESOURCES INC.**  
**RESTRICTED SHARES AGREEMENT**

WHEREAS, \_\_\_\_\_ (the "Grantee") is an employee of Cliffs Natural Resources Inc. (the "Company") or a Subsidiary, as defined in the Company's Amended and Restated Cliffs 2007 Incentive Equity Plan, as amended from time to time thereafter (the "Plan"); and

WHEREAS, the execution of a restricted shares agreement ("Agreement") in the form hereof has been authorized by a resolution of the Compensation and Organization Committee (the "Committee") of the Board of Directors of the Company that was duly adopted on \_\_\_\_\_;

NOW, THEREFORE, pursuant to the Plan, the Company hereby grants to the Grantee \_\_\_\_\_ shares of the Company's common stock, par value \$.125 per share (the "Common Shares"), effective \_\_\_\_\_; (the "Date of Grant") subject to the terms and conditions of the Plan and the following terms, conditions, limitations and restrictions:

1. Issuance of Common Shares. The Common Shares covered by this Agreement shall be fully paid and nonassessable and shall be represented by a certificate(s) registered in the name of the Grantee and bearing a legend referring to the restrictions hereinafter set forth.
2. Restrictions on Transfer of Common Shares. The Common Shares subject to this Agreement may not be transferred, sold, pledged, exchanged, assigned or otherwise encumbered or disposed of by the Grantee, except to the Company, until they have become nonforfeitable in accordance with Section 3 hereof; provided, however, that when the Grantee is subject to income tax on the value of the Common Shares under the income tax law applicable to the Grantee, the restrictions on 50% of the Common Shares shall be removed; and provided, further, that the Grantee's interest in the Common Shares covered by this Agreement may be transferred at any time by will or the laws of descent and distribution. Any purported transfer, encumbrance or other disposition of the Common Shares covered by this Agreement that is in violation of this Section 2 shall be null and void, and the other party to any such purported transaction shall not obtain any rights to or interest in the Common Shares covered by this Agreement. When and as permitted by the Plan, the Company may waive the restrictions set forth in this Section 2 with respect to all or any portion of the Common Shares covered by this Agreement.
3. Vesting of Common Shares. The Common Shares covered by this Agreement shall become 33-1/3% nonforfeitable on \_\_\_\_\_; if the Grantee remains an employee of the Company or a Subsidiary on such day, 66-2/3% nonforfeitable on \_\_\_\_\_; if the Grantee remains an employee of the Company or a Subsidiary on such day, and 100% nonforfeitable on \_\_\_\_\_; if the Grantee remains an employee of the Company or a Subsidiary on such day. For the purposes of this Agreement the continuous

employment of the Grantee with the Company or a Subsidiary shall not be deemed to have been interrupted, and the Grantee shall not be deemed to have ceased to be an employee of the Company or a Subsidiary, by reason of a leave of absence described in Article 11.2 of the Plan.

- (b) Notwithstanding the provisions of Section 3(a) hereof, all of the Common Shares covered by this Agreement shall become nonforfeitable immediately upon:
  - (i) any Change in Control of the Company, as defined in the Plan, that shall occur while the Grantee is an employee of the Company or a Subsidiary, or
  - (ii) Grantee's involuntary termination by the Company for a reason other than "Cause" as defined in the Plan.
- (c) Notwithstanding the provisions of Section 3(a), in the event that the employment of the Grantee with the Company and its Subsidiaries shall be terminated prior to \_\_\_\_\_; by reason of:
  - (i) his disability as defined in the applicable qualified pension plan, or
  - (ii) his death,

all of the Common Shares covered by this Agreement shall become nonforfeitable immediately upon the occurrence of the event described in Sections 3(c)(i) or 3(c)(ii) above.

4. Forfeiture of Common Shares.

- (a) Any of the Common Shares covered by this Agreement that have not become nonforfeitable in accordance with Section 3 hereof shall be forfeited if the Grantee ceases to be employed by the Company or a Subsidiary at any time prior to \_\_\_\_\_. In the event of a forfeiture, the certificates representing all of the Common Shares covered by this Agreement that have not become nonforfeitable in accordance with Section 3 hereof shall be cancelled.
- (b) The Grantee shall not, prior to \_\_\_\_\_, render services for any organization or engage directly or indirectly in any business which is a competitor of the Company or any affiliate of the Company, or which organization or business is or plans to become prejudicial to or in conflict with the business interests of the Company or any affiliate of the Company.
- (c) Failure to comply with the provisions of subsection (b) above will cause a Grantee to: (i) forfeit his/her right to Common Shares covered by this Agreement, and (ii) reimburse the Company for the value of any Common Shares that vest in the Grantee prior to his/her violation of subsection (b) above.

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- (d) Failure of the Grantee to repay to the Company the amount to be reimbursed in subsection (c) above within three days of termination of employment will result in the offset of said amount from any accrued salary, severance pay or vacation pay owed at the date of termination of employment or from future earnings payable by the Grantee's next employer.
5. Dividend, Voting and Other Rights. The Grantee shall have all of the rights of a shareholder with respect to the Common Shares covered by this Agreement, including the right to vote the Common Shares and receive any dividends that may be paid thereon; provided, however, that any additional Common Shares that the Grantee may become entitled to receive pursuant to a share dividend or a merger or reorganization in which the Company is the surviving corporation or any other change in the capital structure of the Company shall be subject to the same restrictions as the Common Shares covered by this Agreement.
6. Retention of Share Certificate(s) by Company. The certificate(s) representing the Common Shares covered by this Agreement shall be held in custody by the Company, together with a stock power endorsed in blank by the Grantee with respect thereto, until those shares have become nonforfeitable in accordance with Section 3 hereof or the restrictions have been removed in accordance with Section 2 hereof.
7. Compliance with Law. The Company shall make reasonable efforts to comply with all applicable federal, State and foreign securities laws; provided, however, notwithstanding any other provision of this Agreement, the Company shall not be obligated to issue any restricted or unrestricted Common Shares pursuant to this Agreement if the issuance thereof would result in a violation of any such law. To the extent that the Ohio Securities Act or the law of any other jurisdiction shall be applicable to this Agreement, the Company shall not be obligated to issue any restricted or unrestricted Common Shares or other securities pursuant to this Agreement, unless those shares or other securities are (a) exempt from registration thereunder, (b) the subject of a transaction that is exempt from compliance therewith, (c) registered thereunder or (d) the subject of a transaction that shall have been registered thereunder.
8. Adjustments. The Committee shall make any adjustments in the number or kind of shares of stock or other securities covered by this Agreement that it shall deem necessary or appropriate under Article 3.4 of the Plan.
9. Withholding Taxes. The Company shall withhold the minimum amount of taxes which it determines it is required by law or required by the terms of the Plan or this Agreement to withhold in connection with any recognition of income incident to the Plan or this Agreement. In the event of a taxable event occurring with regard to Common Shares on or after the date that the Common Shares become nonforfeitable, the Company shall reduce the fewest number of such Common Shares owed to the Grantee or his beneficiary for the Fair Market Value of such Common Shares to equal (or exceed by not more than the Fair Market Value of a single Common Share) the Grantee's or other person's "Minimum Withholding Tax Liability" resulting from such recognition of income. The Company shall pay cash equal to such Fair Market Value to the appropriate

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taxing authority for purposes of satisfying such withholding responsibility. If a distribution or other event does not result in any withholding tax liability as a result of the Grantee's election to be taxed at an earlier date or for any other reason, the Company shall not reduce the Common Shares owed to the Grantee or his beneficiary. For purposes of this Section 9, a person's "Minimum Withholding Tax Liability" is the product of: (a) the aggregate minimum applicable foreign, federal, state and local income withholding tax rates on the date of a recognition of income incident to the Plan and this Agreement; and (b) the Fair Market Value of the Common Shares recognized as income to the Grantee or other person determined as of the date of recognition of income, or other taxable amount under applicable statutes.

10. Right to Terminate Employment. No provision of this Agreement shall limit in any way whatsoever any right that the Company or a Subsidiary may otherwise have to terminate the employment of the Grantee at any time.
11. Relation to Other Benefits. Any economic or other benefit to the Grantee under this Agreement or the Plan shall not be taken into account in determining any benefits to which the Grantee may be entitled under any profit-sharing, retirement or other benefit or compensation plan maintained by the Company or a Subsidiary and shall not affect the amount of any life insurance coverage available to any beneficiary under any life insurance plan covering employees of the Company or a Subsidiary.
12. Amendments. This Agreement can be modified, amended or terminated by a document in writing signed by the Company. Any amendment to the Plan shall be deemed to be an amendment to this Agreement to the extent that the amendment is applicable hereto; provided, however, that no such amendment shall adversely affect the rights of the Grantee with respect to the Common Shares or other securities covered by this Agreement without the Grantee's consent.
13. Severability. In the event that one or more of the provisions of this Agreement shall be invalidated for any reason by a court of competent jurisdiction, any provision so invalidated shall be deemed to be separable from the other provisions hereof, and the remaining provisions hereof shall continue to be valid and fully enforceable.
14. Governing Law. This Agreement is made under, and shall be construed in accordance with, the laws of the State of Ohio.

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This Agreement is executed by the Company on this \_\_\_\_\_ day of \_\_\_\_\_, 2011.

CLIFFS NATURAL RESOURCES INC.

By \_\_\_\_\_  
Joseph A. Carrabba  
President, Chairman & CEO

The undersigned Grantee hereby acknowledges receipt of an executed original of this Agreement and accepts the right to receive the Common Shares or other securities covered hereby, subject to the terms and conditions of the Plan and the terms and conditions hereinabove set forth.

\_\_\_\_\_  
\_\_\_\_\_, Grantee

Date: \_\_\_\_\_

**PELLET SALE AND PURCHASE AGREEMENT**

THIS AGREEMENT (this "**Agreement**") is entered into, dated and effective as of January 31, 2002, by and among THE CLEVELAND-CLIFFS IRON COMPANY, an Ohio corporation ("**CCIC**"), CLIFFS MINING COMPANY, a Delaware corporation ("**CMC**") NORTHSHORE MINING COMPANY, a Delaware corporation ("**Northshore**"; CCIC, CMC and Northshore, collectively, "**Cliffs**") and ALGOMA STEEL INC., an Ontario corporation ("**Algoma**"). Capitalized terms used herein and not defined in context have the respective meanings given to them or cross-referenced in Section 1.

**RECITALS**

WHEREAS, concurrently with the execution and delivery of this Agreement, Algoma, Cannelton Iron Ore Company ("**Cannelton**"), CCIC and Cliffs TIOP, Inc. ("**TIOP**") are entering into that Purchase and Sale Agreement ("**PSA**") pursuant to which TIOP is to acquire Cannelton's 45% membership interest in Tilden Mining Company L.C. ("**Tilden**") (the date such acquisition occurs, the "**Closing Date**"); and

WHEREAS, Algoma desires to purchase from Cliffs, and Cliffs desires to sell to Algoma, a tonnage of Cliffs Pellets equal to Algoma's Annual Requirements from and after the Closing Date;

**AGREEMENTS**

NOW, THEREFORE, in consideration of the premises, their mutual covenants and other good and valuable consideration the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. DEFINITIONS.

(a) "**Business Day**" means any day on which banks in Cleveland, Ohio or Toronto, Ontario are not permitted or required by law to be closed for business.

(b) "**Composite Index**" means, for any year, the sum of:

- (i) 0.40, multiplied by a fraction, the numerator of which is the United States Producer Price Index—All Commodities-Series Id: WPU00000000- Annual Average for such year, and the denominator of which is the United States Producer Price Index—All Commodities-Series Id: WPU00000000- Annual Average for 2001; plus
- (ii) 0.20, multiplied by a fraction, the numerator of which is the United States Producer Price Index - Metals and Metal Products-Sheets, Cold Rolled Carbon - Series Id: WPU10170711-Annual Average for such year, and the

- denominator of which is the United States Producer Price Index—Metals and Metal Products—Sheets, Cold Rolled Carbon—Series Id: WPU10170711—Annual Average for 2001; plus
- (iii) 0.40, multiplied by a fraction, the numerator of which is the Eastern Canadian Pellet Price for such year, and the denominator of which is the Eastern Canadian Pellet Price for 2001. (Eastern Canadian Pellet Price for 2001 is \$0.5236 per iron unit.)

For each year beginning in 2004, the Composite Index, (w) shall be initially determined based on Cliffs' good faith reasonable estimate (which shall take into account all data that is final for the year in determination) given to Algoma not later than December 15 of the prior year, (x) shall be updated based on Cliffs' good faith estimate (which shall take into account all data that is final for the year in determination) given to Algoma not later than June 15 of such year, (y) shall be updated again based on Cliffs' good faith estimate (which shall take into account all data that is final for the year in determination) given to Algoma not later than January 15 of the following year, and (z) shall be finally determined and certified by Cliffs on June 15 of the following year. Should Algoma disagree with Cliffs' estimate or final determination, Algoma may require that such estimate or final determination be determined by arbitration pursuant to Section 15.

(c) "**Eastern Canadian Pellet Price**" means, for any year, the arithmetical average of the per iron unit pellet prices, as published in Skilling's (or, if not published therein, as published in Tex Report) of Quebec Cartier Mining (f.o.b. Port Cartier, Quebec) and Iron Ore Company of Canada (f.o.b. Sept-Iles, Quebec), for such year.

(d) "**Expected Iron Content**" means at 1.5% moisture (i) for Tilden Mag Flux Pellets, 60.38%, (ii) for Tilden Hem Flux Pellets, 60.58%, (iii) for Empire Royal Pellets, 60.09%, and (iv) for any kind of Other Cliffs Pellets (x) in the first year they are provided by Cliffs, the percentage specified by Cliffs in good faith, and (y) in all other years, the actual iron percentage for such kind of Other Cliffs Pellets for the prior year.

(e) The words "**iron unit**", as used herein, shall mean one percent (1%) of contained iron, and all prices per iron unit shall be expressed on an iron unit per ton basis.

(f) The word "**pellets**", as used herein, shall mean iron-bearing products obtained by the pelletizing of iron ore or iron ore concentrates, suitable for making iron in blast furnaces.

(g) The word "**person**", as used herein, means any natural person, or any corporation, limited liability company, limited or general partnership, trust, association or other legal entity.

(h) The word "**ton**", as used herein, shall mean a gross ton of 2,240 pounds avoirdupois natural weight.

(i) "**World Pellet Price**" means, at any time, a price per iron unit equal to the sum of:

- (i) 0.50, multiplied by the Eastern Canadian Pellet Price; plus
- (ii) 0.50, multiplied by the average published price per iron unit for pellets of Companhia Vale Rio Doce, S.A. (f.o.b. Tubaro).

Schedule 1(i) illustrates calculation of the World Pellet Price for 2001, which is \$0.5163 per iron unit.

(j) The word "year", as used herein, shall mean a calendar year commencing on January 1 and ending December 31.

(k) If any of the information required to calculate the Composite Index, the Eastern Canadian Pellet Price or the World Pellet Price ceases to be published (either because a particular product ceases to be available, or because information is no longer publicly available), the parties will negotiate in good faith to revise the definition of such term to one based on then-published information, and any dispute will be resolved pursuant to Section 15.

(l) The following terms are defined on the pages cross-referenced below:

<i>Adjusted Expected Price per Iron Unit</i>	9
<i>Agreement</i>	1
<i>Algoma</i>	1
<i>Annual Requirements</i>	4
<i>Base Price per Iron Unit</i>	8
<i>Basic Cliffs Pellets</i>	4
<i>Benchmark Delivered Cost</i>	15
<i>Business Day</i>	1
<i>Cannelton</i>	1
<i>CCIC</i>	1
<i>Cliffs</i>	1
<i>Cliffs Pellets</i>	5
<i>Closing Date</i>	1
<i>CMC</i>	1
<i>Commission</i>	18
<i>Composite Index</i>	1
<i>Confidential Information</i>	18
<i>Eastern Canadian Pellet Price</i>	2
<i>Empire Plant</i>	4
<i>Empire Royal Pellets</i>	4
<i>Expected Iron Content</i>	2
<i>Hibbing Pellets</i>	5
<i>Hibbing Plant</i>	5
<i>iron unit</i>	2
<i>Northshore</i>	1
<i>Northshore Pellets</i>	5
<i>Northshore Plant</i>	5
<i>Other Cliffs Pellets</i>	5
<i>pellets</i>	2

<i>person</i>	2
<i>PSA</i>	1
<i>Sault Ste. Marie Plant</i>	4
<i>Source Requirements</i>	6
<i>Tilden</i>	1
<i>Tilden Hem Flux Pellets</i>	4
<i>Tilden Mag Flux Pellets</i>	4
<i>Tilden Pellets</i>	4
<i>Tilden Plant</i>	4
<i>TTOP</i>	1
<i>ton</i>	2
<i>WCS</i>	12
<i>World Pellet Price</i>	2
<i>year</i>	3

2. SALE AND PURCHASE/VOLUME.

(a) Subject to the other provisions of this Section 2, for each of the 15 years 2002 through 2016 inclusive, Cliffs shall sell and deliver to Algoma, and Algoma shall purchase and receive from Cliffs and pay Cliffs for, a tonnage of Cliffs Pellets equal to 100% of Algoma's total pellet tonnage requirements, adjusted for inventory positions, ("**Annual Requirements**") for such year required for use at its facility at Sault Ste. Marie, Ontario (the "**Sault Ste. Marie Plant**"); *provided, however*, that in no year shall Algoma purchase and receive from Cliffs, and pay Cliffs for, less than 2,500,000 tons of Cliffs Pellets.

(b) If Algoma's Annual Requirements, as initially fixed pursuant to Section 5(a) or as adjusted pursuant to Section 5(b), in any year exceeds 4,000,000 tons, Cliffs shall have the right, but not the obligation, to sell and deliver any pellets in excess of 4,000,000 tons. Such right may be exercised as provided in Section 5.

(c) Because the Closing Date will occur after January 1, 2002, (i) Algoma shall not be required to purchase any Cliffs Pellets hereunder unless and until the Closing Date occurs, (ii) Cliffs shall not be required to sell any Cliffs Pellets hereunder unless and until the Closing Date occurs, and (iii) in the year 2002 Cliffs shall sell and deliver to Algoma, and Algoma shall purchase and receive from Cliffs and pay Cliffs for, a tonnage of pellets equal to Algoma's Annual Requirements, less Algoma's share of pellets delivered pursuant to the membership interest of Cannelton in Tilden between January 1, 2002 and the Closing Date.

3. SOURCING.

(a) Cliffs shall initially supply Algoma with pellets produced at the Tilden iron ore pellet plant ("**Tilden Mag Flux Pellets**" and "**Tilden Hem Flux Pellets**", as the case may be; collectively, "**Tilden Pellets**") in National Mine, Michigan (the "**Tilden Plant**") and/or pellets produced at the Empire Iron Mining Partnership iron ore pellet plant ("**Empire Royal Pellets**;" collectively with the Tilden Pellets, "**Basic Cliffs Pellets**") located in Palmer, Michigan (the "**Empire Plant**").

(b) Cliffs may change pellet sourcing from Basic Cliffs Pellets to pellets from other sources (" *Other Cliffs Pellets* "), including, without limitation, those produced at the Hibbing Taconite Company Joint Venture iron ore pellet plant (" *Hibbing Pellets* ") in Hibbing, Minnesota (the " *Hibbing Plant* ") and those produced at the Northshore iron ore pellet plant (" *Northshore Pellets* ") in Silver Bay, Minnesota (the " *Northshore Plant* "); Other Cliffs Pellets together with Basic Cliffs Pellets, are defined as " *Cliffs Pellets* "). If Cliffs desires to provide Algoma with Other Cliffs Pellets, Cliffs shall give Algoma not less than three months prior notice, and then may make such change provided that (i) Algoma's cost of handling pellets, including the movement of pellets to the stock house, is not increased, or, if Algoma's costs of handling are increased, Cliffs shall adjust the price of Other Cliffs Pellets so that the additional handling costs are mitigated so as to fully offset the increased handling costs, and (ii) Algoma has had a reasonable opportunity to purge its stockpile of conflicting grades of iron ore.

#### 4. QUALITY.

(a) As measured pursuant to Section 4(c), if solely Basic Cliffs Pellets are supplied to Algoma hereunder, they will conform in all material respects with the AIM pellet specifications and requirements as set forth in Exhibit A-1. As measured pursuant to Section 4(c), if any Other Cliffs Pellets are supplied to Algoma hereunder, then all Cliffs Pellets supplied to Algoma hereunder, will conform in all material respects with the AIM pellet specifications and requirements as set forth in Exhibit A-2.

(b) As measured pursuant to Section 4(c), if solely Basic Cliffs Pellets are supplied hereunder they will not fall below the LSL, or exceed the USL, in either case as specified on Exhibit A-1. As measured pursuant to Section 4(c), if any Other Cliffs Pellets are supplied hereunder, then all Cliffs Pellets supplied hereunder shall not fall below the LSL, or exceed the USL, in either case as specified on Exhibit A-2.

(c) In each case, consistency with the AIM specifications, LSL and USL will be determined on a quarterly basis (1/1—3/31; 4/1—6/30; 7/1—9/30; 10/1—12/31) based on the AIM specifications, LSL and USL of the kinds of Cliffs Pellets shipped for such quarter, weighted according to the percentage of each kind of Cliffs Pellets to be consumed in such quarter pursuant to Algoma's blast furnace plan.

(d) Cliffs will report the characteristics of Cliffs Pellets to Algoma on the following basis:

- (i) On the volume of Cliffs Pellets in a vessel or train load for direct rail shipments, as soon as practicably available and, in particular, for direct rail shipments, within 24 hours of shipment from the mine:
  - Chemical: Fe, SiO<sub>2</sub>, Al<sub>2</sub>O<sub>3</sub>, CaO, MgO, Mn, P, CaO/SiO<sub>2</sub>; and
  - Physical: % + 1/2", %—1/2" x + 3/8", %—1/4", %—28 mesh.

Moisture

- (ii) On the volume of Cliffs Pellets actually shipped to Algoma in a calendar month: Compression (LBS).
- (iii) On the volume of Cliffs Pellets actually shipped to Algoma in a calendar quarter (1/1—3/31; 4/1—6/30; 7/1—9/30; 10/1—12/31):

Chemical: S, TiO<sub>2</sub>, Na<sub>2</sub>O, K<sub>2</sub>O;

Metallurgical: Reducibility (R40), LTB (% + 1/4"), Swelling, Softening Temperature.

(e) For each source of Cliffs Pellets, the parties shall agree upon a defined set of characteristics or specifications for Cliffs Pellets from that source (" **Source Requirements** "). Cliffs shall ensure that the characteristics of each train load or vessel conforms to its applicable Source Requirements. Attached as Exhibit A-3 are the Source Requirements for the types of Cliffs Pellets set out in Section 3.

(f) If specifications for the chemical composition of steel change so that it is a competitive requirement for Algoma that Algoma lower the phosphorous content of the Cliffs Pellets, then at any time after December 31, 2006, and with not less than one year's prior notice to Cliffs, specifying the change to be made, Algoma may propose a change to the phosphorous specification for the Cliffs Pellets set forth in Exhibit A-1 and Exhibit A-2; *provided, however*, that Algoma shall not propose any change to the pellet specification that would make a phosphorous change to Algoma's pellet chemistry that is disproportionate to the phosphorous change in the chemistry of Algoma's other blast furnace and steel making burden materials that have a significant effect on phosphorous levels. If any allowable change in the phosphorous specification as provided in this Section 4(f) results in financially disadvantaging Cliffs, then Cliffs and Algoma shall, for up to 60 days from the date of Algoma's delivery to Cliffs of the notice proposing a change in the phosphorous specification, use all reasonable efforts to reach agreement on both a new phosphorous specification and new prices in a manner that maintains Algoma's relative position in respect of its delivered pellet cost per iron unit. If an agreement is not reached within 60 days, then Cliffs may (i) agree to continue to supply Algoma the Cliffs Pellets at the current contract price with the new phosphorous specification, or (ii) terminate this agreement 300 days after the expiry of the 60-day period. In the event Cliffs notifies Algoma of Cliffs' option to terminate this agreement, Cliffs shall retain the right during the 300 day period to supply Algoma's future Annual Requirements at the revised phosphorous specification at a price that would be 2% below (on a delivered cost basis) the lowest cost competitive offer which Algoma receives during such 300 day period (provided that following receipt of Algoma's notice to Cliffs of the competitive offer, Cliffs shall notify Algoma within 45 days as to Cliffs' option to exercise its right to supply Algoma's future Annual Requirements); and if Cliffs exercises such right, then this Agreement shall not terminate. In the event that new prices are determined as a result of changing the pellet phosphorous specifications, then the Base Prices per Iron Unit shall be adjusted so that, after taking into account Section 6(b), Section 6 can be used to set prices in future years. Any dispute arising out of this Section 4(f) shall be resolved by arbitration as provided in Section 15.

5. NOTIFICATION AND NOMINATION.

(a) Annually on or before November 1, Algoma shall notify Cliffs of Algoma's good faith estimate of its preliminary Annual Requirements for the upcoming year. Schedule 5(a) sets forth such information for the year 2002.

(b) Algoma shall have the right to modify, based upon Algoma's good faith estimate, its Annual Requirements for any year:

- (i) by notice to Cliffs sent not later than January 10 of such year, Algoma may decrease or, subject to Section 5(c), increase its Annual Requirements by up to 10% of the original Annual Requirements for such year; and/or
- (ii) by notice to Cliffs sent not later than July 10 of such year, Algoma may decrease or, subject to Section 5(c), increase its Annual Requirements (as previously adjusted pursuant to Section 5(b)(i), if applicable) by up to 5%; and/or
- (iii) in unforeseen circumstances where Algoma's need for pellets unexpectedly increases, Algoma may, on 30 days notice to Cliffs, amend its Annual Requirements to increase them beyond the parameters provided for in (i) and (ii) above.

(c) If (i) Algoma's Annual Requirements (as forecast pursuant to Section 5(a) or as amended pursuant to Section 5(b)) is for an amount in excess of 4,000,000 tons or (ii) Algoma amends its Annual Requirements pursuant to Section 5(b)(ii) and (iii) to increase such requirement above the tonnage previously specified for such year, Cliffs shall within 30 days of receipt of the initial specification or amendment, as the case may be, notify Algoma whether Cliffs will commit to provide all, a portion or no portion of such excess or increased tonnage. If Cliffs commits to sell and deliver all or any portion of such excess or increased tonnage, Cliffs shall be obligated to supply such additional tonnage as herein set forth. Cliffs shall have no obligation to supply any portion of such excess or additional tonnage that it does not commit to supply. If Cliffs does not commit to provide all of such excess or increased tonnage, then Algoma may purchase from another party any such tonnage that Cliffs has not committed to provide.

6. PRICE AND ADJUSTMENTS.

(a) In each year the price paid for the Cliffs Pellets purchased and sold hereunder shall be determined as follows:

- (i) First, taking each kind of Basic Cliffs Pellets separately, the Base Price per Iron Unit shall be determined, based on an annual purchase of between 3,475,000 and 3,525,000 tons, as provided in Section 6(b).
  - (ii) Second, taking each kind of Basic Cliffs Pellets separately, the Base Price per Iron Unit shall be adjusted based on the amount of Cliffs Pellets purchased and sold, either up or down, as provided in Section 6(c), to determine the Adjusted Expected Price per Iron Unit.
  - (iii) Third, the Adjusted Expected Price per Iron Unit for any kind(s) of Other Cliffs Pellets shall be determined as provided in Section 6(d).
- (b) (i) Basic Cliffs Pellets shall have the following “ *Base Price per Iron Unit* ” for the year 2002:

	Pellet	f.o.b.	Base Price Per Iron Unit
Tilden Mag Flux		Railcar at Partridge	\$ 0.5755
Tilden Mag Flux		Vessel at Port Marquette	\$ 0.5846
Tilden Hem Flux		Railcar at Partridge	\$ 0.5736
Tilden Hem Flux		Vessel at Port Marquette	\$ 0.5827
Empire Royal		Railcar at Empire	\$ 0.5783
Empire Royal		Vessel at Port Marquette	\$ 0.5875

(ii) Basic Cliffs Pellets shall have the following Base Price per Iron Unit for the year 2003:

	Pellet	f.o.b.	Base Price Per Iron Unit
Tilden Mag Flux		Railcar at Partridge	\$ 0.5838
Tilden Mag Flux		Vessel at Port Marquette	\$ 0.5929
Tilden Hem Flux		Railcar at Partridge	\$ 0.5819
Tilden Hem Flux		Vessel at Port Marquette	\$ 0.5910
Empire Royal		Railcar at Empire	\$ 0.5866
Empire Royal		Vessel at Port Marquette	\$ 0.5879

(iii) The Base Price per Iron Unit for each of the Basic Cliffs Pellets, f.o.b railcar or vessel, shall be determined as follows for the years 2004 through 2016, inclusive:

- (A) First, the 2002 Base Price per Iron Unit for such Basic Cliffs Pellets shall be multiplied by the estimated Composite Index for the year in determination.

- (B) Second, if the Base Price per Iron Unit for the year in determination (calculated as provided in Section 6(b)(iii)(A)) is greater than 106% of the Base Price per Iron Unit for the prior year, the Base Price per Iron Unit for the year in determination shall be reduced to 106% of the Base Price per Iron Unit for the prior year. If the Base Price per Iron Unit for the year in determination (calculated as provided in Section 6(b)(iii)(A)) is less than 94% of the Base Price per Iron Unit for the prior year, the Base Price per Iron Unit for the year in determination shall be increased to 94% of the Base Price per Iron Unit for the prior year.
- (C) Third, if the Base Price per Iron Unit for the year in determination (as adjusted pursuant to Section 6(b)(iii)(B)) is greater than 120.2% of the World Pellet Price for the year in determination, the Base Price per Iron Unit shall be reduced to 120.2% of the World Pellet Price. If the Base Price per Iron Unit for the year in determination (as adjusted pursuant to Section 6(b)(iii)(B)) is less than 106.2% of the World Pellet Price for the year in determination, the Base Price per Iron Unit shall be increased to 106.2% of the World Pellet Price. (If the World Pellet Price is replaced in the future by an alternative generally accepted published formulation of a benchmark price per iron unit, the parties will negotiate in good faith or the applicable of such formulation to the pricing limits contained herein, and any dispute will be resolved pursuant to Section 15.)

(c) For each year, the Base Price per Iron Unit (as defined in Section 6(b)) for each kind of Basic Cliffs Pellets shall be increased by \$0.0007 per iron unit for each 25,000 tons by which the Annual Requirement is less than 3,500,000 tons or decreased by \$0.0007 for each 25,000 tons by which the Annual Requirement exceeds 3,500,000 tons, in order to determine the price per iron unit to be paid for such year (the "**Adjusted Expected Price per Iron Unit**") for each kind of Cliffs Pellet.

(d) If in any year Cliffs supplies any Other Cliffs Pellets to Algoma, the Adjusted Expected Price per Iron Unit for such kind(s) of Other Cliffs Pellets shall be that price per iron unit that, after taking into account the difference, if any, in transportation costs, results in the same average cost per iron unit delivered to the Sault Ste. Marie Plant as the average cost per iron unit delivered to the Sault Ste. Marie Plant would be if the entire Annual Requirements were provided from the Tilden Plant.

(e) Attached as Exhibit B-2 is an example of the application of the provisions of this Section 6.

7. PAYMENTS AND ADJUSTMENTS.

(a) Subject to adjustment as provided in Sections 7(b) and 7(c):

- (i) During the six years 2002 through 2007 inclusive, Algoma shall pay Cliffs on the first and the 15<sup>th</sup> day of each month (or if such day is not a Business Day, the Business Day immediately thereafter) an amount equal to 1/24 the total cost of all of the tons of the various kinds of Cliffs Pellets to be supplied to meet Algoma's Annual Requirements for such year, to be determined in each case by multiplying such Annual Requirements by the Expected Iron Content and the Adjusted Expected Price per Iron Unit. This payment method will result in a significant prepayment by Algoma early in each year. For any year from 2003 through 2007 inclusive Algoma may, on 60 days' notice prior to the commencement of such year, require that Cliffs provide security in respect of such prepayment. Such security may take the form of an interest in or charge on pellets, a trust arrangement or any other form of security mutually agreeable to Cliffs and Algoma. In the event that Cliffs does not provide security as set out herein in a particular year, then the method of payment for such year shall be as set out in Section 7(a)(ii).
- (ii) For the nine years 2008 through 2016 inclusive, Algoma shall pay Cliffs, on the second Monday of January of each year and every two weeks thereafter throughout such year, an amount calculated as follows:
  - (A) The number of tons of each kind of pellets delivered by Cliffs to Algoma during the week ended at the midnight immediately preceding the date of such payment, multiplied in each case by the applicable Expected Iron Content and Adjusted Expected Price per Iron Unit; plus
  - (B) The number of tons of each kind of pellets estimated by Algoma to be delivered by Cliffs to Algoma during the week beginning at midnight immediately preceding the date of such payment, multiplied in each case by the applicable Expected Iron Content and Adjusted Expected Price per Iron Unit; plus or minus, as the case may be;
  - (C) The variance, if any, between the number of tons of each kind of pellets estimated to be delivered during the week beginning at midnight immediately prior to the date of the preceding payment, and the number of tons actually delivered during such week, multiplied in each case by the applicable Expected Iron Content and Adjusted Expected Price per Iron Unit.

In case of any payment scheduled to be made on a Monday that is not a Business Day, such payment shall be made on the next occurring Business Day, but all calculations shall be made as if the payment were made on the Monday.

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(b) The payments provided for in Section 7(a) shall be adjusted as follows:

- (i) Since the Closing Date will be after January 1, 2002, the 2002 payments shall be adjusted so that (x) a partial payment is made on the day following the Closing Date for the period between the Closing Date and the next occurring first or 15<sup>th</sup> day of the month, and (y) equal regular payments begin on the next occurring first or 15<sup>th</sup> day of the month.
- (ii) In the event of any adjustment to the Annual Requirements pursuant to Section 5(b), any payments to be made pursuant to Section 7(a)(i) after such adjustment shall be increased or decreased so that such payments will be (x) equal in amount, and (y) the minimum amount such that at no time during the year, based on then-existing month-by-month forecasts, will Algoma have taken delivery of a greater amount of pellets than it has paid for.
- (iii) Beginning in 2004, not later than June 15 of each year, Cliffs shall prepare and certify to Algoma (x) Cliffs' revised good faith estimate of the Composite Index for such year, (y) Cliffs' recalculation of the Adjusted Expected Price per Iron Unit for each kind of Cliffs Pellets, based thereon, and (z) the amount of the difference between the amount previously paid for Cliffs Pellets during the year and the amount that would have been paid had such adjusted Composite Index been in effect from the beginning of the year. All subsequent payments to be made under Section 7(a) shall be adjusted to reflect the revised Adjusted Expected Price per Iron Unit, and the next such payment shall be adjusted by the amount specified in clause (z) above.

(c) In addition to the adjustments to be made pursuant to Section 7(b), the following lump sum adjustments shall be made:

- (i) Not later than January 15 of each year, Cliffs shall prepare and certify to Algoma: (w) Cliffs' revised good faith estimate of the Composite Index for the prior year (beginning in 2004), (x) Cliffs' calculation of the actual tonnage of each kind of Cliffs Pellets and any variance from tonnage forecast to be delivered to satisfy Algoma's Annual Requirements, in each case for the prior year, (y) the actual iron units in each kind of Cliffs Pellets, and any variance from the Expected Iron Content expected therefore, in each case for the prior year, and (z) the amount due from Cliffs to Algoma, or *vice versa*, to adjust to correct for all of the variances in clauses (w) through (y), for the prior year. The payment due pursuant to Section 7(a) next occurring after January 15 shall be adjusted by the amount specified in clause (z).

(ii) Beginning in 2005, in addition to the adjustment provided for in Section 7(b)(iii), not later than June 15 of each year, Cliffs shall calculate and certify to Algoma (x) the final Composite Index for the prior year, (y) Cliffs' calculation of the adjustment to the Adjusted Expected Price per Iron Unit for each kind of Cliffs Pellets, and (z) the total amount required to be paid by Cliffs to Algoma, or *vice versa*, to correct the total amount paid by Algoma to Cliffs for the prior year (as previously adjusted) for the actual Adjusted Expected Price per Iron Unit derived for the actual Composite Index. The payment due pursuant to Section 7(a) next occurring after June 15 shall be adjusted by the amount specified in clause (z).

(d) All payments shall be made by wire transfer of immediately available funds according to such instructions as Cliffs may from time to time provide, and shall be made in U.S. dollars.

(e) In the event Algoma shall fail to make payment when due of any amounts, Cliffs, in addition to all other remedies available to Cliffs in law or in equity, shall have the right, but not the obligation, to withhold further performance by Cliffs under this Agreement until all claims Cliffs may have against Algoma under this Agreement are fully satisfied.

(f) Exhibit C illustrates the operation of the provisions of this Section 7.

#### 8. SHIPMENTS AND DELIVERY.

(a) Cliffs and Algoma will agree on a mutually acceptable delivery schedule for each year prior to November 1 of the preceding year. Such schedule must be established to match both Algoma's furnace requirements and Cliffs' pellet availability. Cliffs and Algoma will balance the delivery schedule by pellet source and type so that monthly shipments will be relatively equal, considering winter shipping restrictions and production schedules. Cliffs and Algoma recognize that changes in schedule will occur as provided in Section 5, and will use commercially reasonable efforts to accommodate such changes.

(b) During 2002, Cliffs will use commercially reasonable efforts (which shall not require incurring additional operating or capital costs) to load an average of 70 railcars per day for direct delivery by the Wisconsin Central System, or its successor ("WCS"), to the Sault Ste. Marie Plant. The number of railcars shipped daily from the various locations shall be agreed upon by Cliffs and Algoma, but the total shall not exceed 70. Thereafter, Cliffs will use commercially reasonable efforts (which shall not require incurring additional operating or capital costs) to increase the tonnage of shipments to the Sault Ste. Marie Plant by direct rail with the objective of being able to (i) ship a minimum of 90% of Algoma's annual pellet requirements by direct rail, and (ii) cause a minimum of 90% of the railcars loaded out of the Tilden Plant or the Empire Plant not to exceed their capacities, and not to have a gross weight over rail in excess of 263,000 pounds. Cliffs and Algoma acknowledge that neither of them owns any railcars and as such they must obtain the cooperation of WCS. To this end, Algoma will pursue with WCS a more appropriately sized rail car fleet (i.e., smaller rail cars) to be used for shipments by WCS. Algoma will cause WCS to adjust the weight of any railcar that is loaded in excess of its designed carrying capacity.

(c) Deliveries shall be made as follows:

- (i) Tilden Mag Flux Pellets and Tilden Hem Flux Pellets shall be delivered by Cliffs to Algoma f.o.b. loaded vessel at Port Marquette, Michigan or f.o.b. loaded railcar at Partridge, Michigan, as the case may be, and in either case title and all risk of loss, damage or destruction shall pass to Algoma at the time of discharge of the pellets from the loading device to the vessel or at the time of transfer of rail cars to WCS.
- (ii) Empire Royal Pellets shall be delivered by Cliffs to Algoma f.o.b. loaded vessel at Port Marquette, Michigan, or loaded rail car at the Empire Plant, as the case may be, and in either case title and all risk of loss, damage or destruction shall pass to Algoma at the time of discharge of the pellets from the loading device to the vessel or railcar.
- (iii) Other Cliffs Pellets shall be delivered by Cliffs to Algoma f.o.b. loaded vessel at Allouez, Wisconsin or Silver Bay, Minnesota or loaded railcar at the Hibbing Plant, or other mutually agreed location (by vessel or rail), as the case may be, and in any case title and all risk of loss, damage or destruction shall pass to Algoma at the time of discharge of the pellets from the loading device to the vessel or railcar.

#### 9. WEIGHTS.

Railcar bill of lading weight determined by railroad scale weights, bin scale weights or belt scale weights in accordance with the procedures in effect at each of the plants, and vessel bill of lading weight determined by railroad scale weights or belt scale weights in accordance with the procedures in effect from time to time at each of the loading ports, shall be accepted by the parties as finally determining the amount of Cliffs Pellets delivered to Algoma pursuant to this Agreement. Cliffs shall ensure that all weighing devices are regularly tested, verified and maintained.

#### 10. EMPLOYMENT OF VESSELS AND RAILCARS.

Algoma assumes the obligation for arranging and providing appropriate vessels and railcars for the transportation of the Cliffs Pellets delivered by Cliffs to Algoma hereunder. Algoma shall arrange and provide (a) for all rail shipments, railcars capable of loading at the Tilden Plant, Empire Plant, Hibbing Plant or Northshore Plant, as the case may be, and (b) for all vessel shipments, ore carrier or bulk carrier type vessels suitable in all respects to enter, berth at and leave the loading ports and suitable for the loading and mooring facilities at the loading ports. If Cliffs supplies any Other Cliffs Pellets hereunder, Algoma shall (i) use all commercially reasonable efforts to obtain the best possible price and other terms for transportation of such Other Cliffs Pellets, and (ii) certify the use of such efforts, and the prices obtained for such transportation, to Cliffs at the end of each year.

11. SAMPLING PROCEDURES.

All pellet sampling procedures and analytical tests conducted on Cliffs Pellets sold to Algoma to demonstrate compliance with typical and average analysis characteristics specified in Section 4 shall be performed by Cliffs at the loading point on each pellet vessel shipment or train shipment, as the case may be. Test methods to be used shall be the appropriate ASTM or ISO standard methods published at the time of testing or the customary procedures and practices previously furnished by Cliffs to Algoma, or any other procedures and practices that may be mutually agreed to by Cliffs and Algoma. The final values of all characteristics are those determined by Cliffs at the loading point. Algoma may, at any time and from time to time through one or more authorized representatives, be present during production, loading, or to observe sampling and analysis of pellets being processed for shipment to Algoma. At Algoma's option and at its own expense, Algoma may from time to time require independent sampling.

12. WARRANTIES.

**(a) EXCEPT AS SET FORTH IN SECTION 4(b), CLIFFS MAKES NO, AND HEREBY DISCLAIMS AND EXCLUDES ANY, EXPRESS OR IMPLIED WARRANTIES INCLUDING, WITHOUT LIMITATION, ANY IMPLIED WARRANTY OF MERCHANTABILITY, OF FITNESS, OR OF FITNESS FOR A PARTICULAR PURPOSE, WITH RESPECT TO ALL CLIFFS PELLETS; PROVIDED, HOWEVER, THAT NOTHING IN THIS SECTION 12(a) SHALL LIMIT CLIFFS' OBLIGATION TO USE ITS BEST EFFORTS TO COMPLY WITH SECTION 4(a).**

(b) All notices of material variance of any Cliffs Pellets from the LSL and USL described on Exhibit A-1, Exhibit A-2, Exhibit A-3.1, Exhibit A-3.2, Exhibit A-3.3, Exhibit A-3.4, Exhibit A-3.5 or Exhibit A-3.6, as the case may be, over the average volumes specified in Section 4(c) shall be delivered to Cliffs prior to such Cliffs Pellets being charged in the Sault Ste. Marie Plant's blast furnace, or any claim arising from any such material variance shall be waived by Algoma. Each party shall afford the other party prompt and reasonable opportunity to inspect the Cliffs Pellets as to which any notice is given as above stated. The Cliffs Pellets shall not be returned to Cliffs without prior consent of Cliffs, which consent, in the case of direct rail shipments, shall not be unreasonably withheld. **IN NO EVENT SHALL CLIFFS BE LIABLE FOR ANY DAMAGE TO ALGOMA'S PROPERTY OR LOST PROFITS, INJURY TO GOOD WILL OR ANY OTHER SPECIAL OR CONSEQUENTIAL DAMAGES UNLESS IT IS PROVED THAT CLIFFS HAS ENGAGED IN WILLFUL MISCONDUCT.**

13. PRICE REOPENER.

If at the end of 2007, 2010 or 2013, (a) Algoma believes that its delivered pellet cost per iron unit under this Agreement is higher than either (i) the delivered cost per iron unit for comparable grades of pellets, on average, paid by other blast furnace operators in the Great Lakes region served by ports located on Lake Erie, Lake Huron, Lake Michigan or Lake Superior, or (ii) the delivered cost per iron unit for comparable grades of pellets, on average, sourced from iron ore deposits in the United States, paid by other Canadian blast furnace operators served by ports located on Lake Ontario (the lesser of the costs described in clauses (i)

and (ii), the "Benchmark Delivered Cost" ) or (b) Cliffs believes that Algoma's delivered pellet cost per ton is 6% less than the Benchmark Delivered Cost, then Algoma or Cliffs, as the case may be, may, by notice to the other within 30 days after the end of 2007, 2010 or 2013, as the case may be, request a price renegotiation. If Cliffs and Algoma are unable to reach agreement on a mutually agreeable price within 60 days of such notice, either of them may initiate arbitration, as provided in Section 15, for the determination of a price per iron unit for the various kinds of Cliffs Pellets (excluding transportation costs) that results in (x) a delivered cost per iron unit to Algoma (taking into account transportation costs) that is equal to the Benchmark Delivered Cost if Algoma has initiated this price reopener provision, or (y) in a delivered cost per iron unit to Algoma (taking into account transportation costs) that is 2% below the Benchmark Delivered Cost if Cliffs has initiated this price reopener provision. In addition, the arbitration shall adjust the Base Prices per Iron Unit for 2002 in such a manner that, taking into account Section 6(b), Section 6 hereof can be used to establish prices for future years. The prices determined by the arbitrators shall be effective retroactively to the beginning of the year in which Algoma or Cliffs requested a price renegotiation. Cliffs shall pay Algoma, or Algoma shall pay Cliffs, within 10 days of the arbitrators decision, an amount equal to the adjustment calculated by the arbitrators for the prior period of that year.

#### 14. COVENANTS.

(a) During the term of this Agreement, Algoma shall continue to operate its No. 7 blast furnace located at its Sault Ste. Marie Plant in accordance with prevailing industry practice.

(b) Algoma agrees that it will limit its purchase of steel slabs to 200,000 tons per year during the term of this Agreement provided that no restriction on slab purchases by Algoma will apply to: (i) any year where Algoma's Annual Requirements are 3,500,000 tons or greater; (ii) slab purchases made in connection with either a blast furnace reline or other equipment related issues; or (iii) any period after a decision by Algoma to discontinue the operation of Algoma's slab caster.

(c) During the term of this Agreement, Algoma shall not: (i) sell, transfer or otherwise permit any other Person to use any pellets purchased hereunder, other than as security for a bona fide extension of credit in the ordinary course of business; (ii) use any pellets purchased hereunder in any facility other than the Sault Ste. Marie Plant; or (iii) sell, lease or otherwise transfer title or the right to use the Sault Ste. Marie Plant (including without limitation its blast furnaces), or any material portion thereof, to any Person, or merge, consolidate or reorganize with any Person unless that Person assumes in writing this Agreement and all of Algoma's obligations hereunder.

#### 15. ARBITRATION.

Any matter related hereto that is required to be resolved by arbitration or pursuant to Section 15 hereof shall be resolved in Cleveland, Ohio by application of the rules of The American Arbitration Association applicable to commercial disputes, modified as follows:

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- (a) there shall be three arbitrators, all of whom shall have expertise relevant to the matter to be determined, and none of whom shall be an employee, officer, director or consultant of, or of a direct competitor of, Algoma or Cliffs;
  - (b) in connection with any arbitration arising out of Section 13, each of Cliffs and Algoma shall have the right to submit information to the arbitrators to be held in confidence by them and not disclosed to the other party (or any other person), *provided that* (i) the party providing such information shall certify its accuracy to the best of its actual knowledge; and (ii) such information shall be made available to counsel for the other party upon delivery by such counsel of its undertaking to hold the information (either in the form provided or in any other form) in confidence and not to disclose it to its client, or any other person (other than the arbitrators);
  - (c) before making their determination in any matter, the arbitrators must request from each of the parties a complete statement of its proposed resolution of such matter, and the arbitrators shall select between the two proposed resolutions, without making any alteration to either of them (or if either party does not submit a proposed resolution, or submits one that is materially incomplete, shall select the proposed resolution of the other party); and
  - (d) the costs of the arbitrators shall be borne entirely by the party that did not prevail.

The judgment of the arbitrators shall be final and binding on the parties, and may be entered and enforced by any court of the United States, any state thereof, Canada or any province thereof.

#### 16. FORCE MAJEURE.

No party hereto shall be liable for damages resulting from failure to deliver or accept and pay for all or any of the Cliffs Pellets as described herein, if and to the extent that such delivery or acceptance would be contrary to or would constitute a violation of any regulation, order or requirement of a recognized governmental body or agency, or if such failure, including (a) failure of the mines supplying the Cliffs Pellets to be delivered under this Agreement to produce the Cliffs Pellets, or (b) failure of Algoma's facilities to produce steel, is caused by or results directly or indirectly from acts of God, war, insurrections, interference by foreign powers, acts of terrorism, strikes, hindrances, labor disputes, labor shortages, fires, flood, embargoes, accidents or delays at the mines, on the railroads or docks or in transit, shortage of transportation facilities, disasters of navigation, or other causes, similar or dissimilar, if such other causes are beyond the control of the party charged with a failure to deliver or to accept and pay for the Cliffs Pellets. To the extent a force majeure is claimed hereunder by a party hereto, such shall relieve the other party from fulfilling its corresponding agreement hereunder to the party claiming such force majeure, but only for the period and to the extent of the claimed force majeure, unless otherwise mutually agreed to by the parties.

17. NOTICES.

All notices, consents, reports and other documents authorized and required to be given pursuant to this Agreement shall be given in writing and either personally served on an officer of the party hereto to whom it is given, or sent by recognized overnight delivery service, mailed by registered or certified mail, postage prepaid, or by facsimile, addressed as follows:

If to CCIC, CMC or Northshore:  
1100 Superior Avenue—18th Floor  
Cleveland, Ohio 44114-2589  
Attention: Secretary  
cc: Vice President-Sales

If to Algoma:  
105 West Street  
Sault Ste. Marie, Ontario P6A 7B4  
Attention: Corporate Secretary  
Fax: (705) 945-2203

*provided, however*, that any party may change the address to which notices or other communications to it shall be sent by giving to the other party written notice of such change, in which case notices and other communications to the party giving the notice of the change of address shall not be deemed to have been sufficiently given or delivered unless addressed to it at the new address as stated in said notice.

18. TERM.

The term of this Agreement shall commence as of 12:01 a.m. on the day following the Closing Date and continue through December 31, 2016; *provided, however*, that if the Closing Date has not occurred prior to February 28, 2002, then either party shall have the right to terminate this Agreement at any time prior to the Closing Date, by notice to the other party. This Agreement shall remain valid and fully enforceable for the fulfillment of obligations incurred prior to termination.

19. AMENDMENT.

This Agreement may not be modified or amended except by an instrument in writing signed by all parties hereto.

20. WAIVER.

No waiver of any of the terms of this Agreement shall be valid unless in writing and signed by all parties hereto. No waiver or any breach of any provision hereof or default under any provisions hereof shall be deemed a waiver of any subsequent breach or default of any kind whatsoever.

21. CONFIDENTIALITY.

(a) Cliffs and Algoma acknowledge that this Agreement contains certain volume pricing, adjustment and term provisions which are confidential, proprietary or of a sensitive commercial nature and which would put Cliffs or Algoma at a competitive disadvantage if disclosed to the public, specifically, Sections 1, 2, 6, 7, 13 and 14, and all of the Schedules and Exhibits hereto ( "**Confidential Information** " ). Cliffs and Algoma further agree that all provisions of this Agreement shall be kept confidential and, without the prior consent of the other party, shall not be disclosed to any party not a party to this Agreement except as required by law or governmental or judicial order and except that disclosure of the existence of this Agreement shall not be precluded by this Section 21.

(b) If either party is required by law or governmental or judicial order or receives legal process or a court or agency directive requesting or requiring disclosure of any of the Confidential Information contained in this Agreement, such party will promptly notify the other party prior to disclosure to permit such party to seek a protective order or take other appropriate action to preserve the confidentiality of such Confidential Information. If either party determines to file this Agreement with the Securities and Exchange Commission ( "**Commission** " ) or any other federal, state, provincial or local governmental or regulatory authority, or with any stock exchange or similar body, such determining party will use its best efforts to obtain confidential treatment of such Confidential Information pursuant to any applicable rule, regulation or procedure of the Commission and any applicable rule, regulation or procedure relating to confidential filings made with any such other authority or exchange. If the Commission (or any such other authority or exchange) denies such party's request for confidential treatment of such Confidential Information, such party will use its best efforts to obtain confidential treatment of the portions thereof that the other party designates. Each party will allow the other party to participate in seeking to obtain such confidential treatment for Confidential Information.

(c) GOVERNING LAW.

This Agreement shall in all respects, including matters of construction, validity and performance, be governed by and be construed in accordance with the laws of the State of Ohio.

22. ASSIGNMENT.

(a) For purposes of this Agreement, the term "Algoma" includes and means not only Algoma, but also any successor by merger or consolidation of Algoma and any permitted assigns of Algoma.

(b) In case Algoma shall consolidate with or merge into another corporation or shall transfer to another person, partnership, corporation or entity, all or substantially all of its iron and steel business, this Agreement shall be assigned by Algoma to, and shall be binding upon, the corporation resulting from such consolidation or merger or the person, partnership, corporation or entity to which such transfer is made; otherwise no assignment of this Agreement by Algoma shall be valid unless Cliffs shall consent in writing thereto.

(c) In case CCIC, CMC or Northshore, or any permitted assign of any of them, shall consolidate with or merge into another corporation or shall transfer to another person, partnership, corporation or entity, all or substantially all of its business, this Agreement shall be assigned by CCIC, CMC or Northshore, as the case may be, to, and shall be binding upon, the corporation resulting from such consolidation or merger or the person, partnership, corporation or entity to which such transfer is made; otherwise, no assignment of this Agreement by CCIC, CMC or Northshore, shall be valid unless Algoma shall consent thereto in writing.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their respective authorized officers.

THE CLEVELAND-CLIFFS IRON COMPANY

By: /s/ Donald J. Gallagher  
Name: Donald J. Gallagher  
Title: Vice President

CLIFFS MINING COMPANY

By: /s/ Donald J. Gallagher  
Name: Donald J. Gallagher  
Title: Vice President

ALGOMA STEEL INC.

By: /s/ Glen Manchester  
Name: Glen Manchester  
Title: Vice President—Finance and Administration

NORTHSHORE MINING COMPANY

By: /s/ Donald J. Gallagher  
Name: Donald J. Gallagher  
Title: Vice President

**PELLET SALE AND PURCHASE AGREEMENT**  
**WORLD PELLET PRICE CALCULATION**  
**YEAR 2001**

	<u>PRODUCER</u>	<u>WEIGHT</u>	<u>2001 WORLD PELLET PRICES</u>		<u>WTD AVG</u>
			<u>DMTU</u>	<u>DGTU</u>	
Eastern Canadian Pellet Price		50.0%	0.5153	0.5236	0.2618
Companhia Vale Rio Doce, S.A. — (f.o.b. Tubaro)		50.0%	0.5010	0.5090	0.2545
<b>TOTAL</b>					<b>\$ 0.5163</b>

Edward M. Bumbacco  
 Manager Corporate Logistics,  
 Purchasing and Stores  
 Telephone: (705) 945-2472  
 Facsimile: (705) 945-3112  
 e-mail: [ebumbacco@algoma.com](mailto:ebumbacco@algoma.com)

**Algoma Steel Inc.**  
 105 West Street  
 Sault Ste. Marie, Ontario, Canada  
 P6A 7B4

November 7, 2001

**VIA FAX 216-694-5385**

Mr. Don Gallagher  
 Cleveland Cliffs Inc.  
 1100 Superior Avenue  
 Cleveland, OH 44114-2589

Dear Don:

**Pellet Nomination for 2002**

As per our recent agreement, our November pellet nomination for 2002 will be 3.0m gt.

Our monthly shipment expectations are as follows:

January:	260,000gt	July:	256,000gt
February:	199,000gt	August:	253,000gt
March:	220,000gt	September:	243,000gt
April:	292,000gt	October:	257,000gt
May:	276,000gt	November:	248,000gt
June:	243,000gt	December:	253,000gt

Algoma Steel would like to meet with Cliffs, at your convenience, to discuss our detailed monthly requirements and routing expectations. For your information, the volumes for the year reflect a slightly higher rail movement than previously discussed.

As you know, the steel market has deteriorated during the 4<sup>th</sup> quarter of 2001. Our nomination for 2002 is based on our expectations of seeing some business improvement beginning in early 2002. Our January nomination may change based upon market projections.

Yours truly,  
 ALGOMA STEEL INC.

/s/ Ed /s/  
 Ed Bumbacco  
 Manager Corporate Logistics, Purchasing and Stores  
 Cc A. Stevens

**Iron Ore Fluxed Pellets**  
Average Composite Specification for all Fluxed Pellet Blends

	LSL	Pellet Specification AIM	USL	Frequency
<b>A. % DRY CHEMICAL ANALYSIS</b>				
Fe	60.20	61.20		S
SiO <sub>2</sub>		5.30	5.60	S
Al <sub>2</sub> O <sub>3</sub>		0.33		S
CaO		4.75		S
MgO		1.60		S
Mn		0.10		S
P		0.020	0.023	S
S		0.015		Q
TiO <sub>2</sub>		0.060		Q
Na <sub>2</sub> O		0.035		Q
K <sub>2</sub> O		0.040		Q
CaO/ SiO <sub>2</sub>	0.85	0.90	0.95	
B/A		1.14		
MgO/ SiO <sub>2</sub>				
<b>B. PHYSICAL</b>				
% +1/2"		8.0		S
% -1/2" x +3/8"	75.0	80.0		S
% -1/4"		2.0	3.5	S
% -28 Mesh		0.3		S
<b>C. REDUCIBILITY (R40)</b>				
		1.10		Q
<b>D. LTB (% + 1/4")</b>				
	85	90		Q
<b>E. COMPRESSION (LBS)</b>				
		400		M
<b>F. SWELLING</b>				
		15.0	20.0	Q
<b>G. SOFTENING TEMP (°C)</b>				
		1350		Q
<b>H. MOISTURE AS LOADED</b>				
		1.5	4.0	S

Additional Requirements:

- Specifications to be based on a weighted pellet quality specification as charged to the blast furnace.
- Individual pellet specifications to be provided on a train lot or vessel cargo basis. Physical and moisture limits apply on a shipment by shipment basis. Moisture shall also be limited to a maximum of 3.5% on a monthly average basis.
- Changes to pellet sourcing must result in a specification substantially equivalent to the above, and shall be reviewed by Algoma and Cliffs prior to shipments.
- Pellet blend limited to two (2) "families" of pellets. (Tilden Magnetite and Empire Royal are a family.) Cliffs may (at its own cost) blend pellets to create a single family, such as Tilden Magnetite blended with the Tilden Hematite to create one family.

Frequency of reporting: S = Shipment, M = Monthly average, Q = Quarterly average.

**Iron Ore Blended Pellets**  
**Average Composite Specification for Fluxed and**  
**Maximum 15% Standard Pellet Blends**

	LSL	Pellet Specification AIM	USL	Frequency
<b>A. % DRY CHEMICAL ANALYSIS</b>				
Fe	60.80	61.80		S
SiO <sub>2</sub>		5.25	5.50	S
Al <sub>2</sub> O <sub>3</sub>		0.36		S
CaO		4.17		S
MgO		1.44		S
Mn		0.09		S
P		0.020	0.023	S
S		0.015		Q
TiO <sub>2</sub>		0.060		Q
Na <sub>2</sub> O		0.035		Q
K <sub>2</sub> O		0.037		Q
CaO/ SiO <sub>2</sub>	0.74	0.79	0.84	Q
B/A				
MgO/ SiO <sub>2</sub>				
<b>B. PHYSICAL</b>				
% +1/2"		8.0		S
% - 1/2" x +3/8"	75.0	80.0		S
% - 1/4"		2.0	3.5	S
% -28 Mesh		0.3		S
<b>C. REDUCIBILITY (R40)</b>				
		1.0		Q
<b>D. LTB (% + 1/4")</b>				
	85	90		Q
<b>E. COMPRESSION (LBS)</b>				
		400		M
<b>F. SWELLING</b>				
		15.0	20.0	Q
<b>G. SOFTENING TEMP (°C)</b>				
		1325		Q
<b>H. MOISTURE AS LOADED</b>				
		1.5	4.0	S

**Additional Requirements:**

- Specifications to be based on a weighted pellet quality specification as charged to the blast furnace.
- Individual pellet specifications to be provided on a train lot or vessel cargo basis. Physical and moisture limits apply on a shipment by shipment basis. Moisture shall also be limited to a maximum of 3.5% on a monthly average basis.
- Changes to pellet sourcing must result in a specification substantially equivalent to the above, and shall be reviewed by Algoma and Cliffs prior to shipments.
- Pellet blend limited to two (2) "families" of pellets. (Tilden Magnetite and Empire Royal are a family.) Cliffs may (at its own cost) blend pellets to create a single family, such as Tilden Magnetite blended with the Tilden Hematite to create one family.

Frequency of reporting: S = Shipment, M = Monthly average, Q = Quarterly average.

**THE CLEVELAND-CLIFFS IRON COMPANY**  
**EMPIRE IRON MINING PARTNERSHIP**  
**EMPIRE ROYAL FLUX PELLETS**

	LSL	PELLET SPECIFICATION	
		AIM	USL
<b>A. % DRY CHEMICAL ANALYSIS</b>			
Fe	60.50	61.00	
SiO <sub>2</sub>		5.50	5.80
Al <sub>2</sub> O <sub>3</sub>		0.33	
CaO		4.95	
MgO		1.50	
Mn		0.06	
P		0.016	0.022
S		0.005	
TiO <sub>2</sub>		0.06	0.10
Na <sub>2</sub> O		0.030	
K <sub>2</sub> O		0.047	
CaO / SiO <sub>2</sub> (L/S)	0.85	0.90	0.95
MgO / SiO <sub>2</sub>		0.27	
<b>B. SIZING (BT)</b>			
% + 1/2"		5.0	10.0
% - 1/2" x + 3/8"		84.0	
% - 3/8" x + 1/4"		6.0	
% - 1/4"		1.0	1.5
<b>C. POROSITY, % VOIDS</b>		30.25	
<b>D. REDUCIBILITY (R40)</b>	0.95	1.03	
<b>E. LTB (% + 1/4")</b>	85.0	92.0	
<b>F. COMPRESSION (LBS)</b>	450	528	
<b>G. HIGH TEMP UNDER LOAD (% RED.)</b>		86.0	
<b>H. SWELLING (% VOLUME CHANGE)</b>		13.0	18.0
<b>I. SOFTENING TEMP (°C)</b>	1320	1350	
<b>J. BULK DENSITY (LBS/CU FT)</b>			
<b>K. MOISTURE AS LOADED</b>		1.5	4.0
ANALYSIS ARE LOADED AT MINE			

**Comments:**

Currently Empire does not analyze for TiO<sub>2</sub>—TiO<sub>2</sub> impacts granulated slag.

**THE CLEVELAND-CLIFFS IRON COMPANY**  
**TILDEN MINING COMPANY L.C.**  
**TILDEN MAGNETITE FLUX PELLETS**

	LSL	PELLET SPECIFICATION	
		AIM	USL
<b>A. % DRY CHEMICAL ANALYSIS</b>			
Fe	60.80	61.30	
SiO2		5.33	5.60
Al2O3		0.33	
CaO		4.80	
MgO		1.60	
Mn		0.10	
P		0.017	0.020
S		0.020	
TiO2		0.050	
Na2O		0.035	
K2O		0.030	
CaO / SiO2 (L/S)	0.85	0.90	0.95
B/A		1.13	
MgO / SiO2		0.30	
<b>B. PHYSICAL</b>			
% + 1/2"		10.0	25.0
% - 1/2" x + 3/8"	70.0	76.0	
% - 1/4"		1.5	2.0
% - 28 Mesh		0.3	
<b>C. POROSITY, % VOIDS</b>		35.0	
<b>D. REDUCIBILITY (R40)</b>	1.05	1.15	
<b>E. LTB (% + 1/4")</b>	85.0	93.0	
<b>F. COMPRESSION (LBS)</b>	300	350	
<b>G. HIGH TEMP UNDER LOAD (% RED.)</b>			
<b>H. SWELLING (% VOLUME CHANGE)</b>		15.0	18.0
<b>I. SOFTENING TEMP (°C)</b>	1320	1350	
<b>J. BULK DENSITY (LBS/CU FT)</b>		118	
<b>K. MOISTURE AS LOADED</b>		1.5	4.0

ANALYSIS ARE LOADED AT MINE

Comments:

NOTE % +1/2" is high and should be lowered to ~15%, interim 20%.

**THE CLEVELAND-CLIFFS IRON COMPANY**  
**TILDEN MINING COMPANY L.C.**  
**TILDEN HEMATITE FLUX PELLETS**

	LSL	PELLET SPECIFICATION	
		AIM	USL
<b>A. % DRY CHEMICAL ANALYSIS</b>			
Fe	61.00	61.50	
SiO <sub>2</sub>		4.90	5.20
Al <sub>2</sub> O <sub>3</sub>		0.53	
CaO		4.40	
MgO		1.70	
Mn		0.10	
P		0.035	0.040
S		0.015	
TiO <sub>2</sub>		0.090	
Na <sub>2</sub> O		0.035	
K <sub>2</sub> O		0.030	
CaO / SiO <sub>2</sub> (L/S)	0.85	0.90	0.95
B/A		1.12	
MgO / SiO <sub>2</sub>		0.35	
<b>B. SIZING (BT)</b>			
% + 1/2"		4.0	10.0
% - 1/2" x + 3/8"		84.5	
% - 1/4"		2.0	3.0
% - 28 Mesh		0.3	
<b>C. POROSITY, % VOIDS</b>		33.00	
<b>D. REDUCIBILITY (R40)</b>	1.00	1.10	
<b>E. LTB (% + 1/4")</b>	85.0	92.0	
<b>F. COMPRESSION (LBS)</b>	420	470	
<b>G. HIGH TEMP UNDER LOAD (% RED.)</b>			
<b>H. SWELLING (% VOLUME CHANGE)</b>		15.0	18.0
<b>I. SOFTENING TEMP (°C)</b>	1320	1350	
<b>J. BULK DENSITY (LBS/CU FT)</b>		121	
<b>K. MOISTURE AS LOADED</b>		1.5	4.0
ANALYSIS ARE LOADED AT MINE			

Comments :

Phos Limit at the Blast Furnace is currently 0.022% for Pellet Burden. Usage of Tilden Hematite is governed by shift-to-shift Phos average.

CLIFFS MINING COMPANY  
HIBBING TACONITE COMPANY JOINT VENTURE  
HIBTAC STANDARD PELLET

	LSL	PELLET SPECIFICATION AIM	USL
<b>A. % DRY CHEMICAL ANALYSIS</b>			
Fe	65.40	66.15	
SiO <sub>2</sub>		4.50	4.80
Al <sub>2</sub> O <sub>3</sub>		0.30	
CaO		0.30	
MgO		0.31	
Mn		0.08	
P		0.011	0.015
S		0.002	
TiO <sub>2</sub>			
Na <sub>2</sub> O		0.019	
K <sub>2</sub> O		0.016	
CaO / SiO <sub>2</sub> (L/S)		0.07	
B/A		0.13	
MgO / SiO <sub>2</sub>		0.07	
<b>B. SIZING (BT)</b>			
% + 1/2"		4.5	10.0
% - 1/2" x 3/8"		81.5	
% - 1/4"		3.5	7.0
% - 28 Mesh		0.5	
<b>C. POROSITY, % VOIDS</b>			
<b>D. REDUCIBILITY (R40)</b>	0.85	0.94	
<b>E. LTB (% + 1/4")</b>	87.5	95.2	
<b>F. COMPRESSION (LBS)</b>	410	460	
<b>G. HIGH TEMP UNDER LOAD (% RED. )</b>			
<b>H. SWELLING (% VOLUME CHANGE)</b>			
<b>I. SOFTENING TEMP (°C)</b>	1260	1290	
<b>J. BULK DENSITY (LBS/CU FT)</b>		139	
<b>K. MOISTURE AS LOADED</b>		2.5	4.0

ANALYSIS ARE LOADED AT MINE

Comments:

Hibtac Pellet to control Monisture and - 1/4" size.

NORTHSHORE MINING COMPANY  
 NORTHSHORE STANDARD (Acid)

	LSL	PELLET SPECIFICATION	
		AIM	USL
<b>A. % DRY CHEMICAL ANALYSIS</b>			
Fe	64.70	65.20	
SiO2		4.80	5.20
Al2O3		0.35	
CaO		0.80	
MgO		0.53	
Mn		0.18	
P		0.022	0.027
S		0.003	
TiO2			
Na2O		0.035	
K2O		0.020	
CaO / SiO2 (L/S)		0.17	
B/A		0.26	
MgO / SiO2		0.11	
<b>B. SIZING (BT)</b>			
% + 1/2"		4.4	9.0
% - 1/2" x + 3/8"		86.5	
% - 1/4"		2.0	3.0
% - 28 Mesh		0.3	
<b>C. POROSITY, % VOIDS</b>			
D. REDUCIBILITY (R40)	0.87	0.97	
E. LTB (% + 1/4")	85.0	90.0	
F. COMPRESSION (LBS)	430	480	
<b>G. HIGH TEMP UNDER LOAD (% RED.)</b>			
<b>H. SWELLING (% VOLUME CHANGE)</b>			
I. SOFTENING TEMP (°C)	1265	1295	
<b>J. BULK DENSITY (LBS/CU FT)</b>			
K. MOISTURE AS LOADED		2.75	4.0

ANALYSIS ARE LOADED AT MINE

Comments:

Phos Limit at the Blast Furnace is currently 0.022% for Pellet Burden.

NORTHSHORE MINING COMPANY  
NORTHSHORE FLUX

	LSL	PELLET SPECIFICATION	
		AIM	USL
<b>A. % DRY CHEMICAL ANALYSIS</b>			
Fe	62.70	63.15	
SiO2		4.00	5.20
Al2O3		0.40	
CaO		4.00	
MgO		1.00	
Mn		0.20	
P		0.024	0.029
S		0.003	
TiO2			
Na2O		0.040	
K2O		0.025	
CaO / SiO2 (L/S)		1.00	
B/A		1.14	
MgO / SiO2		0.25	
<b>B. SIZING (BT)</b>			
% + 1/2"		3.0	7.0
% -1/2" x + 3/8"		89.0	
% - 1/4"		1.0	3.0
% - 28 Mesh		0.2	
<b>C. POROSITY, % VOIDS</b>		31.00	
<b>D. REDUCIBILITY (R40)</b>	1.10	1.20	
<b>E. LTB (% + 1/4")</b>	85.0	91.0	
<b>F. COMPRESSION (LBS)</b>	420	460	
<b>G. HIGH TEMP UNDER LOAD (% RED.)</b>			
<b>H. SWELLING (% VOLUME CHANGE)</b>		13.0	
<b>I. SOFTENING TEMP (°C)</b>	1300	1350	
<b>J. BULK DENSITY (LBS/CU FT)</b>		128	
<b>K. MOISTURE AS LOADED</b>		2.75	4.0

ANALYSIS ARE LOADED AT MINE

Comments:

Phos Limit at the Blast Furnace is currently 0.022% for Pellet Burden.

**PELLET SALE AND PURCHASE AGREEMENT  
COMPOSITE INDEX FORMULA FOR YEARS 2004—2016**

<b>Contract Year's Composite Index Calculation</b>			
<b>(i) Producer Price Index (PPI)—All Commodities - Series Id: WPU00000000</b>			
Contract Year's PPI—All Commodities	X	0.4000	= A
Base Year 2001 PPI—All Commodities			
<b>(ii) Producer Price Index (PPI)—Metals and Metal Products—Sheets' Cold Rolled Carbon (SCRC)—Series Id: WPU10170711</b>			
Contract Year's PPI—Metals and Metal Products—(SCRC)	X	0.2000	= B
Base Year 2001 PPI—Metals and Metal Products—(SCRC)			
<b>(iii) Eastern Canadian Pellet Prices</b>			
Contract Year's Eastern Canadian Pellet Prices	X	0.4000	= C
Base Year 2001 Eastern Canadian Pellet Prices			
<b>Contract Year's Composite Index</b>	<b>=</b>	<b>(A+B+C)</b>	

**PELLET SALE AND PURCHASE AGREEMENT  
EXAMPLE OF CALCULATION OF CURRENT YEAR'S PELLET PRICE  
CONTRACT YEAR 2004**

(1) Multiply 2002 Base Price per iron unit by the Composite Index

Pellet	f.o.b.	2002 Base Price Per Iron Unit	Composite Index	Adjusted Base Price Per Iron Unit
Tilden Mag Flux	Railcar at Partridge	\$ 0.5755	0.980	\$ 0.5640

(2) Any contract year's prices shall be limited to a maximum of 106% above the prior year's price per iron unit or a minimum of 94% below the prior year's price per iron unit—Prior year's price \$0.5838

Pellet	% of Adjusted Base Price Per Iron Unit vs. Prior Year's Base Price per Iron Unit	Adjusted Base Price Caps > = 94% or < = 106% of Prior Year's Base Price	Capped Adjusted Base Price Per Iron Unit
Tilden Mag Flux	96.61%	\$ 0.5488 - \$0.6188	\$ 0.5640

(3) Any contract year's price shall be limited to a maximum of 120.2% of the World Pellet Price or a minimum of 106.2% of the World Pellet Price

Pellet	2004 World Pellet Price	Adjusted Base Price Caps > = 106.2% or < = 120.2% Current Year's World Pellet Price	Adjusted Base Price Per Iron Unit
Tilden Mag Flux	\$ 0.5027	\$ 0.5339 - \$0.6042	\$ 0.5640

(4) Adjusted Expected Price Per Iron Unit determined by Annual Pellet Requirement Nomination

Pellet Nomination: 3,600,000

Pellet	Nomination Range	Per Iron Unit Adjustment Per 25,000 Ton Range	Adjusted Expected Price Per Iron Unit
Tilden Mag Flux	3,475,000 -3,525,000	\$ 0.0000	\$ 0.5640
	3,525,000 -3,550,000	\$ 0.0007	\$ 0.5633
	3,550,000 -3,575,000	\$ 0.0007	\$ 0.5626
	3,575,000 -3,600,000	\$ 0.0007	\$ 0.5619

(5) Adjusted Expected Price Per Iron Unit—Contract Year

Pellet	Adjusted Expected Price Per Iron Unit
Tilden Mag Flux	\$ 0.5619

**PELLET SALE AND PURCHASE AGREEMENT**  
**EXAMPLE OF ONE YEAR'S CYCLE OF RECALCULATION OF ADJUSTED EXPECTED PRICE PER IRON UNIT**  
**CONTRACT YEAR 2004**

(1) No later than December 15 of year prior to Contract Year, Cliffs will provide a good faith estimate of the Composite Index for the Contract Year

Pellet	f.o.b.	December 15 of Year Prior To Contract Year Estimated Composite Index	2002 Base	Adjusted Base
			Price Per Iron Unit	Price Per Iron Unit
Tilden Mag Flux	Railcar at Partridge	0.980	\$0.5755	\$ 0.5640

(2) All price caps and volume price adjustments apply to the December 15 Adjusted Expected Price Per Iron Unit for the Contract Year

(3) No later than June 15 of Contract Year, Cliffs will provide a revised good faith estimate of the Composite Index for the Contract Year

Pellet	f.o.b.	December 15 of Year Prior To	June 15 of Contract Year	2002 Base	Adjusted Base
		Contract Year Estimated Composite Index	Revised Calculated Composite Index	Price Per Iron Unit	Price Per Iron Unit
Tilden Mag Flux	Railcar at Partridge	0.980	0.970	\$0.5755	\$ 0.5582

(4) All price caps and volume price adjustments apply to the June 15 Revised Adjusted Expected Price Per Iron Unit for the Contract Year

(5) No later than January 15 of year following the Contract Year, Cliffs will provide a second revised good faith estimate of the Composite Index for the prior year's Contract Year

Pellet	f.o.b.	June 15 of Contract	January 15 of Year Following Contract Year	2002 Base	Adjusted Base
		Year Estimated Composite Index	Revised Calculated Composite Index	Price Per Iron Unit	Price Per Iron Unit
Tilden Mag Flux	Railcar at Partridge	0.970	0.975	\$0.5755	\$ 0.5611

(6) All price caps and volume price adjustments apply to the January 15 Revised Adjusted Expected Price Per Iron Unit for the prior year's Contract Year

(7) No later than June 15 of year following the Contract Year, Cliffs will provide a final revised Composite Index for the prior year's Contract Year

Pellet	f.o.b.	January 15 of Year Following	June 15 of Year Following Contract Year	2002 Base	Adjusted Base
		Contract Year Estimated Composite Index	Final Calculated Composite Index	Price Per Iron Unit	Price Per Iron Unit
Tilden Mag Flux	Railcar at Partridge	0.975	0.980	\$0.5755	\$ 0.5640

(8) All price caps and volume price adjustments apply to the June 15 Final Adjusted Expected Price Per Iron Unit for the prior year's Contract Year

**PELLET SALE AND PURCHASE AGREEMENT**

**THIS AGREEMENT**, entered into, dated and effective as of April 10, 2002 ("Agreement"), by and among **THE CLEVELAND-CLIFFS IRON COMPANY**, an Ohio corporation ("Iron"), **CLIFFS MINING COMPANY**, a Delaware corporation ("Mining"), **NORTHSHORE MINING COMPANY**, a Delaware corporation ("Northshore"), **NORTHSHORE SALES COMPANY**, an Ohio corporation ("Sales"; Iron, Mining, Northshore and Sales being collectively referred to herein as "Cliffs"), **INTERNATIONAL STEEL GROUP INC.**, a Delaware corporation ("ISG"), **ISG CLEVELAND INC.**, a Delaware corporation, ("ISG Cleveland"), and **ISG INDIANA HARBOR INC.**, a Delaware corporation ("ISG Indiana Harbor"; ISG, ISG Cleveland and ISG Indiana Harbor being collectively referred to herein as "Steel").

**RECITALS**

**WHEREAS**, Cliffs desires to sell to Steel and Steel desires to purchase from Cliffs certain quantities of grades of iron ore standard pellets as follows: (i) such grades of iron ore standard pellets being those produced at the Empire Iron Mining Partnership iron ore pellet plant ("Empire Pellets"), located in Palmer, Michigan ("Empire Mine"); (ii) such grades of iron ore standard pellets being those produced at the Northshore Mining Company iron ore pellet plant ("Northshore Pellets"), located in Silver Bay, Minnesota ("Northshore Mine"); (iii) such grades of iron ore standard pellets being those produced at the Hibbing Taconite Company Joint Venture iron ore pellet plant ("Hibbing Pellets"), located in Hibbing, Minnesota ("Hibbing Mine"); or (iv) such other pellet grades as may be mutually agreed to by the parties hereto (such as Empire Pellets, Northshore Pellets, Hibbing Pellets, and other mutually agreed upon pellets collectively being referred to herein as "Cliffs Pellets"), all on the conditions contained herein.

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NOW, THEREFORE, in consideration of the mutual covenants hereinafter set forth, Cliffs and Steel agree as follows:

**Section 1.—Definitions.**

The terms quoted in the above parentheses of the first introductory paragraph of this Agreement and the WHEREAS clause, other terms quoted throughout this Agreement, and the terms defined below in this Section 1 shall have the meanings assigned to them for purposes of this Agreement. Attached as Appendix I to this Agreement is a locator list of all defined terms used throughout the Agreement.

(a). The words, "Steel's Annual Pellet Tonnage Requirements", as used herein, shall mean for any year a tonnage amount equal to Steel's total annual iron ore pellet tonnage requirements required for consumption in Steel's iron and steel making facilities in any year at ISG Cleveland, located in Cleveland, Ohio ("Cleveland Works") and at ISG Indiana Harbor, located in Indiana Harbor, Indiana ("Indiana Harbor Works").

(b). The word "pellets", as used herein, shall mean iron-bearing products obtained by the pelletizing of iron ore or iron ore concentrates, suitable for making iron in blast furnaces.

(c). The word "ton", as used herein, shall mean a gross ton of 2,240 pounds avoirdupois natural weight.

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(d). The words "net ton", as used herein, shall mean a ton of 2,000 pounds avoirdupois natural weight.

(e). The word "year", as used herein, shall mean a calendar year commencing on January 1 and ending December 31.

(f). The words "shuttle tons", as used herein, shall mean pellets which are destined for Cleveland Works deliveries, which are first unloaded from vessel onto a dock which is not a Steel dock or a dock designated by Steel pursuant to Section 8(a).

**Section 2.—Sale and Purchase/Tonnage.**

During each of the years 2002 through 2016, and each year thereafter as long as this Agreement remains in effect, Cliffs shall sell and deliver to Steel and Steel shall purchase and receive from Cliffs and pay for a tonnage of Cliffs Pellets which tonnage shall be equal to Steel's Annual Pellet Tonnage Requirements for each such year.

**Section 3.—Quality**

(a). Cliffs Pellets when loaded for shipment will be consistent with the typical specifications and analysis limits set forth in Exhibit 1.

(b). In the event the monthly average vessel analysis exceeds one standard deviation as set forth in Exhibit 1, Cliffs will take such actions as shall be necessary to achieve specification conformity. If specification conformity cannot be achieved, Steel and Cliffs shall negotiate in good faith to determine what actions or remedies, if any, are appropriate.

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(c). If any two vessel shipments made during any calendar month have analysis that exceeds the analysis limits in the specifications set forth in Exhibit 1, Steel may refuse any subsequent vessel shipments during that calendar month, and Steel shall not be required to accept any subsequent shipments until Cliffs has taken action to remedy the non-conformity so that future shipments will be within the analysis limits. If more than two vessel shipments made during any calendar month have analysis that exceeds such limits, Cliffs and Steel shall negotiate an appropriate cost adjustment (if any) for the cargoes in excess of the first cargo that exceeded the analysis limits, based upon the additional costs (if any) to Steel associated with the quality specifications in the additional vessel shipments made during that calendar month that exceeded such analysis limits.

(d). Shuttle tons from the Cleveland Bulk Terminal shall be sampled and analyzed for the  $-1/4''$  size fraction as they are being loaded into a vessel for delivery to Steel's dock. Shuttle tons shall not have a significant increase in the  $-1/4''$  size fraction versus the non-shuttle tons delivered to the Cleveland Works pursuant to Section 8(a). In the event that two shuttle tons vessel shipments during any month display an increase in the  $-1/4''$  size fraction of 5% or more versus non-shuttle delivered tons, Steel and Cliffs shall meet to determine the cause of the significant increase and the corrective action to reduce the significant increase. If a corrective action cannot be implemented to reduce the  $-1/4''$  size fraction below the 5% increase, then Steel and Cliffs shall meet to work out a good faith adjustment.

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**Section 4.—Notification and Nomination.**

(a). With respect to the tonnage of Cliffs Pellets to be purchased by Steel for the year 2002, as provided in Section 2, on or before April 30 of the current year, Steel shall notify Cliffs in writing of Steel's preliminary tonnage of Steel's Annual Pellet Tonnage Requirements which Steel shall purchase from Cliffs. Such notification shall include: (i) Steel's Annual Operating Plan for the balance of the current year detailed by months, as such Annual Operating Plan relates to Steel's planned monthly consumption of all pellets for such year; (ii) the tonnage of Cliffs Pellets which Steel expects to purchase in the current year from Cliffs; and (iii) Steel's planned monthly pellet consumption for the first four months of the year 2003.

(b). With respect to the tonnage of Cliffs Pellets to be purchased by Steel for each of the years 2003 through 2016, as provided in Section 2, on or before November 1 of each of the years prior to the years above, Steel shall notify Cliffs in writing of Steel's preliminary tonnage of Steel's Annual Pellet Tonnage Requirements which Steel shall purchase from Cliffs. Such notification shall include: (i) Steel's Annual Operating Plan for the following year detailed by months, as such Annual Operating Plan relates to Steel's planned monthly consumption of all pellets for such year ("Steel's AOP"); (ii) the tonnage of Cliffs Pellets which Steel expects to purchase in the following year from Cliffs; (iii) Steel's expected total pellet inventory as of December 31 for the then current year; (iv) Steel's planned total pellet inventory on December 31 for the following year; and (v) Steel's planned monthly pellet consumption for the first four months of the year which succeeds the following year.

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(c). With respect to the tonnage of Empire Pellets, Northshore Pellets and Hibbing Pellets which Cliffs will have available for sale to Steel in 2002, on or before May 31, 2002, and in each succeeding year on or before December 31 of each year prior to the years in Section 4(b) above, Cliffs shall notify Steel in writing as to the tonnage of Empire Pellets, Northshore Pellets and Hibbing Pellets Cliffs shall sell to Steel, which tonnage shall equal Steel's Annual Pellet Tonnage Requirements for such year.

(d). With respect to Steel's Annual Pellet Tonnage Requirements as provided for in Sections 4(a) and 4(b) above, Steel shall notify Cliffs by the 15<sup>th</sup> day of each month for the year in determination: (i) Steel's actual consumption of all pellets for the previous month, and (ii) Steel's planned monthly consumption of all pellets for the balance of the year and the first four months of the following year. In the first month's notice of each such year, as provided for under this Section (d), Steel shall also advise Cliffs of Steel's actual total pellet inventory as of December 31 for the previous year.

(e). If during the course of the year, Steel's Annual Pellet Tonnage Requirements decrease from Steel's preliminary nomination provided pursuant to Section 4(b) above, then the tonnage of Cliffs Pellets which Steel shall purchase from Cliffs shall be reduced by an amount equal to the shortfall of the actual pellet consumption versus the nominated pellet consumption. In addition, Steel's Annual Pellet Tonnage Requirements shall not be modified so as to change Steel's planned total pellet inventory at the end of the then current year unless such modification is agreed to by Cliffs.

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(f). If, during the course of the year, Steel's Annual Pellet Tonnage Requirements increase from Steel's preliminary nomination provided pursuant to Section 4(b) above, then Steel shall notify Cliffs in writing of any such increase in Steel's Annual Pellet Tonnage Requirements. Cliffs shall advise Steel in writing within fifteen (15) days of receipt of Steel's notice as to Cliffs' ability to supply all or any portion of such increased tonnage, which Cliffs shall sell and Steel shall purchase as provided for in Cliffs notice at the contract prices provided for in this Agreement. In the event Cliffs cannot supply any portion of such increased tonnage, Steel and Cliffs shall work together to attempt to procure such additional tonnage for Steel.

(g). In each year after 2004, upon reasonable notification and by mutual agreement, Steel may, for trial purposes, substitute up to 5% of Steel's Annual Pellet Tonnage Requirements for Northshore Pellets and/or Empire Pellets with another grade of Cliffs' produced pellets ("Substitute Pellets"). In the event an additional cost is incurred by Cliffs in producing or delivering the Substitute Pellets, then an appropriate price adjustment shall be made to the contract price for the tonnage of Substitute Pellets.

**Section 5.—Price, Adjustments and Special Payment.**

(a). The price for the Cliffs Pellets, either currently at or to be delivered to Steel's Cleveland Works or other dock area designated by Steel pursuant to Section 8(a), shall be as follows: (i) for the year 2002, the first 107,535 tons of

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Northshore Pellets and Hibbing Pellets (which are currently located at Steel's Cleveland Works blast furnace ore yard) sold by Cliffs and purchased by Steel shall be \$32.40 per ton; (ii) the price for the next 186,200 tons of Northshore Pellets and Hibbing Pellets (which are currently located at the Lorain Pellet Terminal, Lorain, Ohio) sold by Cliffs and purchased by Steel shall be \$37.40 per ton; and (iii) except for the price and quantity as provided for the specific Cliffs Pellets as described in Sections 5(a)(i) and 5(a)(ii) above, all other Cliffs Pellets sold by Cliffs and purchased by Steel in the year 2002 shall have a final year 2002 price of \$.6312 per iron unit (which at the expected natural iron content of 63.21% for Northshore pellets equals \$39.90 per ton).

(b). The price for the Cliffs Pellets, either currently at or to be delivered to Steel's Indiana Harbor Works shall be as follows: (i) for the year 2002, the first 111,198 tons of Empire Pellets (which are currently located at Steel's Indiana Harbor Works blast furnace ore yard) sold by Cliffs and purchased by Steel shall be \$30.40 per ton; and (ii) except for the price and quantity for the specific Cliffs Pellets described in Section 5(b)(i) above, all other Cliffs Pellets sold by Cliffs and purchased by Steel in the year 2002, shall have a final year 2002 price of \$.5971 per iron unit (which at the expected natural iron content of 63.47% for Empire pellets equals \$37.90 per ton).

(c). The prices for the specific grades of Cliffs Pellets sold and purchased in each of the years 2003 and thereafter for the Cleveland Works or other dock area designated by Steel pursuant to Section 8(a), and the Indiana Harbor Works shall be based on the 2002 base prices per iron unit as described in

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Section 5(a) (iii) and 5(b)(ii) above ("2002 base prices per iron unit for each of the Cleveland Works and the Indiana Harbor Works"), which 2002 base prices per iron unit for each of the Cleveland Works and the Indiana Harbor Works shall then be adjusted, up or down, in the year 2003 and each year thereafter by an amount as determined in accordance with Section 5(d) below.

(d). In order to determine the adjusted prices to be paid each year for the Cliffs Pellets, as provided for under Section 5(c), the 2002 base prices per iron unit for each of the Cleveland Works and the Indiana Harbor Works and each of the following respective year's then adjusted prices per iron unit for each of the Cleveland Works and the Indiana Harbor Works shall be further adjusted, up or down, each year for the year in determination as follows:

- (1) Divide (x) the numerator, which is the amount by which the Producer Price Index—All Commodities Series Id: WPU00000000 Annual Average published by the United States Department of Labor ("PPI") for the calendar year in determination changes (up or down) from the immediately preceding calendar year's PPI; by (y) the denominator, which is the immediately preceding calendar year's PPI, and multiply the result obtained by 50%; and
- (2) Multiply the results determined in (1) above by the preceding year's adjusted prices per iron unit for each of the Cleveland Works and the Indiana Harbor Works which will then equal the current year's price adjustment per iron unit for each of the Cleveland Works and the Indiana Harbor Works; and

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- (3) Add the result determined in (2) above to the preceding year's adjusted price per iron unit for each of the Cleveland Works and the Indiana Harbor Works, which then will equal the current year's adjusted prices per iron unit for each of the Cleveland Works and the Indiana Harbor Works.

Those adjusted prices per iron unit for each of the Cleveland Works and the Indiana Harbor Works shall then become the contract's year final price for the Cliffs Pellets delivered to the Cleveland Works and the Indiana Harbor Works for the year in determination, and shall be the starting base for determining the following year's adjusted prices per iron unit for the Cleveland Works and the Indiana Harbor Works.

- (e). The price for all tons sold by Cliffs to Steel shall be based on actual natural iron content shipped. Notwithstanding the previous sentence, payments for the years 2002 through 2004, as described in Section 6(a), shall be based on actual natural iron content consumed by Steel.
- (f). Attached as Exhibit 2 is an example of the adjustment formula applying the provisions of Sections 5(c) and 5(d).
- (g). (i) Beginning in 2003, an annual special steel pricing payment ("Special Payment") shall be made in each year, wherein Cliffs shall pay Steel or Steel shall pay Cliffs, as the case may be, if Steel's average annual unprocessed

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hot band steel pricing for actual sales in any contract year is below \$230 per net ton or above \$290 per net ton. The amount of the Special Payment shall be determined as follows:

- (1) In any contract year in which Steel's average unprocessed hot band steel pricing for actual sales is below \$230 per net ton, Cliffs shall pay Steel an amount equal to: (w) the amount below \$230 per net ton, (x) multiplied by .19%, (y) multiplied by the contract year's average weighted pellet price per ton for the Cliffs Pellets consumed by Steel, (z) multiplied by the total tons of Cliffs Pellets which Steel consumed in the contract year.
- (2) In any contract year in which Steel's average unprocessed hot band steel pricing for actual sales is above \$290 per net ton, Steel shall pay Cliffs an amount equal to: (w) the amount above \$290 per net ton, (x) multiplied by .19%, (y) multiplied by the contract year's average weighted pellet price per ton for the Cliffs Pellets consumed by Steel, (z) multiplied by the total tons of Cliffs Pellets which Steel consumed in the contract year.
- (3) For the purpose of estimating the Special Payment, a steel pricing payment calculation shall be made by Steel following the end of each quarter, using the formula provided for in Sections 5(g)(i)(1) and 5(g)(i)(2) above for each quarter. This

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calculation (and payment, if any) shall be based on Steel's average unprocessed hot band steel pricing for actual sales for the quarter and the pellet tonnage consumed by Steel in that quarter. Within 30 days following each quarter Steel shall notify Cliffs in writing of the amount (if any) payable by Cliffs to Steel or Steel to Cliffs, and a quarterly payment, if any, shall be made by Cliffs to Steel or Steel to Cliffs, as the case may be, within 45 days after the end of each quarter.

- (4) The final Special Payment calculation shall be made after the end of the year in accordance with Sections 5(g)(i)(1) and 5(g)(i)(2) above which will reflect Steel's actual average annual unprocessed hot band steel pricing per net ton for actual sales for the full calendar year, and an adjustment will be made to reflect any difference between the actual year's Special Payment and the quarterly estimated payments that were made during the year. Payment due, from either party, as a result of the actual annual calculation shall be made by February 15 of the year following the contract year.
  - (5) Attached as Exhibits 3 and 4 are examples of the calculations applying the provisions of Sections 5(g)(i) and 5(g)(ii).
- (ii) In the event that in any year Steel's annual total unprocessed hot band steel sales are less than 15% of Steel's total annual steel sales, then Cliffs and Steel agree to substitute another grade of steel

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for the unprocessed hot band steel which substituted grade of steel comprises an amount in excess of 15% of Steel's total annual sales in order to determine the Special Payment. The \$230 per net ton and \$290 per net ton which are used for the price ranges, as provided for in Section 5(g)(i) above, shall be adjusted as follows: (i) the actual average price per net ton of Steel's substituted grade of steel sales from the previous year, less (ii) the unprocessed hot band steel sales from the previous year, (iii) with the difference between (i) and (ii) above being added to both the \$230 per net ton and the \$290 per net ton to determine the revised ranges for the substituted steel grade in order to determine the Special Payment.

**Section 6.—Payments and Adjustments.**

(a). For the years 2002 through 2004 and for all tonnage delivered through March 31, 2005, Steel shall pay Cliffs each Tuesday, via wire transfer, an amount to be equal to the result of: (i) Steel's planned pellet consumption for the fourteen day period beginning with the following Wednesday, less (ii) the pellets which Steel has in its inventory on that day for both the Cleveland Works and the Indiana Harbor Works, (iii) with the difference between (i) and (ii) above being multiplied by the appropriate estimated price per ton. The appropriate estimated price per ton shall be calculated by multiplying the contract year's estimated price per iron unit with Steel's estimated iron content of the Cliffs Pellets being consumed during the following fourteen day period.

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(b). Beginning with vessel deliveries on April 1, 2005, Cliffs shall invoice Steel for an amount based on the estimated prices per ton for the contract year for weekly pellet shipment deliveries (Saturday through Friday) to Steel's Cleveland Works and Indiana Harbor Works with payment to be made by Steel to Cliffs via wire transfer on the fourth Wednesday following the week of pellet deliveries.

(c). Following each contract year, final adjustments and payments shall be determined as follows:

- (1) The adjustment for the actual average natural iron content of Cliffs Pellets shall be determined by Cliffs and verified in detail in writing to Steel by an officer of Cliffs, such verification due no later than January 31 of the year following a contract year, and the payment from Cliffs to Steel or Steel to Cliffs, as the case may be, shall be made by February 15 of that year;
- (2) The final Special Payment shall be determined by Steel and verified in detail in writing to Cliffs by an officer of Steel, such verification due no later than January 31 of the year following a contract year, and payment from Cliffs to Steel or Steel to Cliffs, as the case may be, shall be made by February 15 of that year; and
- (3) The adjustment to the contract year's price identified pursuant to Section 5(d) shall be made by Cliffs by March 15 of the following year (using the most recent final estimate of the PPI by the Bureau of Labor Statistics) which shall be verified in

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writing by an officer of Cliffs. Cliffs shall issue an invoice or credit memo, as the case may be, to Steel, and payment from Cliffs to Steel or Steel to Cliffs, as the case may be, shall be made by April 15 of that year.

(d). During each of the years 2002 through 2005, Cliffs shall have the right to conduct a minimum of two pellet stockpile surveys each year at each of the Cleveland Works and Indiana Harbor Works to verify (i) the tonnage of Cliffs Pellets which Steel has consumed and (ii) the tonnage of Cliffs Pellets currently owned by Cliffs in stockpile at the Cleveland Works and the Indiana Harbor Works. In the event that the pellet stockpile survey results vary by more than 5% (above or below) from Cliffs' pellet book inventory (after taking into account actual iron units shipped versus actual iron units consumed), then Cliffs shall issue an invoice or credit memo, as the case may be, to Steel, for the amount of the difference in the stockpile survey results that vary by more than 5% above or below Cliffs' pellet book inventory, and payment from Cliffs to Steel or Steel to Cliffs, as the case may be, shall be made within 30 days following the pellet stockpile survey. If the pellet stockpile survey results vary by 10% or more (above or below) from Cliffs' pellet book inventory (after taking into account actual iron units shipped versus actual iron units consumed), then Cliffs and Steel shall have an independent third party conduct another pellet stockpile survey. The results of the independent third party survey shall be final and Cliffs shall issue an invoice or credit memo, as the case may be, to Steel, and payment from Cliffs to Steel or Steel to Cliffs, as the case may be, shall be made within 30 days following the independent third party's pellet stockpile survey.

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(e). At their own expense, Cliffs and/or Steel shall have an annual right to have the information and calculations relating to the contract price, Special Payment, and adjustments verified by an independent third party auditor. In the event Steel shall fail to make payment when due of all amounts, Cliffs, in addition to all other remedies available to Cliffs in law or in equity, shall have the right, but not the obligation, to withhold further performance by Cliffs under this Agreement until all claims Cliffs may have against Steel under this Agreement are fully satisfied.

(f). All payments shall be made in U.S. dollars.

**Section 7.—Sampling and Analyses.**

All pellet sampling procedures and analytical tests conducted on Cliffs Pellets sold to Steel to demonstrate compliance with typical specifications and analysis limits shall be performed on each pellet vessel shipment. Test methods to be used shall be the appropriate ASTM or ISO standard methods published at the time of testing or the customary procedures and practices, or any other procedures and practices that may be mutually agreed to by Cliffs and Steel. Steel may, at any time and from time to time through one or more authorized representatives, and with prior notice to Cliffs be present during production, loading, or to observe sampling and analysis of pellets being processed for shipment to Steel.

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**Section 8.—Delivery, Storage and Transfer of Ownership.**

(a). Cliffs shall deliver to Steel the annual tonnage of Cliffs Pellets for the Cleveland Works to the Cleveland Work's blast furnace ore yard or other vessel dock in the Cleveland, Ohio area that Steel designates. Steel shall make dock storage space available so that Cliffs can deliver and have in inventory in Cliffs or Steel's name up to 700,000 tons of pellets at any time and Steel will work to make more dock storage space available if practicable.

(b). Cliffs shall deliver to Steel the annual tonnage of Cliffs Pellets for the Indiana Harbor Works to the Indiana Harbor Works' blast furnace ore yard and Steel shall make dock storage space available so that Cliffs can deliver and have in inventory in Cliffs or Steel's name up to one million tons of pellets at any time.

(c). Title, and all risk of loss, damage or destruction of Cliffs Pellets shall transfer to Steel upon receipt of payment as provided for in Section 6(a) or upon receipt of payment as provided for in Section 6(b), as the case may be.

**Section 9.—Shipments.**

Shipments of Cliffs Pellets shall be in approximately equal amounts over the nine month period of April through December each year during the term of this Agreement to ensure an adequate amount of inventory to allow a working pellet pile at Steel's blast furnace ore docks. Cliffs shall work to annually direct ship a minimum of 20% of Steel's pellet requirements for Steel's Cleveland Works.

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**Section 10.—Weights.**

(a). Except as set forth in Section 10(b) below, vessel bill of lading weight determined by certified railroad scale weights, certified belt scale weights, or certified bin scale weights in accordance with the procedures in effect from time to time at each of the loading ports shall be accepted by the parties as finally determining the amount of Cliffs Pellets delivered to Steel pursuant to this Agreement.

(b). Steel shall have the right to have a draft survey performed on vessels by an independent third party contractor at the loading port (where the pellets are first loaded into a vessel for shipment) at Steel's expense and Steel shall afford Cliffs an opportunity to have a representative present by providing Cliffs a minimum of two days' notice prior to having any draft survey performed. If the vessel bill of lading weight is more than 3% higher or more than 3% lower than the draft survey weight, then the draft survey weight shall be the weight used in calculating the value of the cargo. In the event that the variance is greater than 3%, Cliffs and Steel will investigate and remedy the cause of the variance.

**Section 11.—Employment of Vessels.**

Cliffs assumes the obligation for arranging and providing appropriate vessels for the transportation of the Cliffs Pellets delivered by Cliffs to Steel hereunder. Steel shall arrange for suitable pellet unloading facilities at the Cleveland Works and Indiana Harbor Works blast furnace ore yards ports.

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**Section 12.—Warranties.**

**THERE ARE NO WARRANTIES, EXPRESS OR IMPLIED, WHICH EXTEND BEYOND THE PROVISIONS OF THIS AGREEMENT, INCLUDING ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR INTENDED PURPOSE.** All notices for substantial variance in specifications of the Cliffs Pellets from the specifications and analysis limits described in Exhibit 1 shall be given in writing delivered to Cliffs within sixty (60) calendar days after completion of discharge of the Cliffs Pellets at the Cleveland Works or Indiana Harbor Works blast furnace ore yards, or any claim arising from any substantial variance shall be deemed waived by Steel. Each party shall afford the other party prompt and reasonable opportunity to inspect the Cliffs Pellets as to which any notice is given as above stated. No claim will be entertained after the Cliffs Pellets have been consumed. The Cliffs Pellets shall not be returned to Cliffs without prior written consent of Cliffs. In no event shall Cliffs be liable for Steel's cost of processing, lost profits, injury to good will or any other special or consequential damages.

**Section 13.—Force Majeure.**

No party hereto shall be liable for damages resulting from failure to produce, deliver or accept all or any of the Cliffs Pellets as described herein, if and to the extent that such production, delivery or acceptance would be contrary to or would constitute a violation of any regulation, order or requirement of a recognized governmental body or agency, or if such failure is caused by or results directly or indirectly from acts of God, war, insurrections, interference by foreign powers,

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strikes, labor disputes, fires, floods, embargoes, accidents, acts of terrorism, or uncontrollable delays at the mines or either steel plant, on the railroads, docks or in transit, shortage of transportation facilities, disasters of navigation, or other causes, similar or dissimilar, that are beyond the control of the party charged with a failure to deliver or to accept the Cliffs Pellets. A party claiming a force majeure shall give the other party prompt notice of the force majeure, including the particulars thereof and, insofar as known, the probable extent and duration of the force majeure. To the extent a force majeure is claimed hereunder by a party hereto, such shall relieve the other party from fulfilling its corresponding agreement hereunder to the party claiming such force majeure, but only for the period affected by and to the extent of the claimed force majeure, unless otherwise mutually agreed to by the parties. The party that is subject to a force majeure shall use commercially reasonable efforts to cure or remove the force majeure event as promptly as possible to resume performance of its obligations under this Agreement.

**Section 14.—Notices .**

All notices, consents, reports and other documents authorized and required to be given pursuant to this Agreement shall be given in writing and either personally served on an officer of the parties hereto to whom it is given or mailed, postage prepaid, or sent by telegram or facsimile addressed as follows:

If to Cliffs:

1100 Superior Avenue—15th Floor  
Cleveland, Ohio 44114-2589  
Attention: Secretary

cc: Vice President-Sales  
Facsimile: (216) 694-5385

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If to Steel:

3100 East 45<sup>th</sup> Street  
Cleveland, Ohio 44127  
Attention: Vice President, Finance  
and Administration  
Facsimile: (216) 429-6003

provided, however, that any party may change the address to which notices or other communications to it shall be sent by giving to the other party written notice of such change, in which case notices and other communications to the party giving the notice of the change of address shall not be deemed to have been sufficiently given or delivered unless addressed to it at the new address as stated in said notice.

**Section 15.—Term.**

(a). The term of this Agreement shall commence as of April 10, 2002 and continue through December 31, 2016. Unless either party has given written notice of termination to the other party by December 31, 2014 (two years prior to termination), this Agreement shall continue on an annual basis after December 31, 2016 (original termination year) subject to subsequent termination by either party upon not less than two years' prior written notification to the other party, in which case the Agreement shall terminate at the end of the second succeeding year.

(b). This Agreement shall remain valid and fully enforceable for the fulfillment of obligations incurred prior to termination.

**Section 16.—Amendment.**

This Agreement may not be modified or amended except by an instrument in writing signed by the parties hereto.

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**Section 17.—Merger, Transfer and Assignment.**

(a). Steel shall not merge, consolidate or reorganize with any person, partnership, corporation or other entity unless the surviving or resulting person, partnership, corporation or other entity assumes in writing all of Steel's obligations under this Agreement. Any obligations required to be assumed by a surviving or resulting person, partnership, corporation or entity in accordance with this Section 17(a) shall be limited to the Steel obligations under this Agreement, and this Section 17(a) is not intended (i) to impose and shall not be deemed to impose upon any such surviving or resulting person, partnership, corporation or entity, including Steel, any obligation with respect to any pellet requirements it may have for any facility or facilities it owns or operates other than the Cleveland Works and the Indiana Harbor Works, nor (ii) to allow the surviving or resulting person, partnership, corporation or other entity to substitute any other pellet tonnage available from any other pellet purchase or pellet equity commitment of such surviving or resulting person, partnership, corporation or other entity in order to satisfy the assumed obligations under this Agreement for the Cleveland Works and Indiana Harbor Works.

(b). Steel shall not sell or transfer all or any of the blast furnace operations at (i) the Cleveland Works, (ii) the Indiana Harbor Works, or (iii) both the Cleveland Works and the Indiana Harbor Works to any other person, partnership, corporation, joint venture or other entity ("Transferee") unless the Transferee assumes in writing all of Steel's obligations under this Agreement, as such obligations relate to the Cleveland Works and/or the Indiana Harbor Works

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being sold or transferred. Any obligations required to be assumed by a Transferee in accordance with this Section 17(b) shall be limited to the Steel obligations under this Agreement relating to the particular facility or facilities sold or transferred. This Section 17(b) is not intended (i) to impose and shall not be deemed to impose upon any such Transferee any obligation with respect to any pellet requirements such Transferee may have for any facility or facilities such Transferee owns or operates other than the Cleveland Works and/or the Indiana Harbor Works, nor (ii) to allow such Transferee to substitute any other pellet tonnage available from any other pellet purchase or pellet equity commitment of such Transferee in order to satisfy the assumed obligations under this Agreement.

(c). Steel shall not assign its rights or delegate its obligations under this Agreement except as provided in Section 17(a) or 17(b).

(d). Cliffs shall not merge, consolidate or reorganize with any person, partnership, corporation or other entity unless the surviving or resulting person, partnership, corporation or other entity assumes in writing all of Cliffs' obligations under this Agreement. Cliffs shall not sell or transfer all or substantially all of its iron ore business to any other person, partnership, corporation, joint venture or other entity ("Cliffs Transferee") unless the Cliffs Transferee assumes in writing all of Cliffs' obligations under this Agreement.

(e). Cliffs shall not assign its rights or delegate its obligations under this Agreement except as provided in Section 17(d).

(f). All the covenants, stipulations and agreements herein contained shall inure to the benefit of and bind the parties hereto and their respective successors, transferees and permitted assigns, and any of the latter's subsequent successors, transferees and permitted assigns.

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**Section 18.—Waiver .**

No waiver of any of the terms of this Agreement shall be valid unless in writing. No waiver or any breach of any provision hereof or default under any provisions hereof shall be deemed a waiver of any subsequent breach or default of any kind whatsoever.

**Section 19.—Confidentiality .**

(a). Cliffs and Steel acknowledge that this Agreement contains certain pricing, adjustment and term provisions which are confidential, proprietary or of a sensitive commercial nature and which would put Cliffs or Steel at a competitive disadvantage if disclosed to the public, including without limitation, Sections 3(b) and (c), Section 5, Section 6 and all of the Schedules and Exhibits hereto (“Confidential Information”). Cliffs and Steel agree that all provisions of this Agreement shall be kept confidential and, without the prior written consent of the other party, shall not be disclosed to any party not a party to this Agreement except as required by law or governmental or judicial order and except that disclosure of the existence of this Agreement shall not be precluded by this Section 19.

(b). If either party is required by law or governmental or judicial order or receives legal process or court or agency directive requesting or requiring disclosure of any of the Confidential Information contained in this Agreement, such party will promptly notify the other party prior to disclosure to permit such party to

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seek a protective order or take other appropriate action to preserve the confidentiality of such Confidential Information. If either party determines to file this Agreement with the Securities and Exchange Commission ("Commission") or any other federal, state or local governmental or regulatory authority, or with any stock exchange or similar body, such determining party will use its best efforts to obtain confidential treatment of such Confidential Information pursuant to any applicable rule, regulation or procedure of the Commission and any applicable rule, regulation or procedure relating to confidential filings made with any such other authority or exchange. If the Commission (or any such other authority or exchange) denies such party's request for confidential treatment of such Confidential Information, such party will use its best efforts to obtain confidential treatment of the portions thereof that the other party designates. Each party will allow the other party to participate in seeking to obtain such confidential treatment for Confidential Information.

**Section 20.—Governing Law .**

This Agreement shall in all respects, including matters of construction, validity and performance, be governed by and be construed in accordance with the laws of the State of Ohio.

**Section 21.—Representations and Warranties .**

(a). Steel represents and warrants to Cliffs that (i) the execution and delivery of this Agreement by Steel and the performance of its obligations hereunder have been duly authorized by all requisite corporate action, (ii) neither the execution and delivery of this Agreement, nor the performance of its

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obligations hereunder by Steel shall, or after the lapse of time or giving of notice shall, conflict with, violate or result in a breach of, or constitute a default under the certificate of incorporation or bylaws of Steel or any law, statute, rule or regulation applicable to it, or conflict with, violate or result in a breach of or constitute a default under the material agreement to which it is a party or by which it or any of its properties is bound, or any judgment, order, award or decree to which Steel is a party or by which it is bound, or require any approval, consent, authorization or other action by any court, governmental authority or regulatory body or any creditor of Steel or any other person or entity, and (iii) this Agreement constitutes a valid and binding obligation of Steel and is enforceable against Steel in accordance with its terms.

(b). Cliffs represents and warrants to Steel that: (i) the execution and delivery of this Agreement by Cliffs and the performance of its obligations hereunder have been duly authorized by all requisite corporate actions, (ii) neither the execution and delivery of this Agreement nor the performance of its obligations hereunder by Cliffs shall, or after the lapse of time or giving of notice shall, conflict with, violate or result in a breach of, or constitute a default under the certificate of incorporation or bylaws of Cliffs or any law, statute, rule or regulation applicable to it, or conflict with, violate or result in the breach of or constitute a default under any material agreement to which it is a party or by which it or any of its properties is bound, or any judgment, order, award or decree to which Cliffs is a party or by which it is bound, or require any approval, consent, authorization or other action by any court, governmental authority or regulatory body or any creditor of Cliffs or any other person or entity, and (iii) this Agreement constitutes a valid and binding obligation of Cliffs and is enforceable against Cliffs in accordance with its terms.

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**Section 22.—Counterparts.**

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

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IN WITNESS WHEREOF, the parties have executed this Agreement effective as of April 10th, 2002.

**THE CLEVELAND-CLIFFS IRON COMPANY**

/s/ Donald J. Gallagher  
Vice President

**CLIFFS MINING COMPANY**

/s/ Donald J. Gallagher  
Vice President

**NORTHSHORE MINING COMPANY**

/s/ Donald J. Gallagher  
Vice President

**NORTHSHORE SALES COMPANY**

/s/ Donald J. Gallagher  
Vice President

**INTERNATIONAL STEEL GROUP INC**

/s/ Rodney Mott  
President

**ISG CLEVELAND INC.**

/s/ Rodney Mott  
President

**ISG INDIANA HARBOR INC**

/s/ Rodney Mott  
President

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**APPENDIX 1**

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Cleveland Works	2
Cliffs	1
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ISG Cleveland	1
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Mining	1
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EXHIBIT 1

CLEVELAND-CLIFFS STANDARD ACID PELLET TYPICAL ANALYSIS  
AS LOADED TO VESSEL FOR SHIPMENT

	Report Frequency	EMPIRE MINE			NORTHSHORE MINE			HIBBING TACONITE		
		Typical	S.D.	Analysis Limits	Typical	S.D.	Analysis Limits	Typical	S.D.	Analysis Limits
Moisture	V	2.50			2.75			2.50		
<b>A. DRY CHEMICAL ANALYSIS</b>										
Total Iron	V	65.10			65.0			66.15		
SiO <sub>2</sub>	V	5.57	+0.11	5.79 Max.	4.80	+0.13	5.15 Max.	4.50	+0.07	4.64 Max.
Al <sub>2</sub> O <sub>3</sub>	V	0.32			0.40			0.20		
CaO	V	0.35			0.85			0.30		
MgO	V	0.32			0.55			0.31		
Mn	V	0.07			0.20			0.08		
Phos	V	0.014	+0.003	0.020 Max.	0.022	+0.003	0.028 Max.	SA	0.011	
S	SA	0.001			0.003			0.002		
TiO <sub>2</sub>	SA	0.06			0.07			0.02		
Na <sub>2</sub> O	V	0.030			0.038			0.019		
K <sub>2</sub> O	V	0.040			0.018			0.016		
<b>B. SIZING, Wt. %</b>										
% + 1/2"	V	5.4			7.0			1.6		
% -1/2" x + 3/8"	V	82.0			81.4			91.0		
% -3/8" x + 1/4"	V	9.3			9.1			5.4		
% -1/4"	V	3.3	+0.8	4.9 Max.	2.5	+0.8	4.1 Max.	2.0	+0.6	3.2 Max.
% -28 mesh										
<b>C. TUMBLE TEST</b>										
% + 1/4" before tumble	V	96.7			97.5			98.4		
% + 1/4" after tumble	V	96.1	-0.3	95.5 Min.	96.3	-0.5	95.3 Min.	95.7	-0.3	95.1 Min.
Q Index	V	92.9			93.9			94.2		
Tumble Index—28 mesh	V	2.3			3.0			3.9		
<b>D. COMPRESSION TEST (1)</b>										
Minus 1/2" by plus 7/16"					V			V		
Minus 1/2" by plus 3/8"	SA	500			450			491		
% -300 lbs.					V	12.0		V	8.0	

TYPICAL ANALYSIS  
S.D.  
ANALYSIS LIMITS  
LETTER "V" DENOTES  
LETTER "SA" DENOTES

- 2002 expected average cargo analysis
- Based on one sigma standard deviation of annual vessel by vessel cargo analysis
- Based on two sigma standard deviation of annual vessel by vessel cargo analysis
- Analysis to be provided on each Vessel Shipment of Pellets
- Analysis to be done on a composite sample of semi-annual Vessel Shipments

EXHIBIT 2

**PRICE ADJUSTMENT FORMULA  
EMPIRE, HIBBING, AND NORTHSORE PELLETS  
FOR YEARS 2003 THROUGH 2016**

Current Year's Price Adjustment Calculation  
I. Section 5 (d)

<u>Current Year's PPI All Commodities—Preceding Year's PPI All Commodities</u>		× 50.00% = A
<u>Preceding Year's PPI All Commodities</u>		
A × <u>Preceding Year's Adjusted Price Per Iron Unit</u>		= <u>Current Year's Price Adjustment Per Iron Unit</u>
<u>Current Year's Adjusted Price Per Iron Unit</u>		
<u>Current Year's Price Adjustment Per Iron Unit</u>	+ <u>Preceding Year's Adjusted Price Per Iron Unit</u>	= <u>Current Year's Adjusted Price Per Iron Unit</u>
<u>Current Year's Estimated Pellet Price Per Ton</u>		
<u>Current Year's Adjusted Price Per Iron Unit</u>	× <u>Current Year's Expected Natural Iron Content</u>	= <u>Current Year's Estimated Pellet Price Per Ton</u>

## EXHIBIT 3

**SPECIAL PAYMENT FORMULA  
EMPIRE, HIBBING, AND NORTHSORE PELLETS  
FOR YEARS 2003 THROUGH 2016**

	Example 1	Example 2	Example 3	Example 4	Example 5	Example 6
Contract Year's Average Weighted Pellet Price Per GT	\$ 39.10	\$ 39.10	\$ 39.10	\$ 39.10	\$ 39.10	\$ 39.10
<b>First Quarter</b>						
ISG's Average Quarterly Hot Band Steel Price (HBSP)	\$ 245.25	\$ 245.25	\$ 295.50	\$ 295.50	\$ 260.75	\$ 260.75
HBSP Difference vs. Min / Max Steel Price (\$230 / \$290 Per NT)	—	—	5.50	5.50	—	—
Pellet Price Adjustment Factor: 0.19% per \$ HBSP Difference	0.00%	0.00%	1.05%	1.05%	0.00%	0.00%
Cliffs Pellets (GT) Consumed by ISG During Quarter	1,250,000	1,250,000	1,250,000	1,250,000	1,250,000	1,250,000
Quarterly Special Payment To (From) ISG	\$ 0	\$ 0	(\$ 510,744)	(\$ 510,744)	\$ 0	\$ 0
<b>Second Quarter</b>						
ISG's Average Quarterly Hot Band Steel Price (HBSP)	\$ 227.25	\$ 227.25	\$ 297.75	\$ 292.25	\$ 250.50	\$ 280.50
HBSP Difference vs. Min / Max Steel Price (\$230 / \$290 Per NT)	(2.75)	(2.75)	7.75	2.25	—	—
Pellet Price Adjustment Factor: 0.19% per \$ HBSP Difference	-0.52%	-0.52%	1.47%	0.43%	0.00%	0.00%
Cliffs Pellets (GT) Consumed by ISG During Quarter	1,250,000	1,250,000	1,250,000	1,250,000	1,250,000	1,250,000
Quarterly Special Payment To (From) ISG	\$ 255,372	\$ 255,372	(\$ 719,684)	(\$ 208,941)	\$ 0	\$ 0
<b>Third Quarter</b>						
ISG's Average Quarterly Hot Band Steel Price (HBSP)	\$ 220.50	\$ 228.50	\$ 292.25	\$ 291.75	\$ 229.75	\$ 290.75
HBSP Difference vs. Min / Max Steel Price (\$230 / \$290 Per NT)	(9.50)	(1.50)	2.25	1.75	(0.25)	0.75
Pellet Price Adjustment Factor: 0.19% per \$ HBSP Difference	-1.81%	-0.29%	0.43%	0.33%	-0.05%	0.14%
Cliffs Pellets (GT) Consumed by ISG During Quarter	1,250,000	1,250,000	1,250,000	1,250,000	1,250,000	1,250,000
Quarterly Special Payment To (From) ISG	\$ 882,194	\$ 139,294	(\$ 208,941)	(\$ 162,509)	\$ 23,216	(\$ 69,647)
<b>Year</b>						
ISG's Average Annual Hot Band Steel Price (HBSP)	\$ 225.20	\$ 230.75	\$ 294.10	\$ 289.50	\$ 240.50	\$ 282.50
HBSP Difference vs. Min / Max Steel Price (\$230 / \$290 Per NT)	(4.81)	—	4.10	—	—	—
HBSP Difference Multiplied by 0.19% (Pellet Price Adjustment)	-0.91%	0.00%	0.78%	0.00%	0.00%	0.00%
Cliffs Pellets (GT) Consumed by ISG During Year	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000
Total Annual Special Payment To (From) ISG	\$1,784,817	\$ 0	(\$1,522,945)	\$ 0	\$ 0	\$ 0
Annual Adjustment vs. Quarterly Special Payments To (From) ISG	\$ 647,252	(\$ 394,666)	(\$ 594,320)	\$ 371,450	(\$ 23,216)	\$ 69,647

EXHIBIT 4

SUBSTITUTE STEEL GRADE EXAMPLE  
SPECIAL PAYMENT  
FOR YEARS 2002 THROUGH 2016

Contract Special Steel Payment Grade— Unprocessed Hot Band

Contract Special Steel Payment Price Band— \$230 to \$290 per net ton

In The Event That Steel's Annual Total Unprocessed Hot Rolled Steel Sales Are Less Than 15%, Then Steel And Cliffs Agree To Substitute Another Grade of Steel

For the Unprocessed Hot Band Steel— Substitute Grade of Steel

Determine Substitute Grade of Steel Special Steel Payment Price Band

- (1) Current Year's Actual Average Price Per Net Ton of Substituted Grade of Steel Sales—Prior Year's Price Per Net Ton of Unprocessed Hot Band Sales = A
- (2) A + \$230 = Lower Price Band of Substitute Grade of Steel For Special Steel Payment
- (3) A + \$290 = Upper Price Band of Substitute Grade of Steel For Special Steel Payment

Results From (2) and (3) Above Determine Substitute Grade of Steel's Special Steel Payment Price Band

**FIRST AMENDMENT TO PELLETS SALE AND PURCHASE AGREEMENT**

This FIRST AMENDMENT TO PELLETS SALE AND PURCHASE AGREEMENT (the "**Amendment**") is entered into, dated and effective as of December 16, 2004, by and among THE CLEVELAND-CLIFFS IRON COMPANY, an Ohio corporation ("**CCIC**"), CLIFFS MINING COMPANY, a Delaware corporation ("**CMC**"), NORTHSORE MINING COMPANY, a Delaware corporation ("**Northshore**"), CLIFFS SALES COMPANY, an Ohio corporation formerly known as Northshore Sales Company ("**Sales**"); CCIC, CMC, Northshore and Sales, collectively, "**Cliffs**"; INTERNATIONAL STEEL GROUP INC., a Delaware corporation ("**ISG**"), ISG CLEVELAND INC., a Delaware corporation ("**ISG Cleveland**"), and ISG INDIANA HARBOR INC., a Delaware corporation ("**ISG Indiana Harbor**"); ISG, ISG Cleveland and ISG Indiana Harbor, collectively, "**Steel**".

**RECITALS**

WHEREAS, Cliffs and Steel desire to enter into this Amendment to amend their Pellets Sale and Purchase Agreement, dated as of April 10, 2002 (the "**Agreement**");

NOW, THEREFORE, in consideration of the premises, their mutual covenants and other good and valuable consideration the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. The WHEREAS clause appearing on pages 1 and 2 of the Agreement is hereby deleted and the following added as a new WHEREAS clause:

**WHEREAS**, Cliffs desires to sell to Steel and Steel desires to purchase from Cliffs certain quantities of grades of iron ore pellets as follows: (i) such grades of iron ore standard pellets being those produced at the Empire Iron Mining Partnership iron ore pellet plant ("Empire Pellets"), located in Palmer, Michigan ("Empire Mine"); (ii) such grades of iron ore flux pellets being those produced at the Tilden Mining L.C. iron ore plant ("Tilden Pellets"), located in Ishpeming, Michigan ("Tilden Mine"); (iii) such grades of iron ore standard pellets being those produced at the Northshore Mining Company iron ore pellet plant ("Northshore Pellets"), located in Silver Bay, Minnesota ("Northshore Mine"); (iv) such grades of iron ore standard pellets being those produced at the Hibbing Taconite Company Joint Venture iron ore pellet plant ("Hibbing Pellets"), located in Hibbing, Minnesota ("Hibbing Mine"); (v) such grades of iron ore partial flux pellets being those produced at the United Taconite LLC Iron ore plant ("UTAC Pellets"), located in Eveleth, Minnesota ("UTAC Mine"); or (vi) such other pellet grades as may be mutually agreed to by the parties hereto (such Empire Pellets, Tilden Pellets, Northshore Pellets, Hibbing Pellets, UTAC Pellets, and other mutually agreed upon pellets collectively being referred to herein as "Cliffs Pellets"), all on the conditions contained herein.

2. Section 4(c) of the Agreement is hereby deleted and the following added as a new Section 4(c):

(c) With respect to the tonnage of Empire Pellets, Tilden Pellets, Northshore Pellets, Hibbing Pellets and UTAC Pellets which Cliffs will have available for sale to Steel, on or before December 31 of each year Cliffs shall notify Steel in writing as to the tonnage of Empire Pellets, Tilden Pellets, Northshore Pellets, Hibbing Pellets and UTAC Pellets Cliffs shall sell to Steel, which tonnage shall equal Steel's Annual Pellet Tonnage Requirements for such year.

3. Section 5(c) of the Agreement is hereby deleted and the following is added as a new Section 5(c):

(c) The prices for the specific grades of Cliffs Pellets sold and purchased in each of the years 2003 and 2004 for the Cleveland Works or other dock area designated by Steel pursuant to Section 8(a), and the Indiana Harbor Works shall be based on the 2002 base prices per iron unit as described in Section 5(a) (iii) and 5(b)(ii) above ("2002 base prices per iron unit for each of the Cleveland Works and the Indiana Harbor Works"), which 2002 base prices per iron unit for each of the Cleveland Works and the Indiana Harbor Works shall then be adjusted, up or down, in the year 2003 and 2004 by an amount as determined in accordance with Section 5(d) below.

4. Sections 5(g)(i)(1) and (2) of the Agreement are hereby deleted and the following is added as new Sections 5(g)(i)(1) and 5(g)(i)(2):

(g)(1) In 2003 and 2004, annual special steel pricing payments ("Special Payment") shall be made, wherein Cliffs shall pay Steel or Steel shall pay Cliffs, as the case may be, if Steel's average annual unprocessed hot band steel pricing for actual sales in any contract year is below \$230 per net ton or above \$290 per net ton. The amount of the Special Payment shall be determined as follows:

- (1) If during 2003 or 2004, Steel's average unprocessed hot band steel pricing for actual sales is below \$230 per net ton, Cliffs shall pay Steel an amount equal to: (w) the amount below \$230 per net ton, (x) multiplied by, 19%, (y) multiplied by the contract year's average weighted pellet price per ton for the Cliffs Pellets consumed by Steel, (z) multiplied by the total tons of Cliffs Pellets which Steel consumed in the contract year.
- (2) If during 2003 or 2004, Steel's average unprocessed hot band steel pricing for actual sales is above \$290 per net ton, Steel shall pay Cliffs an amount equal to: (w) the amount above \$290 per net ton, (x) multiplied by, 19%, (y) multiplied by the contract year's average weighted pellet price per ton for the Cliffs Pellets consumed by Steel, (z) multiplied by the total tons of Cliffs Pellets which Steel consumed in the contract year.

5. The following is added as a new section 5A:

5A(a) The prices for specific grades of Cliffs Pellets sold and purchased in each of the years 2005 and thereafter for the Cleveland Works or other dock areas designated by Steel pursuant to Section 8(a), and Indiana Harbor Works shall be based on 2004 Base Prices as described in Section 5A(b), below, which 2004 Base Prices for each of the Cleveland Works and the Indiana Harbor Works shall then be adjusted quarterly, up or down, in the year 2005 and thereafter by an amount as determined in accordance with Section 5A(c) below.

(b) For purposes of this Section 5A, the 2004 Base Prices per iron unit for Cliffs Pellets shall be as follows:

**Cleveland Works**

<u>Grade</u>	<u>2004 Base Price</u>	<u>Expected Natural Iron Content</u>	<u>Estimated Price Per Ton</u>
Tilden Flux	\$0.8914	60.58	\$54.00
UTAC Partial Flux	\$0.8292	64.22	\$53.25
Empire Standard	\$0.8035	63.47	\$51.00
Hibbing Standard	\$0.8023	64.50	\$51.75
Northshore Standard	\$0.8029	63.21	\$50.75

**Indiana Harbor Works**

<u>Grade</u>	<u>2004 Base Price</u>	<u>Expected Natural Iron Content</u>	<u>Estimated Price Per Ton</u>
Tilden Flux	\$0.8542	60.58	\$51.75
UTAC Partial Flux	\$0.7941	64.22	\$51.00
Empire Standard	\$0.7681	63.47	\$48.75
Hibbing Standard	\$0.7674	64.50	\$49.50
Northshore Standard	\$0.7673	63.21	\$48.50

(c) In order to determine the adjusted prices to be paid during the years 2005 and thereafter for the Cliffs Pellets, the 2004 Base Prices for each of the Cleveland Works and the Indiana Harbor Works and each of the following respective year's then-adjusted prices per iron unit for each of the Cleveland Works and the Indiana Harbor Works shall be further adjusted, up or down, each year for the year in determination as follows:

- (1) Divide (x) the numerator, which is the amount by which the Producer Price Index—Industrial Commodities Less Fuels (Series ID: wpu03t15m05) published by the United States Department of Labor (“PPI-IC”) for the calendar year in determination changes (up or down) from the immediately preceding calendar year’s PPI-IC; by (y) the denominator, which is the immediately preceding calendar year’s PPI-IC, and multiply the result obtained by 67%; and
- (2) Divide (x) the numerator, which is the amount by which the Producer Price Index—Fuel and Related Products and Power (Series ID: wpu05) published by the United States Department of Labor (“PPI-F”) for the calendar year in determination changes from the immediately preceding calendar year’s PPI-F; by (y) the denominator, which is the immediately preceding calendar year’s PPI-F, and multiply the result obtain by 33%; and
- (3) Sum the results obtained in paragraphs (1) and (2) above and multiply that total by 75%; and
- (4) Multiply the results determined in (3) above by the preceding year’s adjusted prices per iron unit, which will then equal the current year’s price adjustment per iron unit; and
- (5) Add the result determined in (4) above to the preceding year’s adjusted price per iron unit for the Cleveland Works and the Indiana Harbor Works, which will then equal the current year’s adjusted prices per iron unit for the Cleveland Works and the Indiana Harbor Works; and
- (6) Multiply the result determined in (5) above by the current year’s expected natural iron content, which will then equal the current year’s estimated price per ton for the Cleveland Works and the Indiana Harbor Works.

Those adjusted prices per ton shall then become the contract’s year estimated price for the Cliffs Pellets delivered to the Cleveland Works and the Indiana Harbor Works for the year in determination.

(d) The final price for all tons sold by Cliffs to Steel shall be based on actual natural iron content shipped, as provided in Section 6 of this Agreement.

(e) Attached as Exhibit 5 is an example of the adjustment formula applying the provisions of Sections 5A(b) and 5A(c).

(f)(i) Beginning in 2005, a Special Payment shall be made in each year, wherein Cliffs shall pay Steel or Steel shall pay Cliffs, as the case may be, if Steel’s average annual unprocessed hot band steel pricing for actual sales in any contract year is below \$230 per net ton or above \$400 per net ton. The amount of the Special Payment shall be determined as follows:

- (1) In any contract year in which Steel's average unprocessed hot band steel pricing for actual sales is below \$230 per net ton, Cliffs shall pay Steel an amount equal to: (w) the amount below \$230 per net ton, (x) multiplied by, 19%, (y) multiplied by seventy-five percent (75%) of the contract year's average weighted pellet price per ton for the Cliffs Pellets consumed by Steel, (z) multiplied by the total tons of Cliffs Pellets which Steel consumed in the contract year.
- (2) In any contract year in which Steel's average unprocessed hot band steel pricing for actual sales is above \$400 per net ton, Steel shall pay Cliffs an amount equal to: (w) the amount above \$400 per net ton, (x) multiplied by, 19%, (y) multiplied by seventy-five percent (75%) of the contract year's average weighted pellet price per ton for the Cliffs Pellets consumed by Steel, (z) multiplied by the total tons of Cliffs Pellets which Steel consumed in the contract year.
- (3) For the purpose of estimating the Special Payment, a steel pricing payment calculation shall be made by Steel following the end of each quarter, using the formula provided for in Sections 5A(f)(i)(1) and 5A(f)(i)(2) above for each quarter. This calculation (and payment, if any) shall be based on Steel's average unprocessed hot band steel pricing for actual sales for the quarter and the pellet tonnage consumed by Steel in that quarter. Within 30 days following each quarter Steel shall notify Cliffs in writing of the amount (if any) payable by Cliffs to Steel or Steel to Cliffs, and a quarterly payment, if any, shall be made by Cliffs to Steel or Steel to Cliffs, as the case may be, within 45 days after the end of each quarter.
- (4) The final Special Payment calculation shall be made after the end of the year in accordance with Sections 5A(f)(i)(1) and 5A(f)(i)(2) above which will reflect Steel's actual average annual unprocessed hot band steel pricing per net ton for actual sales for the full calendar year, and an adjustment will be made to reflect any difference between the actual year's Special Payment and the quarterly estimated payments that were made during the year. Payment due, from either party, as a result of the actual annual calculation shall be made by February 15 of the year following the contract year.
- (5) Attached as Exhibits 6 and 7 are examples of the calculations applying the provisions of Sections 5A(f)(i).
  - (ii) In the event that in any year Steel's annual total unprocessed hot band steel sales are less than 15% of Steel's total annual steel sales, then Cliffs and Steel agree to review the annual total unprocessed hot band steel sales of

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Steel. If the annual total unprocessed hot band steel sales of Steel for that year are greater than or equal to 15% of Steel's total annual steel sales, then the provisions of Section 5A(f)(i) shall apply without further modification. If such 15% threshold is still not satisfied, then Cliffs and Steel agree to substitute another grade of steel for the unprocessed hot band steel which substituted grade of steel comprises an amount in excess of 15% of Steel's total annual sales in order to determine the Special Payment. The \$230 per net ton and \$400 per net ton which are used for the price ranges, as provided for in Section 5A(f)(i) above, shall be adjusted as follows: (i) the actual average price per net ton of Steel's substituted grade of steel sales from the previous year, less (ii) the unprocessed hot band steel sales from the previous year, (iii) with the difference between (i) and (ii) above being added to both the \$230 per net ton and the \$400 per net ton to determine the revised ranges for the substituted steel grade in order to determine the Special Payment.

(g) Prices for Cliffs Pellets shall be adjusted on a calendar quarterly basis based upon estimated and/or actual changes, as applicable, in the published indices specified in Section 5A(c) ("Quarterly Price Adjustment"). Cliffs shall calculate the Quarterly Price Adjustment and provide Steel with such Quarterly Price Adjustment by the 15th day after the end of each calendar quarter, or on such later date as may be mutually agreed between Cliffs and Steel. Cliffs shall issue an invoice or credit memo, as the case may be, to Steel concurrently with the Quarterly Price Adjustment, and payment from Cliffs to Steel or Steel to Cliffs, as the case may be, shall be made by the 15th day following issuance of the invoice or credit memo, as the case may be.

6. Exhibit 1 is hereby deleted and a new Exhibit 1 is hereby attached to this Agreement and incorporated in the Agreement by reference.

IN WITNESS WHEREOF, the parties have caused this Amendment to be executed by their respective authorized officers.

THE CLEVELAND-CLIFFS IRON COMPANY

By: /s/ W. R. Calfee  
Name: W. R. Calfee  
Title: President

CLIFFS MINING COMPANY

By: /s/ W. R. Calfee  
Name: W. R. Calfee  
Title: Executive Vice President—Commercial

NORTHSHORE MINING COMPANY

By: /s/ W. R. Calfee  
Name: W. R. Calfee  
Title: Executive Vice President—Commercial

CLIFFS SALES COMPANY

By: /s/ W. R. Calfee  
Name: W. R. Calfee  
Title: Executive Vice President—Commercial

INTERNATIONAL STEEL GROUP INC.

By: /s/ Rodney Mott  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

ISG CLEVELAND INC.

By: /s/ Rodney Mott  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

ISG INDIANA HARBOR INC.

By: /s/ Rodney Mott  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**CONFIDENTIAL TREATMENT**  
**CLEVELAND-CLIFFS INC HAS REQUESTED THAT THE**  
**MARKED PORTIONS OF THIS DOCUMENT BE ACCORDED**  
**CONFIDENTIAL TREATMENT PURSUANT TO RULE 24B-2**  
**UNDER THE SECURITIES EXCHANGE ACT OF 1934**

### PELLET SALE AND PURCHASE AGREEMENT

This AGREEMENT (this "**Agreement**") is entered into, dated as of December 31, 2002, by and among THE CLEVELAND-CLIFFS IRON COMPANY, an Ohio corporation ("**CCIC**"), CLIFFS MINING COMPANY, a Delaware corporation ("**CMC**"; CCIC and CMC, collectively, "**Cliffs**"), and ISPAT INLAND INC., a Delaware corporation ("**Inland**"). Capitalized terms used herein and not defined in context or defined (or cross-referenced) in Section 1 shall have the meanings given to them in the Partnership Agreement (defined below).

#### RECITALS

WHEREAS, each of Inland and Cliffs Empire, Inc., a Michigan corporation ("**Cliffs Empire**"), is a general partner in Empire Iron Mining Partnership, a Michigan general partnership (the "**Partnership**"), pursuant to that certain Restated Empire Iron Mining Partnership Agreement dated as of December 1, 1978, as amended (the "**Partnership Agreement**"), the current parties to which are Inland, Cliffs Empire, Empire-Cliffs Partnership, a Michigan general partnership, Wheeling-Pittsburgh/Cliffs Partnership, a Michigan general partnership, and the Partnership;

WHEREAS, concurrently with the execution and delivery of this Agreement, Inland and Cliffs Empire are entering into that Purchase and Sale Agreement ("**PSA**") pursuant to which Cliffs Empire is to acquire Inland's 32.33% general partnership interest in the Partnership (the date such acquisition is to be effective, the "**Effective Date**");

WHEREAS, Cliffs and Inland currently are parties to a Pellet Sale and Purchase Agreement, dated as of January 1, 1997, as amended (the "**Predecessor Pellet Sale Agreement**"), providing for the sale by Cliffs and the purchase by Inland of up to 1,000,000 tons of pellets annually in excess of Inland's Equity Entitlements from sources controlled or managed by Cliffs; and

WHEREAS, Inland desires to purchase from Cliffs, and Cliffs desires to sell to Inland, a tonnage of Cliffs Pellets equal to all of Inland's Excess Annual Requirements from and after the Effective Date, subject to the terms and conditions hereof, and Inland and Cliffs desire to terminate the Predecessor Pellet Sale Agreement as of the Effective Date;

#### AGREEMENTS

NOW, THEREFORE, in consideration of the premises, their mutual covenants and other good and valuable consideration the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

##### 1. DEFINITIONS

The terms quoted in the above parentheses of the first introductory paragraph of this Agreement, the WHEREAS clauses, other terms quoted throughout this Agreement, and the terms defined below in this Section 1 shall have the meanings assigned to them for purposes of this Agreement.

(a) “ **Alternative Day** ” means, with respect to a given date that is not a Business Day, (i) the day immediately preceding such date, if such date is a Saturday which is not also a holiday for which banks in Cleveland, Ohio or Chicago, Illinois are not permitted or required by law to be closed for business, and (ii) in all other events, the next following Business Day.

(b) “ **Basic Cliffs Pellets** ” means, collectively, Empire Pellets and Wabush Pellets.

(c) “ **Business Day** ” means any day on which banks in Cleveland, Ohio or Chicago, Illinois are not permitted or required by law to be closed for business.

(d) “ **Cliffs Pellets** ” means, collectively, Basic Cliffs Pellets and Other Cliffs Pellets.

(e) “ **Composite Index** ” means, for any year, the sum of:

- (i) [ 0.33 ], multiplied by a fraction, the numerator of which is the [ United States Producer Price Index—All Commodities-Series Id: WPU00000000—Annual Average ] for such preceding year, and the denominator of which is the [ United States Producer Price Index—All Commodities-Series Id: WPU00000000—Annual Average ] for [ 2002 ]; plus
- (ii) [ 0.33 ], multiplied by a fraction, the numerator of which is the [ United States Producer Price Index—Metals and Metal Products-Sheets, Cold Rolled Carbon—Series Id: WPU10170711—Annual Average ] for such preceding year, and the denominator of which is the [ United States Producer Price Index—Metals and Metal Products-Sheets, Cold Rolled Carbon—Series Id: WPU10170711—Annual Average ] for [ 2002 ]; plus
- (iii) [ 0.34 ], multiplied by a fraction, the numerator of which is the [ World Pellet Price ] for such preceding year, and the denominator of which is the [ World Pellet Price ] for [ 2002 ].

The formula for calculating this Composite Index is set forth on Schedule 1(e). For each year beginning in [ 2004 ], the Composite Index (x) shall be initially determined based on Cliffs’ good faith reasonable estimate (which shall take into account all data that is final for the year in determination) given to Inland not later than December 15 of the prior year and (y) shall be certified by Cliffs not later than June 15 of such year. Beginning in [ 2004 ], subject to adjustment pursuant to Section 7 hereof, payments shall be made by reference to the Composite Index estimated (with respect to payments made with respect to such year until June 15 of such year) and certified (with respect to payments made with respect to such year after June 15 of such year) by Cliffs pursuant hereto, unless disputed in good faith by Inland.

(f) “ **Contract Year** ” means a 12-month period commencing on February 1 and ending on January 31. For example, the 2003 Contract Year commences on 2/1/03 and ends on 1/31/04.

(g) [ "*Eastern Canadian Pellet Price*" ] means, for any year, the arithmetical average of the [ *per iron unit pellet prices, as published in Skillings (or, if not published therein, as published in Tex Report) of Quebec Cartier Mining (f.o.b. Port Cartier, Quebec) and Iron Ore Company of Canada (f.o.b. Sept-Iles, Quebec)* ], for such year

(h) "*Empire Equity Tonnage*" means the total tonnage of pellets that Inland or any subsidiary or affiliate of Inland nominates for purchase from the Partnership, and which tonnage the Partnership is required to supply in accordance with the terms and conditions of the EIMP Ore Sales Agreement.

(i) "*Expected Iron Content*" means (i) for Empire Standard Pellets, 63.47%, (ii) for Empire Royal Pellets, 59.96%, (iii) for Empire Viceroy Pellets, 58.64%, (iv) for Wabush 1% Mn Standard Pellets, 64.35%, (v) for Wabush 1% Mn Flux Pellets, 61.67%, (vi) for Wabush 2% Mn Standard Pellets, 63.57%, (vii) for Wabush 2% Mn Flux Pellets, 60.84%, and (viii) for any kind of Other Cliffs Pellets (subject to applicable grade and quality standards set forth in Section 4 hereof) (x) in the first year they are provided by Cliffs, the percentage specified by Cliffs in good faith, and (y) in all other years, the actual iron percentage for such kind of Other Cliffs Pellets for the prior year.

(j) "*Flux Composite Index*" means, for any year, the sum of:

- (i) [ *0.3333* ], multiplied by a fraction, the numerator of which is the average cost per [ *ton for flux stone delivered to the Empire Mine* ] for such preceding year, and the denominator of which is the average cost per [ *ton for flux stone delivered to the Empire Mine* ] for [ *2002* ]; *provided, however*, that Cliffs shall use commercially reasonable efforts to obtain the [ *best possible price for flux stone as delivered to the Empire Mine* ]; plus
- (ii) [ *0.6667* ], multiplied by a fraction, the numerator of which is the [ *United States Producer Price Index—Fuel and Related Products and Power—Series Id: WPU05—Annual Average* ] for such preceding year, and the denominator of which is the [ *United States Producer Price Index—Fuel and Related Products and Power—Series Id: WPU05—Annual Average* ] for [ *2002* ].

The formula for calculating this Flux Composite Index is set forth on Schedule 1(j). For each year beginning in [ *2005* ], the Flux Composite Index (x) shall be initially determined based on Cliffs' good faith reasonable estimate (which shall take into account all data that is final for the year in determination) given to Inland not later than December 15 of the prior year and (y) shall be certified by Cliffs not later than June 15 of such year. Beginning in [ *2005* ], subject to adjustment pursuant to Section 7 hereof, payments shall be made by reference to the Flux Composite Index estimated (with respect to payments made with respect to such year until June 15 of such year) and certified (with respect to payments made with respect to such year after June 15 of such year) by Cliffs pursuant hereto, unless disputed in good faith by Inland.

(k) The words “*Inland’s Equity Entitlements*”, as used herein, means the total tonnage of pellets which Inland or any subsidiary or affiliate of Inland actually purchases or acquires annually or otherwise receives annually from the Minorca iron ore mine, located in Virginia, Minnesota, and the Empire Mine pursuant to the EIMP Ore Sales Agreement; *provided, however*, that Inland’s Equity Entitlements with respect to Minorca shall be consistent with Minorca’s production capability as of January 1, 2003 as enhanced by subsequent continuous production improvements.

(l) The words “*iron unit*”, as used herein, means one percent (1%) of contained iron, and all prices per iron unit shall be expressed on an iron unit per ton basis.

(m) [ “*Off Spec Pellet*” means any Cliffs Pellets having characteristics within a Upper Level 2 Variance range or a Lower Level 2 Variance and determined by Inland to be unsuitable for consumption in an Indiana Harbor Plant blast furnace. ]

(n) “*Other Cliffs Pellets*” means, collectively, Other Cliffs Standard Pellets and Other Cliffs Fluxed Pellets.

(o) The word “*pellets*”, as used herein, means iron-bearing products at natural moisture obtained by the pelletizing of iron ore or iron ore concentrates, suitable for making iron in blast furnaces.

(p) The word “*Person*”, as used herein, means any natural person, or any corporation, limited liability company, limited or general partnership, trust, association or other legal entity.

(q) [ “*Surcharge Reduction*” ] means 100%, minus the following quotient, expressed as a percentage:

- (i) the number of tons of pellets actually delivered by Cliffs during a Contract Year in accordance with the terms and conditions hereof and the EIMP Ore Sales Agreement, divided by
- (ii) the amount of the Excess Annual Requirements that Cliffs has committed to supply hereunder plus the Empire Equity Tonnage for such year.

(r) The word “*ton*”, as used herein, means a gross ton of 2,240 pounds avoirdupois natural weight.

(s) [ “*World Pellet Price*” ] means, at any time, a price per iron unit equal to the sum of:

- (i) [ 0.50 ], multiplied by the [ Eastern Canadian Pellet Price ]; plus
- (ii) [ 0.50 ], multiplied by the [ average published price per iron unit for pellets of Companhia Vale Rio Doce, S.A. (f.o.b. Tubaro) ].

Schedule 1(s) illustrates calculation of the [ World Pellet Price ] for [ 2002 ], which is [ \$0.4860 ] per iron unit.

(t) The word “*year*”, as used herein, means a calendar year commencing on January 1 and ending December 31.

(u) If any of the information required to calculate the Composite Index, the [ Eastern Canadian Pellet Price ] or the [ World Pellet Price ceases to be published ] (either because a particular product ceases to be available, or because information is no longer [ publicly available]), the parties will negotiate in good faith to revise the definition of such term to one based on then-published information, and any dispute will be resolved pursuant to Section 15.

(v) The following is a locator list of all defined terms used throughout this Agreement:

<i>Agreement</i>	1
<i>Alternative Day</i>	2
<i>Base Price per Iron Unit</i>	13
<i>Basic Cliffs Pellets</i>	2
<i>Business Day</i>	2
<i>CCIC</i>	1
<i>Cliffs</i>	1
<i>Cliffs Empire</i>	1
<i>Cliffs Pellets</i>	2
<i>CMC</i>	1
<i>Commission</i>	24
<i>Composite Index</i>	2
<i>Confidential Information</i>	24
<i>Contract Year</i>	2
<i>Covering Costs</i>	7
<i>[Eastern Canadian Pellet Price]</i>	3
<i>Effective Date</i>	1
<i>Empire Equity Tonnage</i>	3
<i>Empire Pellets</i>	8
<i>Empire Plant</i>	8
<i>Empire Royal Pellets</i>	8
<i>Empire Shutdown</i>	8
<i>Empire Standard Pellets</i>	8
<i>Empire Viceroy Pellets</i>	8
<i>Excess Annual Requirements</i>	6
<i>Expected Iron Content</i>	3
<i>Flux Charge per Ton</i>	13
<i>Flux Composite Index</i>	3
<i>Grade and Quality Specs</i>	9
<i>Indiana Harbor Plant</i>	6
<i>Inland</i>	1,
	25
<i>Inland's Equity Entitlements</i>	3
<i>iron unit</i>	4
<i>Key OCFP Specs</i>	8
<i>Lab</i>	19

<u>[Off Spec Pellet]</u>	4
Other Cliffs Fluxed Pellets	8
Other Cliffs Pellets	4
Other Cliffs Standard Pellets	8
Partnership	1
Partnership Agreement	1
Pellets	4
Person	4
Predecessor Pellet Sale Agreement	1
PSA	1
Samples	18
Shortfall Notice	11
Supply shortfall	7
<u>[Surcharge Amount]</u>	15
<u>[Surcharge Reduction]</u>	4
ton	4
Wabush 1% Mn Flux Pellets	8
Wabush 1% Mn Standard Pellets	8
Wabush 2% Mn Flux Pellets	8
Wabush 2% Mn Standard Pellets	8
Wabush Pellets	8
Wabush Plant	8
<u>[World Pellet Price]</u>	4
year	4

2. SALE AND PURCHASE/VOLUME

(a) Subject to the other provisions of this Section 2, for each of the 12 Contract Years 2003 through 2014, inclusive, and during any extension of the term of this Agreement, Cliffs shall sell and deliver to Inland, and Inland shall purchase and receive from Cliffs and pay Cliffs for, a tonnage of Cliffs Pellets equal to 100% of the total pellet tonnage consumed in the blast furnaces or other areas that use prime blast furnace pellets (assuming the Cliffs Pellets meet the applicable quality requirements of those other areas), at Inland's facility at Indiana Harbor, Indiana (the "*Indiana Harbor Plant*"), adjusted for inventory positions, in excess of Inland's Equity Entitlements ("*Excess Annual Requirements*") for such Contract Year; *provided, however*, that (i) in no Contract Year shall Inland purchase and receive from Cliffs and the Partnership, collectively, pursuant to (A) the EIMP Ore Sales Agreement and (B) this Agreement, and pay Cliffs and the Partnership, collectively, for, less than [ 2,500,000 ] tons of Cliffs Pellets, and (ii) by January 31, 2008 Inland shall have purchased and received from Cliffs and the Partnership, collectively, pursuant to the EIMP Ore Sales Agreement and this Agreement, and have paid Cliffs and the Partnership, collectively, for, not less than [12,500,000 ] tons of Cliffs Pellets. If Inland plans to close any blast furnace at the Indiana Harbor Plant for a minimum of two years, Inland shall notify Cliffs a minimum of one year prior to such blast furnace closure date, and the minimum annual tonnage of Cliffs Pellets to be purchased and received by Inland from Cliffs and the Partnership, collectively, under clause (i) of the proviso in the foregoing sentence shall be reduced by (x) 500,000 tons per Contract Year, prorated for the first Contract Year based upon when during such Contract Year such closure is effective for the

first blast furnace closed, (y) an additional 800,000 tons per Contract Year, prorated for the first Contract Year based upon when during such Contract Year such closure is effective for the second blast furnace closed, and (z) an additional 1,200,000 tons per Contract Year, prorated for the first Contract Year based upon when during such Contract Year such closure is effective for the third blast furnace closed, but no change shall be made to the minimum tonnage under clause (ii) of such proviso. If a blast furnace for which a reduction has been granted, reopens less than 2 years after the effective date of closure, Inland's Excess Annual Requirement for the then-current Contract Year shall immediately be increased by an amount equal to the amount by which actual tons purchased by Inland in the affected years was less than the then applicable purchase requirements for such affected years (without regard to the reduction taken for the re-opened furnace).

(b) For each of the 12 Contract Years 2003 through 2014, inclusive, and during any extension of the term of this Agreement, Cliffs shall be obligated to sell and deliver to Inland 100% of its Excess Annual Requirements, up to [ 3,500,000 ] tons of Cliffs Pellets per Contract Year. If Inland's Excess Annual Requirements, as initially fixed pursuant to Section 5(a) or as adjusted pursuant to Section 5(c), in any Contract Year exceeds [ 3,500,000 ] tons, Cliffs shall use commercially reasonable efforts to sell and deliver any pellets in excess of [ 3,500,000 ] tons. For purposes of this Section 2(b) the Cliffs Pellets supplied by the Partnership under the EIMP Ore Sales Agreement shall count as Cliffs Pellets supplied by Cliffs in discharge of its obligation to supply Inland's Excess Annual Requirements. In the event that Cliffs fails to supply Inland's Excess Annual Requirements which Cliffs is required to supply in accordance with the terms and conditions hereof or fails to cause the Partnership to supply Inland's Empire Equity Tonnage which the Partnership is required to supply in accordance with the terms and conditions of the EIMP Ore Sales Agreement, which failure remains uncured for 60 days (or any such shorter period of time after which all or substantially all of Inland's pellet inventory will be consumed or used) after notice is given by Inland of such failure (the aggregate shortfall from Inland's Excess Annual Requirements and Empire Equity Tonnage being referred to herein as the " **Supply Shortfall** "), then Inland may, at its sole option, "cover" by making any reasonable purchase of or contract to purchase pellets in substitution for those due from Cliffs hereunder and from the Partnership under the EIMP Ore Sales Agreement. Inland shall be entitled to recover from Cliffs as damages (" **Covering Costs** ") the difference between the cost of covering and the price herein provided for [ taking into account quality differences and applying the corresponding price adjustments as listed in Exhibit A-1 ] and such other incidental costs (such as storage and transport) related thereto, but less any other expenses saved as a result of Cliffs' failure. In addition to the foregoing, if the aggregate Supply Shortfall in a given Contract Year [ equals or exceeds 5% ] of an amount equal to Inland's Excess Annual Requirements plus the Empire Equity Tonnage, in each case for such Contract Year, and if Inland exercises its rights to "cover" in accordance with the foregoing sentence, then [ the Surcharge Amount ] for such Contract Year [ shall be reduced by the Surcharge Reduction ]. The [ Surcharge Reduction ] shall be applied in full against the next payment then due under Section 7(a)(ii) (and, if such reduction is larger than such payment, against the next succeeding payments due under Section 7(a)(ii) until such [ reduction ] is recouped in full, with any unrecouped amounts still outstanding at the end of the term of this Agreement to be paid in full by Cliffs at that time). In the event that the [ Surcharge Reduction ] is triggered and Inland proceeds to cover in the manner permitted by this Section 2(b) and to recover damages from Cliffs on account thereof, the expenses saved referred to in the fourth sentence of this Section 2(b) shall include the amount by which the [ Surcharge Amount ]

has been reduced, as long as the Supply Shortfall does not exceed [ 20% ] with respect to the first [ Surcharge Reduction ] hereunder, [15% ] for the second [ Surcharge Reduction ] hereunder, and [10%] for any additional [ Surcharge Reductions ] hereunder.

### 3. SOURCING

- (a) Cliffs shall initially supply Inland with pellets produced at the Partnership's iron ore pellet plant (" *Empire Standard Pellets* ", " *Empire Royal Pellets* " and " *Empire Viceroy Pellets* ", as the case may be; and, collectively, " *Empire Pellets* ") located in Palmer, Michigan (the " *Empire Plant* ").
- (b) As long as Cliffs continues as a participant in the Wabush Mines Joint Venture, Inland may change pellet sourcing, for up to [ 360,000 ] tons of pellets annually, from Empire Pellets to pellets produced at the Wabush Mines Joint Venture iron ore pellet plant (" *Wabush 2% Mn Standard Pellets* " " *Wabush 2% Mn Flux Pellets* " " *Wabush 1% Mn Standard Pellets* " and " *Wabush 1% Mn Flux Pellets* ." as the case may be; and, collectively, " *Wabush Pellets* ") located in Pointe Noire, Quebec (the " *Wabush Plant* ").
- (c) Cliffs may change pellet sourcing from Empire Standard Pellets to standard pellets from other sources controlled or managed by Cliffs, provided such pellets are of a quality comparable to that required for Empire Standard Pellets hereunder (" *Other Cliffs Standard Pellets* "). If Cliffs desires to provide Inland with Other Cliffs Standard Pellets, Cliffs shall give Inland not less than three months' prior notice, and then may make such change provided that Inland has had a reasonable opportunity to purge its stockpile of conflicting grades of pellets.
- (d) In the event that Empire Pellets are no longer being produced at the Empire Plant due to a permanent shutdown or a long-term (defined as not less than 2 years) idle period (an " *Empire Shutdown* "), Cliffs shall provide one year's advance notice thereof and shall use commercially reasonable efforts to identify one or more alternative sources of fluxed pellets (" *Other Cliffs Fluxed Pellets* ") and Other Cliffs Standard Pellets to be supplied by Cliffs.
- (i) In the event that, at least 90 days prior to the Empire Shutdown, Cliffs establishes that it can supply Other Cliffs Pellets having the grades and specifications in chemical and physical structure described in Exhibit 3(d) attached hereto and identified as Key OCFP Specs (the " *Key OCFP Specs* ") from one or more sources, excluding Tilden Hematite Pellets (being those pellets produced at the Tilden Mining Company L.C. iron ore pellet plant located in Tilden, Michigan), and the quantity of Wabush Pellets being limited to Inland's requirements for Wabush Pellets (it being understood that Cliffs shall limit sources to no more than two sources per pellet grade type and that Inland shall not be obligated to use more pellet sources than is commercially reasonable from a logistical standpoint), then (A) Cliffs shall offer for sale and delivery, and Inland may, at its option, purchase and receive, such Other Cliffs Fluxed Pellets and/or Other Cliffs Standard Pellets, as the case may be, in substitution for Empire Royal Pellets, Empire Viceroy Pellets or Empire Standard Pellets, as the case may be, hereunder, (B) Inland shall notify Cliffs within 90 days of Cliffs'

offering such Other Cliffs Fluxed Pellets and/or such other Cliffs Standard Pellets of the quantities of each such Pellet grade that Inland elects to purchase and receive, (C) to the extent that Inland elects to purchase and receive such Other Cliffs Pellets, without limitation of the obligation to meet the Key OCFP Specs or the grade and quality specifications set forth in Section 3(c), Cliffs shall use commercially reasonable efforts to ensure that Other Cliffs Fluxed Pellets and/or Other Cliffs Standard Pellets, as the case may be, meet the specifications described in Exhibit 3(d) attached hereto that are identified as Secondary OCFP Specs (the “*Secondary OCFP Specifications*”), ~~(D) to the extent Inland does not elect to purchase and receive such Other Cliffs Pellets, Inland shall be released from its purchase obligations hereunder and may, notwithstanding any provision herein to the contrary, purchase its Excess Annual Requirements for pellets from other suppliers and Cliffs shall be released from its obligations hereunder (other than those which are accrued but remain undischarged at such time), and (E) in addition to the pricing for the pellets delivered pursuant to this Section 3(d)(ii), Inland shall pay to Cliffs a pro-rated Surcharge Amount in proportion to the tonnage amount actually offered for sale and delivery by Cliffs to Inland pursuant to this Section 3(d)(ii) as compared to the tonnage required to be delivered pursuant to Section 2].~~

- (ii) In the event that, within 90 days of the Empire Shutdown, Cliffs cannot establish that it can supply the Other Cliffs Pellets meeting the Key OCFP Specs, then either party may immediately terminate this Agreement by written notice to the other party, in which case each party’s obligations under this Agreement shall immediately terminate (including, without limitation, Inland’s obligation to pay any [ Surcharge Amount ] and such termination of this Agreement shall be without further recourse to either party; *provided, however*, that Inland may take possession of all Cliffs Pellets for which payment under Section 7(a)(i) has been made and Cliffs shall deliver such pellets.

With respect to all Other Cliffs Pellets, pellet cooling, stockpiling, and dust suppression practices will be optimized on a commercially reasonable basis to avoid excessive moisture content in pellets. Within the one-year notice period applicable to an Empire Shutdown, Cliffs shall provide Inland with a reasonable opportunity to conduct a blast furnace trial not less than 90 days prior to the effective date of an Empire Shutdown on the Other Cliffs Pellets to be supplied pursuant to this Section 3(d).

#### 4. GRADES AND QUALITY

(a) Empire Pellets shall consist of the grades and specifications and shall have the chemical and physical structure described in Exhibit A-1 (the “*Grade and Quality Specs*”) attached hereto, unless otherwise mutually agreed. Cliffs will aim for the mid range of each specification, review production quality data monthly and adjust procedures where applicable to attempt to produce at the mid range of the specifications. Should Cliffs Pellets have values

outside of the specification range (quantity and quality as determined by reference to such Exhibit A-1), then [ Inland will have the rights set forth in Section 4(c) hereof ]. For purposes of this Section 4(a), the terms "Empire Pellets" and "Cliffs Pellets" shall be deemed to include pellets supplied by the Partnership under the EIMP Ore Sales Agreement.

(b) Wabush Pellets to be sold hereunder shall consist of the grades and specifications, and shall have approximately the same general average chemical and physical structure, as described in Exhibit A-2, and will be in conformance with Wabush Mine cargo quality specifications as may be agreed to by the Wabush Mine owners; *provided, however*, that if there is a material change in such specifications, Inland may, notwithstanding any limitation contained in Section 5 hereof, adjust its Excess Annual Requirements for the then-current Contract Year with respect to Wabush Pellets. Should any cargo of Wabush Pellets sold hereunder have chemical, physical, or metallurgical properties that materially deviate from those specifications shown in Exhibit A-2 or such changes to those specifications as agreed to by the Wabush Mine owners, then Cliffs and Inland [ will negotiate a reasonable price adjustment for such cargo ].

(c) Whenever any material amount of Cliffs Pellets delivered hereunder is outside of the specification range (determined by reference to the Grade and Quality Specs), Cliffs shall immediately furnish Inland with an off-spec report in Inland's designated format, an example of which is attached hereto as Exhibit A-3, defining parameter, time, cause and corrective action. With respect to any Cliffs Pellets purchased and sold hereunder that have characteristics [ within an Upper Level 1 Variance range or a Lower Level 1 Variance range ] (determined by reference to the Grade and Quality Specs), where applicable [ Inland shall obtain an immediate price reduction (calculated by reference to the corresponding adjustment payment(s)) in the Grade and Quality Specs ]. The [ price reduction ] referred to in the immediately preceding sentence [ shall be applied in full against the next payment then due under Section 7(a)(i) ] (and, if such [ reduction is larger than such payment, against the next succeeding payments due under Section 7(a)(i) until such reduction is recouped in full, with any unrecovered amounts outstanding at the end of this Agreement subject to repayment by Cliffs ] ). With respect to any Cliffs Pellets purchased and sold hereunder that have characteristics [ within an Upper Level 2 Variance range or a Lower Level 2 Variance range ], determined by reference to the Grade and Quality Specs [ ("Level 2 Pellets") ], Inland shall (i) [ use commercially reasonable efforts to use such Level 2 Pellets ] for consumption in an Indiana Harbor Plant blast furnace, and/or (ii) determine (A) which of any such [ Level 2 Pellets can be used in an Indiana Harbor Plant blast furnace with commercially reasonable further processing ] or (B) which of any such [ Level 2 Pellets Inland cannot use in an Indiana Harbor Plant blast furnace on a commercially reasonable basis ], in either such case, Inland will supply notice to Cliffs within 15 days of the shipment date as to the [ specific reasons for further processing or why Inland cannot use such Level 2 Pellets in an Indiana Harbor Plant blast furnace ]. Level 2 Pellets ] shall be [ deemed not to have been supplied by Cliffs ] (including, without limitation, for purposes of [ Section 2(b) ] hereof), and Inland shall [ receive an additional price reduction (i.e., in addition to the price reduction calculated by reference to the corresponding adjustment payment(s)) in the Grade and Quality Specs ] that is equal to [ (x) the difference between the net price paid for such pellets (purchase price less quality adjustment) and the market value of such pellets as used by Inland, plus (y) additional processing (including, where applicable, a fuel rate penalty) or handling costs which are necessary to allow Inland to subsequently use the pellets in an Indiana Harbor Plant blast furnace or other area at the Indiana Harbor Plant ]. Any [ Level 2 Pellets ] shall count towards Inland's minimum purchase requirements contained in Section 2(a) hereof. For purposes of this Section 4(c), the term "Cliffs Pellets" shall be deemed to include pellets supplied by the Partnership under the EIMP Ore Sales Agreement.

(d) During the term of this Agreement and for all subsequent extensions pursuant to Section 18, Cliffs shall (and shall cause the Partnership to) make a good faith effort to comply with Inland requests for pellet quality improvement or development recommendations. The costs of such efforts or changes shall be allocated between the parties as mutually agreed.

#### 5. NOTIFICATION AND NOMINATION

(a) With respect to the tonnage of Cliffs Pellets to be purchased by Inland for each of the Contract Years 2003 through 2014, inclusive, as provided for in Section 2(a), on or before October 31 (excluding the Contract Year 2003 which has been provided for in Section 5(e)) of each of the Contract Years prior to the Contract Years above, Inland shall notify Cliffs in writing of: (i) Inland's initial preliminary total annual pellet tonnage requirements, (ii) Inland's initial preliminary Excess Annual Requirements plus the Empire Equity Tonnage, and (iii) Inland's initial preliminary tonnages of each of the grades of ore nominated by Inland under the preceding clause (i).

(b) With respect to the tonnage of Cliffs Pellets to be purchased by Inland for each of the Contract Years 2003 through 2014, inclusive (except as otherwise provided in Section 5(e) hereof), as provided for in Section 2(a), and during the period October 31 through November 30 of each of the Contract Years prior to the remaining Contract Years above, Inland and Cliffs shall meet, as needed, to discuss: (i) Inland's preliminary total annual pellet tonnage requirements; (ii) Inland's preliminary Excess Annual Requirements plus the Empire Equity Tonnage; (iii) the preliminary tonnages and grades of Cliffs Pellets which Cliffs is required to sell and Inland is required to purchase pursuant to the terms of Sections 2(a) and 2(b) above; and (iv) a preliminary delivery schedule by ore grade for each month of the following Contract Year. Such matters shall be reduced to writing and exchanged by the parties with Inland confirming its preliminary Excess Annual Requirements by November 30 of each such Contract Year. If Inland's preliminary Excess Annual Requirements, when added with its Empire Equity Tonnage, exceed [ 3,500,000 ] tons, Cliffs may, by notice to Inland but in any case subject to its obligations to use commercially reasonable efforts pursuant to Section 2(b) hereof, notify Inland of its inability (and the extent of such inability) to deliver such excess amount of Cliffs Pellets (the "**Shortfall Notice**"). If Cliffs delivers a Shortfall Notice, Inland may, notwithstanding anything to the contrary herein, obtain the amount designated in the Shortfall Notice from other suppliers. If no Shortfall Notice is received by November 30, Cliffs shall be deemed to have agreed hereunder to supply the full amount of Inland's Excess Annual Requirements plus Inland's Empire Equity Tonnage (including any amount in excess of [ 3,500,000 ] tons).

(c) (i) With respect to the notification of Inland's preliminary Excess Annual Requirements of Cliffs Pellets as provided for in Sections 5(a) and 5(b) above, on or before March 15 of the then current Contract Year of the purchase and sale, Inland may, by written notification to Cliffs, adjust its preliminary Excess Annual Requirements by tonnage for the then current Contract Year either up, or by not more than [ 15% ] of the total of Empire Equity

Tonnage and Excess Annual Requirements down. If Inland increases its preliminary Excess Annual Requirements for the then current Contract Year, any such increase must be approved by Cliffs, and on or before March 31, Cliffs shall notify Inland as to whether or not Cliffs agrees to such increase or any part thereof. In the event Cliffs does not agree to such increase or any part thereof, Inland may, notwithstanding anything to the contrary herein, obtain the increased amount from other suppliers. If, by March 15 of the then current Contract Year, Inland shall have adjusted its preliminary Excess Annual Requirements, either up or down (with any increased adjustment having been agreed to by Cliffs), then such adjusted Excess Annual Requirements by pellet grade (subject to Section 5(d)) and tonnage shall be deemed Inland's final Excess Annual Requirements for such Contract Year, and Inland shall be obligated to purchase and Cliffs shall be obligated to sell such tonnage of Cliffs Pellets in accordance with such final Excess Annual Requirements.

- (ii) If, however, Inland has not adjusted its preliminary Excess Annual Requirements as provided for in Section 5(c)(i), then on or before May 15 of the then current Contract Year of the purchase and sale, Inland may, by written notification to Cliffs, adjust its preliminary Excess Annual Requirements by tonnage for the then current Contract Year either up, or by not more than [10%] of the total of Empire Equity Tonnage and Excess Annual Requirements down. If Inland increases its preliminary Excess Annual Requirements for the then current Contract Year, any such increase must be approved by Cliffs, and on or before May 31, Cliffs shall notify Inland as to whether or not Cliffs agrees to such increase or any part thereof. In the event Cliffs does not agree to such increase or any part thereof, Inland may, notwithstanding anything to the contrary herein, obtain the increased amount from other suppliers. If, by May 15 of the then current Contract Year, Inland shall have adjusted its preliminary Excess Annual Requirements, either up or down (with any increased adjustment having been agreed to by Cliffs), then such adjusted Excess Annual Requirements by pellet grade (subject to Section 5(d)) and tonnage shall be deemed to be Inland's final Excess Annual Requirements for such Contract Year, and Inland shall be obligated to purchase, and Cliffs shall be obligated to sell, such tonnage of Cliffs Pellets in accordance with such final Excess Annual Requirements.
- (iii) If, however, Inland has not adjusted its preliminary Excess Annual Requirements as provided for in Section 5(c)(i) or 5(c)(ii), then on or before July 15 of the then current Contract Year of the purchase and sale, Inland may, by written notification to Cliffs, adjust its preliminary Excess Annual Requirements by tonnage for the then current Contract Year either up, or by not more than [ 5% ] of the total of Empire Equity Tonnage and Excess Annual Requirements down. If Inland increases its preliminary Excess Annual Requirements for the then current Contract Year, any such increase must be approved by Cliffs, and on or before July 31, Cliffs shall notify Inland as to whether or not Cliffs agrees to such increase or any part thereof. In the event Cliffs does not agree to such increase or any part thereof, Inland may, notwithstanding anything to the contrary herein,

obtain the increased amount from other suppliers. If, by July 15 of the then current Contract Year, Inland shall have adjusted its preliminary Excess Annual Requirements, either up or down (with any increased adjustment having been agreed to by Cliffs), then such adjusted Excess Annual Requirements by pellet grade (subject to Section 5(d)) and tonnage shall be deemed to be Inland's final Excess Annual Requirements for such Contract Year, and Inland shall be obligated to purchase, and Cliffs shall be obligated to sell, such tonnage of Cliffs Pellets in accordance with such final Excess Annual Requirements.

(iv) If no adjustment is made on or before July 15, then the preliminary Excess Annual Requirements by pellet grade (subject to Section 5(d)) and tonnage for the then current Contract Year shall be deemed to be Inland's final Excess Annual Requirements for such Contract Year, and Inland shall be obligated to purchase, and Cliffs shall be obligated to sell, such tonnage of Cliffs Pellets in accordance with such preliminary Excess Annual Requirements.

(d) At any time during the Contract Year, Inland may request an adjustment in the allocation among pellet grades of pellets provided by Cliffs hereunder and by the Partnership under the EIMP Ore Sales Agreement, and Cliffs shall (and shall cause the Partnership to) use commercially reasonable efforts to accommodate such request. Cliffs shall not produce tonnage in a grade designated for Inland more than three months ahead of when the grade should be available for Inland.

(e) During the Contract Year 2003, Cliffs shall sell and deliver and Inland shall purchase and receive from Cliffs hereunder and the Partnership under the EIMP Ore Sales Agreement and pay for a tonnage of Cliffs Pellets, including for purposes of this Section 5(e) pellets within the Empire Equity Tonnage, of such grades and qualities as set forth in Exhibit 5(e) subject to the delivery schedule set forth in Exhibit 5(e).

#### 6. PRICE AND ADJUSTMENTS

(a) In each Contract Year the price paid for the Cliffs Pellets purchased and sold hereunder shall be determined as follows:

- (i) First, taking each kind of Basic Cliffs Pellets separately, the price per iron unit shall be determined as provided in Section 6(b).
- (ii) Second, the price per iron unit for any kind(s) of Other Cliffs Pellets shall be determined as provided in Section 6(c).

- (b) (i) Empire Pellets shall have the following base price per iron unit (“*Base Price per Iron Unit*”) for the [ Contract Years 2003 and 2004 ]:

	Pellet	f.o.b.	Base Price per Iron Unit
Empire Standard		[Vessel at Escanaba]	[\$0.6066]
Empire Royal		[Vessel at Escanaba]	[\$0.6421]
Empire Viceroy		[Vessel at Escanaba]	[\$0.6565]

- (ii) In addition to the foregoing Base Price per Iron Unit for Empire Pellets, for the [ Contract Years 2003 and 2004 ], in the case of Empire Royal Pellets and Empire Viceroy Pellets, the following flux charge per ton (“*Flux Charge per Ton*”) shall be added:

	Flux Charge per Ton
Empire Royal	[\$1.20]
Empire Viceroy	[\$1.80]

- (iii) For the [ Contract Years 2005 through 2014 ], inclusive, the Base Price per Iron Unit for each of the Empire Pellets, f.o.b. [ vessel ], shall be determined by multiplying the applicable Base Price Multiplier below by the Composite Index for the Contract Year in determination:

	Pellet	f.o.b.	Base Price Multiplier
Empire Standard		[Vessel at Escanaba]	[\$0.5711]
Empire Royal		[Vessel at Escanaba]	[\$0.6046]
Empire Viceroy		[Vessel at Escanaba]	[\$0.6182]

- (iv) In addition to the foregoing Base Price per Iron Unit for Empire Pellets, for the [ Contract Years 2005 through 2014 ], inclusive, in the case of Empire Royal Pellets and Empire Viceroy Pellets, the following Flux Charge per Ton, determined by multiplying the applicable flux charge multiplier by the Flux Composite Index for the Contract Year in determination, shall be added:

	Flux Charge Multiplier
Empire Royal	[\$ 1.40]
Empire Viceroy	[\$ 2.10]

- (v) Wabush Pellets shall have the following Base Price per Iron Unit for the [ Contract Year 2003 ]:

	Pellet	f.o.b.	Base Price per Iron Unit
Wabush 2% Mn Standard		Vessel at Pointe Noire	[\$0.5350]
Wabush 2% Mn Flux		Vessel at Pointe Noire	[\$0.5850]
Wabush 1% Mn Standard		Vessel at Pointe Noire	[\$0.5350]
Wabush 1% Mn Flux		Vessel at Pointe Noire	[\$0.5850]

(vi) For the [ Contract Years 2004 through 2014 ], inclusive, the Base Price per Iron Unit for each of the Wabush Pellets, f.o.b. vessel, shall be determined by multiplying the [ 2003 ] Base Price per Iron Unit by the Composite Index for the Contract Year in determination.

(c) If in any Contract Year Cliffs supplies any Other Cliffs Pellets to Inland, the price per iron unit for such kind(s) of Other Cliffs Pellets shall be that price per iron unit that, after taking into account the difference, if any, in transportation costs to Inland (transportation costs shall be calculated by reference to the actual incremental increase in transportation costs based on Inland models and shall be certified by Inland), results in the same average cost per iron unit (including transportation costs) delivered to the Indiana Harbor Plant as the average cost per iron unit (including transportation costs) delivered to the Indiana Harbor Plant would be if the entire Excess Annual Requirements were provided from the Empire Plant f.o.b. vessel at Escanaba.

(d) [ In addition to the Base Price per Iron Unit for Basic Cliffs Pellets or the price per iron unit for Other Cliffs Pellets, Inland shall pay a surcharge as specified in the table set forth below (the "*Surcharge Amount*") in respect of the tonnage of Cliffs Pellets to be delivered hereunder, which, except as otherwise provided herein, shall be paid by Inland whether or not Inland, in fact, purchases and takes delivery of all, more than all, a portion or none of such tonnage. Such Surcharge Amount shall be reduced dollar-for-dollar by any Special Contributions (as such term is defined in the Partnership Agreement (as amended by the Omnibus Agreement (defined below))) paid by Inland or its Affiliates to the Partnership wheresoever the obligation therefore was provided.

Surcharge Amount	Payable in Calendar Year
\$5,000,000	2003
\$5,000,000	2004
\$12,000,000	2005
\$12,000,000	2006
\$12,000,000	2007
\$12,000,000	2008
\$10,000,000	2009
\$10,000,000	2010
\$10,000,000	2011
\$10,000,000	2012
\$10,000,000	2013
\$12,000,000	2014

(e) [ Required Special Contributions. Each of Inland, Ispat Inland Empire, Inc., a Delaware corporation and wholly owned subsidiary of Inland ("Ispat Empire"), Cliffs Empire, Inc., a Michigan corporation ("Cliffs Empire"), Empire-Cliffs Partnership, a Michigan general partnership ("ECP"), and Wheeling-Pittsburg/Cliffs Partnership, a Michigan general partnership ("W-P/Cliffs"), acknowledges its respective obligations, covenants and other agreements set forth in the Partnership Agreement (as amended by the Second Empire Partnership Omnibus Agreement dated as of December 31, 2002 (the "Omnibus Agreement") with respect to the Special Contributions (as defined in the Partnership Agreement (as amended by the Omnibus Agreement)) payable by such parties thereunder, and, for the avoidance of doubt but without creating duplication, restates and independently establishes herein such obligations, covenants and other agreements and agrees to pay, perform and discharge such obligations, covenants and agreements in accordance with the terms, and subject to the conditions, set forth herein and therein. Capitalized terms used in this Section 6(e) but not defined shall have the respective meanings given to such terms in the Partnership Agreement (as amended by the Omnibus Agreement) and in the Omnibus Agreement.]

(i) [ So long as Ispat Empire continues to be a Partner and, as to the Cliffs Entities only, for one year after Ispat Empire ceases to be a Partner; ]

(A) [ For the years 2003 through 2014, inclusive, the Partners shall make Special Contributions to the Partnership in the amounts set forth in the chart below:

Years	Special Contributions (millions)		
	Ispat Empire	Cliffs Entities	Total
2003 and 2004	\$2.1	\$7.9	\$10.0
2005 through 2008	5.04	18.96	24.0
2009 through 2013	4.2	15.8	20.0
2014	5.04	18.96	24.0
Total Contributions	\$50.4 (21%)	\$189.6 (79%)	\$240.0(100%)

The Special Contribution amounts specified in Section 12.1 of the Partnership Agreement for the Cliffs Entities shall be made pro rata by such Partners on the basis of the percentage that each Share of the Cliffs Entities represents of all of the Shares of the Cliffs Entities. Inland shall be jointly and severally liable for Ispat Empire's obligations to pay the Special Contribution amounts above on the terms and conditions of the Partnership Agreement. Each Cliffs Entity shall be jointly and severally liable for the obligations of each of the other Cliffs Entities, as the case may be, to pay the Special Contribution amounts above on the terms and conditions of the Partnership Agreement .

(B) [ Any exercise by Ispat Empire of its Put Right pursuant to Section 11 of the Purchase Agreement, shall thereafter eliminate any and all duties of the Partners to make Special Contributions representing Ispat Empire's Share as prescribed in Section 12.1 of the Partnership Agreement; provided, however, this shall in no way eliminate or reduce the foregoing obligations of the Cliffs Entities to make Special Contributions as provided in Section 12.1 of the Partnership Agreement .

(ii) [ Application and Timing of Payment of Partners' Special Contributions ].

(A) [ The Special Contributions to be made by the Partners of the Partnership Agreement shall be applied, in any given year, in the following order of priority: first, in satisfaction of "the Partnership's Other Post Employment Benefits ("OPEB") liabilities, costs and expenses, as defined by FAS 106; second, in satisfaction of the Partnership's Voluntary Employee Benefits Association ("VEBA") liabilities, costs and expenses; and, finally, to the extent that in any year the OPEB and VEBA costs are less than the Partners' Special Contributions in such year, the Partnership shall contribute the excess amount to the Partnership's defined benefit pension plans covering substantially all Partnership employees (the "Pension Plans" and collectively with the OPEB and VEBA costs, the "Contribution Costs"); provided, however, the Manager may deviate from the priority set forth above in any given year, if in the Manager's good faith determination, a different priority of Contribution Costs is necessary in such year. Without limiting the generality of the foregoing, none of the Special Contributions shall be used to fund or pay costs related to the closing of the Empire Mine or any environmental liabilities that may arise due to the operation of the Empire Mine by the Partnership. Promptly following receipt of such Special Contributions from the Partners, the Partnership will disburse such Special Contributions in the manner required to satisfy its Contribution Costs as provided in Section 12.2(a) of the Partnership Agreement ].

(B) [ Commencing as of January 7, 2003, the Partners shall contribute to the Partnership on the seventh and the 23rd day of each month (or if such day is not a Business Day, the Alternative Day), an amount equal to 1/24 of the annual Special Contribution payable under Section 12.1 of the Partnership Agreement. All Special Contributions by the Partners pursuant to Section 12.1 of the Partnership Agreement shall be made by wire transfer of immediately available funds according to such instructions as the Partnership may from time to time provide, and shall be made in U.S. dollars. Without limiting the generality of the foregoing, Inland may, from time to time, demand confirmation from the Partnership of the payment of Special Contributions by the Cliffs Entities. The obligations of the Cliffs Entities under Section 12.2(b) of the Partnership Agreement are subject, in all events, to the rights of the Cliffs Entities to cease making payments in accordance with Section 12.1 of the Partnership Agreement ].

(C) [ Notwithstanding anything to the contrary herein, in the event that there is a reduction in the Surcharge Amount payable by Inland for a given year pursuant to the terms and conditions hereof such that Ispat Empire's Special Contribution obligation for such year would exceed Inland's entire adjusted Surcharge Amount obligation for such year (i) Ispat Empire's Special Contribution obligation for such year shall be reduced by such excess, and (ii) there will be a corresponding reduction in the Special Contribution obligations of the Cliffs Entities for such year such that the Special Contribution obligations of Ispat Empire for such year are equal 21% of the Special Contributions of all Partners ].

(D) [ The Partnership shall furnish quarterly both to the Partners and to Inland a statement, certified by the Manager, showing the Special Contributions actually received by the Partnership from the Partners pursuant to Section 12.1 of the Partnership Agreement and the amounts of capital actually applied by the Partnership in satisfaction of its obligations under Section 12.2(a) of the Partnership Agreement, together with such other related information as the Partners may reasonably request in connection therewith ].

(iii) [ If the obligations of any Cliffs Entity to make any Special Contribution are not satisfied on the terms and conditions set forth in Section 12.1 of the Partnership Agreement, or fail to be applied as prescribed by Section 12.2(a) of the Partnership Agreement, then (A) Ispat Empire's obligations to make Special Contributions, and (B) Inland's obligations to pay the Surcharge Amount, wheresoever such obligations may appear, shall each be suspended until such time, if any, as the obligations of all Cliffs Entities to make Special Contributions are current in full and have been properly applied in accordance with the terms and conditions set forth in Article 12 of the Partnership Agreement ].

(iv) [ If (A) the obligations of Ispat Empire to make any Special Contribution on the terms and conditions set forth in Section 12.1 of the Partnership Agreement, or (B) the obligations of Inland to pay any Surcharge Amount pursuant to this Agreement, as the case may be, are not satisfied, then the obligations of the Cliffs Entities to make Special Contributions shall be suspended until such time, if any, as the obligations of Ispat Empire and Inland as described in clauses (A) and (B) are current in full in accordance with the terms and conditions set forth in Article 12 of the Partnership Agreement (with respect to clause (i)) and this Agreement (with respect to clause (ii)) ].

(v) The rights of the parties under Section 14.8 of the Partnership Agreement shall not be exclusive of any other rights that they may have with respect to the subject matter of such Section.

(f) Attached as Exhibit B is an example of the application of the provisions of this Section 6, other than Section 6(e).

#### 7. PAYMENTS AND ADJUSTMENTS

(a) Subject to adjustment as provided in Sections 7(b) and 7(c), and subject further to the Omnibus Agreement, Inland shall pay Cliffs [ on the seventh and the 23rd day ] of each month (or if such day is not a Business Day, the Alternative Day), an amount equal to (i) commencing as of [ February 7, ] 2003, [ 1/24<sup>th</sup> ] of the total cost of all of the tons of the various kinds of Cliffs Pellets to be supplied to meet Inland's Excess Annual Requirements for such Contract Year, to be determined in each case by multiplying such Excess Annual Requirements by the Expected Iron Content and the Base Price per Iron Unit, plus the appropriate Flux Charge per Ton, [ plus (ii) commencing as of January 7, 2003, 1/24 of the annual surcharge payable under Section 6(d) ]. Except as otherwise provided herein, the payments required to be made by Inland pursuant to Section 7(a)(ii) shall be made by Inland during the initial term of this Agreement [ only and even if no Cliffs Pellets are supplied to or used by Inland ].

(b) The payments provided for in Section 7(a)(i) shall be adjusted as follows:

- (i) In the event of any adjustment to the Excess Annual Requirements pursuant to Section 5(b), any payments to be made pursuant to Section 7(a)(i) after such adjustment shall be increased or decreased so that such payments will be equal in amount.
- (ii) Beginning in [ 2004 ], not later than June 15 of each Contract Year, Cliffs shall prepare and certify to Inland (x) Cliffs' calculation of the Composite Index and the Flux Composite Index for such Contract Year, (y) Cliffs' recalculation of the Base Price per Iron Unit and Flux Charge per Ton for each kind of Cliffs Pellets, based thereon, and (z) the amount of the difference between the amount previously paid for Cliffs Pellets during the Contract Year and the amount that would have been paid had such adjusted Composite Index and Flux Composite Index been in effect from the beginning of the Contract Year. All subsequent payments to be made under Section 7(a)(i) shall be adjusted to reflect the revised Base Price per Iron Unit and Flux Charge per Ton, and the next such payment shall be adjusted by the amount specified in clause (z) above. For purposes of this Section 7(b)(ii), the term "Cliffs Pellets" shall be deemed to include pellets supplied by the Partnership under the EIMP Ore Sales Agreement.

(c) In addition to the adjustments to be made pursuant to Section 7(b), not later than January 31 of each Contract Year, Cliffs shall prepare and certify to Inland: (x) Cliffs' calculation of the actual tonnage of each kind of Cliffs Pellets and any variance from tonnage forecast to be delivered to satisfy Inland's Excess Annual Requirements, in each case for the

prior Contract Year; (y) the actual iron units in each kind of Cliffs Pellets, and any variance from the Expected Iron Content expected therefore, in each case for the prior Contract Year; and (z) the amount due from Cliffs to Inland, or vice versa, to adjust to correct for all of the variances in clauses (x) and (y) for the prior Contract Year. The payment due pursuant to Section 7(a)(i) next occurring after January 31 shall be adjusted by the amount specified in clause (z).

(d) All payments shall be made by wire transfer of immediately available funds according to such instructions as Cliffs may from time to time provide, and shall be made in U.S. dollars.

(e) In the event Inland purchases Cliffs Pellets required to be purchased under this Agreement in advance of the required date for such purchase, during the 12-month period following the date of such purchase Inland shall be entitled to defer a subsequent required purchase of Cliffs Pellets having an aggregate price equal to the aggregate price of the Cliffs Pellets purchased in advance for the same number of days as the advance purchase was in advance of its required date. Purchases of Cliffs Pellets required under this Agreement which are made in advance in January of any Contract Year shall be counted as purchases of Cliffs Pellets for purposes of Inland's Excess Annual Requirements for the next following Contract Year.

(f) In the event Inland shall fail to make payment when due of any amounts (other than amounts disputed in good faith by Inland), Cliffs, in addition to all other remedies available to Cliffs in law or in equity, shall have the right, but not the obligation, to withhold further performance by Cliffs under this Agreement until all claims Cliffs may have against Inland under this Agreement are fully satisfied.

(g) Exhibit B illustrates the operation of the provisions of this Section 7.

#### 8. SHIPMENTS AND DELIVERY

(a) Cliffs and Inland will agree on a mutually acceptable delivery schedule for each Contract Year prior to December 1 of the preceding Contract Year and Cliffs shall make pellets available hereunder in accordance with such schedule. Such schedule must be established to match both Inland's blast furnace requirements and Cliffs' pellet availability and will include monthly shipment tonnage by grade. Cliffs and Inland will balance the delivery schedule by pellet source and type so that monthly shipments will be relatively equal over the Contract Year, considering winter shipping restrictions and production schedules to the locations designated in Section 8(b) below. Cliffs and Inland recognize that changes in schedule will occur as provided in Section 5, and will use commercially reasonable efforts to accommodate such changes. For purposes of this Section 8(a), the term "pellets" shall be deemed to include pellets supplied by the Partnership under the EIMP Ore Sales Agreement.

(b) Deliveries shall be made as follows:

- (i) Deliveries of Empire Pellets shall be made by Cliffs to Inland f.o.b. [vessel, Port of Escanaba, Michigan or stockpiled at the Canadian National Railway Company Ore Dock in Escanaba, Michigan], and title and all risk of loss (other than loss associated with shrinkage and, pellet handling and care in the ordinary course in the stockpile at such Dock), damage or

destruction shall pass to Inland at the time that payment is received for such delivery of such Pellets (For purposes of this Section 8(b)(i), the term "Empire Pellets" shall be deemed to include pellets supplied by the Partnership under the EIMP Ore Sales Agreement.);

- (ii) Deliveries of Wabush Pellets shall be made by Cliffs to Inland f.o.b. vessel, Port of Pointe Noire, Quebec, or stockpiled at Wabush Dock in Pointe Noire, Quebec, and title and all risk of loss (other than loss associated with shrinkage and, pellet handling and care in the ordinary course in the stockpile at such Dock), damage or destruction shall pass to Inland at the time that payment is received for such delivery of such Pellets; and
- (iii) Deliveries of Other Cliffs Pellets shall be made by Cliffs to Inland f.o.b. [ vessel at one or more mutually agreed locations ], and title and all risk of loss (other than loss associated with shrinkage and, pellet handling and care in the ordinary course in the stockpile at such locations), damage or destruction shall pass to Inland at the time that payment is received for such delivery of such Pellets;

*provided, however* , that Inland shall not be entitled to take delivery or possession of any Cliffs Pellets until Cliffs shall have received payment for such Pellets.

#### 9. WEIGHTS

Vessel bill of lading weight determined by railroad scale weights or belt scale weights, certified in accordance with standard commercial practices, in accordance with the procedures in effect from time to time at each of the loading ports (which shall be reasonably acceptable to Inland), shall be accepted by the parties as determining the amount of Cliffs Pellets delivered to Inland pursuant to this Agreement. The weighing devices shall be regularly tested, verified, certified, and maintained. For those scale weights or belt scale weights Cliffs operates, Cliffs shall maintain records of certification, which shall be made available from time to time to Inland for review and audit. In all other cases, Cliffs shall use commercially reasonable efforts, upon the request of Inland, to obtain from those third parties operating the scale weights and/or belt weights, proof of certification.

#### 10. EMPLOYMENT OF VESSELS

Inland assumes the obligation for arranging and providing appropriate vessels for the transportation of the Cliffs Pellets delivered by Cliffs to Inland hereunder. Inland shall arrange and provide for all vessel shipments, ore carrier or bulk carrier type vessels suitable in all respects to enter, berth at and leave the loading ports and suitable for the loading and mooring facilities at the loading ports. If Cliffs supplies any Other Cliffs Pellets hereunder, Inland shall (i) use all commercially reasonable efforts to obtain the best possible price and other terms for transportation of such Other Cliffs Pellets, and (ii) certify the use of such efforts, and the prices obtained for such transportation, to Cliffs at the end of each year. Any transportation price information supplied to Cliffs by Inland pursuant to this Section 10 shall be kept confidential.

Cliffs shall provide Inland with a reasonable opportunity to bid for the supply of transportation services in connection with the delivery of flux stone to the Empire Mine. For purposes of this Section 10, the term "Cliffs Pellets" shall be deemed to include pellets supplied by the Partnership under the EIMP Ore Sales Agreement.

#### 11. SAMPLING AND TESTING PROCEDURES

(a) All pellet sampling procedures and analytical tests conducted on Cliffs Pellets sold to Inland to demonstrate compliance with the Grade and Quality Specs specified in Section 4 shall be performed by Cliffs at the loading point on each pellet vessel shipment or train shipment, as the case may be. Cliffs shall retain a split of each sample of whole pellets for 90 days and will retain a ground pulp sample for chemical analysis for one year (the "*Samples*"). Test methods to be used shall be the appropriate ASTM or ISO standard methods published at the time of testing or any other procedures and practices that may be mutually agreed to by Cliffs and Inland. Inland may, at any time and from time to time through one or more authorized representatives, be present during production, loading, or to observe sampling and analysis of pellets being processed for shipment to Inland. In the case of a dispute between Inland and Cliffs as to pellet analyses, a mutually agreed upon ISO 17025 certified (or such future certification standard as may replace ISO 17025) laboratory (the "*Lab*") shall be utilized to resolve the dispute. Notwithstanding Section 15 hereof, the Lab shall act as the final arbiter of all disputes related to pellet sampling and analysis. The party found to be in error (or if both parties are in error, both parties) shall bear the cost of the Lab.

(b) If a daily measurement shows a [ Level 2 Variance ], with respect to any Cliffs Pellets for the previous day, Cliffs will [ segregate production for the following day ]. Cliffs will use its best efforts to [ isolate Level 2 Pellets ] and Inland will [ have the option to reject Level 2 Pellets ] at the mine.

#### 12. REPRESENTATIONS AND WARRANTIES

(a) Inland represents and warrants to, and agrees with, Cliffs that the execution and delivery of this Agreement by Inland, and its consummation of the transactions contemplated hereby, have been duly authorized in accordance with all applicable laws and the certificate of incorporation and bylaws of Inland, and no further corporate action is necessary on the part of Inland to make this Agreement valid and binding on Inland and enforceable against Inland in accordance with its terms. The execution and delivery of this Agreement by Inland, and its consummation of the transactions contemplated hereby, (a) are not contrary to the certificate of incorporation or bylaws of Inland, (b) do not now and will not, with the passage of time, the giving of notice or otherwise, result in a violation or breach of, or constitute a default under, any term or provision of any indenture, mortgage, deed of trust, lease, instrument, order, judgment, decree, rule, regulation, law, contract, agreement or any other restriction to which Inland is a party or to which Inland or any of its assets is subject or bound, and (c) will not result in any acceleration or termination of any loan or security interest agreement to which Inland is a party or to or by which Inland or any of its assets is subject or bound; provided, however that no representation or warranty is being made regarding the validity or enforceability of Section 18(b).

(b) Cliffs represents and warrants to, and agrees with, Inland that the execution and delivery of this Agreement by Cliffs, and its consummation of the transactions contemplated hereby, have been duly authorized in accordance with all applicable laws and the articles of incorporation and bylaws of Cliffs, and no further corporate action is necessary on the part of Cliffs to make this Agreement valid and binding on Cliffs and enforceable against Cliffs in accordance with its terms. The execution and delivery of this Agreement by Cliffs, and its consummation of the transactions contemplated hereby, (a) are not contrary to the articles of incorporation or bylaws of Cliffs, (b) do not now and will not, with the passage of time, the giving of notice or otherwise, result in a violation or breach of, or constitute a default under, any term or provision of any indenture, mortgage, deed of trust, lease, instrument, order, judgment, decree, rule, regulation, law, contract, agreement or any other restriction to which Cliffs is a party or to which Cliffs or any of its assets is subject or bound, and (c) will not result in any acceleration or termination of any loan or security interest agreement to which Cliffs is a party or to or by which Cliffs or any of its assets is subject or bound; provided, however that no representation or warranty is being made regarding the validity or enforceability of Section 18(b).

(c) **OTHER THAN AS SPECIFICALLY SET FORTH ELSEWHERE HEREIN (OR ANY EXHIBIT OR SCHEDULE ATTACHED HERETO OR OTHER DOCUMENT REFERENCED HEREIN), CLIFFS MAKES NO, AND HEREBY DISCLAIMS AND EXCLUDES ANY, EXPRESS OR IMPLIED WARRANTIES INCLUDING, WITHOUT LIMITATION, ANY IMPLIED WARRANTY OF MERCHANTABILITY, OF FITNESS, OR OF FITNESS FOR A PARTICULAR PURPOSE, WITH RESPECT TO ALL CLIFFS PELLETS. WITH RESPECT TO SUCH WARRANTIES THAT ARE SPECIFICALLY SET FORTH HEREIN AND FOR WHICH A CORRESPONDING REMEDY IS HEREIN PROVIDED, SUCH REMEDY SHALL BE THE SOLE AND EXCLUSIVE REMEDY FOR THE BREACH OR INACCURACY OF SUCH WARRANTY.**

(d) All claims for material variance in quality of the Cliffs Pellets from the quality described herein shall be deemed waived unless made in writing delivered to Cliffs within sixty (60) calendar days after completion of discharge at port of discharge. No claim will be entertained after the Cliffs Pellets have been consumed unless it can be substantiated by the Sample corresponding to those Cliffs Pellets. Each party shall afford the other party prompt and reasonable opportunity to inspect the Cliffs Pellets as to which any claim is made as above stated. The Cliffs Pellets shall not be returned to Cliffs without prior written consent of Cliffs. **CLIFFS SHALL NOT BE LIABLE FOR ANY DAMAGE TO INLAND'S PROPERTY OR LOST PROFITS, INJURY TO GOOD WILL OR ANY OTHER SPECIAL OR CONSEQUENTIAL DAMAGES.**

### 13. [ PRICE REOPENER

Beginning in 2009 if (a) the percentage calculated by dividing the Base Price per Iron Unit for an Empire Standard Pellet for the year in determination by the World Pellet Price for the year in determination is greater than the upper band calculation of that specific percentage, calculated in accordance with the next following sentence, then Inland may give notice to Cliffs prior to July 1 of the year in determination requesting a price renegotiation, or (b) the percentage calculated by dividing the Base Price per Iron Unit for an Empire Standard Pellet for the year in

determination by the World Pellet Price for the year in determination is less than the lower band calculation of that specific percentage calculated in accordance with the next following sentence, then Cliffs may give notice to Inland prior to July 1 of the year in determination requesting a price renegotiation. The calculation of the foregoing percentage shall be made in 2003 following the settlement of the World Pellet Price as detailed in Schedule 13. In the event that either party gives notice as described above in (a) or (b), then the parties shall meet to negotiate revised Base Prices per Iron Unit for all Cliffs Pellets. In the event that the parties cannot agree on revised Base Prices per Iron Unit within 60 days following notice, binding arbitration in accordance with Section 15 shall be utilized to set the revised applicable Base Prices per Iron Unit. For the period of time following the notice until revised Base Prices per Iron Unit is agreed to or set by arbitration, the price invoiced and paid shall be the Base Prices per Iron Unit for the year in determination. The prices determined by the arbitrators shall be effective retroactive to the beginning of the year in which Inland or Cliffs requested a price renegotiation. Cliffs shall pay Inland, or Inland shall pay Cliffs, within 10 days of the arbitrators decision, an amount equal to the adjustment calculated by the arbitrators for the prior period of that year ].

#### 14. COVENANTS

During the term of this Agreement, Inland shall not: (a) purchase Cliffs Pellets pursuant to this Agreement with the specific intent to resell such pellets; or (b) sell, lease or otherwise transfer title or the right to use the Indiana Harbor Plant (including, without limitation, its blast furnaces), or any material portion thereof, to any Person, or merge, consolidate or reorganize with any Person unless that Person assumes in writing this Agreement and all of Inland's obligations hereunder.

#### 15. ARBITRATION

(a) Upon notice by either party to the other, all disputes, claims, questions or disagreements arising out or relating to this Agreement or breach, termination, enforcement, interpretation or validity thereof, including the determination of the scope or applicability of this Agreement to arbitrate, shall, except as provided in Section 11(a) hereof, be determined by arbitration administered by the American Arbitration Association in accordance with the provisions of its Commercial Arbitration Rules, modified as follows:

- (i) the place of arbitration shall be Cleveland, Ohio;
- (ii) Unless the parties consent in writing to a lesser number, the arbitration proceedings shall be conducted before a panel of three neutral arbitrators, one to be appointed by Cliffs; one to be appointed by Inland, and third to be selected by the two arbitrators. None of the arbitrators shall be an employee, officer, director or consultant of, or of a direct competitor of, Inland or Cliffs;
- (iii) consistent with the expedited nature of arbitration, each party will, upon the written request of the other party, promptly provide the other with copies of documents on which the producing party may rely or otherwise which may be relevant in support of or in opposition to any claim or

defense; any dispute regarding discovery, or the relevance or scope thereof, shall be determined by the arbitrators, which determination shall be conclusive; and all discovery shall be completed within 45 days following the appointment of the arbitrators;

- (iv) in connection with any arbitration arising out of Section [ 13 ], each of Cliffs and Inland shall have the right to submit information to the arbitrators to be held in confidence by them and not disclosed to the other party (or any other person); *provided, however* , that: (A) the party providing such information shall certify its accuracy to the best of its actual knowledge; and (B) such information shall be made available to counsel for the other party upon delivery by such counsel of its undertaking to hold the information (either in the form provided or in any other form) in confidence and not to disclose it to its client, or any other person (other than the arbitrators)
  - (v) in connection with any arbitration arising out of Section [ 13 ]: (A) before making their determination in any matter, the arbitrators must request from each of the parties a complete statement of its proposed resolution of such matter, and the arbitrators shall select between the two proposed resolutions, without making any alteration to either of them (or if either party does not submit a proposed resolution, or submits one that is materially incomplete, shall select the proposed resolution of the other party); and (B) the arbitrators shall be limited to awarding only one or the other proposed resolution;
  - (vi) in connection any arbitration arising out of this Agreement, the arbitrators shall have no authority to alter, amend, or modify any of the terms and conditions of this Agreement, and further, the arbitrators may not enter any award that alters, amends or modifies terms or conditions of this Agreement in any form or manner;
  - (vii) the award or decision shall be made within nine months of the filing of the notice of intention to arbitrate, and the arbitrators shall agree to comply with this schedule before accepting appointment; *provided, however* , that this time limit may be extended by written agreement signed by both parties or by the arbitrators, if necessary; and
  - (viii) in connection with any arbitration arising out of Section [ 13 ], the costs of the arbitrators shall be borne entirely by the party that did not prevail; and in connection with any other arbitration related to this Agreement, each party shall be responsible for its own costs and expenses, and the parties will equally split the cost of conducting the arbitration itself.
- (b) The judgment of the arbitrators shall be final and binding on the parties, and judgment upon the award rendered by the arbitrators may be entered and enforced by any court of the United States or any state thereof.

16. FORCE MAJEURE

(a) Notwithstanding anything in this Agreement to the contrary, no party hereto shall be liable for damages resulting from failure to deliver or accept and pay for all or any of the Cliffs Pellets as described herein, if and to the extent that such delivery or acceptance would be contrary to or would constitute a violation of any regulation, order or requirement of a recognized governmental body or agency, or if such failure, including (a) failure of the mines supplying the Cliffs Pellets to be delivered under this Agreement to produce the Cliffs Pellets, or (b) failure of Inland's facilities to produce steel, is caused by or results directly or indirectly from acts of God, war, insurrections, interference by foreign powers, acts of terrorism, strikes, hindrances, labor disputes, labor shortages, fires, flood, embargoes, accidents or delays at the mines, on the railroads or docks or in transit, shortage of transportation facilities, disasters of navigation, or other causes, similar or dissimilar, if such other causes are beyond the control of the party charged with a failure to deliver or to accept and pay for the Cliffs Pellets. The inability to use Cliffs Pellets as a result of any of the foregoing causes shall also be a force majeure event under this Section, allowing Inland to fail to accept Cliffs Pellets to the extent of such force majeure event, pro rata, with all other sources of pellets for the Indiana Harbor Plant. To the extent a force majeure is claimed hereunder by a party hereto, such shall relieve the other party from fulfilling its corresponding agreement hereunder to the party claiming such force majeure, but only for the period and to the extent of the claimed force majeure, except as provided in Section 16(b) or unless otherwise mutually agreed to by the parties.

(b) If an event of force majeure is claimed by Cliffs, Inland shall be obligated to make the payments required by Section [6(d)] and Section [ 7(a)(ii) for only 24 months] following the date that Cliffs claimed such event of force majeure; provided, however, that upon any termination of such event of force majeure [ prior to 24 months] after the date that Cliffs claimed the event of force majeure, Inland shall continue to be obligated to make the payments required by Section [6(d)] and Section [ 7(a)(ii)] from the date of such termination. In addition to the foregoing, if Cliffs is able to offer for sale Other Cliffs Pellets in accordance with Section [3(d)], then Inland shall be obligated to [ pay the Surcharge Amount ] under such Section [ 3(d) ]. If the event of force majeure claimed by Cliffs continues for [ 24 ] consecutive months or longer, which event covers the supply of substantially all of Inland's Excess Annual Requirements (including, for these purposes, the Empire Equity Tonnage) and Cliffs is not able to offer for sale Other Cliffs Pellets in accordance with Section [ 3(d) ], then either Cliffs or Inland may terminate this Agreement by written notice to the other. To the extent that, pursuant to this Section, Cliffs offers for sale pellets pursuant to Section [3(d)], the parties acknowledge and agree that the [ Surcharge Amount ] shall be subject to reduction in accordance with Section [ 3(d)(i) (E) ].

17. NOTICES

All notices, consents, reports and other documents authorized and required to be given pursuant to this Agreement shall be given in writing and either personally served on an officer of the party hereto to whom it is given, or sent by recognized overnight delivery service, mailed by registered or certified mail, postage prepaid, or by facsimile, addressed as follows:

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If to CCIC or CMC:

1100 Superior Avenue - 15th Floor  
Cleveland, Ohio 44114-2589  
Attention: Secretary  
Facsimile: (216) 694-6741  
cc: Vice President-Sales  
Facsimile: (216) 694-5385

If to Inland:

3210 Watling Street  
East Chicago, Indiana 46312  
Attention: General Counsel  
Facsimile: (219) 399-4267  
Attention: Manager Raw Materials and Purchasing  
Facsimile: (219) 399-5505

; *provided, however*, that any party may change the address to which notices or other communications to it shall be sent by giving to the other party written notice of such change, in which case notices and other communications to the party giving the notice of the change of address shall not be deemed to have been sufficiently given or delivered unless addressed to it at the new address as stated in said notice.

#### 18. TERM

(a) The term of this Agreement shall commence as of 12:01 a.m. on January 1, 2003 and continue through January 31, 2015 unless the term is ended earlier pursuant to Section 18(b) hereof. The term of this Agreement shall be automatically extended annually for one Contract Year starting February 1, 2015 unless either Cliffs or Inland gives notice of termination at least 24 months prior to the commencement of any automatic 12-month extension or the term is ended earlier pursuant to Section 18(b). This Agreement shall remain valid and fully enforceable for the fulfillment of obligations accrued but undischarged prior to expiration of the term or earlier termination.

(b) This Agreement may be terminated at any time prior to its termination pursuant to Section 18(a), (i) by Inland, if any of the following shall occur with respect to any of the entities that make up Cliffs (each Cliffs entity, a "subject party" with respect to terminations by Inland), or (ii) by Cliffs, if any of the following shall occur to Inland (the "subject party" with respect to terminations by Cliffs):

- (l) pursuant to or within the meaning of the United States Bankruptcy Code or any other federal or state law relating to insolvency or relief of debtors (a "Bankruptcy Law"), a subject party shall:
  - (i) commence a voluntary case or proceeding; (ii) consent to the entry of an order for relief against it in an involuntary case; (iii) consent to the appointment of a trustee, receiver, assignee,

- 
- (II) liquidator, or similar official; (iv) make an assignment for the benefit of its creditors; or (v) admit in writing its inability to pay its debts as they become due; or a court of competent jurisdiction enters an order or decree under any Bankruptcy Law that (i) is for relief against a subject party in an involuntary case, (ii) appoints a trustee, receiver, assignee, liquidator, or similar official for the subject party or substantially all of the subject party's properties, or (iii) orders the liquidation of the subject party, and, in each case, the order or decree is not dismissed within 60 days.

#### 19. AMENDMENT

This Agreement may not be modified or amended except by an instrument in writing signed by all parties hereto.

#### 20. WAIVER

No waiver of any of the terms of this Agreement shall be valid unless in writing and signed by all parties hereto. No waiver or any breach of any provision hereof or default under any provisions hereof shall be deemed a waiver of any subsequent breach or default of any kind whatsoever.

#### 21. CONFIDENTIALITY; GOVERNING LAW

(a) Cliffs and Inland acknowledge that this Agreement contains certain volume pricing, adjustment and term provisions which are confidential, proprietary or of a sensitive commercial nature and which would put Cliffs or Inland at a competitive disadvantage if disclosed to the public, specifically, Sections 1, 2, 3, 4, 6, 7 and 13, and all of the Schedules and Exhibits hereto (" *Confidential Information* "). Cliffs and Inland further agree that all provisions of this Agreement shall be kept confidential and, without the prior consent of the other party, shall not be disclosed to any party not a party to this Agreement or the legal advisor to a party to this Agreement except as required by law or governmental or judicial order and except that disclosure of the existence of this Agreement shall not be precluded by this Section 21.

(b) If either party is required by law or governmental or judicial order or receives legal process or a court or agency directive requesting or requiring disclosure of any of the Confidential Information contained in this Agreement, such party will promptly notify the other party prior to disclosure to permit such party to seek a protective order or take other appropriate action to preserve the confidentiality of such Confidential Information. If either party determines to file this Agreement with the Securities and Exchange Commission (" *Commission* ") or any other federal, state, provincial or local governmental or regulatory authority, or with any stock exchange or similar body, such determining party will use its best efforts to obtain confidential treatment of such Confidential Information pursuant to any applicable rule, regulation or procedure of the Commission and any applicable rule, regulation or procedure relating to confidential filings made with any such other authority or exchange. If the Commission (or any such other authority or exchange) denies such party's request for confidential treatment of such

Confidential Information, such party will use its best efforts to obtain confidential treatment of the portions thereof that the other party designates. Each party will allow the other party to participate in seeking to obtain such confidential treatment for Confidential Information.

(c) This Agreement shall in all respects, including matters of construction, validity and performance, be governed by and be construed in accordance with the laws of the State of Ohio.

## 22. ASSIGNMENT

(a) For purposes of this Agreement, the term “ *Inland* ” includes and means not only Inland, but also any successor by merger or consolidation of Inland and any permitted assigns of Inland.

(b) In case Inland shall consolidate with or merge into another Person or shall transfer to another Person all or substantially all of its iron and steel business, this Agreement shall be assigned by Inland to, and shall be binding upon, the Person resulting from such consolidation or merger or the Person to which such transfer is made; otherwise no assignment of this Agreement by Inland shall be valid unless Cliffs shall consent in writing thereto.

(c) In case CCIC or CMC, or any permitted assign of either of them, shall consolidate with or merge into another corporation or shall transfer to another Person all or substantially all of its business, this Agreement shall be assigned by CCIC or CMC, as the case may be, to, and shall be binding upon, the corporation resulting from such consolidation or merger or the Person to which such transfer is made; otherwise, no assignment of this Agreement by CCIC or CMC, as the case may be, shall be valid unless Inland shall consent thereto in writing.

(d) All the covenants, stipulations and agreements herein contained shall inure to the benefit of and bind the parties hereto and their respective successors and permitted assigns.

## 23. CONFIDENTIALITY

None of the parties hereto or their Affiliates will issue any press release or otherwise disclose or make any public statement with respect to the transactions contemplated hereby without the prior written or oral consent of an officer of the other parties, except to the extent that the disclosing party determines in good faith that it is so obligated by law, in which case such disclosing party shall give notice to the other parties in advance of such party's intent to make such disclosure, announcement or issue such press release and the parties hereto or their affiliates shall use reasonable efforts to cause a mutually agreeable release or disclosure or announcement to be issued.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed and delivered by their respective authorized officers.

THE CLEVELAND-CLIFFS IRON COMPANY

By: /s/ D. J. Gallagher  
Name: D. J. Gallagher  
Title: Vice President

CLIFFS MINING COMPANY

By: /s/ D. J. Gallagher  
Name: D. J. Gallagher  
Title: Vice President

The parties below hereby execute and deliver this Agreement solely for the purposes of Section 6(e) hereof.

ISPAT INLAND EMPIRE, INC.

By: /s/ Michael G. Rippey  
Name: Michael G. Rippey  
Title: Vice President

EMPIRE-CLIFFS PARTNERSHIP

By: Cliffs Empire, Inc., a partner

By: /s/ J. A. Trethewey  
Name: J. A. Trethewey  
Title: President

By: Cliffs MC Empire, Inc., a partner

By: /s/ J. A. Trethewey  
Name: J. A. Trethewey  
Title: President

ISPAT INLAND INC.

By: /s/ Michael G. Rippey  
Name: Michael G. Rippey  
Title: Vice President

CLIFFS EMPIRE, INC.

By: /s/ J. A. Trethewey  
Name: J. A. Trethewey  
Title: President

WHEELING-PITTSBURG/CLIFFS PARTNERSHIP

By: Cliffs Empire, Inc., a partner

By: /s/ J. A. Trethewey  
Name: J. A. Trethewey  
Title: President

By: Cliffs IH Empire, Inc., a partner

By: /s/ J. A. Trethewey  
Name: J. A. Trethewey  
Title: President

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed and delivered by their respective authorized officers.

THE CLEVELAND-CLIFFS IRON COMPANY

ISPAT INLAND INC.

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

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

CLIFFS MINING COMPANY

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

[ The parties below hereby execute and deliver this Agreement solely for the purposes of Section 6(e) hereof.

ISPAT INLAND EMPIRE, INC.

CLIFFS EMPIRE, INC.

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

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

EMPIRE-CLIFFS PARTNERSHIP

WHEELING-PITTSBURG/CLIFFS PARTNERSHIP

By: Cliffs Empire, Inc., a partner \_\_\_\_\_

By: Cliffs Empire, Inc., a partner \_\_\_\_\_

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

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

By: Cliffs MC Empire, Inc., a partner \_\_\_\_\_

By: Cliffs IH Empire, Inc., a partner \_\_\_\_\_

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

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

PELLET SALE AND PURCHASE AGREEMENT  
COMPOSITE INDEX FORMULA FOR CONTRACT YEARS [ 2004 - 2014 ]

**Contract Year's Composite Index Calculation**

- (i) Producer Price Index (PPI) - All Commodities - Series Id: WPU00000000 Annual Average  
Year Preceding Contract Year's PPI - All Commodities X 0.3300 = A  
Base Year 2002 PPI - All Commodities
- (ii) Producer Price Index (PPI) - Metals and Metal Products - Sheets, Cold Rolled Carbon (SCRC) - Series Id: WPU10170711 Annual Average  
Year Preceding Contract Year's PPI - Metals and Metal Products - (SCRC) X 0.3300 = B  
Base Year 2002 PPI - Metals and Metal Products - (SCRC)
- (iii) World Pellet Price  
Year Preceding Contract Year's World Pellet Price X 0.3400 = C  
Base Year 2002 World Pellet Price]

**Contract Year's Composite Index = (A+B+C)**

PELLET SALE AND PURCHASE AGREEMENT  
FLUX COMPOSITE INDEX FOR CONTRACT YEARS [ ~~2005~~—2014 ]

**Contract Year's Flux Composite Index Calculation**

- (i) The Average Cost of Flux Stone Delivered to the Empire Mine  
Year Preceding Contract Year's Average Cost of Flux Stone Delivered to the Empire Mine X 0.3333 = **A** Base Year 2002 Average Cost of Flux Stone Delivered to the Empire Mine
- (ii) Producer Price Index (PPI)—Fuel and Related Products and Power—Series Id: WPU05 Annual Average  
Year Preceding Contract Year's PPI—Fuel and Related Products and Power X 0.6667 = **B** Base Year 2002 PPI—Fuel and Related Products and Power]

**Contract Year's Flux Composite Index = (A + B)**

**PELLET SALE AND PURCHASE AGREEMENT**  
**WORLD PELLET PRICE CALCULATION**  
**YEAR 2002**

	<u>PRODUCER</u>	<u>WEIGHT</u>	<u>2002 WORLD PELLET PRICES</u>		
			<u>DMTU</u>	<u>DGTU</u>	<u>WTD AVG</u>
Eastern Canadian Pellet Price		50.0%	\$ 0.4830	\$ 0.4908	\$ 0.2454
Companhia Vale Rio Doce, S.A. — (f.o.b. Tubaro)		50.0%	\$ 0.4736	\$ 0.4812	\$ 0.2406
<b>TOTAL</b>					<b>\$ 0.4860</b>

**PELLET SALE AND PURCHASE AGREEMENT  
(PRICING BAND CALCULATION  
CONTRACT YEARS 2003 — 2014**

**ILLUSTRATIVE EXAMPLE — 2002 WORLD PRICING**

	2002 Pricing	Per Fe Unit		Weighted Average	
		DMTU	DGTU	Percent	Average
ECWPP—F.O.B. Sept-Iles		\$0.4830	= 0.4908	* 50.0%	= 0.2454
CVRD—F.O.B. Tubarao		\$0.4736	= 0.4812	* 50.0%	= 0.2406
		<b>Weighted Average</b>			<b>\$0.4860</b>
		Pricing — F.O.B. Escanaba			
			Fe %	\$ / GT	\$ / Fe Unit
Empire Standard			63.47	\$36.25	0.5711
		Pricing Band — F.O.B. Escanaba			
		+ / - 8 %	\$ / GT	\$ / Fe Unit	Band %
Upper Band Calculation		\$2.90	\$39.15	0.6168	126.9% = Upper Band
Lower Band Calculation		(\$2.90)	\$33.35	0.5254	108.1% = Lower Band

**CALCULATION FOR CONTRACT YEARS 2003 — 2014**

	2003 Pricing	Per Fe Unit		Weighted Average	
		DMTU	DGTU	Percent	Average
ECWPP—F.O.B. Sept-Iles		A	= A / 0.9842	* 50.0%	= X
CVRD—F.O.B. Tubarao		B	= B / 0.9842	* 50.0%	= Y
		<b>Weighted Average</b>			<b>Z</b>
		Pricing — F.O.B. Escanaba			
			Fe %	\$ / GT	\$ / Fe Unit
Empire Standard			63.47	\$36.25	0.5711
		Pricing Band - F.O.B. Escanaba			
		+ / - 8 %	\$ / GT	\$ / Fe Unit	Band %
Upper Band Calculation		\$2.90	\$39.15	0.6168	\$0.6168 / Z = Upper Band
Lower Band Calculation		(\$2.90)	\$33.35	0.5254	\$0.5254 / Z = Lower Band

Empire Standard Pellet Specifications

<u>Item</u>	<u>Lower Level Two Variance</u>	<u>Lower Level One Variance</u>	<u>Specification Range</u>	<u>Upper Level One Variance</u>	<u>Upper Level Two Variance</u>	<u>Adjustment Payment</u>	<u>Frequency</u>	<u>Applied</u>
Silica %	4.00	4.01 - 5.28	5.29 - 5.85	5.86 - 6.00	6.01	\$0.20 per ton for each 0.1%	Cargoes	1
%+12"			17.0 Max	17.1 - 24.9	25.0	\$0.025 per ton for each 1.0% For Level 1	Daily Average	2
%-14"			1.50 - 4.95	4.96 - 6.24	6.25	\$0.05 per ton for each 1.0% For Level 2	Cargoes	1
Compression (lbs)	300	301 - 399	400 - 700	701		\$0.04 per ton for each 0.1%	Cargoes	1
Reducibility (R40)	0.50	0.51 - 0.58	0.59 Min			\$0.03 per ton to Cliffs for each 0.1 % below 1.50%	Daily Average	2
Phosphorus %			0.024 Max	0.025 - 0.029	0.030	\$0.03 per ton for each 0.01%	Cargoes	1
Titanium %			0.15 Max	0.16 - 0.49	0.50	\$0.03 per ton for each 0.01% For Level 2	Quarterly Composite	2
Alkalis % (Na <sub>2</sub> O+K <sub>2</sub> O)			0.11 Max	0.12 - 0.15	0.16	\$0.03 per ton for each 0.001% For Level 2	Quarterly Composite	2]

Empire Royal Flux Pellet Specifications

<u>Item</u>	<u>Lower Level Two Variance</u>	<u>Lower Level One Variance</u>	<u>Specification Range</u>	<u>Upper Level One Variance</u>	<u>Upper Level Two Variance</u>	<u>Adjustment Payment</u>	<u>Frequency</u>	<u>Applied</u>
Silica %	4.00	4.01 - 5.19	5.20 - 5.79	5.80 - 6.00	6.01	\$0.20 per ton for each 0.1%	Cargoes	1
%+12"			17.0 Max	17.1 - 24.9	25.0	\$0.05 per ton for each 1.0%	Daily Average	2
%-14"			1.50 - 4.33	4.34 - 6.24	6.25	\$0.04 per ton for each 0.1%	Cargoes	1
CaO / SiO <sub>2</sub>	0.74	0.75 - 0.79	0.80 - 1.00	1.01 - 1.05	1.06	\$0.03 per ton to Cliffs for each 0.1% below 1.50%	Cargoes	1
MgO / SiO <sub>2</sub>	0.16	0.17 - 0.19	0.20 - 0.33	0.34 - 0.49	0.50	\$0.05 per ton for each 0.01	Cargoes	1
Contraction (%)			17.0 Max	17.1 - 17.7	17 - 8	\$0.025 per ton for each 0.01 for Level 1	Cargoes	1
Compression (lbs)	300	301 - 379	380 - 600	601		\$0.05 per ton for each 0.01 for Level 2	Weekly Composite	2
Reducibility (R40)	0.76	0.77 - 0.90	0.91 Min			\$0.06 per ton for each 0.1%	Daily Average	2
Phosphorus %			0.027 Max	0.028 - 0.032	0.033	\$0.03 per ton for each 0.01%	Cargoes	1
Titanium %			0.15 Max	0.16 - 0.49	0.50	\$0.03 per ton for each 0.01% for Level 2	Quarterly Composite	2
Alkalis % (Na <sub>2</sub> O+K <sub>2</sub> O)			0.11 Max	0.12 - 0.15	0.16	\$0.03 per ton for each 0.001% For Level 2	Quarterly Composite	2]

Empire Viceroy Flux Pellet Specifications

Item	Lower Level Two Variance	Lower Level One Variance	Specification Range	Upper Level One Variance	Upper Level Two Variance	Adjustment Payment	Frequency	Applied
Silica %	4.00	4.01 -5.17	5.18 - 5.68	5.69 -6.00	6.01	\$0.20 per ton for each 0.1%	Cargoes	1
% +1/2"			14.0 Max	14.1 -24.9	25.0	\$0.05 per ton for each 1.0%	Daily	2
% -1/4"			1.30 - 3.89	3.90-6.24	6.25	\$0.04 per ton for each 0.1%	Average	1
						\$0.04 per ton to Cliffs for each 0.1% below 1.30%	Cargoes	1
CaO / SiO <sub>2</sub>	1.05	1.06 - 1.11	1.12-1.28	1.29 -1.34	1.35	\$0.05 per ton for each 0.01	Cargoes	1
MgO / SiO <sub>2</sub>	0.24	0.25 - 0.29	0.30 -0.43	0.44 -0.59	0.60	\$0.025 per ton for each 0.01 For Level 1	Cargoes	1
						\$0.05 per ton for each 0.01 For Level 2		
Contraction(%)			9.5 Max	9.6 - 10.9	11.0	\$0.06 per ton for each 0.1%	Daily	2
							Average	
Compression (lbs)	300	301 - 399	400 - 600	601		\$0.03 per ton for each 10 lbs	Daily	2
							Average	
Reducibility_(R40)	0.99	1.00-1.09	1.10 Min			\$0.05 per ton for each 0.01%	Weekly	2
							Composite	
Phosphorus_%			0.027 Max	0.028-0.032	0.033	\$0.03 per ton for each 0.001%	Cargoes	1
Titanium %			0.15 Max	0.16 - 0.49	0.50	\$0.03 per ton for each 0.01% For Level2	Quarterly	2
							Composite	
Alkalis % (Na <sub>2</sub> O+K <sub>2</sub> O)			0.11 Max	0.12-0.15	0.16	\$0.03 per ton for each 0.001% For Level 2	Quarterly	2]
							Composite	

Notes:

- (1) [Applicable tonnage is based on all Inland cargoes]
- (2) [ Applicable tonnage is based on all tons produced that are not segregated from Inland cargoes.]

Wabush Pellet Specifications

Chemical % Dry	Standard		Fluxed	
	1%Mn	2%Mn	1%Mn	2%Mn
Fe	[66.00]	[65.20]	[63.25]	[62.40]
SiO2	[3.25]	[3.25]	[3.25]	[3.25]
Al2O3	[0.40]	[0.40]	[0.40]	[0.40]
CaO	[0.40]	[0.40]	[2.90]	[3.00]
MgO	[0.12]	[0.12]	[1.15]	[1.15]
Mn	[1.20]	[2.00]	[1.15]	[1.95]
P	[0.01]	[0.01]	[0.01]	[0.01]
S	[0.01]	[0.01]	[0.01]	[0.01]
TiO2	[0.03]	[0.03]	[0.027]	[0.027]
Na2O	[0.025]	[0.025]	[0.025]	[0.02]
K2O	[0.03]	[0.03]	[0.04]	[0.03]
CaO/SiO2	[0.12]	[0.12]	[0.9]	[0.9]
B/A	[0.14]	[0.14]	[1.11]	[1.14]
<b>Structure</b>				
% +1/2"	[9]	[9]	[9]	[9]
% -1/2" + 3/8"	[80]	[80]	[83]	[83]
% -3/8" + 1/4"	[9]	[9]	[5.7]	[5.7]
% -1/4"	[2]	[2]	[2.3]	[2.3]
% -28 MESH	[NA]	[NA]	[NA]	[NA]
<b>Avg Compression</b>				
LBS	[600]	[600]	[600]	[600]

CLEVELAND CLIFFS PELLETS

Empire Viceroy Off Specification Quality Report

Report No. \_\_\_\_\_  
Report Date \_\_\_\_\_  
Reported By \_\_\_\_\_  
Date produced (if known) \_\_\_\_\_  
Amount Produced (if known) \_\_\_\_\_

Location Detected \_\_\_\_\_  
Date Detected \_\_\_\_\_  
Cargo (if applicable) \_\_\_\_\_  
Material Segregated? \_\_\_\_\_

Date Ispat Notified \_\_\_\_\_  
Notified By \_\_\_\_\_  
If not, total material involved \_\_\_\_\_

Item	Lower Level II Variance	Lower Level I Variance	Specification	Upper Level I Variance	Upper Level II Variance	Actual	Reason for Off Specification
Viceroy							
Silica %	4.00	4.01-5.17	5.18-5.68	5.69-6.00	6.01		
% + 1/2"	—	—	14.0 Max	14.1-24.9	25.0		
% - 1/4"	—	—	3.89 Max	3.90-6.24	6.25		
CaO/SiO <sub>2</sub>	1.05	1.06-1.11	1.12-1.28	1.29-1.34	1.35		
M2O/Sio <sub>2</sub>	0.24	0.25 -0.29	0.30-0.43	0.44 - 0.59	0.60		
Contraction %	—	—	9.5 Max	9.6-10.9	11.0		
Compression (lbs)	300	301-399	400-600	601	—		
Reducibility (R <sub>40</sub> )	0.99	1.00-1.09	1.10 Min	—	—		
Phosphorus %	—	—	0.027 Max	0.028-0.032	0.033		
Titanium %	—	—	0.15 Max	0.16-0.49	0.50		
Alkalis % (Na <sub>2</sub> O+K <sub>2</sub> O)	—	—	0.11 Max	0.12-0.15	0.16		

Containment Plan:

Corrective Action Plan:

CLEVELAND CLIFFS PELLETS

Empire Royal Off Specification Quality Report

Report No. \_\_\_\_\_  
 Report Date \_\_\_\_\_  
 Reported By \_\_\_\_\_  
 Date produced (if known) \_\_\_\_\_  
 Amount Produced (if known) \_\_\_\_\_

Location Detected \_\_\_\_\_  
 Date Detected \_\_\_\_\_  
 Cargo (if applicable) \_\_\_\_\_  
 Material Segregated? \_\_\_\_\_

Date Ispat Notified \_\_\_\_\_  
 Notified By \_\_\_\_\_  
 If not, total material involved \_\_\_\_\_

Item	Lower Level II Variance	Lower Level I Variance	Specification	Upper Level I Variance	Upper Level II Variance	Actual Reason for Off Specification
Royal						
Silica %	4.00	4.01-5.19	5.20-5.79	5.80-6.00	6.01	
% + 1/2"	—	—	17.0 Max	17.1-24.9	25.0	
% - 1/4"	—	—	4.33 Max	4.34-6.24	6.25	
CaO/SiO <sub>2</sub>	0.74	0.75-0.79	0.80-1.00	1.01-1.05	1.06	
MgO/ SiO <sub>2</sub>	0.16	0.17-0.19	0.20-0.33	0.34-0.49	0.50	
Contraction %	—	—	17.0 Max	17.1-17.7	17.8	
Compression (lbs)	300	301-379	380-600	601	—	
Reducibility (R <sub>40</sub> )	0.76	0.77-0.90	0.91 Min	—	—	
Phosphorus %	—	—	0.027 Max	0.028-0.032	0.033	
Titanium %	—	—	0.15 Max	0.16-0.49	0.50	
Alkalis % (Na <sub>2</sub> O + K <sub>2</sub> O)	—	—	0.11 Max	0.12-0.15	0.16	

Containment Plan:

Corrective Action Plan:

Cleveland Cliffs Pellets  
 Empire Standard Off Specification Quality Report

Report No. \_\_\_\_\_  
 Report Date \_\_\_\_\_  
 Reported By \_\_\_\_\_  
 Date produced (if known) \_\_\_\_\_  
 Amount Produced (if known) \_\_\_\_\_

Location Detected \_\_\_\_\_  
 Date Detected \_\_\_\_\_  
 Cargo (if applicable) \_\_\_\_\_  
 Material Segregated? \_\_\_\_\_

Date Ispat Notified \_\_\_\_\_  
 Notified By \_\_\_\_\_  
 If not, total material involved \_\_\_\_\_

Item Standard	[Lower Level II Variance	Lower Level I Variance	Specification	Upper Level I Variance	Upper Level II Variance	Actual Reason for Off Specification
Silica %	4.00	4.01-5.28	5.29-5.85	5.86-6.00	6.01	
% + 1/2 "	—	—	17.0 Max	17.1-24.9	25.0	
% - 1/4 "	—	—	4.95 Max	4.96-6.24	6.25	
Compression (lbs)	300	301-399	400-700	—	—	
Reducibility (R <sub>40</sub> )	0.50	0.51-0.58	0.59 Min	—	—	
Phosphorus %	—	—	0.024Max	0.025-0.029	0.030	
Titanium %	—	—	0.15 Max	0.16-0.49	0.50	
Alkalis % (Na <sub>2</sub> O + K <sub>2</sub> O)	—	—	0.11 Max	0.12-0.15	0.16	

Containment Plan:

Corrective Action Plan:

**PELLET SALE AND PURCHASE AGREEMENT  
PRICING-ADJUSTMENTS-PAYMENTS CALCULATION  
EXAMPLE FOR CONTRACT YEARS [2005—2014]**

(1) **Submit Inland's Excess Annual Requirements by grade for Contract Year**

<u>Grade</u>	<u>Excess Annual Requirements Tons (000s)</u>
Empire—Standard	200
Empire—Royal	550
Empire—Viceroy	650
Wabush—2% Mn Flux	300
<b>Total pellet nomination</b>	<b>1,700</b>

(2) **Determine estimated Composite Index for Contract Year**

<u>Component</u>	<u>Annual Average</u>		<u>Weighting</u>	<u>Weighted Average</u>
	<u>Preceding Contract Year</u>	<u>[2002]</u>		
[PPI—All Commodities	133.3	131.9	0.33	0.334]
[PPI—Metals and Metal Products — [(SCRC)]	104.0	107.1	0.33	0.320]
[World Pellet Price	\$ 0.4660	\$ 0.4860	0.34	0.326]
		<b>[Estimated Composite Index]</b>		<b>[0.980]</b>

(3) **Multiply Base Price Multiplier for each pellet grade by the estimated Composite Index**

<u>Grade</u>	<u>F.O.B.</u>	<u>Base Price Multiplier</u>	<u>Estimated Composite Index</u>	<u>Adjusted Base Price Per Iron Unit</u>
Empire—Standard	[Escanaba	\$0.5711	0.980	\$ 0.5597]
Empire—Royal	[Escanaba	\$ 0.6046	0.980	\$ 0.5925]
Empire—Viceroy	[Escanaba	\$ 0.6182	0.980	\$ 0.6058]
Wabush—2% Mn Flux	[Pointe [Noire]	\$ 0.5850	0.980	\$ 0.5733]

Multiply Adjusted Base Price per Iron Unit by the Expected Iron Content to determine estimated adjusted base price per gross ton.

	<u>Grade</u>	<u>F.O.B.</u>	<u>Expected Iron Content (%)</u>	<u>Adjusted Base Price Per Iron Unit</u>	<u>Adjusted Base Price Per Ton</u>
Empire — Standard		[Escanaba]	63.47	[\$0.5597]	[\$35.52]
Empire — Royal		[Escanaba]	59.96	[\$0.5925]	[\$35.53]
Empire — Viceroy		[Escanaba]	58.64	[\$0.6058]	[\$35.52]
Wabush — 2% Mn Flux		[Pointe Noire]	60.84	[\$0.5733]	[\$34.88]

(5) Determine estimated Flux Composite Index for Contract Year

	<u>Component</u>	<u>Annual Average</u>		<u>Weighting</u>	<u>Weighted Average</u>
		<u>Preceding Contract Year</u>	<u>[2002]</u>		
[Average Flux Stone Cost Delivered To Empire		\$8.20	\$8.00	0.3333	0.342]
[PPI - Fuel and Related Products and Power		96.6	95.0	0.6667	0.678]
	<b>Estimated Flux Composite Index</b>				<b>[1.020]</b>

(6) Multiply Flux Charge Multiplier for each Empire flux grade by the estimated Flux Composite Index

	<u>Grade</u>	<u>F.O.B.</u>	<u>Flux Charge Multiplier</u>	<u>Flux Composite Index</u>	<u>Adjusted Flux Charge Per Ton</u>
Empire—Royal		[Escanaba]	\$1.40	1.020	\$1.43]
Empire—Viceroy		[Escanaba]	\$2.10	1.020	\$2.14]

(7) Determine estimated Adjusted Price per Ton for each pellet grade

	<u>Grade</u>	<u>F.O.B.</u>	<u>Adjusted Base Price Per Ton</u>	<u>Adjusted Flux Charge Per Ton</u>	<u>Adjusted Price Per Ton</u>
Empire—Standard		[Escanaba]	\$35.52		\$35.52]
Empire—Royal		[Escanaba]	\$35.53	\$1.43	\$36.96]
Empire—Viceroy		[Escanaba]	\$35.52	\$2.14	\$37.66]
Wabush—2% Mn Flux		[Pointe [Noire]	\$34.88		\$34.88]

(8) Determine estimated total payments to Cliffs for each pellet grade

<u>Grade</u>	<u>Adjusted Price Per Ton</u>	<u>Excess Annual Requirements Tons (000s)</u>	<u>Amounts (\$000s)</u>
Empire—Standard	[\$35.52]	200	[\$ 7,104]
Empire—Royal	[\$36.96]	550	[\$20,328]
Empire — Viceroy	[\$37.66]	650	[\$24,479]
Wabush—2% Mn Flux	[\$34.88]	300	[\$10,464]
<b>Total Pellet Payments</b>		<b>1,700</b>	<b>[\$62,375]</b>

(9) Determine estimated payments to Cliffs for the [7th and 23rd of each month beginning in February for Pellet Payments and the 7th and 23rd of each month beginning in January for the Surcharge Amount]

<u>Grade</u>	<u>Amounts (\$000s)</u>	<u>Number of Payments</u>	<u>Amount of Each Payment (\$000s)</u>
[Total Pellet Payments (Feb-Jan)]	[\$62,375]	24	\$ 2,599]
[Total Surcharge Amount (Jan-Dec)]	12,000	24	\$ 500]
<b>Total</b>	<b>[\$74,375]</b>	<b>24</b>	<b>\$ 3,099]</b>

(10) No later than June 15 of the Contract Year, Cliffs shall certify calculation of the Composite Index and the Flux Composite Index and make changes to price

<u>Component</u>	<u>Annual Average</u>			<u>Weighted Average</u>
	<u>Preceding Contract Year</u>	<u>[2002]</u>	<u>Weighting</u>	
[PPI—All Commodities	132.6	131.9	0.33	0.332]
PPI—Metals and Metal Products — (SCRC)]	103.0	107.1	0.33	0.317]
World Pellet Price	\$ 0.4660	\$ 0.4860	0.34	0.326]
		<b>Actual Composite Index</b>		<b>[0.975]</b>

<u>Component</u>	<u>Annual Average</u>			<u>Weighted Average</u>
	<u>Preceding Contract Year</u>	<u>[2002]</u>	<u>Weighting</u>	
Average Flux Stone Cost Delivered to Empire	\$ 7.85	\$ 8.0	0.3333	0.327]
PPI—Fuel and Related Products and Power	95.9	95.0	0.6667	0.673]
		<b>Actual Flux Composite Index</b>		<b>[1.000]</b>

	<u>Grade</u>	<u>F.O.B.</u>	<u>Base Price Multiplier</u>	<u>Actual Composite Index</u>	<u>Adjusted Base Price Per Iron Unit</u>
Empire — Standard		[Escanaba]	\$0.5711	0.975	\$0.5569]
Empire — Royal		[Escanaba]	\$0.6046	0.975	\$0.5895]
Empire — Viceroy		[Escanaba]	\$0.6182	0.975	\$0.6027]
Wabush — 2% Mn Flux		[Pointe [Noire]	\$0.5850	0.975	\$0.5704]

	<u>Grade</u>	<u>F.O.B.</u>	<u>Expected Iron Content (%)</u>	<u>Adjusted Base Price Per Iron Unit</u>	<u>Adjusted Base Price Per Ton</u>
Empire — Standard		[Escanaba]	63.47	[\$0.5569]	[\$35.35]
Empire — Royal		[Escanaba]	59.96	[\$0.5895]	[\$35.35]
Empire — Viceroy		[Escanaba]	58.64	[\$0.6027]	[\$35.34]
Wabush — 2% Mn Flux		[Pointe Noire]	60.84	[\$0.5704]	[\$34.70]

	<u>Grade</u>	<u>F.O.B.</u>	<u>Flux Charge Multiplier</u>	<u>Flux Composite Index</u>	<u>Adjusted Flux Charge Per Ton</u>
Empire — Royal		[Escanaba]	\$1.40	1.000	\$1.40]
Empire — Viceroy		[Escanaba]	\$2.10	1.000	\$2.10]

	<u>Grade</u>	<u>F.O.B.</u>	<u>Adjusted Base Price Per Ton</u>	<u>Adjusted Flux Charge Per Ton</u>	<u>Adjusted Price Per Ton</u>
Empire — Standard		[Escanaba]	\$35.35		\$35.35]
Empire — Royal		[Escanaba]	\$35.35	\$1.40	\$36.75]
Empire — Viceroy		[Escanaba]	\$35.34	\$2.10	\$37.44]
Wabush — 2% Mn Flux		[Pointe Noire]	\$34.70		\$34.70]

(11) Determine estimated total payment to Cliffs for each pellet grade after June 15 certification of the Composite Index and the Flux Composite Index

<u>Grade Delivered</u>	<u>Excess Annual Requirements Tons (000s)</u>	<u>Adjusted Price Per Ton</u>	<u>Annual Amount (\$000s)</u>
Empire — Standard	[200]	\$35.35	\$7,070]
Empire—Royal	[550]	\$36.75	\$20,213]
Empire—Viceroy	[650]	\$37.44	\$24,336]
Wabush—2% Mn Flux	[330]	\$34.70	\$10,410]
		<b>Total Payments</b>	<b>[\$62,029]</b>

(12) Determine revised estimated payments to Cliffs for the [ 7th and 23rd of each month ] following June 15 certification. Make adjustment to payments and the amount of the difference between the amount previously paid for Cliffs Pellets during the year and the amount that would have been paid.

	<u>Amounts (\$000s)</u>	<u>Number of Payments</u>	<u>Adjusted Amount Of Each Payment (\$000s)</u>	<u>Previous Amount Of Each Payment (\$000s)</u>
[Total Pellet Payments]	[\$62,029	24	\$2,585	\$2,599]
[Total Surcharge Amount	\$12,000	24	\$500	\$500]
<b>Total</b>	<b>[\$74,029</b>		<b>\$3,085</b>	<b>\$3,099]</b>

	<u>Payment (\$000s)</u>	<u>Number of Payments Before June 15</u>	<u>Amounts (\$000s) Paid Before June 15</u>
Adjusted Amount of Each Payment	[\$3,085	9	\$27,765]
Previous Amount of Each Payment	[\$3,099	9	\$27,891]
Payment Adjustment	[\$126]		
June 22 <sup>nd</sup> Pellet Payment Amount	[\$2,959]		
Remaining Pellet Payment Amounts	[\$3,085]		

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( ) No later than January 31 of the year following the Contract Year, Cliffs shall certify actual tonnage of Cliffs' Pellets delivered to satisfy Inland's Excess Annual Requirements and the actual average iron units of each kind of Cliffs Pellets delivered to Inland and the amount due from Cliffs to Inland or *vice versa*

Grade Delivered	Actual	Actual	Adjusted	Adjusted	Adjusted
	Tons (000s)	Iron Content (%)	Base Price Per Iron Unit	Base Price Per Ton	Flux Charge Per Ton
Empire—Standard	225	63.75	[\$0.5569]	\$ 35.50]	
Empire—Royal	550	59.60	[\$0.5895]	\$ 35.13	\$ 1.40]
Empire—Viceroy	650	58.74	[\$0.6027]	\$ 35.40	\$ 2.10]
Wabash—2% Mn Flux	275	60.25	[\$0.5704]	\$ 34.37]	

Grade Delivered	Adjusted	Actual Tons (000s)	Amounts (\$000s)	Previous	
	Price Per Ton			Tons (000s)	Amounts (\$000s)
Empire—Standard	[\$ 35.50]	225	[\$ 7,988]	200	[\$ 7,070]
Empire—Royal	[\$ 36.53]	550	[\$20,092]	550	[\$20,213]
Empire—Viceroy	[\$ 37.50]	650	[\$24,375]	650	[\$24,336]
Wabash—2% Mn Flux	[\$ 34.37]	275	[\$ 9,452]	300	[\$10,410]
<b>Total</b>		1,700	[\$61,907]	1,700	[\$62,029]
Payment To (From) Inland			[\$122]		

PELLET SALE AND PURCHASE AGREEMENT  
 [ Substitute Pellet Property Criteria

Mean Value of each characteristic will fall inside of the Range or Min / Max Criteria designated below:

**(Note: Specification Ranges and Limits to be determined based on selected value of the Mean)**

<u>Pellet Characteristic</u>	<u>Viceroy Sub</u>	<u>Royal Sub</u>	<u>Standard Sub</u>
Silica (Dry Wt%)	4.20 to 5.68 <sup>(2)</sup>	4.20 to 5.79 <sup>(2)</sup>	4.00 to 5.85 <sup>(1)</sup>
Contraction (%)	9.5 Max <sup>(1)</sup>	17.0 Max <sup>(2)</sup>	NA
Fines (-1/4")	3.89 Max <sup>(1)</sup>	4.33 Max <sup>(2)</sup>	4.95 Max <sup>(1)</sup>
Phosphorous (%)	0.027 Max <sup>(2)</sup>	0.027 Max <sup>(2)</sup>	0.024 Max <sup>(2)</sup>
Reducibility (R40)	1.10 Min <sup>(2)</sup>	0.91 Min <sup>(1)</sup>	0.59 Min <sup>(1)</sup>
Compression Strength (lbs)	400 – 600 <sup>(2)</sup>	380 – 600 <sup>(2)</sup>	400 – 700 <sup>(2)</sup>
% + 1/2"	14.0 Max <sup>(2)</sup>	17.0 Max <sup>(2)</sup>	17.0 Max <sup>(2)</sup>
CaO/SiO <sub>2</sub>	1.10 to 1.28 <sup>(1)</sup>	0.80 to 1.00 <sup>(1)</sup>	NA
MgO/SiO <sub>2</sub>	0.30 to 0.43 <sup>(2)</sup>	0.20 to 0.33 <sup>(2)</sup>	NA
Titanium %	0.15 Max <sup>(2)</sup>	0.15 Max <sup>(2)</sup>	0.15 Max <sup>(2)</sup>
Alkalis % (Na <sub>2</sub> O + K <sub>2</sub> O)	0.11 Max <sup>(2)</sup>	0.11 Max <sup>(2)</sup>	0.11 Max <sup>(2)</sup>

**Notes:**

- (1) Key OCFP Specs
- (2) Secondary OCFP Specifications]

**PELLET SALE AND PURCHASE AGREEMENT**  
**PRELIMINARY TOTAL EMPIRE EQUITY, EXCESS ANNUAL REQUIREMENTS AND DELIVERY SCHEDULE**  
**YEARS 2003—2014**

(1) On or before October 31 of each of the Contract Years prior to the Contract Year in determination, Inland shall notify Cliffs in writing of Inland's initial preliminary total Empire Equity Tonnage and Excess Annual Requirements Tonnage by grade

Inland's initial 2003 preliminary total Empire Equity Tonnage and Excess Annual Requirements Tonnage by grade

Grade	Tons ('000's GT)
Standard	[ ]
Viceroy	[ ]
Royal	[ ]
Wabush 2% Mn Flux	[ ]
<b>Total</b>	[ ]

(2) On or before October 31 of each of the Contract Years prior to the Contract Year in determination, Inland shall provide to Cliffs Inland's planned shipment and delivery schedule related to Inland's preliminary total Empire Equity Tonnage and Excess Annual Requirements Tonnage by grade, and such shipment schedule shall be updated and provided to Cliffs monthly during the Contract Year

Grade	Ispat Inland Inv 12/31/02	SHIPMENTS												Feb-Jan Ships -Beg. Inv.	Revised Nomination Total	1/31/2004 Inv.		
		Jan, 2003	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec				Jan, 04	
Standard	[ ]	[ ]	[ ]	[ ]	[ ]	[ ]	[ ]	[ ]	[ ]	[ ]	[ ]	[ ]	[ ]	[ ]	[ ]	[ ]	[ ]	[ ]
Viceroy	[ ]	[ ]	[ ]	[ ]	[ ]	[ ]	[ ]	[ ]	[ ]	[ ]	[ ]	[ ]	[ ]	[ ]	[ ]	[ ]	[ ]	[ ]
Royal	[ ]	[ ]	[ ]	[ ]	[ ]	[ ]	[ ]	[ ]	[ ]	[ ]	[ ]	[ ]	[ ]	[ ]	[ ]	[ ]	[ ]	[ ]
Wabush 2% Mn Flux	[ ]	[ ]	[ ]	[ ]	[ ]	[ ]	[ ]	[ ]	[ ]	[ ]	[ ]	[ ]	[ ]	[ ]	[ ]	[ ]	[ ]	[ ]
<b>Total</b>	[ ]	[ ]	[ ]	[ ]	[ ]	[ ]	[ ]	[ ]	[ ]	[ ]	[ ]	[ ]	[ ]	[ ]	[ ]	[ ]	[ ]	[ ]

*NOTE: SHIPMENTS ARE SHOWN IN THE MONTH UNLOADING IS COMPLETED*

**AMENDED AND RESTATED PELLET SALE AND PURCHASE AGREEMENT**

**THIS AGREEMENT**, entered into, dated and effective as of May 17, 2004 ("Agreement"), by and among **THE CLEVELAND-CLIFFS IRON COMPANY**, an Ohio corporation ("Iron"), **CLIFFS MINING COMPANY**, a Delaware corporation ("Mining"), **NORTHSHORE MINING COMPANY**, a Delaware corporation ("Northshore"), **CLIFFS SALES COMPANY**, an Ohio corporation ("Sales"; Iron, Mining, Northshore and Sales being collectively referred to herein as "Cliffs"), **INTERNATIONAL STEEL GROUP INC.**, a Delaware corporation ("ISG"), and **ISG WEIRTON INC.**, a Delaware corporation ("ISG Weirton"; ISG, and ISG Weirton being collectively referred to herein as "Steel").

**RECITALS**

**WHEREAS**, Cliffs and Weirton Steel Corporation ("Weirton") are parties to that certain Pellet Sale and Purchase Agreement dated September 30, 1991 (the "Original Contract"), pursuant to which Cliffs provided Weirton with iron ore pellets in connection with Weirton's steel manufacturing and processing activities;

**WHEREAS**, on May 19, 2003, Weirton filed for protection under Chapter 11 of the United States Bankruptcy Code in the bankruptcy case styled *In re: Weirton Steel Corporation, et al.*, case number 5:03-BK-1802 (the "Bankruptcy Case") in the United States Bankruptcy Court for the Northern District of West Virginia;

**WHEREAS**, at the time of the filing of the Bankruptcy Case, Cliffs and Cleveland-Cliffs Inc asserted a claim for Weirton's alleged default under the Original Contract in the amount of \$1,010,996.82 (the "Cure Amount");

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**WHEREAS**, in connection with the Bankruptcy Case, Steel has acquired substantially all of Weirton's assets, including an assignment by Weirton of the Original Contract pursuant to Section 365 of the United States Bankruptcy Code to Steel, which Steel has expressly agreed to assume;

**WHEREAS**, in order to secure the consent of Cliffs to the assignment by Weirton and the assumption by ISG of the Original Contract, Cliffs and Steel have entered into a certain letter agreement dated April 21, 2004, setting forth the terms and conditions by which the Cure Amount would be waived by Cliffs and the Original Contract would be amended; and

**WHEREAS**, Cliffs desires to continue to sell to Steel and Steel desires to continue to purchase from Cliffs certain quantities of grades of iron ore flux pellets and iron ore standard pellets as follows: (i) such grades of iron ore flux pellets being those produced at the Tilden Mining Company, L.C. iron ore pellet plant ("Tilden Pellets"), located in Tilden, Michigan; (ii) such grades of iron ore standard pellets being those produced at the Northshore Mining Company iron ore pellet plant ("Northshore Pellets"), located in Silver Bay, Minnesota; (iii) such grades of iron ore standard pellets being those produced at the Hibbing Taconite Company Joint Venture iron ore pellet plant ("Hibbing Pellets"), located in Hibbing, Minnesota; (iv) such grades of iron ore partially fluxed pellets produced at the United Taconite LLC iron ore pellet plant ("Utac Pellets"), located in Eveleth, Minnesota; or (v) such other pellet grades as may be mutually agreed to by the parties hereto (such Tilden Pellets, Northshore Pellets, Hibbing Pellets, Utac Pellets and other mutually agreed upon pellets collectively being referred to herein as "Cliffs Pellets"), all upon the terms and subject to the conditions contained herein.

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NOW, THEREFORE, in consideration of the mutual covenants hereinafter set forth, Cliffs and Steel agree as follows:

**Section 1.—Definitions.**

The terms quoted in the above parentheses of the first introductory paragraph of this Agreement and the WHEREAS clause, other terms quoted throughout this Agreement, and the terms defined below in this Section 1 shall have the meanings assigned to them for purposes of this Agreement. Attached as Appendix I to this Agreement is a locator list of all defined terms used throughout the Agreement.

(a). The words, "Steel's Annual Pellet Tonnage Requirements", as used herein, shall mean for the years 2004 and 2005, the greater of [ \* \* \* ] of Steel's total annual iron ore pellet requirements, or [ \* \* \* ] tons and, for the years 2006 through and including 2018, a tonnage amount equal to Steel's total annual iron ore pellet tonnage requirements, with a minimum annual purchase obligation of [ \* \* \* ] tons per year, required for consumption in Steel's iron and steel making facilities in any year at ISG Weirton, located in Weirton, West Virginia ("Weirton Works"). The word "pellets", as used herein, shall mean iron-bearing products obtained by the pelletizing of iron ore or iron ore concentrates, suitable for making iron in blast furnaces.

(b). The word "ton", as used herein, shall mean a gross ton of 2,240 pounds avoirdupois natural weight.

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(c). The words "net ton", as used herein, shall mean a ton of 2,000 pounds avoirdupois natural weight.

(d). The word "year", as used herein, shall mean a calendar year commencing on January 1 and ending December 31.

**Section 2. —Sale and Purchase/Tonnage.**

During each of the years 2004 through 2018, and each year thereafter as long as this Agreement remains in effect, Cliffs shall sell and deliver to Steel and Steel shall purchase and receive from Cliffs and pay for a tonnage of Cliffs Pellets which tonnage shall be equal to Steel's Annual Pellet Tonnage Requirements for each such year.

**Section 3. —Pellet Grades: Quality**

(a). For the years 2004 and 2005, the Cliffs Pellets shall consist of [ \* \* \* ] Tilden Pellets. For the years 2006 and beyond, the Cliffs Pellets delivered hereunder shall be allocated [ \* \* \* ] Tilden Pellets and [ \* \* \* ] consisting of any combination, determined by Cliffs in its sole discretion, of Northshore Pellets, Hibbing Pellets or Utac Pellets.

(b). Cliffs Pellets when loaded for shipment will be consistent with the typical specifications and analysis limits set forth in Exhibit 1 to this Agreement.

(c). In the event the monthly average vessel analysis exceeds one standard deviation as set forth in Exhibit 1 to this Agreement, Cliffs will take such commercially reasonable actions as shall be necessary to achieve specification conformity. If specification conformity cannot be achieved, Steel and Cliffs shall negotiate in good faith to determine what actions or remedies, if any, are appropriate.

(d). If any two vessel shipments made during any calendar month have analysis that exceeds the analysis limits in the specifications set forth in Exhibit 1, Steel may refuse any subsequent vessel shipments during that calendar month, and Steel shall not be required to accept any subsequent shipments until Cliffs has taken action to remedy the non-conformity so that future shipments will be within the analysis limits. If more than two vessel shipments made during any calendar month have analysis that exceeds such limits, Cliffs and Steel shall negotiate an appropriate cost adjustment (if any) for the cargoes in excess of the first cargo that exceeded the analysis limits, based upon the additional costs (if any) to Steel associated with the quality specifications in the additional vessel shipments made during that calendar month that exceeded such analysis limits.

**Section 4.—Notification and Nomination.**

(a). With respect to the tonnage of Cliffs Pellets to be purchased by Steel for the year 2004, as provided in Section 2, on or before June 30, 2004 of the current year, Steel shall notify Cliffs in writing of Steel's preliminary tonnage of Steel's Annual Pellet Tonnage Requirements which Steel shall purchase from Cliffs. Such notification shall be in the form set forth in Exhibits 2A and 2B to this Agreement and shall include the following: (i) Steel's Annual Operating Plan for the Weirton Works for the balance of the current year detailed by [\*\*\*], as such Annual Operating Plan relates to Steel's planned monthly consumption of all pellets for such year at the Weirton Works; (ii) the tonnage of Cliffs Pellets which

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Steel expects to purchase in the current year from Cliffs for the Weirton Works; and (iii) Steel's planned monthly pellet consumption of all pellets for the first four months of the year 2005 at the Weirton Works.

(b). With respect to the tonnage of Cliffs Pellets to be purchased by Steel for the Weirton Works for each of the years 2005 through 2018, as provided in Section 2, on or before November 1 of each of the years prior to the years above, Steel shall notify Cliffs in writing of Steel's preliminary tonnage of Steel's Annual Pellet Tonnage Requirements which Steel shall purchase from Cliffs. Such notification shall be in the form set forth in Exhibits 2A and 2B to this Agreement and shall include the following: (i) Steel's Annual Operating Plan for the Weirton Works for the following year detailed by months, as such Annual Operating Plan relates to Steel's planned monthly consumption of all pellets for such year; (ii) the tonnage of Cliffs Pellets which Steel expects to purchase in the following year from Cliffs for the Weirton Works; (iii) Steel's expected total pellet inventory as of December 31 for the then current year; (iv) Steel's planned total pellet inventory on December 31 for the following year; and (v) Steel's planned monthly pellet consumption for the first four months of the year which succeeds the following year.

(c). With respect to the tonnage of Tilden Pellets, Northshore Pellets, Hibbing Pellets and Utac Pellets which Cliffs will have available for sale to Steel in 2006, on or before December 31, 2005, and in each succeeding year thereafter as provided for in Section 4(b) above, Cliffs shall notify Steel in writing as to the tonnage of Tilden Pellets, Northshore Pellets, Hibbing Pellets and Utac Pellets Cliffs shall sell to Steel, which tonnage shall equal Steel's Annual Pellet Tonnage Requirements for such year.

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(d). [\*\*\*].

(e). [\*\*\*].

(f). [\*\*\*].

**Section 5. — Price, Adjustments [\*\*\*].**

(a). The final year 2004 price for the Cliffs Pellets, either currently at or to be delivered to Pinney Dock located in Ashtabula, Ohio or Cleveland Bulk Terminal located in Cleveland, Ohio or other Lake Erie dock that Steel and Cliffs mutually agree to designate (collectively, the "Lower Lake Docks") shall be as follows: Tilden Pellets shall have a final year 2004 price of [\*\*\*] per ton (which at the expected natural iron content of [\*\*\*] for Tilden Pellets equals [\*\*\*] per iron unit); Northshore Pellets shall have a final year 2004 price of [\*\*\*] per ton (which at the expected natural iron content of [\*\*\*] for Northshore Pellets equals [\*\*\*] per iron unit); Hibbing Pellets shall have a final year 2004 price of [\*\*\*] per ton (which at the expected natural iron content of [\*\*\*] for Hibbing Pellets equals [\*\*\*] per iron unit); and Utac Pellets shall have a final year 2004 price of [\*\*\*] per ton (which at the expected natural iron content of [\*\*\*] for Utac Pellets equals [\*\*\*] per iron unit).

(b). The prices for the specific grades of Cliffs Pellets sold and purchased in each of the years 2005 and thereafter for the Weirton Works shall be based on the 2004 base prices per iron unit as described in Section 5(a) above

("2004 Base Prices"), which 2004 Base Prices shall then be adjusted, up or down, in the year 2005 and each year thereafter by an amount as determined in accordance with Section 5(c) below.

(c). In order to determine the adjusted prices to be paid each year for the Cliffs Pellets, as provided for under Section 5(b) above, the 2004 Base Prices and each of the following respective year's then adjusted prices per iron unit shall be further adjusted, up or down, each year for the year in determination as follows:

- (1) Divide (x) the numerator, which is the amount by which the [\*\*\*] for the calendar year in determination changes (up or down) from the immediately preceding calendar year's [\*\*\*]; by (y) the denominator, which is the immediately preceding calendar year's [\*\*\*], and multiply the result obtained by [\*\*\*]; and
- (2) Divide (x) the numerator, which is the amount by which the [\*\*\*] for the calendar year in determination changes from the immediately preceding calendar year's [\*\*\*]; by (y) the denominator, which is the immediately preceding calendar year's [\*\*\*], and multiply the result obtain by [\*\*\*]; and
- (3) Sum the results obtained in paragraphs (1) and (2) above and multiply that total by [\*\*\*]; and
- (4) Multiply the results determined in (3) above by the preceding year's adjusted prices per iron unit for the Weirton Works which will then equal the current year's price adjustment per iron unit for the Weirton Works; and

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- (5) Add the result determined in (4) above to the preceding year's adjusted price per iron unit for the Weirton Works, which will then equal the current year's adjusted prices per iron unit for the Weirton Works; and
  - (6) Multiply the result determined in (5) above by the current year's expected natural iron content, which will then equal the current year's estimated price per ton for the Weirton Works.

Those adjusted prices per ton for the Weirton Works shall then become the contract's year estimated price for the Cliffs Pellets delivered to the Lower Lakes Docks for the year in determination.

(d). The price for all tons sold by Cliffs to Steel shall be based on actual natural iron content shipped.

(e). Attached as Exhibit 3 is an example of the adjustment formula applying the provisions of Sections 5(c) and 5(d).

- (f).
  - (i) [\*\*\*]:
  - (1) [\*\*\*].
  - (2) [\*\*\*].
  - (3) [\*\*\*].

(4) [\*\*\*].

(5) Attached as Exhibits 3 and 4 are examples of the calculations applying the provisions of Sections 5(f)(i).

(ii) In the event that in any year [\*\*\*] annual total [\*\*\*] are less than [\*\*\*] of Steel's total annual [\*\*\*], then Cliffs and Steel agree to review the annual total [\*\*\*] of ISG Cleveland, Inc. ("ISG Cleveland"). If the annual total [\*\*\*] of ISG Cleveland for that year are greater than or equal to [\*\*\*] of ISG Cleveland's total annual [\*\*\*], then the provisions of Section 5(f)(i) shall apply without further modification. If such [\*\*\*] threshold is still not satisfied, then Cliffs and Steel agree to substitute another [\*\*\*] which substituted [\*\*\*] comprises an amount in excess of [\*\*\*] of [\*\*\*] total annual [\*\*\*] in order to determine the [\*\*\*]. The [\*\*\*] and [\*\*\*] which are used for the [\*\*\*], as provided for in Section 5(f)(i) above, shall be adjusted as follows: (i) the actual average [\*\*\*] of [\*\*\*] substituted [\*\*\*] from the previous year, less (ii) the [\*\*\*] from the previous year, (iii) with the difference between (i) and (ii) above being added to both the [\*\*\*] and the [\*\*\*] to determine the revised [\*\*\*] for the substituted [\*\*\*] in order to determine the [\*\*\*].

**Section 6.—Payments and Adjustments.**

(a). Cliffs shall invoice Steel for each shipment of Cliffs Pellets delivered to the Lower Lake Docks and payment for shipments of Cliffs Pellets shall be made via wire transfer no later than [\*\*\*] following delivery of the Cliffs Pellets to the Lower Lake Docks.

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(b). Prices for Cliffs Pellets shall be adjusted on a calendar quarterly basis based upon estimated and actual changes in the published indices specified in Section 5(c) ("Quarterly Price Adjustment"). Cliffs shall calculate the Quarterly Price Adjustment and provide Steel with such Quarterly Price Adjustment by the 15<sup>th</sup> day after the end of each calendar quarter, or on such later date as may be mutually agreed between Cliffs and Steel. Cliffs shall issue an invoice or credit memo, as the case may be, to Steel concurrently with the Quarterly Price Adjustment, and payment from Cliffs to Steel or Steel to Cliffs, as the case may be, shall be made by the 15th day following issuance of the invoice or credit memo, as the case may be.

(c). Following each contract year, final adjustments and payments shall be determined as follows:

- (1) The final [\*\*\*] shall be determined by [\*\*\*] and verified in detail in writing to [\*\*\*] by an officer of [\*\*\*], such verification due no later than January 31 of the year following a contract year, and payment from Cliffs to Steel or Steel to Cliffs, as the case may be, shall be made by February 15 of that year; and
- (2) The adjustment to the contract year's price identified pursuant to Section 5(c) shall be made by [\*\*\*] by May 15 of the following year (using the most recent final estimate of the [\*\*\*])

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which shall be verified in writing by an officer of [\*\*\*]. Cliffs shall issue an invoice or credit memo, as the case may be, to Steel, and payment from Cliffs to Steel or Steel to Cliffs, as the case may be, shall be made by June 15 of that year.

(d). During the term of this Agreement, Cliffs shall have the right to conduct, at Cliff's expense, pellet stockpile surveys at the Weirton Works to verify (i) the tonnage of [\*\*\*] which Steel has consumed and (ii) the tonnage of [\*\*\*] currently [\*\*\*] in stockpile at the Weirton Works. In the event that the pellet stockpile survey results vary by more than [\*\*\*] (above or below) from [\*\*\*] (after taking into account actual iron units shipped versus actual iron units consumed), then Cliffs shall notify Steel and the parties shall make appropriate, mutually agreeable adjustments to Steel's preliminary nomination for the year issued pursuant to Section 4(b) of this Agreement.

(e). At their own expense, Cliffs and/or Steel shall have an annual right to have the information and calculations relating to the contract price, [\*\*\*], and adjustments verified by an independent third party auditor. In the event Steel shall fail to make payment when due of all amounts, Cliffs, in addition to all other remedies available to Cliffs in law or in equity, shall have the right, but not the obligation, to withhold further performance by Cliffs under this Agreement until all claims Cliffs may have against Steel under this Agreement are fully satisfied.

(f). All payments shall be made in U.S. dollars.

**Section 7.—Sampling and Analyses.**

All pellet sampling procedures and analytical tests conducted on Cliffs Pellets sold to Steel to demonstrate compliance with typical specifications and analysis limits shall be performed on each pellet vessel shipment. Sample and test methods shall be in accordance with Cliffs' existing practice and based on the appropriate ASTM or ISO standard methods published at the time of testing or the customary procedures and practices, or any other procedures and practices that may be mutually agreed to by Cliffs and Steel. Steel may, at any time and from time to time through one or more authorized representatives, and with prior notice to Cliffs, be present during production, loading, or to observe sampling and analysis of pellets being processed for shipment to Steel.

**Section 8.—Delivery, Storage and Transfer of Ownership; Grant of Security Interest.**

(a). Cliffs shall deliver to Steel the annual tonnage of Cliffs Pellets for the Weirton Works to the Lower Lakes Docks. To the extent title to pellets has been transferred to Steel in accordance with Section 8(b) of this Agreement, inventory in dock storage may be held in Steel's name, but solely to the extent of such payments.

(b). Title, and all risk of loss, damage or destruction of Cliffs Pellets shall transfer to Steel upon [ \* \* \* ] as provided for in Section 6(a).

(c). (i) Steel acknowledges and agrees that it is the intent of the parties that title to the Cliffs Pellets shall pass to Steel solely upon receipt of payment by Cliffs in accordance with the terms of this

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agreement. However, to secure the payment and performance of all obligations of Steel due to Cliffs pursuant to this Agreement, Steel hereby grants, pledges and assigns to Cliffs a [\*\*\*] in all of Steel's right, title and interest in and to the Cliffs Pellets, to extent that Steel takes possession of any Cliffs Pellets in any fashion prior to making payment as required under Section 6(a) of this Agreement, as well as the proceeds of any of the Cliffs Pellets, including the proceeds of any insurance related thereto (collectively, the "Collateral").

(ii) The [\*\*\*] granted to Cliffs hereunder that attaches to a specific shipment of inventory shall automatically terminate upon the date of Cliffs' receipt from Steel of payment in full for said shipment [\*\*\*]. Prior to the applicable [\*\*\*], the Collateral will at all times be free and clear of any lien, security interest, mortgage, charge or encumbrance created by or through Steel, or any of its affiliates, that is senior to the security interest granted to Cliffs hereunder.

(iii) Steel hereby authorizes Cliffs to file UCC financing statements, and any amendments, modifications or continuation statements thereto, as Cliffs, in its sole discretion, deems necessary or advisable to perfect its security interest in the Cliffs Pellets granted hereunder, that describes the Collateral and to include any information required for the sufficiency or filing office acceptance of any such financing statements, amendments, modifications or continuation statements. Steel covenants and agrees to (i) provide

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promptly any information requested by Cliffs for inclusion on such financing statements, amendments, modifications or continuation statements and to provide prompt notice of any change in such information and (ii) to take such further actions and duly execute and deliver such further documentation as Cliffs may request in order to protect fully its security interest in the Cliffs Pellets granted hereunder.

(iv) Prior to the applicable [\*\*\*], Steel will keep and preserve the Collateral in a commercially reasonable manner and will not use, sell or offer to sell, pledge or encumber, process, destroy or consume the Collateral. Steel further covenants and agrees that the Collateral shall be maintained solely at (i) the Lower Lakes Docks or (ii) the locations identified in Section 14 of this Agreement and Steel will not transfer or permit Collateral to be located at any other location without providing Cliffs with at least thirty (30) days prior written notice of any new location for the Collateral.

(v) The parties hereto acknowledge and agree that in the event of a default hereunder by Steel, Cliffs will have all the rights and remedies afforded a secured party under the Uniform Commercial Code as adopted in the State of Ohio with respect to the Collateral.

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**Section 9.—Shipments.**

Shipments of Cliffs Pellets shall be in approximately equal amounts over the nine month period of April through December each year during the term of this Agreement to ensure an adequate amount of inventory to allow a working pellet pile at the Lower Lakes Docks.

**Section 10.—Weights.**

(a). Except as set forth in Section 10(b) below, vessel bill of lading weight determined by certified railroad scale weights, certified belt scale weights, or certified bin scale weights in accordance with the procedures in effect from time to time at each of the loading ports shall be accepted by the parties as finally determining the amount of Cliffs Pellets delivered to Steel pursuant to this Agreement.

(b). Steel shall have the right to have a draft survey performed on vessels by an independent third party contractor at the loading port (where the pellets are first loaded into a vessel for shipment) at Steel's expense and Steel shall afford Cliffs an opportunity to have a representative present by providing Cliffs a minimum of two days' notice prior to having any draft survey performed. If the vessel bill of lading weight is more than [\*\*\*] higher or more than [\*\*\*] lower than the draft survey weight, then the draft survey weight shall be the weight used in calculating the value of the cargo. In the event that the variance is greater than [\*\*\*], Cliffs and Steel will investigate and remedy the cause of the variance.

**Section 11.—Employment of Vessels.**

Cliffs assumes the obligation for arranging and providing appropriate vessels for the transportation of the Cliffs Pellets delivered by Cliffs to Steel hereunder.

**Section 12.—Warranties.**

**THERE ARE NO WARRANTIES, EXPRESS OR IMPLIED, WHICH EXTEND BEYOND THE PROVISIONS OF THIS AGREEMENT, INCLUDING ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR INTENDED PURPOSE.** All notices for substantial variance in specifications of the Cliffs Pellets from the specifications and analysis limits described in Exhibit 1 shall be given in writing delivered to Cliffs within [\* \* \*] calendar days after completion of discharge of the Cliffs Pellets at the lower lakes docks, or any claim arising from any substantial variance shall be deemed waived by Steel. Each party shall afford the other party prompt and reasonable opportunity to inspect the Cliffs Pellets as to which any notice is given as above stated. No claim will be entertained after the Cliffs Pellets have been consumed. The Cliffs Pellets shall not be returned to Cliffs without prior written consent of Cliffs. In no event shall Cliffs be liable for Steel's cost of processing, lost profits, injury to good will or any other special or consequential damages.

**Section 13.—Force Majeure.**

No party hereto shall be liable for damages resulting from failure to produce, deliver or accept all or any of the Cliffs Pellets as described herein, if and to the extent that such production, delivery or acceptance would be contrary to or

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would constitute a violation of any regulation, order or requirement of a recognized governmental body or agency, or if such failure is caused by or results directly or indirectly from acts of God, war, insurrections, interference by foreign powers, strikes, labor disputes, fires, floods, embargoes, accidents, acts of terrorism, or uncontrollable delays at the mines or either steel plant, on the railroads, docks or in transit, shortage of transportation facilities, disasters of navigation, or other causes, similar or dissimilar, that are beyond the control of the party charged with a failure to deliver or to accept the Cliffs Pellets. A party claiming a force majeure shall give the other party prompt notice of the force majeure, including the particulars thereof and, insofar as known, the probable extent and duration of the force majeure. To the extent a force majeure is claimed hereunder by a party hereto, such shall relieve the other party from fulfilling its corresponding agreement hereunder to the party claiming such force majeure, but only for the period affected by and to the extent of the claimed force majeure, unless otherwise mutually agreed to by the parties. The party that is subject to a force majeure shall use commercially reasonable efforts to cure or remove the force majeure event as promptly as possible to resume performance of its obligations under this Agreement.

**Section 14. —Notices.**

All notices, consents, reports and other documents authorized and required to be given pursuant to this Agreement shall be given in writing and either personally served on an officer of the parties hereto to whom it is given or mailed, postage prepaid, or sent by telegram or facsimile addressed as follows:

ISG WEIRTON AMD PELLET SALE

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If to Cliffs:

1100 Superior Avenue – 15th Floor  
Cleveland, Ohio 44114-2589  
Attention: Secretary  
cc: General Manager – Sales & Traffic  
Facsimile: (216) 694-5385

If to Steel:

3250 Interstate Drive  
Richfield, Ohio 44286  
Attention: Vice President, Finance  
and Administration  
Facsimile: (330) 659-9132

With a copy to ISG Weirton:

400 Three Springs Drive  
Weirton, West Virginia 26062  
Attention: Controller  
Facsimile: (304) 797-3419

provided, however, that any party may change the address to which notices or other communications to it shall be sent by giving to the other party written notice of such change, in which case notices and other communications to the party giving the notice of the change of address shall not be deemed to have been sufficiently given or delivered unless addressed to it at the new address as stated in said notice.

**Section 15.—Term.**

(a). The term of this Agreement shall commence as of the date hereof and continue through December 31, 2018. Unless either party has given written notice of termination to the other party by December 31, 2017 (twelve months prior to termination), this Agreement shall continue on an annual basis after December 31, 2018 (original termination year) subject to subsequent termination by either party upon not less than twelve months' prior written notification to the other party, in which case the Agreement shall terminate at the end of the next succeeding year.

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(b). This Agreement shall remain valid and fully enforceable for the fulfillment of obligations incurred prior to termination.

**Section 16.—Amendment.**

This Agreement may not be modified or amended except by an instrument in writing signed by the parties hereto.

**Section 17.—Merger, Transfer and Assignment.**

(a). Steel shall not merge, consolidate or reorganize with any person, partnership, corporation or other entity unless the surviving or resulting person, partnership, corporation or other entity assumes in writing all of Steel's obligations under this Agreement. Any obligations required to be assumed by a surviving or resulting person, partnership, corporation or entity in accordance with this Section 17(a) shall be limited to the Steel obligations under this Agreement, and this Section 17(a) is not intended (i) to impose and shall not be deemed to impose upon any such surviving or resulting person, partnership, corporation or entity, including Steel, any obligation with respect to any pellet requirements it may have for any facility or facilities it owns or operates other than the Weirton Works, nor (ii) to allow the surviving or resulting person, partnership, corporation or other entity to substitute any other pellet tonnage available from any other pellet purchase or pellet equity commitment of such surviving or resulting person, partnership, corporation or other entity in order to satisfy the assumed obligations under this Agreement for the Weirton Works.

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(b). Steel shall not sell or transfer all or any of the blast furnace operations at the Weirton Works to any other person, partnership, corporation, joint venture or other entity ("Transferee") unless the Transferee assumes in writing all of Steel's obligations under this Agreement, as such obligations relate to the Weirton Works being sold or transferred. Any obligations required to be assumed by a Transferee in accordance with this Section 17(b) shall be limited to the Steel obligations under this Agreement relating to the particular facility or facilities sold or transferred. This Section 17(b) is not intended (i) to impose and shall not be deemed to impose upon any such Transferee any obligation with respect to any pellet requirements such Transferee may have for any facility or facilities such Transferee owns or operates other than the Weirton Works, nor (ii) to allow such Transferee to substitute any other pellet tonnage available from any other pellet purchase or pellet equity commitment of such Transferee in order to satisfy the assumed obligations under this Agreement.

(c). Steel shall not assign its rights or delegate its obligations under this Agreement except as provided in Section 17(a) or 17(b).

(d). Cliffs shall not merge, consolidate or reorganize with any person, partnership, corporation or other entity unless the surviving or resulting person, partnership, corporation or other entity assumes in writing all of Cliffs' obligations under this Agreement. Cliffs shall not sell or transfer all or substantially all of its iron ore business to any other person, partnership, corporation, joint venture or other entity ("Cliffs Transferee") unless the Cliffs Transferee assumes in writing all of Cliffs' obligations under this Agreement.

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(e). Cliffs shall not assign its rights or delegate its obligations under this Agreement except as provided in Section 17(d).

(f). All the covenants, stipulations and agreements herein contained shall inure to the benefit of and bind the parties hereto and their respective successors, transferees and permitted assigns, and any of the latter's subsequent successors, transferees and permitted assigns.

**Section 18.—Waiver.**

No waiver of any of the terms of this Agreement shall be valid unless in writing. No waiver or any breach of any provision hereof or default under any provisions hereof shall be deemed a waiver of any subsequent breach or default of any kind whatsoever.

**Section 19.—Confidentiality.**

(a). Cliffs and Steel acknowledge that this Agreement contains certain pricing, adjustment and term provisions which are confidential, proprietary or of a sensitive commercial nature and which would put Cliffs or Steel at a competitive disadvantage if disclosed to the public, including without limitation, Section 3, Section 5, Section 6 and all of the Schedules, Appendices and Exhibits hereto ("Confidential Information"). Cliffs and Steel agree that all provisions of this Agreement shall be kept confidential and, without the prior written consent of the other party, shall not be disclosed to any party not a party to this Agreement except as required by law or governmental or judicial order and except that disclosure of the existence of this Agreement shall not be precluded by this Section 19.

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(b). If either party is required by law or governmental or judicial order or receives legal process or court or agency directive requesting or requiring disclosure of any of the Confidential Information contained in this Agreement, such party will promptly notify the other party prior to disclosure to permit such party to seek a protective order or take other appropriate action to preserve the confidentiality of such Confidential Information. If either party determines to file this Agreement with the Securities and Exchange Commission ("Commission") or any other federal, state or local governmental or regulatory authority, or with any stock exchange or similar body, such determining party will use its best efforts to obtain confidential treatment of such Confidential Information pursuant to any applicable rule, regulation or procedure of the Commission and any applicable rule, regulation or procedure relating to confidential filings made with any such other authority or exchange. If the Commission (or any such other authority or exchange) denies such party's request for confidential treatment of such Confidential Information, such party will use its best efforts to obtain confidential treatment of the portions thereof that the other party designates. Each party will allow the other party to participate in seeking to obtain such confidential treatment for Confidential Information.

**Section 20.—Governing Law.**

This Agreement shall in all respects, including matters of construction, validity and performance, be governed by and be construed in accordance with the laws of the State of Ohio.

**Section 21.—Representations and Warranties.**

(a). Steel represents and warrants to Cliffs that (i) the execution and delivery of this Agreement by Steel and the performance of its obligations hereunder have been duly authorized by all requisite corporate action, (ii) neither the execution and delivery of this Agreement, nor the performance of its obligations hereunder by Steel shall, or after the lapse of time or giving of notice shall, conflict with, violate or result in a breach of, or constitute a default under the certificate of incorporation or bylaws of Steel or any law, statute, rule or regulation applicable to it, or conflict with, violate or result in a breach of or constitute a default under the material agreement to which it is a party or by which it or any of its properties is bound, or any judgment, order, award or decree to which Steel is a party or by which it is bound, or require any approval, consent, authorization or other action by any court, governmental authority or regulatory body or any creditor of Steel or any other person or entity, and (iii) this Agreement constitutes a valid and binding obligation of Steel and is enforceable against Steel in accordance with its terms.

(b). Cliffs represents and warrants to Steel that: (i) the execution and delivery of this Agreement by Cliffs and the performance of its obligations hereunder have been duly authorized by all requisite corporate actions, (ii) neither the execution and delivery of this Agreement nor the performance of its obligations hereunder by Cliffs shall, or after the lapse of time or giving of notice shall, conflict with, violate or result in a breach of, or constitute a default under the certificate of incorporation or bylaws of Cliffs or any law, statute, rule or regulation applicable to

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it, or conflict with, violate or result in the breach of or constitute a default under any material agreement to which it is a party or by which it or any of its properties is bound, or any judgment, order, award or decree to which Cliffs is a party or by which it is bound, or require any approval, consent, authorization or other action by any court, governmental authority or regulatory body or any creditor of Cliffs or any other person or entity, and (iii) this Agreement constitutes a valid and binding obligation of Cliffs and is enforceable against Cliffs in accordance with its terms.

**Section 22.—Counterparts.**

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

**Section 23.—Arbitration.**

(a). Upon notice by either party to the other, all disputes, claims, questions or disagreements arising out or relating to this Agreement or breach, termination, enforcement, interpretation or validity thereof, including the determination of the scope or applicability of this Agreement to arbitrate, shall be determined by arbitration administered by the American Arbitration Association in accordance with the provisions of its Commercial Arbitration Rules, modified as follows:

(i) The place of arbitration shall be Cleveland, Ohio;

(ii) Unless the parties consent in writing to a lesser number, the arbitration proceedings shall be conducted before a panel of three neutral arbitrators, one to be appointed by Cliffs, one to be appointed

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by Steel, and third to be selected by the two arbitrators. None of the arbitrators shall be an employee, officer, director or consultant of, or of a direct competitor of, Steel or Cliffs;

(iii) Either party may apply to the arbitrators seeking injunctive relief until the arbitration award is rendered or the controversy is otherwise resolved. Either party also may, without waiving any remedy under this Agreement, seek from any court having jurisdiction any interim or provisional relief that is necessary to protect the rights or property of that party, pending the establishment of the arbitral tribunal (or pending the arbitral tribunal's determination of the merits of the controversy);

(iv) Consistent with the expedited nature of arbitration, each party will, upon the written request of the other party, promptly provide the other with copies of documents on which the producing party may rely or otherwise which may be relevant in support of or in opposition to any claim or defense; any dispute regarding discovery, or the relevance or scope thereof, shall be determined by the arbitrators, which determination shall be conclusive; and all discovery shall be completed within 45 days following the appointment of the arbitrators;

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(v) In connection any arbitration arising out of this Agreement, the arbitrators shall have no authority to alter, amend, or modify any of the terms and conditions of this Agreement, and further, the arbitrators may not enter any award that alters, amends or modifies terms or conditions of this Agreement in any form or manner;

(vi) The award or decision shall be made within nine months of the filing of the notice of intention to arbitrate, and the arbitrators shall agree to comply with this schedule before accepting appointment; *provided, however*, that this time limit may be extended by written agreement signed by both parties or by the arbitrators, if necessary; and

(vii) In connection with any arbitration related to this Agreement, each party shall be responsible for its own costs and expenses, and the parties will equally split the cost of conducting the arbitration itself.

(b). The judgment of the arbitrators shall be final and binding on the parties, and judgment upon the award rendered by the arbitrators may be entered and enforced by any court of the United States or any state thereof.

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

**THE CLEVELAND-CLIFFS IRON COMPANY**

**INTERNATIONAL STEEL GROUP INC**

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Vice President

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Vice President

ISG WEIRTON AMD PELLET SALE

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**CLIFFS MINING COMPANY**

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Vice President

**NORTHSHORE MINING COMPANY**

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Vice President

**CLIFFS SALES COMPANY**

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Vice President

ISG WEIRTON AMD PELLET SALE

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**ISG WEIRTON INC.**

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Vice President

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APPENDIX 1

GLOSSARY

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CONFIDENTIAL MATERIAL HAS BEEN  
OMITTED AND FILED SEPARATELY WITH THE  
SECURITIES AND EXCHANGE COMMISSION.  
ASTERISKS DENOTE SUCH OMISSIONS.

**AMENDED AND RESTATED PELLET SALE AND PURCHASE AGREEMENT**

THIS AMENDED AND RESTATED PELLET SALE AND PURCHASE AGREEMENT (the "Agreement"), entered into, dated and effective as of January 1, 2006 (the "Effective Date"), by and among CLIFFS SALES COMPANY, an Ohio corporation ("Cliffs Sales"), THE CLEVELAND-CLIFFS IRON COMPANY, an Ohio corporation ("Iron"), CLIFFS MINING COMPANY, a Delaware corporation ("Mining") ("Cliffs Sales", "Iron" and "Mining" being collectively referred to herein as "Cliffs") and SEVERSTAL NORTH AMERICA, INC., a Delaware corporation ("Severstal").

**RECITALS**

WHEREAS, Cliffs and Rouge Steel Company ("Rouge") are parties to that certain Pellet Sale, Purchase and Trade Agreement dated January 1, 1991, as amended (the "Original Contract"), pursuant to which Cliffs provided Rouge with iron ore pellets in connection with Rouge's steel manufacturing and processing activities; and

WHEREAS, on October 23, 2003, Rouge filed for protection under Chapter 11 of the United States Bankruptcy Code in the bankruptcy case styled *In re: Rouge Industries, Inc., et al.*, case number 03-13272 (the "Bankruptcy Case") in the United States Bankruptcy Court for the District of Delaware; and

WHEREAS, on or about January 30, 2004, in connection with the Bankruptcy Case, OAO Severstal acquired substantially all of Rouge's assets, including an assignment by Rouge of the Original Contract pursuant to Section 365 of the United States Bankruptcy Code to Severstal, a subsidiary of OAO Severstal, which Severstal has expressly agreed to assume; and

WHEREAS, during the years 2004 and 2005 respectively, Cliffs sold to Severstal and Severstal purchased from Cliffs 3,276,317 tons and approximately 3,450,000 tons of standard grades of iron ore pellets upon the terms and conditions set forth in the Original Contract, as amended, including the amendments contained in the January 29, 2004 Letter Agreement by and between Rouge, Iron, Mining and Severstal (the "2004 Letter Agreement"); and

WHEREAS, Cliffs desires to continue to sell to Severstal and Severstal desires to continue to purchase from Cliffs certain quantities of standard grades of iron ore pellets upon the terms and subject to the conditions set forth herein.

NOW, THEREFORE, in consideration of the mutual covenants hereinafter set forth, Cliffs and Severstal agree as follows:

**Section 1. — Definitions.**

The terms quoted in the above parentheses of the first introductory paragraph of this Agreement and the WHEREAS clauses, other terms quoted throughout this Agreement, and the terms defined below in this Section 1 shall have the meanings assigned to them for purposes of this Agreement. Attached as Appendix I to this Agreement is a locator list of all defined terms used throughout the Agreement.

(a). The word “ton”, as used herein, shall mean a gross ton of 2,240 pounds avoirdupois natural weight.

(b). The word “pellets”, as used herein, shall mean a product obtained by pelletizing iron ore or iron ore concentrates, suitable for iron making in blast furnaces.

(c). The words “[\*\*\*\*\*] Pellets”, as used herein, shall mean pellets to which have been added sufficient quantities of [\*\*\*\*\*] and [\*\*\*\*\*] so as to increase the percentage of [\*\*\*\*\*] content of the pellet to a minimum of [\*\*\*\*\*] and the percentage of [\*\*\*\*\*] content of the pellet to a minimum of [\*\*\*\*\*] (unless such specifications are changed pursuant to Section 4), such pellets being those currently produced at the [\*\*\*\*\*], located in [\*\*\*\*\*].

(d). The words “[\*\*\*\*\*] Pellets”, as used herein, shall mean pellets with approximately [\*\*\*\*\*] content produced at the [\*\*\*\*\*] iron ore plant located at [\*\*\*\*\*].

(e). The words "iron unit", as used herein, shall mean one percent (1%) iron contained in a ton.

(f). The word "year", as used herein, shall mean a calendar year.

**Section 2. — Sale and Purchase.**

(a). Cliffs shall sell and by these presents does sell and shall deliver to Severstal, the tonnages and grades of [\*\*\*\*\*] Pellets and [\*\*\*\*\*] Pellets or other mutually agreed pellets (the [\*\*\*\*\*] Pellets, [\*\*\*\*\*] Pellets and any other mutually agreed pellets collectively referred to herein as "Cliffs' Pellets") on the terms and conditions as hereinafter provided. Severstal shall purchase and by these presents does purchase and shall receive and pay for such tonnages and grades of Cliffs' Pellets on the terms and conditions as hereinafter provided.

**Section 3. — Tonnage/Iron Units.**

(a). During the term of this Agreement, Cliffs shall sell to Severstal and Severstal shall purchase from Cliffs all of Severstal's annual iron ore pellet tonnage requirements, such requirements being equal to Severstal's total annual iron ore pellet tonnage requirements, based on Severstal's operating configuration as of the Effective Date of this Agreement, for consumption in Severstal's iron and steelmaking facilities in any year ("Severstal's Annual Pellet Tonnage Requirements").

(b). The iron ore pellets to be purchased by Severstal during the term of this Agreement shall consist of [\*\*\*\*\*] Pellets, [\*\*\*\*\*] Pellets, or other mutually agreed pellets, provided that Cliffs has available for sale [\*\*\*\*\*] Pellets. In the event Cliffs has [\*\*\*\*\*] Pellets available, Severstal may purchase up to [\*\*\*\*\*] of Severstal's Annual Pellet Tonnage Requirements in [\*\*\*\*\*] Pellets. In the event Cliffs does not have sufficient [\*\*\*\*\*] Pellets available, Severstal and Cliffs shall mutually agree on another acceptable Cliffs' iron ore pellet, which substituted pellet shall be priced at a per iron unit that would yield a comparable delivered cost to Severstal had Severstal been able to purchase the [\*\*\*\*\*] Pellets.

(c). During the years [\*\*\*\*\*], (i) Severstal shall purchase from Cliffs all of Severstal's Annual Pellet Tonnage Requirements at prices to be established in accordance with the Agreement, and (ii) such purchases shall be in amounts equal to a minimum aggregate tonnage of [\*\*\*\*\*] tons of Cliffs' Pellets and shall in each year of the years [\*\*\*\*\*] be in accordance with the following schedule:

<u>Year</u>	<u>Minimum Tonnage</u>
[*****]	[*****]
Non-allocated [*****]	[*****]
Total	[*****]

The non-allocated tonnage shall be purchased during the years [\*\*\*\*\*] and, for the purchases in year 2006, shall be in addition to the minimum tonnage purchased during such year.

(d). [\*\*\*\*\*]

(e). All tons sold by Cliffs to Severstal, as provided for in this Section 3, shall be based on actual natural iron content and determined as herein provided.

**Section 4. - Notification and Nomination.**

(a). With respect to the tonnage of Cliffs' Pellets to be purchased by Severstal for the year 2006 (and during any years after 2006 in the event the Agreement is extended pursuant to Section 16), on or before [\*\*\*\*\*] of the prior year thereto, Severstal shall notify Cliffs in writing of the preliminary total number of iron units which Severstal shall purchase from Cliffs.

(b). With respect to the preliminary tonnage nominations as provided for in Section 4(a) above, on or before [\*\*\*\*\*] of the then current year, Severstal may, by written notification to Cliffs, adjust its preliminary tonnage nominations by not more than [\*\*\*\*\*], up or down. If, by [\*\*\*\*\*] of the then current year, Severstal shall have adjusted its preliminary tonnage nominations, then such adjusted tonnage nominations shall be deemed their final tonnage nominations for such year, and Severstal shall be obligated to purchase such tonnage in accordance with such final tonnage nominations.

(c). If, however, Severstal has not adjusted its preliminary tonnage nomination as provided for above, then on or before [\*\*\*\*] of the then current year, Severstal may, by written notification to Cliffs, adjust its preliminary tonnage nominations by not more than [\*\*\*\*], up or down. Such adjusted tonnage nominations shall be deemed to be Severstal's final tonnage nominations for such year, and Severstal shall be obligated to purchase such tonnage with Cliffs in accordance with such final tonnage nominations.

(d). If no adjustment is made on or before [\*\*\*\*], then the preliminary tonnage nomination, as provided above, shall be deemed to be Severstal's final tonnage nominations for such year, and Severstal shall be obligated to purchase such tonnages with Cliffs in accordance with such preliminary tonnage nominations.

**Section 5. — Price and Adjustments.**

(a). Quarterly Adjustments. Effective as of the quarter ended [\*\*\*\*], prices for Cliffs' Pellets shall be adjusted on a calendar quarterly basis based upon estimated and actual changes in the published pricing factors and indices specified in Section (d)(i) below (a "Quarterly Price Adjustment"). Cliffs shall calculate the Quarterly Price Adjustment and provide Severstal with such Quarterly Price Adjustment by the 15th day after the end of each calendar quarter, or on such later date as may be mutually agreed between Cliffs and Severstal. The adjusted prices for [\*\*\*\*] Pellets and [\*\*\*\*] Pellets determined in such Quarterly Price Adjustment shall have prospective effect until the next Quarterly Price Adjustment and shall have retroactive effect for the prior calendar quarters for the applicable year. Any overpayment or underpayments for such prior calendar quarters shall be promptly paid, by Cliffs or Severstal as applicable, within thirty (30) days of the determination of any such Quarterly Price Adjustment.

(b). Year End Adjustments. A final adjustment shall be made to the prices for Cliffs' Pellets for each year on or about [\*\*\*\*\*] of the following year once final pricing factors and indices for the applicable year have been published in accordance with Section (d)(i) below (the "Year End Adjustment").

(c). [\*\*\*\*\*] Pellets. The price for [\*\*\*\*\*] tonnage of [\*\*\*\*\*] Pellets sold by Cliffs and purchased by Severstal shall have a [\*\*\*\*\*] price per iron unit of [\*\*\*\*\*], which is comprised of [\*\*\*\*\*] per iron unit paid in the [\*\*\*\*\*] plus [\*\*\*\*\*] per iron unit in excess of [\*\*\*\*\*] carried forward to [\*\*\*\*\*].

(d). Adjustment to [\*\*\*\*\*] Price. The price for the [\*\*\*\*\*] Pellets as provided for in (c) above, purchased in the year [\*\*\*\*\*] (and during any years after [\*\*\*\*\*] in the event the Agreement is extended pursuant to Section 16) shall be adjusted. In order to determine the adjusted price to be paid for the [\*\*\*\*\*] Pellets for each such year, the price per iron unit for the year [\*\*\*\*\*] and for each of the respective years thereafter, as then calculated, for [\*\*\*\*\*] Pellets shall be further adjusted, up or down, each year for the year in determination by an amount equal to the sum of the adjustment factors (i), (ii), (iii) and (iv) below:

(i). [\*\*\*\*\*] of the amount obtained by multiplying the as then adjusted price per iron unit for [\*\*\*\*\*] Pellets for the year in determination by a fraction (as converted to a decimal) determined by,

(y) dividing the numerator of which is the amount by which the [\*\*\*\*\*] for the calendar year in determination changes (up to down) from [\*\*\*\*\*] for the immediately preceding year; and

(z) by the denominator of which is [\*\*\*\*\*] for the immediately preceding year.

Plus;

- (ii) [\*\*\*\*\*] of the amount obtained by multiplying the as then adjusted price per iron unit for [\*\*\*\*\*] Pellets for the year in determination by the fraction (as converted to a decimal) determined by,
- (y) dividing the numerator, which is the amount by which [\*\*\*\*\*] for the calendar year in determination changes (up or down) from the immediately preceding calendar years [\*\*\*\*\*];
  - (z) by the denominator, which is the immediately preceding calendar year's [\*\*\*\*\*];

Plus;

- (iii) [\*\*\*\*\*] of the amount obtained by multiplying the [\*\*\*\*\*] by the fraction (as converted to decimal) determined by
- (y) dividing the numerator, which is the amount by which [\*\*\*\*\*] for the calendar year in determination changes (up or down) from the immediately preceding calendar years [\*\*\*\*\*];
  - (z) by the denominator, which is the immediately preceding calendar year's [\*\*\*\*\*];

Plus;

- (iv) [\*\*\*\*\*] of the amount obtained by multiplying [\*\*\*\*\*] for the year in determination by the fraction (as converted to decimal) determined by
- (y) dividing the numerator, which is the amount by which [\*\*\*\*\*] for the calendar year in determination changes (up or down) from the immediately preceding calendar years [\*\*\*\*\*];
  - (z) by the denominator, which is the immediately preceding calendar year's [\*\*\*\*\*].

An example of the calculation of the adjustment under this Section 5(d) is included as Exhibit I to this Agreement.

(e). [\*\*\*\*\*]

(f). [\*\*\*\*\*]

(g). [\*\*\*\*\*]

(i). [\*\*\*\*\*]

(ii). [\*\*\*\*\*]

(iii). [\*\*\*\*\*]

(h). [\*\*\*\*\*] Pellets. The price for any tonnage of [\*\*\*\*\*] Pellets shall be the price for [\*\*\*\*\*] Pellets calculated as provided in Section 5(d) above, [\*\*\*\*\*]. Sample price calculations for [\*\*\*\*\*] Pellets are attached as Exhibits II (a), II(b), III(a) and III(b) and are incorporated herein by reference.

(i). The price for any other mutually agreed upon Cliffs' iron ore pellets, which are substituted for the [\*\*\*\*\*] Pellets, shall be priced so as to provide Severstal with a delivered price equal to the price for the substituted [\*\*\*\*\*] Pellets, as the case may be.

(j). [\*\*\*\*\*]

**Section 6. — Delivery, Credit and Payment.**

(a). For all cargoes of Cliffs' Pellets shipped to Severstal beginning as of the date hereof, Cliffs shall retain title to the cargoes of Cliffs' Pellets so shipped until Severstal makes payment for the Cliffs' Pellets. Severstal shall pay Cliffs for each cargo of Cliffs' Pellets shipped during the month by wire transfer to Cliffs no later than [\*\*\*\*\*] following the shipment of a cargo. Title to the Cliffs' Pellets for each such cargo of Cliffs' Pellets shipped shall pass to Severstal [\*\*\*\*\*].

(b). [\*\*\*\*\*]

(c). In the event Severstal shall fail to make prompt payment, Cliffs, in addition to all other remedies available to it in law or in equity, shall have the right, but not the obligation, to withhold further performance by it under this Agreement until all claims it may have against Severstal under this Agreement are fully satisfied.

**Section 7.— Grant of Security Interest .**

(a). Severstal acknowledges and agrees that, except [\*\*\*\*\*], it is the intent of the parties that title to the Cliffs' Pellets shall pass to Severstal solely upon [\*\*\*\*\*] in accordance with the terms of this Agreement. However, to secure the payment and performance of all obligations of Severstal due to Cliffs pursuant to this Agreement, Severstal hereby grants, pledges and assigns to Cliffs a purchase money security interest ("PMSI") in all of Severstal's right, title and interest in and to the Cliffs' Pellets to the extent that Severstal takes possession of any Cliffs' Pellets in any fashion prior to making payment as required under this Agreement as well as the proceeds of any of the Cliffs' Pellets, including the proceeds of any insurance related thereto (collectively, the "Collateral").

(b). Upon delivery of any of the Collateral to Severstal by Cliffs, the Collateral shall be located at the addresses set forth on Attachment A hereto. Severstal will deliver written notice to Cliffs at least thirty (30) days prior to any change in the locations of any of the Collateral.

(c). The PMSI granted to Cliffs that attaches to a specific shipment of inventory shall automatically terminate upon the date of Cliffs' receipt from Severstal of payment in full for said shipment (the "PMSI Termination Date"). Prior to the applicable PMSI Termination Date, the Collateral will at all times be free and clear of any lien, security interest, mortgage, charge or encumbrance created by or through Severstal or any of its affiliates that is senior to the security interest granted to Cliffs pursuant to this Agreement.

(d). Severstal hereby authorizes Cliffs to file UCC financing statements and any amendments, modifications or continuation statements thereto, as Cliffs, in its sole discretion, deems necessary or advisable to perfect its security interest in the Cliffs' Pellets granted hereunder, that describes the Collateral and to include any information required for the

sufficiency or filing office acceptance of any such financing statements, amendments, modifications or continuation statements. Severstal covenants and agrees to (i) provide promptly any information requested by Cliffs for inclusion on such financing statements, amendments, modifications or continuation statements and to provide prompt notice of any change in such information and (ii) to take such further actions and duly execute and deliver such further documentation as Cliffs may request in order to fully protect its security interest in the Cliffs' Pellets granted hereunder.

(e). Prior to the applicable PMSI Termination Date, Severstal will keep and preserve the Collateral in a commercially reasonable manner and will not use, sell or offer to sell, pledge or encumber, process, destroy or consume the Collateral.

(f). Severstal and Cliffs acknowledge that in the event of a default hereunder by Severstal, Cliffs will have all the rights and remedies afforded a secured party under the Uniform Commercial Code as adopted in the State of Michigan with respect to the Collateral.

**Section 8. — Analyses.**

The [\*\*\*\*\*] Pellets delivered hereunder will be sampled at the [\*\*\*\*\*] Mine and analyzed by mine technicians or such independent chemists as may be mutually agreed upon, and said analyses shall be final and the weighted average of all such analyses of each grade of [\*\*\*\*\*] Pellets delivered hereunder shall constitute the basis of settlement hereunder for such grade of [\*\*\*\*\*] Pellets. The cost of sampling and analyzing by independent chemists, if requested by any party, shall be borne by the party requesting such sampling and analyzing.

The [\*\*\*\*\*] Pellets delivered hereunder will be sampled at the [\*\*\*\*\*] iron ore pellet plant and analyzed by mine technicians or such independent chemists as may be mutually agreed upon, and said analyses shall be final and the weighted average of all such analyses of each grade of [\*\*\*\*\*] Pellets delivered hereunder shall constitute the basis of settlement hereunder for such grade of [\*\*\*\*\*] Pellets. The cost of sampling and analyzing by independent chemists, if requested by any party, shall be borne by the party requesting such sampling and analyzing.

**Section 9. — Quality.**

Cliffs' Pellets, when loaded for shipment, will be consistent with the typical specifications and analysis limits set forth on Exhibit IV. Both parties acknowledge the need for defining measurement of product characteristic capabilities and quality system requirements. The basis for agreement will be the use of statistical calculation of capabilities and a quality system based on ISO 9001:2000 requirements.

**Section 10. — Shipments.**

Within thirty (30) days prior to the first shipment of Cliffs' Pellets of each year, Cliffs and Severstal will establish a schedule of shipments for the Cliffs' Pellets for such year, which schedule may be changed during such year by mutual agreement. In the event Cliffs and Severstal are unable to agree upon a shipping schedule, the Cliffs' Pellets will be available for shipment in approximately equal amounts over the nine month period of April through December of each year during the term of this Agreement and shipment and delivery shall be made in accordance with such availability.

**Section 11. — Weights.**

Vessel bill of lading weight determined by certified railroad scale weights, certified belt scale weights or certified bin scale weights in accordance with the procedures in effect from time to time at each of the loading ports shall be accepted by the parties as finally determining the amounts of the Cliffs' Pellets delivered to Severstal pursuant to this Agreement.

**Section 12. — Employment of Vessels or Railroad Cars.**

Severstal shall assume the obligation for arranging, providing and paying for the appropriate vessels for the transportation of all of the Cliffs' Pellets delivered by Cliffs to Severstal.

Cliffs shall be responsible for any and all demurrage charges incurred during the loading of [\*\*\*\*\*]Pellets for Severstal at [\*\*\*\*\*].

**Section 13. — Warranties.**

**THERE ARE NO WARRANTIES, EXPRESS OR IMPLIED, WHICH EXTEND BEYOND THE PROVISIONS OF THIS AGREEMENT, INCLUDING ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR INTENDED PURPOSE.** All claims for substantial variance in quality of the Cliffs' Pellets, as described herein, shall be deemed waived unless made in writing delivered to Cliffs within the thirty (30) calendar days after completion of discharge at port of discharge. No claim will be entertained after the Cliffs' Pellets have been consumed. Each party shall afford the other party prompt and reasonable opportunity to inspect the Cliffs' Pellets as to which any claim is made as above stated. The Cliffs' Pellets shall not be returned without prior written consent of Cliffs. In no event shall Cliffs be liable for Severstal's cost of processing, lost profits, injury to good will or any other special or consequential damages.

**Section 14. — Force Majeure.**

Neither party hereto shall be liable for damages resulting from failure to produce, deliver or accept and pay for all or any of the Cliffs' Pellets, as described herein, if and to the extent that such production, delivery or acceptance would be contrary to or would constitute a violation of any regulation, order or requirement of a recognized governmental body or agency, or if such failure is caused by or results directly or indirectly from acts of God, war, insurrections, interference by foreign powers, strikes, hindrances, labor disputes, labor shortages, fires, floods, embargoes, accidents, acts of terrorism, or uncontrollable delays at the mines, steel plant, on the railroads or docks or in transit, shortage of transportation facilities, disasters of navigation, or other causes, similar or dissimilar, if such other causes are beyond the control of the party charged with a failure to deliver or to accept and pay for the Cliffs' Pellets. A party claiming a

force majeure shall give the other party prompt notice of the force majeure, including the particulars thereof and, insofar as known, the probable extent and duration of the force majeure. To the extent a force majeure is claimed hereunder by a party hereto, such shall relieve the other party from fulfilling its corresponding agreement hereunder to the party claiming such force majeure, but only for the period and to the extent of the claimed force majeure, unless otherwise mutually agreed, to by the parties. The party that is subject to a force majeure shall use commercially reasonable efforts to cure or remove the force majeure event as promptly as possible to resume performance of its obligations under this Agreement.

**Section 15. — Notices.**

All notices, consents, reports and other documents authorized and required to be given pursuant to this Agreement shall be given in writing and either personally served on an officer of the parties hereto to whom it is given or mailed, postage prepaid, or sent by facsimile addressed as follows:

If to Cliffs:

Cliffs Sales Company  
1100 Superior Avenue – 15<sup>th</sup> Floor  
Cleveland, Ohio 44114-2589  
Attention: Secretary  
cc: General Manager – Sales and Traffic  
Facsimile: (216) 694-5385

If to Severstal:

Severstal North America, Inc.  
3001 Miller Road  
Dearborn, Michigan 48121  
Attention: Director, Purchasing and Transportation  
Facsimile: (313) 337-9377

provided, however, that any party may change the address to which notices or other communications to it shall be sent by giving to the other party written notice of such change, in which case notices and other communications to the party giving the notice of the change of address shall not be deemed to have been sufficiently given or delivered unless addressed to it at the new address as stated in said notice.

**Section 16. — Term.**

The initial term of this Agreement shall commence as of the Effective Date and continue in effect until [\*\*\*\*\*]. The Agreement shall continue annually from and after [\*\*\*\*\*] for the obligation of Severstal to purchase from Cliffs and Cliffs to sell to Severstal all of Severstal's Annual Pellet Tonnage Requirements pursuant to Section 3(a) above. Notwithstanding the above, Severstal shall have the right to terminate the Agreement if at any time after [\*\*\*\*\*], blast furnace production is no longer maintained by Severstal at the former Rouge Steel Company facilities and Severstal no longer requires iron ore pellets for consumption at such facilities in connection with blast furnace production. In accordance with Section 3(d), during the years [\*\*\*\*\*], in the event Severstal requires iron ore pellets for consumption in Severstal's iron and steel making at the former Rouge Steel Company facilities in any year, Severstal shall purchase from Cliffs and Cliffs shall sell to Severstal all of Severstal's Annual Pellet Tonnage Requirements for each of the years [\*\*\*\*\*] and except as otherwise stated in Section 3(c) Severstal shall have no minimum annual purchase obligation under the Agreement. Notwithstanding the foregoing, in the event that in any of the years following the year [\*\*\*\*\*] Severstal purchases less than [\*\*\*\*\*] tons of Cliffs' Pellets in any such year, Cliffs shall have the right to terminate the Agreement by written notice six (6) months prior to the end of the following year.

**Section 17. — Amendment.**

This Agreement may not be modified or amended except by an instrument in writing signed by the parties hereto.

**Section 18. — Merger, Transfer and Assignment.**

(a). Severstal shall not merge, consolidate or reorganize with any person, partnership, corporation or other entity unless the surviving or resulting person, partnership, corporation or other entity assumes in writing all of Severstal's obligations under this Agreement. Any obligations required to be assumed by a surviving or resulting person, partnership, corporation or entity in accordance with this Section 18(b) shall be limited to the Severstal obligations under this Agreement. Severstal shall not sell or transfer all or substantially all of its business to any other person, partnership, corporation, joint venture or other entity ("Severstal Transferee") unless the Severstal Transferee assumes in writing all of Severstal's obligations under this Agreement.

(b). Cliffs shall not merge, consolidate or reorganize with any person, partnership, corporation or other entity unless the surviving or resulting person, partnership, corporation or other entity assumes in writing all of Cliffs' obligations under this Agreement. Cliffs shall not sell or transfer all or substantially all of its iron ore business to any other person, partnership, corporation, joint venture or other entity ("Cliffs Transferee") unless the Cliffs Transferee assumes in writing all of Cliffs' obligations under this Agreement.

(c). All the covenants, stipulations and agreements herein contained shall inure to the benefit of and bind the parties hereto and their respective successors, transferees and permitted assigns, and any of the latter's subsequent successors, transferees and permitted assigns.

**Section 19. — Waiver.**

No waiver of any of the terms of this Agreement shall be valid unless in writing. No waiver of any breach of any provision hereof or default under any provisions hereof shall be deemed a waiver of any subsequent breach or default of any kind whatsoever.

**Section 20. — Confidentiality**

(a). Cliffs and Severstal acknowledge that this Agreement contains certain pricing, adjustment and term provisions which are confidential, proprietary or of a sensitive commercial nature and which would put Cliffs or Severstal at a competitive disadvantage if disclosed to the public (the "Confidential Information"). Cliffs and Severstal agree that all provisions of this Agreement shall be kept confidential and, without the prior written consent of the other party, shall not be disclosed to any party not a party to this Agreement except as required by law or governmental or judicial order and except that disclosure of the existence of this Agreement shall not be precluded by this Section 20.

(b). If either party is required by law or governmental or judicial order or receives legal process or court or agency directive requesting or requiring disclosure of any of the Confidential Information contained in this Agreement, such party will promptly notify the other party prior to disclosure to permit such party to seek a protective order or take other appropriate action to preserve the confidentiality of such Confidential Information. If either party determines to file this Agreement with the Securities and Exchange Commission ("Commission") or any other federal, state or local governmental or regulatory authority, or with any stock exchange or similar body, such determining party will use its best efforts to obtain confidential treatment of such Confidential Information pursuant to any applicable rule, regulation or procedure of the Commission and any applicable rule, regulation or procedure relating to confidential filings made with any such other authority or exchange. If the Commission (or any such other authority or exchange) denies such party's request for confidential treatment of such Confidential Information, such party will use its best efforts to obtain confidential treatment of the portions thereof that the other party designates. Each party will allow the other party to participate in seeking to obtain such confidential treatment for Confidential Information.

**Section 21. — Governing Law.**

This Agreement shall in all respects, including matters of construction, validity and performance, be governed by and be construed in accordance with the laws of the State of Michigan.

**Section 22. — Representations and Warranties.**

- (a). Severstal represents and warrants to Cliffs that (i) the execution and delivery of this Agreement by Severstal and the performance of its obligations hereunder have been duly authorized by all requisite corporate action, (ii) neither the execution and delivery of this Agreement, nor the performance of its obligations hereunder by Severstal shall, or after the lapse of time or giving of notice shall, conflict with, violate or result in a breach of, or constitute a default under the certificate of incorporation or bylaws of Severstal or any law, statute, rule or regulation applicable to it, or conflict with, violate or result in a breach of or constitute a default under the material agreement to which it is a party or by which it or any of its properties is bound, or any judgment, order, award or decree to which Severstal is a party or by which it is bound, or require any approval, consent, authorization or other action by any court, governmental authority or regulatory body or any creditor of Severstal or any other person or entity, and (iii) this Agreement constitutes a valid and binding obligation of Severstal and is enforceable against Severstal in accordance with its terms.
- (b). Cliffs represents and warrants to Severstal that: (i) the execution and delivery of this Agreement by Cliffs and the performance of its obligations hereunder have been duly authorized by all requisite corporate actions, (ii) neither the execution and delivery of this Agreement nor the performance of its obligations hereunder by Cliffs shall, or after the lapse of time or giving of notice shall, conflict with, violate or result in a breach of, or constitute a default under the certificate of incorporation or bylaws of Cliffs or any law, statute, rule or regulation applicable to it, or conflict with, violate or result in the breach of or constitute a default under any material

agreement to which it is a party or by which it or any of its properties is bound, or any judgment, order, award or decree to which Cliffs is a party or by which it is bound, or require any approval, consent, authorization or other action by any court, governmental authority or regulatory body or any creditor of Cliffs or any other person or entity, and (iii) this Agreement constitutes a valid and binding obligation of Cliffs and is enforceable against Cliffs in accordance with its terms.

**Section 23. — Counterparts.**

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

**Section 24. — Arbitration.**

(a). Upon notice by either party to the other, all disputes, claims, questions or disagreements arising out or relating to this Agreement or breach, termination, enforcement, interpretation or validity thereof, including the determination of the scope or applicability of this Agreement to arbitrate, shall be determined by arbitration administered by the American Arbitration Association in accordance with the provisions of its Commercial Arbitration Rules, modified as follows:

(i). The place of arbitration shall be Cleveland, Ohio;

(ii). Unless the parties consent in writing to a lesser number, the arbitration proceedings shall be conducted before a panel of three neutral arbitrators, one to be appointed by Cliffs, one to be appointed by Severstal, and third to be selected by the two arbitrators. None of the arbitrators shall be an employee, officer, director or consultant of, or of a direct competitor of, Severstal or Cliffs;

(iii). Either party may apply to the arbitrators seeking injunctive relief until the arbitration award is rendered or the controversy is otherwise resolved. Either party also may, without waiving any remedy under this Agreement, seek from any court having jurisdiction any interim or provisional relief that is necessary to protect the rights or property of that party, pending the establishment of the arbitral tribunal (or pending the arbitral tribunal's determination of the merits of the controversy);

(iv). Consistent with the expedited nature of arbitration, each party will, upon the written request of the other party, promptly provide the other with copies of documents on which the producing party may rely or otherwise which may be relevant in support of or in opposition to any claim or defense; any dispute regarding discovery, or the relevance or scope thereof, shall be determined by the arbitrators, which determination shall be conclusive; and all discovery shall be completed within 45 days following the appointment of the arbitrators;

(v). In connection any arbitration arising out of this Agreement, the arbitrators shall have no authority to alter, amend, or modify any of the terms and conditions of this Agreement, and further, the arbitrators may not enter any award that alters, amends or modifies terms or conditions of this Agreement in any form or manner;

(vi). The award or decision shall be made within nine months of the filing of the notice of intention to arbitrate, and the arbitrators shall agree to comply with this schedule before accepting appointment; *provided, however*, that this time limit may be extended by written agreement signed by both parties or by the arbitrators, if necessary; and

(vii). In connection with any arbitration related to this Agreement, each party shall be responsible for its own costs and expenses, and the parties will equally split the cost of conducting the arbitration itself.

(b). The judgment of the arbitrators shall be final and binding on the parties, and judgment upon the award rendered by the arbitrators may be entered and enforced by any court of the United States or any state thereof.

**Section 25. — Entire Agreement**

This agreement, the Recitals and the Exhibits attached to this Agreement (all of which shall be deemed to be incorporated into the Agreement and made a part hereof) set forth the entire understanding of the parties with respect to the subject matter hereof and supersede all prior agreements, understandings or letters of intent among any of the parties hereto, including, without limitation, that certain Pellet Sale and Purchase and Trade Agreement, dated and effective as of January 1, 1991, by and between Iron and Rouge Steel Company, as amended by the letter agreements dated as of [\*\*\*\*] and the 2004 Letter Agreement.

[Signature Page Follows This Page]

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

**CLIFFS SALES COMPANY**

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

**THE CLEVELAND-CLIFFS IRON COMPANY**

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

**CLIFFS MINING COMPANY**

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

**SEVERSTAL NORTH AMERICA, INC.**

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

**APPENDIX I**

**Glossary**

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CONFIDENTIAL MATERIAL HAS BEEN  
OMITTED AND FILED SEPARATELY WITH THE  
SECURITIES AND EXCHANGE COMMISSION.  
ASTERISKS DENOTE SUCH OMISSIONS.

**PELLET SALE AND PURCHASE AGREEMENT**

THIS AGREEMENT, entered into, dated \_\_\_\_\_, 2006 and effective as of January 1, 2007 ("Agreement"), by and among **THE CLEVELAND-CLIFFS IRON COMPANY**, an Ohio corporation ("Iron"), **CLIFFS SALES COMPANY**, an Ohio corporation ("Sales"; and together with Iron, referred to herein as "Cliffs"), **AK STEEL CORPORATION**, a Delaware corporation ("AK Steel").

**RECITALS**

WHEREAS, Cliffs desires to sell to AK Steel and AK Steel desires to purchase from Cliffs certain quantities of grades of iron ore [\*\*\*\*\*] pellets such grades of iron ore [\*\*\*\*\*] pellets being produced at the [\*\*\*\*\*], located in [\*\*\*\*\*] or such other [\*\*\*\*\*] pellet grades as may be mutually agreed to by the parties hereto (such [\*\*\*\*\*] and other mutually agreed upon [\*\*\*\*\*] pellets collectively being referred to herein as "Cliffs Pellets"), all upon the terms and subject to the conditions contained herein.

NOW, THEREFORE, in consideration of the mutual covenants hereinafter set forth, Cliffs and AK Steel agree as follows:

**Section 1.—Definitions .**

The terms quoted in the above parentheses of the first introductory paragraph of this Agreement and the WHEREAS clause, other terms quoted throughout this Agreement, and the terms defined below in this Section 1 shall have the meanings assigned to them for purposes of this Agreement. Attached, as Appendix I to this Agreement is a locator list of all defined terms used throughout the Agreement.

- (a). The words, "AK Steel's Annual Pellet Tonnage", as used herein, shall mean: (i) for the year 2007 a tonnage amount equal to 1.0 gross tons plus or minus ten percent (10%); and (ii) for the years 2008 through and including 2013 a tonnage amount between 1.0 gross tons and 1.3 gross tons plus or minus ten percent (10%), for consumption in AK Steel's iron and steel making facilities in any year at any of AK Steel's facilities in North America owned or controlled at the time of execution of this Agreement.
- (b). The word "pellets", as used herein, shall mean iron-bearing products obtained by the pelletizing of iron ore or iron ore concentrates, suitable for making iron in blast furnaces.
- (c). The word "ton", as used herein, shall mean a gross ton of 2,240 pounds avoirdupois natural weight.
- (d). The words "Upper Lake Docks", as used herein, shall mean [ \*\*\*\*\* ] or other mutually agreeable port.
- (e). The word "year", as used herein, shall mean a calendar year commencing on January 1 and ending December 31.

**Section 2.—Sale and Purchase/Tonnage .**

During each of the years 2007 through 2013, and each year thereafter as long as this Agreement remains in effect, Cliffs shall sell and deliver to AK Steel and AK Steel shall purchase and receive from Cliffs and pay for a tonnage of Cliffs Pellets which tonnage shall be equal to AK Steel's Annual Pellet Tonnage for each such year.

**Section 3.—Pellet [ \*\*\*\*\* ]**

(a). Cliffs Pellets when loaded for shipment will be consistent with the typical specifications and analysis limits set forth in Exhibit I to this Agreement.

(b). [ \*\*\*\*\*  
\*\*\*\*\*  
\*\*\*\*\*  
\*\*\*\*\* ]

**Section 4.—Notification and Nomination.**

(a). With respect to the tonnage of Cliffs Pellets to be purchased by AK Steel for its facilities for each of the years 2007 through 2013, as provided in Section 2, on or before November 1 of each of the years prior thereto (e.g., November 1, 2007 for the 2008 year), AK Steel shall notify Cliffs in writing of AK Steel's preliminary tonnage of AK Steel's Annual Pellet Tonnage for such year ("Annual Nomination").

(i). Beginning in the year 2008, in the event AK Steel requires tonnage in addition to the maximum 1.3 million gross tons plus ten percent (10%), Cliffs is not obligated to provide such excess tonnage. However, as part of its preliminary nomination AK Steel may request additional tonnage, and shall notify Cliffs in writing of such requested excess tonnage on or

before November 1 of the preceding year. Cliffs shall have thirty (30) days from the date of the request to determine whether Cliffs will supply all or any portion of such request. In the event Cliffs is able to comply with such request, AK Steel shall be obligated to purchase such tonnage that Cliffs is able to provide.

(ii) If at any time during the term of the Agreement AK Steel's Ashland blast furnace requires a reline, then AK Steel's Annual Pellet Tonnage shall be adjusted downwards on a pro rata basis during the time in which the reline takes place. AK Steel shall provide Cliffs with written notice of such planned reline with its Annual Nomination in the year prior to the planned reline.

(b). (i). With respect to the Annual Nomination for the year 2007, such Annual Nomination is fixed at 1.0 million gross tons, subject to the adjustments process set forth below.

(ii). With respect to each Annual Nomination for each year beginning with 2008, on or before [\*\*\*\*\*] of the then current year of the purchase and sale, AK Steel may, by written notification to Cliffs, adjust its Annual Nomination for the then current year by not more than [\*\*\*\*\*] up or down. [\*\*\*\*\*]  
\*\*\*\*\*  
\*\*\*\*\* ]

If, however, AK Steel has not adjusted its Annual Nomination for the then current year and thereafter as provided for above, then on or before [ \*\*\*\*\* ] of the then current year of the purchase and sale (e.g. [ \*\*\*\*\* ]), AK Steel may, by written notification to Cliffs, adjust its Annual Nomination for the current year, as made under Section 4(a), by not more than [ \*\*\*\*\* ] up or down.

[ \*\*\*\*\*  
\*\*\*\*\*  
\*\*\*\*\*  
\*\*\*\*\*  
\*\*\*\*\* ]

[ \*\*\*\*\*  
\*\*\*\*\*  
\*\*\*\*\*  
\*\*\*\*\*  
\*\*\*\*\* \*\* ]

(iii). In order to provide Cliffs with the necessary information to plan for the production of Cliffs Pellets, between [\*\*\*\*\*] of the then current year, AK Steel shall notify Cliffs of AK Steel's current estimate of AK Steel's annual iron ore pellets Tonnage for such year.

(iv). In order to provide Cliffs with the necessary information to plan shipments of Cliffs Pellets, on [\*\*\*\*\*] of the then current year, AK Steel shall provide Cliffs with a monthly shipping schedule for the then current year's shipping season (the "Shipping Schedule"). Thereafter, AK Steel shall provide an updated Shipping Schedule on the [\*\*\*\*\*] of each month through [\*\*\*\*\*] of the then current year.

(v). Notwithstanding the foregoing, nothing contained in this Section 4 shall permit AK Steel to adjust its Annual Nomination in any manner which would result in a Final Nomination that is beyond the [\*\*\*\*\*] of AK Steel's Annual Pellet Tonnage set forth in Section 1(a) of this Agreement.

**Section 5.—Price [\*\*\*\*\*].**

(a). [\*\*\*\*\*] shall have a [\*\*\*\*\*] price of [\*\*\*\*\*] per gross ton iron unit, which at an expected [\*\*\*\*\*] equals [\*\*\*\*\*] per ton. ("Base Price")

(b). The price for the Cliffs Pellets sold and purchased in each of the years 2007 and thereafter by AK Steel shall be based on the Base Price per iron unit as described in Section 5(a) above, which Base Price shall then be adjusted, up or down, in the year 2007 and each year thereafter by an amount as determined in accordance with Section 5(c) below.

(c) [ \*\*\*\*\*  
\*\*\*\*\*  
\*\*\*\*\* ]

(i). divide (x) the numerator, which is the amount by which the [ \*\*\*\*\* ] for  
the [ \*\*\*\*\* ]  
[ \*\*\*\*\* ] by (y) the denominator, which is the  
[ \*\*\*\*\* ], and multiply the result obtained by [ \*\*\*\*\*];

(ii). divide (x) the numerator, which is the amount by which the [ \*\*\*\*\* ] for the  
[ \*\*\*\*\* ]  
[ \*\*\*\*\* ]; by (y) the denominator, which is the  
[ \*\*\*\*\* ], and multiply the result obtain by [ \*\*\*\*\* ];

(iii). divide (x) the numerator, which is the amount by which the [\*\*\*\*\*]  
[\*\*\*\*\*]  
[\*\*\*\*\*]; by (y) the denominator, which is the [\*\*\*\*\*], and multiply the result obtained by [\*\*\*\*\*];

(iv). divide (x) the numerator, which is the amount by which the [\*\*\*\*\*]  
[\*\*\*\*\*] for the calendar year in determination changes (up or down) from  
[\*\*\*\*\*]; by (y) the denominator, which is the [\*\*\*\*\*], and multiply the result obtained by [\*\*\*\*\*];

(v). [\*\*\*\*\*] obtained in paragraphs (i) through (iv);

(vi). [\*\*\*\*\*] determined in (v) above by the [\*\*\*\*\*] per iron unit for AK Steel which will then equal the [\*\*\*\*\*] per iron unit for AK Steel;

(vii). [\*\*\*\*\*] determined in (vi) above to the preceding year's adjusted price per iron unit for AK Steel, which will then equal the current year's adjusted prices per iron unit for AK Steel; and



\*\*\*\*\*  
\*\*\*\*\*

(c). In the event AK Steel shall fail to make payment when due of any or all amounts, Cliffs, in addition to all other remedies available to Cliffs in law or in equity, shall have the right, but not the obligation, to withhold further performance by Cliffs under this Agreement until all claims Cliffs may have against AK Steel under this Agreement are fully satisfied.

(d). All payments shall be made in U.S. dollars.

(e). [ \*\*\*\*\*  
\*\*\*\*\* ]

(i) [ \*\*\*\*\*  
\*\*\*\*\*  
\*\*\*\*\*  
\*\*\*\*\* ]

(ii) [ \*\*\*\*\*  
\*\*\*\*\*  
\*\*\*\*\*  
\*\*\*\*\*  
\*\*\*\*\*  
\*\*\*\*\*  
\*\*\*\*\*  
\*\*\*\*\* ]

(iii) [ \*\*\*\*\*  
\*\*\*\*\*  
\*\*\*\*\*  
\*\*\*\*\* ]

**Section 7.—Sampling and Analyses.**

All pellet sampling procedures and analytical tests conducted on Cliffs Pellets sold to AK Steel to demonstrate compliance with typical specifications and analysis limits shall be performed on each pellet vessel shipment. Sample and test methods shall be in accordance with Cliffs' existing practice and based on the appropriate ASTM or ISO standard methods published at the time of testing or the customary procedures and practices, or any other procedures and practices that may be mutually agreed to by Cliffs and AK Steel. AK Steel may, at any time and from time to time through one or more authorized representatives, and with prior notice to Cliffs, be present during production, loading, or to observe sampling and analysis of pellets being processed for shipment to AK Steel.

**Section 8.—Delivery, Storage, Transfer of Ownership [ \*\*\*\*\* ]**

(a). Cliffs shall deliver to AK Steel the annual tonnage of Cliffs Pellets for AK Steel F.O.B. to the Upper Lake Docks. To the extent title to pellets has been transferred to AK Steel in accordance with Section 8(b) of this Agreement, inventory in dock storage may be held in AK Steel's name, but solely to the extent of such payments.

(b). Title, and all risk of loss, damage or destruction of Cliffs Pellets shall transfer to AK Steel [ \*\*\*\*\* ] as provided for in Section 6(a).

(c). [ \*\*\*\*\*  
\*\*\*\*\* ]

\*\*\*\*\*  
\*\*\*\*\*  
\*\*\*\*\*  
\*\*\*\*\* ]

**Section 9.—Shipments .**

Shipments of Cliffs Pellets shall be in approximately equal amounts over the nine-month period of March 25 through January 15 each year during the term of this Agreement to ensure an adequate amount of inventory to allow a working pellet pile at the Upper Lake Docks. Vessel Seasons are determined by the U.S. Army Corps of Engineers and other uncontrollable factors, such as weather, and are subject to change by the U.S. Army Corps of Engineers.

**Section 10.—Weights .**

The vessel bill of lading weight determined by certified railroad scale weights, certified belt scale weights, or certified bin scale weights in accordance with the procedures in effect from time to time at each of the loading ports or Upper Lake Docks shall be accepted by the parties as finally determining the amount of Cliffs Pellets shipped to the Upper Lake Docks for AK Steel pursuant to this Agreement.

**Section 11.—Employment of Vessels .**

AK Steel assumes the obligation for arranging and providing appropriate vessels for the transportation of the Cliffs Pellets delivered by Cliffs to the Upper Lake Docks for AK Steel hereunder.

**Section 12.**—[ \*\*\*\*\* ]

[ \*\*\*\*\* ]

**Section 13.—Warranties .**

**THERE ARE NO WARRANTIES, EXPRESS OR IMPLIED, WHICH EXTEND BEYOND THE PROVISIONS OF THIS AGREEMENT, INCLUDING ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR INTENDED PURPOSE .** All notices for substantial variance in specifications of the Cliffs Pellets from the specifications and analysis limits described in Exhibit I shall be given in writing delivered to Cliffs within sixty (60) calendar days after completion of discharge of the Cliffs Pellets at the Upper Lake Docks, or any claim arising from any substantial variance shall be deemed waived by AK Steel. Each party shall afford the other party prompt and reasonable opportunity to inspect the Cliffs Pellets as to which any notice is given as above stated. No claim will be entertained after the Cliffs Pellets have been consumed. The Cliffs Pellets shall not be returned to Cliffs without prior written consent of Cliffs. In no event shall Cliffs be liable for AK Steel's cost of processing, lost profits, injury to good will or any other special or consequential damages.

**Section 14.—Force Majeure .**

(a) Force Majeure shall be defined as any unforeseeable event that delays or prevents a Party from performing, in whole or in part, any of its obligations under this Agreement due to any cause beyond the reasonable control of and not due to the fault or negligence of the declaring Party, including but not limited to acts of God, war, riots,

civil insurrection, acts of the public enemy, terrorism, strikes, lockouts, natural disasters, breakdown of or damage to necessary facilities or equipment, transportation delays, orders or acts of civil or military authorities, legislation, regulation or administrative orders, or any limitation or prohibition on, or inability to obtain governmental permits or approvals required by law and necessary to, the mining, transporting, storing, or handling of iron ore, or other unforeseeable causes that are beyond the reasonable control and without the fault or negligence of the Party affected thereby. Notwithstanding the foregoing, Force Majeure, for purposes of this Agreement, shall not include (i) the ability of Cliffs to sell Cliffs Pellets to a third party at a price greater than the applicable price as set forth in Section 5 hereof; (ii) loss of AK Steel's markets; (iii) AK Steel's ability to purchase Cliffs Pellets from a third party at a price lower than the applicable price as set forth in Section 5 hereof; or (iv) financial difficulties of any kind.

(b). If because of Force Majeure either Cliffs or AK Steel is rendered wholly or partially unable to carry out its respective obligations under this Agreement, and if such Party promptly gives the other Party written notice of such Force Majeure in accordance with Paragraph 14(d) below, the obligations and liabilities of the Party giving such notice and the corresponding obligation of the other Party shall be excused to the extent made necessary by and during the continuance of such Force Majeure, provided, however, that the Party claiming Force Majeure shall use its best effort to eliminate the cause or effect of the Force Majeure as soon as to the extent possible except that labor disputes or strikes shall be settled at the sole discretion of the Party affected. To the extent possible, Cliffs and AK Steel shall utilize good faith efforts to minimize the adverse

effects of a Force Majeure. AK Steel shall have the option to require Cliffs to make up any deliveries excused by reason of a Force Majeure (at the price existing as of the date of the occurrence of the Force Majeure) prior to the termination of this Agreement. Cliffs shall have the option to require AK Steel to make up any purchases excused by reason of Force Majeure (at the price existing as of the date of the occurrence of the Force Majeure) prior to the termination of this Agreement.

(c). If Cliffs claims Force Majeure and is unable to meet all of its delivery obligations hereunder, or if AK Steel claims Force Majeure and is unable to meet all of its purchase obligations hereunder, then any reductions in Cliff's deliveries or AK Steel's purchases (as applicable) shall be allocated on a pro rata basis with all other iron ore supply or purchase agreements involving iron ore of the same type and quality as the Cliffs Pellets. Upon a written request by the Party not claiming Force Majeure, the declaring Party shall provide reasonable written documentation to establish that its deliveries or purchases (as applicable) have been allocated on such a pro rata basis.

(d). Should either Party experience an event of Force Majeure impacting its ability to perform its obligations under this Agreement, said Party shall provide written notice within ten (10) Business Days to the Party not claiming Force Majeure setting forth the date(s) on which the Force Majeure occurred, a brief description of the event of Force Majeure, and the estimated duration of the impact of the Force Majeure at that time.

(e). If a Party declares a complete or partial Force Majeure based on damage to and/or unexpected conditions with respect to any real and/or personal property within its custody or control, then the Party not claiming Force Majeure and/or its appointed designee shall have the right to inspect (upon a written request) the property affected by the Force Majeure. The non-declaring Party shall choose the date and time of the inspection, however, such date and time must be consented to by the declaring Party, which consent shall not be unreasonably withheld. The declaring Party shall make such property available for inspection within twenty (20) Business Days after the Party not claiming Force Majeure requests the inspection. A Party is entitled to one such inspection per declared Force Majeure, but upon the written consent of the declaring Party, additional inspections may be permitted. Such consent shall not be unreasonably withheld.

**Section 15.—Notices .**

All notices, consents, reports and other documents authorized and required to be given pursuant to this Agreement shall be given in writing and either personally served on an officer of the parties hereto to whom it is given or mailed, postage prepaid, or sent by e-mail or facsimile addressed as follows:

If to Cliffs:

1100 Superior Avenue—15th Floor  
Cleveland, Ohio 44114-2589  
Attention: Secretary  
Cc: General Manager – Sales and Traffic  
E-mail: [trnee@cleveland-cliffs.com](mailto:trnee@cleveland-cliffs.com)  
Facsimile: (216) 694-5385

If to AK Steel:

703 Curtis Street  
Middletown, Ohio 45043  
Attention: Director – Purchasing  
E-mail: Toney.Perry@aksteel.com  
Cc: Manager Raw Materials—Purchasing  
E-mail: Mick.Paddock@aksteel.com  
Facsimile: 513-425-5562

provided, however, that any party may change the address to which notices or other communications to it shall be sent by giving to the other party written notice of such change, in which case notices and other communications to the party giving the notice of the change of address shall not be deemed to have been sufficiently given or delivered unless addressed to it at the new address as stated in said notice.

**Section 16.—Term.**

(a). The term of this Agreement shall commence as of January 1, 2007 and continue through December 31, 2013. Unless either party has given written notice of termination to the other party by [\*\*\*\*\*], this Agreement shall continue on an annual basis after December 31, 2013 (original termination year) subject to subsequent termination by either party upon [\*\*\*\*\*] prior written notification to the other party, in which case the Agreement shall terminate at the end of the next succeeding year.

(b). This Agreement shall remain valid and fully enforceable for the fulfillment of obligations incurred prior to termination.

**Section 17.—Amendment.**

This Agreement may not be modified or amended except by an instrument in writing signed by the parties hereto.

**Section 18.—Merger, Transfer and Assignment.**

(a). AK Steel shall not merge, consolidate or reorganize with any person, partnership, corporation or other entity unless the surviving or resulting person, partnership, corporation or other entity assumes in writing all of AK Steel's obligations under this Agreement. Any obligations required to be assumed by a surviving or resulting person, partnership, corporation or entity in accordance with this Section 18(a) shall be limited to the AK Steel obligations under this Agreement, and this Section 18(a) is not intended (i) to impose and shall not be deemed to impose upon any such surviving or resulting person, partnership, corporation or entity, including AK Steel, any obligation with respect to any pellet requirements it may have for any facility or facilities it owns or operates other than AK Steel, nor (ii) to allow the surviving or resulting person, partnership, corporation or other entity to substitute any other pellet tonnage available from any other pellet purchase or pellet equity commitment of such surviving or resulting person, partnership, corporation or other entity in order to satisfy the assumed obligations under this Agreement for AK Steel .

(b). AK Steel shall not sell or transfer all or any of the blast furnace operations at AK Steel to any other person, partnership, corporation, joint venture or other entity

("Transferee") unless the Transferee assumes in writing all of AK Steel's obligations under this Agreement, as such obligations relate to AK Steel being sold or transferred. Any obligations required to be assumed by a Transferee in accordance with this Section 18(b) shall be limited to the AK Steel obligations under this Agreement relating to the particular facility or facilities sold or transferred. This Section 18(b) is not intended (i) to impose and shall not be deemed to impose upon any such Transferee any obligation with respect to any pellet requirements such Transferee may have for any facility or facilities such Transferee owns or operates other than AK Steel, nor (ii) to allow such Transferee to substitute any other pellet tonnage available from any other pellet purchase or pellet equity commitment of such Transferee in order to satisfy the assumed obligations under this Agreement.

(c). AK Steel shall not assign its rights or delegate its obligations under this Agreement except as provided in Section 18(a) or 18(b).

(d). Cliffs shall not merge, consolidate or reorganize with any person, partnership, corporation or other entity unless the surviving or resulting person, partnership, corporation or other entity assumes in writing all of Cliffs' obligations under this Agreement. Cliffs shall not sell or transfer all or substantially all of its iron ore business to any other person, partnership, corporation, joint venture or other entity ("Cliffs Transferee") unless the Cliffs Transferee assumes in writing all of Cliffs' obligations under this Agreement.

(e). Cliffs shall not assign its rights or delegate its obligations under this Agreement except as provided in Section 18(d).

(f). All the covenants, stipulations and agreements herein contained shall inure to the benefit of and bind the parties hereto and their respective successors, transferees and permitted assigns, and any of the latter's subsequent successors, transferees and permitted assigns.

**Section 19.—Waiver .**

No waiver of any of the terms of this Agreement shall be valid unless in writing. No waiver or any breach of any provision hereof or default under any provisions hereof shall be deemed a waiver of any subsequent breach or default of any kind whatsoever.

**Section 20.—Confidentiality .**

(a). Cliffs and AK Steel acknowledge that this Agreement contains certain pricing, adjustment and term provisions which are confidential, proprietary or of a sensitive commercial nature and which would put Cliffs or AK Steel at a competitive disadvantage if disclosed to the public, including without limitation, Section 3, Section 5, Section 6 and all of the Schedules, Appendices and Exhibits hereto ("Confidential Information"). Cliffs and AK Steel agree that all provisions of this Agreement shall be kept confidential and, without the prior written consent of the other party, shall not be disclosed to any party not a party to this Agreement except as required by law or governmental or judicial order and except that disclosure of the existence of this Agreement shall not be precluded by this Section 20.

(b). If either party is required by law or governmental or judicial order or receives legal process or court or agency directive requesting or requiring disclosure of any of the Confidential Information contained in this Agreement, such party will promptly

notify the other party prior to disclosure to permit such party to seek a protective order or take other appropriate action to preserve the confidentiality of such Confidential Information. If either party determines to file this Agreement with the Securities and Exchange Commission ("Commission") or any other federal, state or local governmental or regulatory authority, or with any stock exchange or similar body, such determining party will use its best efforts to obtain confidential treatment of such Confidential Information pursuant to any applicable rule, regulation or procedure of the Commission and any applicable rule, regulation or procedure relating to confidential filings made with any such other authority or exchange. If the Commission (or any such other authority or exchange) denies such party's request for confidential treatment of such Confidential Information, such party will use its best efforts to obtain confidential treatment of the portions thereof that the other party designates. Each party will allow the other party to participate in seeking to obtain such confidential treatment for Confidential Information.

**Section 21.—Governing Law.**

This Agreement shall in all respects, including matters of construction, validity and performance, be governed by and be construed in accordance with the laws of the State of Ohio.

**Section 22.—Representations and Warranties.**

(a). AK Steel represents and warrants to Cliffs that (i) the execution and delivery of this Agreement by AK Steel and the performance of its obligations hereunder have been duly authorized by all requisite corporate action, (ii) neither the execution and delivery of this Agreement, nor the performance of its obligations hereunder by AK Steel shall, or after the lapse of time or giving of notice shall, conflict with, violate or result in a breach of, or constitute a default under the certificate of incorporation or bylaws of AK Steel or any law, statute, rule or regulation applicable to it, or conflict with, violate or result in a breach of or constitute a default under the material agreement to which it is a party or by which it or any of its properties is bound, or any judgment, order, award or decree to which AK Steel is a party or by which it is bound, or require any approval, consent, authorization or other action by any court, governmental authority or regulatory body or any creditor of AK Steel or any other person or entity, and (iii) this Agreement constitutes a valid and binding obligation of AK Steel and is enforceable against AK Steel in accordance with its terms.

(b). Cliffs represents and warrants to AK Steel that: (i) the execution and delivery of this Agreement by Cliffs and the performance of its obligations hereunder have been duly authorized by all requisite corporate actions, (ii) neither the execution and delivery of this Agreement nor the performance of its obligations hereunder by Cliffs shall, or after the lapse of time or giving of notice shall, conflict with, violate or result in a breach of, or constitute a default under the certificate of incorporation or bylaws of Cliffs or any law, statute, rule or regulation applicable to it, or conflict with, violate or result in

the breach of or constitute a default under any material agreement to which it is a party or by which it or any of its properties is bound, or any judgment, order, award or decree to which Cliffs is a party or by which it is bound, or require any approval, consent, authorization or other action by any court, governmental authority or regulatory body or any creditor of Cliffs or any other person or entity, and (iii) this Agreement constitutes a valid and binding obligation of Cliffs and is enforceable against Cliffs in accordance with its terms.

**Section 23.—Counterparts.**

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

**Section 24.—Arbitration.**

(a). Upon notice by either party to the other, all disputes, claims, questions or disagreements arising out or relating to this Agreement or breach, termination, enforcement, interpretation or validity thereof, including the determination of the scope or applicability of this Agreement to arbitrate, shall be determined by arbitration administered by the American Arbitration Association in accordance with the provisions of its Commercial Arbitration Rules, modified as follows:

(i). The place of arbitration shall be Cleveland, Ohio;

(ii). Unless the parties consent in writing to a lesser number, the arbitration proceedings shall be conducted before a panel of three neutral arbitrators, one to be appointed by Cliffs, one to be appointed by AK Steel,

and third to be selected by the two arbitrators. None of the arbitrators shall be an employee, officer, director or consultant of, or of a direct competitor of, AK Steel or Cliffs;

(iii). Either party may apply to the arbitrators seeking injunctive relief until the arbitration award is rendered or the controversy is otherwise resolved. Either party also may, without waiving any remedy under this Agreement, seek from any court having jurisdiction any interim or provisional relief that is necessary to protect the rights or property of that party, pending the establishment of the arbitral tribunal (or pending the arbitral tribunal's determination of the merits of the controversy);

(iv). Consistent with the expedited nature of arbitration, each party will, upon the written request of the other party, promptly provide the other with copies of documents on which the producing party may rely or otherwise which may be relevant in support of or in opposition to any claim or defense; any dispute regarding discovery, or the relevance or scope thereof, shall be determined by the arbitrators, which determination shall be conclusive; and all discovery shall be completed within forty-five (45) days following the appointment of the arbitrators;

(v). In connection any arbitration arising out of this Agreement, the arbitrators shall have no authority to alter, amend, or modify any of the terms and conditions of this Agreement, and further, the arbitrators may not enter any award that alters, amends or modifies terms or conditions of this Agreement in any form or manner;

- (vi). The arbitration shall be "Baseball Style" wherein each party shall submit to the arbitrator and exchange with each other in advance of the hearing their last, best offers. The arbitrator shall be limited to awarding only one or the other of the two figures submitted;
- (vii). The award or decision shall be made within nine months of the filing of the notice of intention to arbitrate, and the arbitrators shall agree to comply with this schedule before accepting appointment; *provided, however*, that this time limit may be extended by written agreement signed by both parties or by the arbitrators, if necessary; and
- (viii). In connection with any arbitration related to this Agreement, each party shall be responsible for its own costs and expenses, and the parties will equally split the cost of conducting the arbitration itself.
- (b). The judgment of the arbitrators shall be final and binding on the parties, and judgment upon the award rendered by the arbitrators may be entered and enforced by any court of the United States or any state thereof.

**REMAINDER OF PAGE INTENTIONALLY LEFT BLANK**

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

**THE CLEVELAND-CLIFFS IRON COMPANY**

By: \_\_\_\_\_  
Name: William R. Calfee  
Title: Executive Vice President — Commercial

**CLIFFS SALES COMPANY**

By: \_\_\_\_\_  
Name: William R. Calfee  
Title: Executive Vice President — Commercial

**AK STEEL CORPORATION**

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

APPENDIX 1

GLOSSARY

Agreement	1
AK Steel	1
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Annual Nomination	3
Base Price	6
Baseball Style	26
Cliffs	1
Cliffs Pellets	1
Cliffs Transferee	20
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[*****]	5
[*****]	9
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[*****]	8
[*****]	7
[*****]	7
Sales	1
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[*****]	10
[*****]	1
ton	2
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EXHIBIT INDEX

I [\*\*\*\*\*]  
II [\*\*\*\*\*]  
III [\*\*\*\*\*]

**Ratio of Earnings To Combined Fixed Charges  
And Preferred Stock Dividend Requirements  
(In Millions)**

	Year Ended December 31,				
	2011	2010	2009	2008	2007
Consolidated pretax income from continuing operations	\$ 2,241.5	\$ 1,303.0	\$ 296.5	\$ 718.6	\$ 380.7
Undistributed earnings of non-consolidated affiliates	9.7	13.5	(65.5)	(35.1)	(11.2)
Amortization of capitalized interest	3.6	3.6	3.0	5.6	2.0
Interest expense	216.5	70.1	39.0	39.8	22.6
Acceleration of debt issuance costs	—	—	—	—	0.8
Interest portion of rental expense	3.6	4.6	5.8	8.4	4.7
Total Earnings	<u>\$ 2,474.9</u>	<u>\$ 1,394.8</u>	<u>\$ 278.8</u>	<u>\$ 737.3</u>	<u>\$ 399.6</u>
Interest expense	\$ 216.5	\$ 70.1	\$ 39.0	\$ 39.8	\$ 22.6
Acceleration of debt issuance costs	—	—	—	—	0.8
Interest portion of rental expense	3.6	4.6	5.8	8.4	4.7
Preferred Stock dividend requirements	—	—	—	1.4	6.7
Fixed Charges Requirements	<u>\$ 220.1</u>	<u>\$ 74.7</u>	<u>\$ 44.8</u>	<u>\$ 48.2</u>	<u>\$ 28.1</u>
Fixed Charges and Preferred Stock Dividend Requirements	<u>\$ 220.1</u>	<u>\$ 74.7</u>	<u>\$ 44.8</u>	<u>\$ 49.6</u>	<u>\$ 34.8</u>
RATIO OF EARNINGS TO FIXED CHARGES	11.2x	18.7x	6.2x	15.3x	14.2x
RATIO OF EARNINGS TO COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDEND REQUIREMENTS	11.2x	18.7x	6.2x	14.9x	11.5x

**SUBSIDIARIES AND AFFILIATES OF  
CLIFFS NATURAL RESOURCES INC. AS OF DECEMBER 31, 2011**  
*(This list contains subsidiaries and affiliates of Cliffs where Cliffs directly or indirectly owns at least 20% of the entity as of 12/31/2011)*

Name	Cliffs' Effective Ownership	Place of Incorporation
Cliffs Natural Resources Inc.		Ohio, USA
2274659 Ontario Inc.	100%	Ontario, Canada
7685874 Canada Inc.	100%	Quebec, Canada
9223-0945 Québec Inc.	100%	Quebec, Canada
Anglo Ferrous Amapá Mineração Ltda.	30%	Brazil
Anglo Ferrous Logística Amapá Ltda.	30%	Brazil
Arnaud Railway Company	100%	Quebec, Canada
AusQuest IOCG Joint Venture	70%	Australia
AusQuest Limited	30%	WA Australia
Barcomba Joint Venture (unincorporated JV)	50%	WA Australia
Beard Pinnacle, LLC	100%	Oklahoma, USA
Bloom Lake General Partner Limited	75%	Ontario, Canada
Bloom Lake Railway Company Limited	100%	Newfoundland, Canada
CALipso Sales Company	82.4%	Delaware, USA
Cleveland-Cliffs International Holding Company	100%	Delaware, USA
Cleveland-Cliffs Ore Corporation	100%	Ohio, USA
CLF PinnOak LLC	100%	Delaware, USA
Cliffs (Gibraltar) Holdings Limited	100%	Gibraltar
Cliffs (Gibraltar) Holdings Limited Luxembourg S.C.S.	100%	Luxembourg
Cliffs (Gibraltar) Limited	100%	Gibraltar
Cliffs (US) Mather I LLC	100%	Delaware, USA
Cliffs and Associates Limited	82.4%	Trinidad
Cliffs Asia Pacific Iron Ore Finance Pty Ltd	100%	WA Australia
Cliffs Asia Pacific Iron Ore Holdings Pty Ltd (fka Portman Limited)	100%	WA Australia
Cliffs Asia Pacific Iron Ore Investments Pty Ltd	100%	QLD Australia
Cliffs Asia Pacific Iron Ore Management Pty Ltd	100%	NSW Australia
Cliffs Asia Pacific Iron Ore Pty Ltd (fka Portman Iron Ore Limited)	100%	NSW Australia
Cliffs Australia Coal Pty Ltd	100%	QLD Australia
Cliffs Australia Holdings Pty Ltd	100%	QLD Australia
Cliffs Australia Washplant Operations Pty Ltd	100%	QLD Australia
Cliffs Biwabik Ore Corporation	100%	Minnesota, USA
Cliffs Brown B.V.	100%	The Netherlands
Cliffs Canada Chromite Land ULC	100%	British Columbia, Canada
Cliffs Canadian Shared Services Inc.	100%	Ontario, Canada
Cliffs Chromite Far North Inc. (fka Spider Resources Inc.)	100%	Ontario, Canada
Cliffs Chromite Ontario Inc. (fka Freewest Resources Canada Inc.)	100%	Quebec, Canada
Cliffs Empire, Inc.	100%	Michigan, USA
Cliffs Erie L.L.C.	100%	Delaware, USA
Cliffs Exploration Holdings Company	100%	Delaware, USA
Cliffs Exploraciones Peru S.A.C.	100%	Peru
Cliffs Greene B.V.	100%	The Netherlands
Cliffs Harrison B.V.	100%	The Netherlands
Cliffs International Lux I S.à r.l.	100%	Luxembourg
Cliffs International Lux II S.à r.l.	100%	Luxembourg

<u>Name</u>	<u>Cliffs' Effective Ownership</u>	<u>Place of Incorporation</u>
Cliffs International Lux IV S.à r.l. (In Liquidation)	100%	Luxembourg
Cliffs International Luxembourg S.à r.l.	100%	Luxembourg
Cliffs International Management Company LLC	100%	Delaware, USA
Cliffs International Mineração Brasil Ltda.	100%	Brazil
Cliffs International Participacoes Brasil Ltd.	100%	Brazil
Cliffs Logan County Coal, LLC (fka INR-WV Operating, LLC)	100%	Delaware, USA
Cliffs Logan County Coal Terminals, LLC (fka INR Terminals, LLC)	100%	Delaware, USA
Cliffs Logan County Holdings, LLC (fka INR-1 Holdings, LLC)	100%	Delaware, USA
Cliffs Magnetite Holdings Pty Ltd.	100%	WA Australia
Cliffs Marquette, Inc.	100%	Michigan, USA
Cliffs Minera Peru S.A.C.	100%	Peru
Cliffs Mineração Ltda.	100%	Brazil
Cliffs Mining Company (fka Pickands Mather & Co.)	100%	Delaware, USA
Cliffs Mining Services Company	100%	Delaware, USA
Cliffs Minnesota Mining Company	100%	Delaware, USA
Cliffs Natural Gas Company	100%	Delaware, USA
Cliffs Natural Resources Exploration Argentina S.R.L.	100%	Republic of Argentina
Cliffs Natural Resources Exploration Argentina II S.R.L.	100%	Republic of Argentina
Cliffs Natural Resources Exploration B.V.	100%	Netherlands
Cliffs Natural Resources Exploration Canada Inc.	100%	Ontario, Canada
Cliffs Natural Resources Exploration Chile Limitada.	100%	Chile
Cliffs Natural Resources Exploration Inc.	100%	Delaware, USA
Cliffs Natural Resources Holdings Pty Ltd	100%	WA Australia
Cliffs Natural Resources Luxembourg S.à r.l.	100%	Luxembourg
Cliffs Natural Resources Pty Ltd (fka Cliffs Asia-Pacific Pty Limited)	100%	WA Australia
Cliffs Netherlands B.V.	100%	The Netherlands
Cliffs North American Coal LLC (fka PinnOak Resources, LLC)	100%	Delaware, USA
Cliffs Oil Shale Corp.	100%	Colorado, USA
Cliffs Quebec Iron Mining Limited (fka Consolidated Thompson Iron Mines Limited)	100%	Quebec, Canada
Cliffs Reduced Iron Corporation	100%	Delaware, USA
Cliffs Reduced Iron Management Company	100%	Delaware, USA
Cliffs Renewable Energies LLC	100%	Delaware, USA
Cliffs Sales Company (fka Northshore Sales Company)	100%	Ohio, USA
Cliffs Scovil B.V.	100%	The Netherlands
Cliffs Sterling B.V.	100%	The Netherlands
Cliffs Subscription LLC	100%	Delaware, USA
Cliffs Technical Products LLC	100%	Delaware, USA
Cliffs TIOP, Inc. (fka Cliffs MC Empire, Inc.)	100%	Michigan, USA
Cliffs UTAC Holding LLC	100%	Delaware, USA
Cliffs West Virginia Coal, Inc.	100%	Delaware, USA
CNR Exploration Mexico S. de R.L. de C.V.	100%	Mexico
CNREM LLC	100%	Mongolia
Cockatoo Island Holdings Pty Ltd	100%	NSW Australia
Cockatoo Iron Ore Joint Venture (unincorporated JV)	50%	SA Australia
Cockatoo Mining Pty Ltd	50%	WA Australia
Currawong Coal Pty Ltd	50%	NSW Australia
Empire Iron Mining Partnership	79%	Michigan, USA
Emerald Joint Venture (unincorporated JV)	50%	WA Australia
Hibbing Development Company	39%	Minnesota, USA
Hibbing Taconite Company	23%	Minnesota, USA

<u>Name</u>	<u>Cliffs' Effective Ownership</u>	<u>Place of Incorporation</u>
IronUnits LLC	100%	Delaware, USA
Knoll Lake Minerals Limited	58.3%	Canada
Koolyanobbing Iron Pty Ltd	100%	WA Australia
Lake Superior & Ishpeming Railroad Company	100%	Michigan, USA
MABCO Steam Company, LLC	40.467%	Delaware, USA
Marquette Iron Mining Partnership	100%	Michigan, USA
Marquette Range Coal Service Company	82.086%	Michigan, USA
Maryborough Joint Venture (unincorporated JV)	50%	WA Australia
Michigan Iron Nugget LLC	50%	Delaware, USA
Minerais Midway Ltee	100%	Quebec, Canada
Mt. Finnerty Joint Venture	80%	WA Australia
Minera Cerro Juncal S.A.	100%	Republic of Argentina
Mount Inglis Joint Venture (unincorporated JV)	50%	WA Australia
Northern Conservation, LLC	100%	Minnesota, USA
Northern Land Company Limited	50%	Newfoundland, Canada
Northshore Mining Company	100%	Delaware, USA
Oak Grove Land Company, LLC	100%	Delaware, USA
Oak Grove Resources, LLC	100%	Delaware, USA
Pickands Hibbing Corporation	100%	Minnesota, USA
Pinnacle Land Company, LLC	100%	Delaware, USA
Pinnacle Mining Company, LLC	100%	Delaware, USA
PinnOak Coal Sales, LLC	100%	Delaware, USA
Portman Coal Investments Pty Ltd	100%	WA Australia
Portman Iron Ore Limited (fka Esperance Iron Limited)	100%	WA Australia
Portman Limited (fka Pelsoil Limited)	100%	Australia
Portman Mining Limited	100%	NA Australia
Quinto Mining Corporation	100%	Quebec, Canada
Renewafuel, LLC	94.5554%	Minnesota, USA
Republic Wetlands Preserve LLC	100%	Michigan, USA
Rockport Mining Corporation	100%	New Brunswick, Canada
Seignelay Resources, Inc. (fka Angola Services Corporation)	100%	Delaware, USA
Silver Bay Power Company	100%	Delaware, USA
Sonoma Mine Management Pty Ltd	45%	QLD Australia
Southern Eagle Land, LLC	100%	Delaware, USA
Springleigh Joint Venture (unincorporated JV)	50%	WA Australia
St Lawrence Joint Venture (unincorporated JV)	50%	WA Australia
Syracuse Mining Company	100%	Minnesota, USA
The Bloom Lake Iron Ore Mine Limited Partnership	75%	Quebec, Canada
The Cleveland-Cliffs Iron Company	100%	Ohio, USA
The Cleveland-Cliffs Steamship Company	100%	Delaware, USA
Tilden Mining Company L.C.	85%	Michigan, USA
Twin Falls Power Corporation Limited	25.89%	Canada
Toney's Fork Land, LLC	100%	Delaware, USA
United Taconite LLC	100%	Delaware, USA
Universal Resources LLC	20%	Mongolia
Wabush Iron Co. Limited	100%	Ohio, USA
Wabush Lake Railway Company, Limited	100%	Newfoundland, Canada
Wabush Mines (unincorporated JV)	100%	Newfoundland, Canada
Wabush Resources Inc.	100%	Ontario, Canada

**Consent of Independent Registered Public Accounting Firm**

We consent to the incorporation by reference in:

Registration Statement No. 333-30391 on Form S-8 pertaining to the 1992 Incentive Equity Plan (as amended and restated as of May 13, 1997) and the related prospectus;

Registration Statement No. 333-56661 on Form S-8 (as amended by Post-Effective Amendment No. 1) pertaining to the Northshore Mining Company and Silver Bay Power Company Retirement Saving Plan and the related prospectus;

Registration Statement No. 333-06049 on Form S-8 pertaining to the Cliffs Natural Resources Inc. Nonemployee Directors' Compensation Plan;

Registration Statement No. 333-84479 on Form S-8 pertaining to the 1992 Incentive Equity Plan (as amended and restated as of May 11, 1999);

Registration Statement No. 333-64008 on Form S-8 (as amended by Post-Effective Amendment No. 1 and Post-Effective Amendment No. 2) pertaining to the Cliffs Natural Resources Inc. Nonemployee Directors' Compensation Plan (as amended and restated as of January 1, 2004);

Registration Statement No. 333-159162 on Form S-3 dated May 12, 2009 pertaining to the registration of indeterminate number of common shares (and accompanying rights) that may from time to time be issued at indeterminate prices;

Registration Statement No. 333-165376 on Form S-3 dated March 10, 2010 pertaining to the registration of an indeterminate amount of debt securities that may from time to time be issued at indeterminate prices;

Registration Statement No. 333-165021 on Form S-8 pertaining to the 2007 Incentive Equity Plan; and

Registration Statement No. 333-172649 on Form S-8 dated March 7, 2011 pertaining to the registration of an additional 9,000,000 common shares under the Amended and Restated Cliffs 2007 Incentive Equity Plan;

of our reports relating to the consolidated financial statements and financial statement schedule of Cliffs Natural Resources Inc. and the effectiveness of Cliffs Natural Resources Inc.'s internal control over financial reporting dated February 16, 2012, appearing in the Annual Report on Form 10-K of Cliffs Natural Resources Inc. for the year ended December 31, 2011.

/s/ DELOITTE & TOUCHE LLP

Cleveland, Ohio  
February 16, 2012

## POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the undersigned Directors and officers of Cliffs Natural Resources Inc., an Ohio corporation ("Company"), hereby constitute and appoint Joseph A. Carrabba, Laurie Brlas, Terry Paradie, and Kelly Tompkins, 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, 2011, 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 10<sup>th</sup> day of January, 2012.

/s/ J. A. Carrabba  
J. A. Carrabba  
Chairman, President and Chief Executive Officer

/s/ S. M. Cunningham  
S. M. Cunningham, Director

/s/ B. J. Eldridge  
B. J. Eldridge, Director

/s/ A. R. Gluski  
A. R. Gluski, Director

/s/ S. M. Green  
S. M. Green, Director

/s/ J. K. Henry  
J. K. Henry, Director

/s/ J. F. Kirsch  
J. F. Kirsch, Director

/s/ F. R. McAllister  
F. R. McAllister, Director

/s/ R. Phillips  
R. Phillips, Director

/s/ R. K. Riederer  
R. K. Riederer, Director

/s/ R. Ross  
R. Ross, Director

/s/ A. Schwarz  
A. Schwarz, Director

/s/ L. Brlas  
L. Brlas,  
Executive Vice President, Finance and Administration and Chief Financial Officer

/s/ T. M. Paradie  
T. M. Paradie  
Senior Vice President, Corporate Controller and Chief Accounting Officer

## CERTIFICATION

I, Joseph A. Carrabba, certify that:

1. I have reviewed this annual report on Form 10-K of Cliffs Natural Resources Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 16, 2012

By: /s/ Joseph A. Carrabba  
Joseph A. Carrabba  
Chairman, President and Chief Executive Officer

## CERTIFICATION

I, Laurie Brlas, certify that:

1. I have reviewed this annual report on Form 10-K of Cliffs Natural Resources Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 16, 2012

By: /s/ Laurie Brlas  
Laurie Brlas  
Executive Vice President, Finance and  
Administration and Chief Financial Officer

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Cliffs Natural Resources Inc. (the "Company") on Form 10-K for the year ended December 31, 2011 as filed with the Securities and Exchange Commission on the date hereof (the "Form 10-K"), I, Joseph A. Carrabba, Chairman, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to such officer's knowledge:

- (1) The Form 10-K fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and
- (2) The information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods expressed in the Form 10-K.

Date: February 16, 2012

By: /s/ Joseph A. Carrabba  
Joseph A. Carrabba  
Chairman, President and Chief Executive Officer

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Cliffs Natural Resources Inc. (the "Company") on Form 10-K for the year ended December 31, 2011 as filed with the Securities and Exchange Commission on the date hereof (the "Form 10-K"), I, Laurie Brlas, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to such officer's knowledge:

- (1) The Form 10-K fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and
- (2) The information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods expressed in the Form 10-K.

Date: February 16, 2012

By: /s/ Laurie Brlas  
Laurie Brlas  
Executive Vice President, Finance and  
Administration and Chief Financial Officer

**Mine Safety Disclosures**

The operation of our mines located in the United States is subject to regulation by MSHA under the FMSH Act. MSHA inspects these mines on a regular basis and issues various citations and orders when it believes a violation has occurred under the FMSH Act. We present information below regarding certain mining safety and health citations that MSHA has issued with respect to our mining operations. In evaluating this information, consideration should be given to factors such as: (i) the number of citations and orders will vary depending on the size of the mine; (ii) the number of citations issued will vary from inspector to inspector and mine to mine, and (iii) citations and orders can be contested and appealed and, in that process, are often reduced in severity and amount, and are sometimes dismissed.

Under the recently enacted Dodd-Frank Act, each operator of a coal or other mine is required to include certain mine safety results within its periodic reports filed with the SEC. As required by the reporting requirements included in §1503(a) of the Dodd-Frank Act, we present the following items regarding certain mining safety and health matters, for the period presented, for each of our mine locations that are covered under the scope of the Dodd-Frank Act:

- (A) The total number of violations of mandatory health or safety standards that could significantly and substantially contribute to the cause and effect of a coal or other mine safety or health hazard under section 104 of the FMSH Act (30 U.S.C. 814) for which the operator received a citation from MSHA;
- (B) The total number of orders issued under section 104(b) of the FMSH Act (30 U.S.C. 814(b));
- (C) The total number of citations and orders for unwarrantable failure of the mine operator to comply with mandatory health or safety standards under section 104(d) of the FMSH Act (30 U.S.C. 814(d));
- (D) The total number of imminent danger orders issued under section 107(a) of the FMSH Act (30 U.S.C. 817(a));
- (E) The total dollar value of proposed assessments from MSHA under the FMSH Act (30 U.S.C. 801 et seq.);
- (F) Legal actions pending before Federal Mine Safety and Health Review Commission involving such coal or other mine as of the last day of the period;
- (G) Legal actions initiated before the Federal Mine Safety and Health Review Commission involving such coal or mine during the period; and
- (H) Legal actions resolved before the Federal Mine Safety and Health Review Commission involving such coal or mine during the period.

During the year ended December 31, 2011, our mine locations did not receive any flagrant violations under Section 110(b)(2) of the FMSH Act and no written notices of a pattern of violations, or the potential to have a pattern of such violations, under section 104(e) of the FMSH Act. In addition, there were no mining-related fatalities at any of our mine locations during this same period.

Following is a summary of the information listed above for the year ended December 31, 2011.

		Year ended December 31, 2011							
		(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)
Mine Name/ MSHA ID No.	Operation	Section 104 S&S Citations	Section 104(b) Orders	Section 104(d) Orders	Section 107(a) Citations & Orders	Total Dollar Value of MSHA Proposed Assessments (1)	Legal Actions Pending as of Last Day of Period	Legal Actions Initiated During Period	Legal Actions Resolved During Period
Pinnacle Mine / 4601816	Coal	107	4	7	2	\$ 190,625	26(2)	32	40
Pinnacle Plant / 4605868	Coal	18	—	—	—	15,403	5(3)	6	7
Green Ridge #1 / 4609030	Coal	—	—	—	—	—	4(4)	1	7
Green Ridge #2 / 4609222	Coal	21	—	11	—	33,232	10(5)	9	2
Oak Grove / 0100851	Coal	145	7	16	1	742,818	35(6)	—	136
Concord Plant / 0100329	Coal	3	—	—	—	9,438	1(7)	—	7
Dingess-Chilton / 4609280	Coal	92	—	2	1	130,906	25(8)	25	2
Powellton / 4609217	Coal	78	1	2	—	99,994	49(9)	27	5
Saunders Prep / 4602140	Coal	7	—	—	—	2,474	1(10)	2	1
Tony Fork / 4609101	Coal	34	1	—	—	114,957	5(11)	5	2
Elk Lick Tipple / 4604315	Coal	2	—	—	—	2,546	3(12)	3	—
Lower War Eagle / 4609319	Coal	3	—	—	—	—	—	—	—
Elk Lick Chilton / 4609390	Coal	—	—	—	—	—	—	—	—
Tilden / 2000422	Iron Ore	31	—	—	—	122,858	8(13)	—	—
Empire / 2001012	Iron Ore	20	—	2	—	59,853	5(14)	—	—
NorthShore Plant / 2100831	Iron Ore	89	1	—	—	305,000	—	—	—
Northshore Mine / 2100209	Iron Ore	—	—	—	—	900	13(15)	—	—
Hibbing / 2101600	Iron Ore	28	—	—	—	153,627	1(16)	—	—
United Taconite Plant / 2103404	Iron Ore	38	3	1	4	219,638	1(17)	—	—
United Taconite Mine / 2103403	Iron Ore	5	1	—	—	2,384	—	—	—

- (1) Amounts included under the heading "Proposed Assessments" are the total dollar amounts for proposed assessments received from MSHA on or before December 31, 2011.
- (2) Included in this number are 1 pending legal action related to contests of citations and orders referenced in Subpart B of FMSH Act's procedural rules and 25 pending legal actions related to contests of proposed penalties referenced in Subpart C of FMSH Act's procedural rules.
- (3) This number consists of 5 pending legal actions related to contests of proposed penalties referenced in Subpart C of FMSH Act's procedural rules.
- (4) This number consists of 4 pending legal actions related to contests of proposed penalties referenced in Subpart C of FMSH Act's procedural rules.
- (5) This number consists of 10 pending legal actions related to contests of proposed penalties referenced in Subpart C of FMSH Act's procedural rules.
- (6) Included in this number are 6 pending legal actions related to contests of citations and orders referenced in Subpart B of FMSH Act's procedural rules; 28 pending legal actions related to contests of proposed penalties referenced in Subpart C of FMSH Act's procedural rules; and 1 pending legal action related to complaints for compensation referenced in Subpart D of FMSH Act's procedural rules.
- (7) This number consists of 1 pending legal action related to contests of proposed penalties referenced in Subpart C of FMSH Act's procedural rules.
- (8) Included in this number are 3 pending legal actions related to contests of citations and orders referenced in Subpart B of FMSH Act's procedural rules and 22 pending legal actions related to contests of proposed penalties referenced in Subpart C of FMSH Act's procedural rules.

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- (9) Included in this number are 2 pending legal actions related to contests of citations and orders referenced in Subpart B of FMSH Act's procedural rules and 47 pending legal actions related to contests of proposed penalties referenced in Subpart C of FMSH Act's procedural rules.
  - (10) This number consists of 1 pending legal action related to contests of proposed penalties referenced in Subpart C of FMSH Act's procedural rules.
  - (11) This number consists of 5 pending legal actions related to contests of proposed penalties referenced in Subpart C of FMSH Act's procedural rules.
  - (12) This number consists of 3 pending legal actions related to contests of proposed penalties referenced in Subpart C of FMSH Act's procedural rules.
  - (13) This number consists of 8 pending legal actions related to contests of proposed penalties referenced in Subpart C of FMSH Act's procedural rules.
  - (14) This number consists of 5 pending legal actions related to contests of proposed penalties referenced in Subpart C of FMSH Act's procedural rules.
  - (15) This number consists of 13 pending legal actions related to contests of proposed penalties referenced in Subpart C of FMSH Act's procedural rules.
  - (16) This number consists of 1 pending legal action related to complaints of discharge, discrimination or interference referenced in Subpart E of FMSH Act's procedural rules.
  - (17) This number consists of 1 pending legal action related to contests of proposed penalties referenced in Subpart C of FMSH Act's procedural rules.

**Cliffs Natural Resources Inc. and Subsidiaries**  
**Schedule II — Valuation and Qualifying Accounts**  
*(Dollars in Millions)*

Classification	Balance at Beginning of Year	Additions			Deductions	Balance at End of Year
		Charged to Cost and Expenses	Charged to Other Accounts	Acquisition		
Year Ended December 31, 2011:						
Deferred Tax Valuation Allowance	\$ 172.7	\$ 49.1	\$ 2.1	\$ —	\$ —	\$ 223.9
Year Ended December 31, 2010:						
Deferred Tax Valuation Allowance	\$ 89.4	\$ 94.3	\$ —	\$ —	\$ 11.0	\$ 172.7
Year Ended December 31, 2009:						
Deferred Tax Valuation Allowance	\$ 17.6	\$ 53.8	\$ 1.7	\$ 16.8	\$ 0.5	\$ 89.4