

CLIFFS NATURAL RESOURCES INC.

FORM 8-K

(Current report filing)

Filed 05/12/06 for the Period Ending 05/08/06

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

CLEVELAND CLIFFS INC

FORM 8-K (Unscheduled Material Events)

Filed 5/12/2006 For Period Ending 5/8/2006

Address	1100 SUPERIOR AVE 18TH FLR CLEVELAND, Ohio 44114
Telephone	216-694-5700
CIK	0000764065
Industry	Metal Mining
Sector	Basic Materials
Fiscal Year	12/31

Powered By **EDGAR**Online

<http://www.edgar-online.com/>

© Copyright 2006. All Rights Reserved.

Distribution and use of this document restricted under EDGAR Onlines Terms of Use.

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of Earliest Event Reported):

May 8, 2006

Cleveland-Cliffs Inc

(Exact name of registrant as specified in its charter)

Ohio

1-8944

34-1464672

(State or other jurisdiction
of incorporation)

(Commission
File Number)

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

1100 Superior Avenue, Cleveland, Ohio

44114-2589

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code:

216-694-5700

Not Applicable

Former name or former address, if changed since last report

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
-

[Top of the Form](#)

Item 1.01 Entry into a Material Definitive Agreement.

On May 8, 2006, the Compensation and Organization Committee ("Committee") of the Board of Directors of Cleveland-Cliffs Inc (the "Company") approved a grant of Performance Shares and Retention Units under the Company's Long-Term Incentive Program ("LTI Program") to key management employees including the named executive officers for the Performance Period 2006-2008. The grant of Performance Shares assumes 100% attainment of performance goals.

The following indicates the Performance Shares and the Retention Units granted to the named executive officers of the Company.

John S. Brinzo 13,175, 2,325
David H. Gunning 5,185, 915
Joseph A. Carrabba 7,055, 1,245
William R. Calfee 3,315, 585
Donald J. Gallagher 3,570, 630

The Performance Shares granted under the LTI Program measure performance for the period 2006-2008 on the basis of two factors: (1) relative total shareholder return, and (2) three year average pre-tax return on net assets and are paid out in common shares. Retention units are a bookkeeping entry that records a unit equivalent to one common share and is paid out in cash, based on the value of a common share at the end of the three-year retention period.

In the event the participant's employment is terminated prior to the end of the three-year retention period because of death, disability, retirement or by the Company without cause, the participant will receive a pro rata portion of the Performance Shares and Retention Units. In the event the participant voluntarily terminates employment or is terminated by the Company for cause prior to the end of the three-year retention period, the participant will forfeit the right to the Performance Shares.

Upon the occurrence of a change in control, all Performance Shares granted to a participant will vest and all Retention Units will become nonforfeitable and paid out in cash.

The form of grant agreement for the LTI Program is included as Exhibit 10(a). The foregoing discussion of the terms of such agreement is qualified in its entirety by reference to the full text of such exhibit, which is incorporated by reference herein.

Dated May 8, 2006 and effective as of January 1, 2006, the Compensation & Organization Committee amended the LTI Program to eliminate the maximum amount that may be paid from the 1992 Incentive Equity Plan. The amendment to the LTI Program is included as Exhibit 10(b). The foregoing discussion of the terms of such amendment is qualified in its entirety by reference to the full text of such exhibit, which is incorporated by reference herein.

Item 9.01 Financial Statements and Exhibits.

Exhibits

(d)

10(a) Form of Cleveland-Cliffs Inc Long-Term Incentive Program Participant Grant and Agreement Year 2006

10(b) Amendment No. 1 to Long-Term Incentive Program dated May 8, 2006 and effective as of January 1, 2006

SIGNATURES

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

March 15, 2005

Cleveland-Cliffs Inc

By: *Robert J. Leroux*

Name: Robert J. Leroux

Title: Vice President and Controller

Exhibit Index

<u>Exhibit No.</u>	<u>Description</u>
10.(a)	Form of Cleveland-Cliffs Inc Long-Term Incentive Program Participant Grant and Agreement Year 2006
10.(b)	Amendment No. 1 to Long-Term Incentive Program dated May 8, 2006 and effective January 1, 2006

CLEVELAND-CLIFFS INC

Long-Term Incentive Program Participant Grant and Agreement Year 2006

WHEREAS, on April 14, 1992, the shareholders of Cleveland-Cliffs Inc, an Ohio corporation (“Company” and the term “Company” as used herein shall also include the Company’s consolidated Subsidiaries) approved the 1992 Incentive Equity Plan of the Company; and

WHEREAS, on May 13, 1997, the shareholders of the Company approved the 1992 Incentive Equity Plan (as Amended and Restated as of May 13, 1997) of the Company; and

WHEREAS, on May 11, 1999, the shareholders of the Company approved an amendment (“Amendment”) to the 1992 Incentive Equity Plan (as Amended and Restated as of May 13, 1997); and

WHEREAS, on May 8, 2000, the Board of Directors of the Company (“Board”), adopted the 2000 Retention Unit Plan (“2000 Retention Plan”); and

WHEREAS, the Compensation and Organization Committee (“Committee”) of the Board has been appointed to administer the 1992 Incentive Equity Plan (as Amended and Restated as of May 13, 1997), as amended by the Amendment (“1992 ICE Plan”) and the 2000 Retention Plan pursuant to the terms thereof; and

WHEREAS, under the 1992 ICE Plan and the 2000 Retention Plan, the Committee on May 8, 2000, adopted a Long-Term Incentive Program (“Incentive Program”) to encourage officers and key employees of the Company to achieve Company management objectives established by the Committee and reported to the Board and to create additional retention incentives; and

WHEREAS, the Incentive Program has been amended by an Amendment No. 1 effective January 1, 2006; and

WHEREAS, (“Participant”) is an employee of the Company or of a Subsidiary of the Company; and

WHEREAS, on (“Date of Grant”) the Committee authorized the granting to the Participant of () Performance Shares and an additional () Retention Units covering the incentive period commencing January 1, 2006 and ending December 31, 2008 (“Incentive Period”) under the Incentive Program; and

WHEREAS, the Committee has authorized the execution of a Participant Grant and Agreement (“Agreement”) in the form hereof.

NOW, THEREFORE, in consideration of the mutual covenants hereinafter set forth, the Participant and Company agree as follows:

ARTICLE 1. Definitions

All terms used herein with initial capital letters shall have the meanings assigned to them in the WHEREAS clauses and the following additional terms, when used herein with initial capital letters, shall have the following meanings:

1.1 “Average Net Assets” shall mean the total assets less (i) current liabilities (excluding the current portion of interest-bearing debt) and (ii) any minority interests, as determined as of the end of the Incentive Period based on a monthly average, beginning on December 31, 2005, and ending on December 31, 2008.

1.2 “Change in Control” shall mean a change in control event as defined under Section 409A of the Internal Revenue Code, which to the extent provided under Section 409A, shall include but not be limited to:

- (i) a change in the ownership of the Company by which any one person, or more than one person acting as a group, acquires ownership of stock of the Company that, together with stock held by such person or group, constitutes more than Fifty Percent (50%) of the total fair market value or total voting power of the stock of the Company;
- (ii) a change in effective control of the Company by which:
 - 1. 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 the Company possessing Thirty-Five Percent (35%) or more of the total voting power of the stock of the Company; or
 - 2. a majority of members of the Board 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 prior to the date of the appointment or election; or
- (iii) a change in the ownership of a substantial portion of the assets of the Company by which 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 the Company that have a total gross fair market value equal to or more than Forty Percent (40%) of the total gross fair market value of all of the assets of the Company immediately prior to such acquisition or acquisitions. For this purpose, gross fair market value means the value of the assets of the corporation, or the value of the assets being disposed of, determined without regard to any liabilities associated with such assets.

Persons shall 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 the Company.

There is no change in control event under this Section 1.2 when there is a transfer to an entity that is controlled by the shareholders of the transferring corporation immediately after the transfer, as provided in this paragraph. A transfer of assets by the Company is not treated as a change in the ownership of such assets if the assets are transferred to:

- (i) A shareholder of the Company (immediately before the asset transfer) in exchange for or with respect to its stock;
- (ii) An entity, 50 percent or more of the total value or voting power of which is owned, directly or indirectly, by the Company;
- (iii) A person, or more than one person acting as a group, that owns, directly or indirectly, 50 percent or more of the total value or voting power of all the outstanding stock of the Company; or
- (iv) An entity, at least 50 percent of the total value or voting power of which is owned, directly or indirectly, by a person described in subparagraph (iii) above.

For purposes of this paragraph and except as otherwise provided, a person's status is determined immediately after the transfer of the assets. For example, a transfer to a corporation in which the Company has no ownership interest before the transaction, but which is a majority-owned subsidiary of the Company after the transaction is not treated as a change in the ownership of the assets of the Company.

Notwithstanding the foregoing, for purposes of this Section 1.2, 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 below in this Section 1.2.), (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 below in this Section 1.2).

The “Incumbent Board” shall mean those individuals who, as of the date hereof, constitute 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.

A “Business Combination” shall mean any business transaction such as 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, 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 Voting Stock of the Company 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 Voting Stock of the entity resulting from such business transaction (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 transaction, of the Voting Stock of the Company, (B) no Person (other than the Company, such entity resulting from such business transaction, or any employee benefit plan (or related trust) sponsored or maintained by the Company, 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 Voting Stock of the entity resulting from 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 providing for such business transaction.

1.3 “Common Share(s)” shall have the meaning assigned thereto in the 1992 ICE Plan.

1.4 “Disability or Disabled” shall mean the disability of a Participant as defined by the long-term disability plan of the Company in effect for such Participant.

1.5 “Market Value Price” shall mean the latest available closing price per share of a Common 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.

1.6 “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.

1.7 “Performance Objectives” shall mean for the Incentive Period the target objectives of the Company of the Relative Total Shareholder Return and Return on Net Asset goals established by the Committee and reported to the Board, as more particularly set forth on attached Exhibit B.

1.8 “Performance Share” shall have the meaning assigned thereto in the 1992 ICE Plan.

1.9 “Performance Shares Earned” shall mean the number of Common Shares of the Company (or cash equivalent) earned by a Participant following the conclusion of an Incentive Period in which a required minimum of Company Performance Objectives were met or exceeded.

1.10 “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.

1.11 “Retirement or Retired” shall mean retirement as defined in the retirement plan of the Company, including without limitation any supplemental retirement plan.

1.12 “Return on Net Assets” shall mean the Company’s Earnings Before Taxes (excluding minority interest) divided by Average Net Assets, as more particularly described on attached Exhibit D.

1.13 “Subsidiary” shall have the meaning assigned thereto in the 1992 ICE Plan.

1.14 “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 Common Share of the Company plus dividends (or other distributions) 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) reinvested over the Incentive Period, determined on the last business day of each quarter during the Incentive Period compared to a base measured by the average Market Value Price per share of a Common Share of the Company and of a common share of each of the entities in the Peer Group on the last business day of each month in the fourth quarter of the year immediately preceding the Incentive Period. Dividends (or other distributions) 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.

ARTICLE 2.

Grant and Terms of Performance Shares

2.1 Grant of Performance Shares. Pursuant to the Incentive Program, the Company hereby grants to the Participant the number of Performance Shares as specified in the Ninth WHEREAS clause of this Agreement, without dividend equivalents, effective as of the Date of Grant.

2.2 Issuance of Performance Shares. The Performance Shares covered by this Agreement shall only result in the issuance of Common Shares (or cash or a combination of Common 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. Payout of 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 payouts 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 this Agreement.

2.5 Payment of Performance Shares.

(a). Payment of Performance Shares Earned shall be made in the form of Common Shares (or cash or a combination of Common 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).

(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 this Agreement that have not yet been earned as Performance Shares Earned are not transferable other than by will 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 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, 2006 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 terminated employment or is terminated by the Company with cause, the Participant shall forfeit all right to any Performance Shares that would have been earned under this Agreement.

ARTICLE 3. Grant and Terms of Retention Units

3.1 Grant of Retention Units . Pursuant to the Incentive Program, the Company hereby grants to the Participant the number of Retention Units as specified in the Ninth WHEREAS clause of this Agreement, without dividend equivalents, effective as of the Date of Grant.

3.2 Condition of Payment . The Retention Units covered by this Agreement 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 granted under this Agreement shall be multiplied by the Market Value Price of a Common Share of the Company on the last day of the Incentive Period.

3.4 Payment of Retention Units .

(a). Payment of Retention Units shall be made in cash 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 Retention Units shall be paid in cash at the time the Performance Shares 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 this Agreement are not transferable other than by will 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 death, Disability, Retirement, or is terminated by the Company without cause during the Incentive Period, the Participant shall receive the number of Retention Units as calculated in Section 2.4, prorated based upon the number of months between January 1, 2006 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 Retention 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 Retention 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 Retention Units that have been paid out in cash within the 90-day period preceding the Participant's voluntary 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) 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.

4.2 Change in Control. In the event a Change in Control occurs before completion of an Incentive Period(s), all Performance Shares granted to a Participant shall immediately become Performance Shares Earned, the value of which shall be paid in cash and all Retention Units shall become nonforfeitable and paid out in cash, both 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 this Agreement, the Company shall not be obligated to issue any Common Shares or pay the value of any Retention Units pursuant to this Agreement if the issuance or payment thereof would result in a violation of any such law.

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 Retention Units to a Participant under the Incentive Program, and the amounts available to the Company for such withholding are insufficient, it shall be a condition to the receipt of such payment of Performance Shares Earned or Retention Units or the realization of such benefit that the Participant make arrangements satisfactory to the Company for payment of the balance of such taxes required to be withheld. If necessary, the Committee may require relinquishment of a portion of such Performance Shares Earned or such Retention Units. In the case of Performance Shares Earned, the Participant may elect to satisfy all or any part of any such withholding obligation by surrendering to the Company a portion of the Common Shares that are issued or transferred or that become nontransferable by the Participant hereunder, and the Common Shares so surrendered by the Participant shall be credited against any such withholding obligation at the Market Value Price per share of such Common Shares on the date of such surrender. In no event, however, shall the Company accept Common Shares for payment of taxes in excess of required tax withholding rates, except that, in the discretion of the Committee, a Participant or such other person may surrender Common Shares owned for more than six months to satisfy any tax obligation resulting from such transaction.

5.3 Continuous Employment. For purposes of this Agreement, 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 Claim to Awards and Employment Rights. No Participant shall have any claim or right to be granted another award under the Incentive Program. The Incentive Program shall not confer upon any Participant any right with respect to the continuance of employment or other service with the Company and shall not interfere in any way with any right that the Company would otherwise have to terminate any employment or other service of the Participant at

any time.

5.5 Relation to Other Benefits. Any economic or other benefit to the Participant under this Agreement or the Incentive Program 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.

5.6 Agreement Subject to Plans. The Retention Units and Performance Shares granted under this Agreement and all of the terms and conditions hereof are subject to all of the terms and conditions of the 1992 ICE Plan, the 2000 Retention Plan and the Incentive Program copies of which are available upon request.

5.7 Amendments. The Incentive Program and this Agreement can be amended at any time by the Company. Any amendment to the Incentive Program shall be deemed to be an amendment to this Agreement to the extent that the amendment is applicable hereto. Except for amendments necessary to bring the Incentive Program and this Agreement into compliance with current law including Internal Revenue Code section 409A, no amendment to either the Incentive Program or this Agreement shall adversely affect the rights of the Participant under this Agreement without the Participant's consent.

5.8 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.

5.9 Term. This Agreement shall be effective as of the Date of Grant and shall remain in effect upon completion of the Incentive Period.

5.10 Governing Law. This Agreement shall be construed and governed in accordance with the laws of the State of Ohio.

This Agreement is executed as of the Date of Grant.

CLEVELAND-CLIFFS INC

("Company")

Senior Vice President-Human Resources

The undersigned hereby acknowledges receipt of an executed original of this Participant Grant and Agreement and accepts the Performance Shares and Retention Units granted hereunder on the terms and conditions set forth herein and in the Incentive Program.

Participant

Print Name:

EXHIBITS

Exhibit A	Peer Group
Exhibit B	Performance Objectives
Exhibit C	Relative Total Shareholder Return
Exhibit D	Return on Net Assets
Exhibit E	Beneficiary Designation

PEER GROUP

(2006-2008)

AK Steel Holding Corp.
Algoma Steel Inc.
BHP Billiton
Carpenter Technology
Commercial Metals
CVRD
Gerdau Ameristeel Corp.
Gibraltar Industries
INCO Ltd.
IPSCO Inc.

Mittal Steel Company NV
Nucor Corp.
Oregon Steel Mills Inc.
Phelps Dodge Corp.
Reliance Steel & Aluminum
Rio Tinto plc
Ryerson Inc.
Southern Peru Copper
Steel Dynamics Inc.
USX
Worthington Industries

The Peer Group of 21 companies shall not be adjusted within the Incentive Period, except to exclude companies which at such time (a) are not then publicly traded, or (b) have at that time 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, such exclusion to be effective for the quarter after (a) or (b) above occurs and for all quarters thereafter. 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

(2006-2008)

The target objectives of the Company are Relative Total Shareholder Return (share price plus reinvested dividends) and Return on Net Assets over the three-year Incentive Period from January 1, 2006 to December 31, 2008. 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 Return on Net Assets objective is a Threshold objective. Should Threshold performance not be achieved, the calculated payout generated under Total Shareholder Return will be reduced by 50%. RONA shall be determined by comparing the Return on Net Assets achieved for the three-year Incentive Period to the levels pre-established by the Committee.

**Performance
Factor**

Performance Level

	<u>Threshold</u>	<u>Target</u>	<u>Maximum</u>
<u>Relative TSR</u>	35th%ile	55th%ile	75th%ile
<u>Payout</u>	50%	100%	150%
<u>Pre-Tax RONA</u>	Calculated payout reduced 50% if RONA is below 12% at the end of the three year period (approximately equivalent to the Cost of capital on a pre-tax basis)		

Exhibit C

RELATIVE TOTAL SHAREHOLDER RETURN

(2006-2008)

Relative Total Shareholder Return for the Incentive Period is calculated as follows:

1. The Total Shareholder Return as defined in Section 1.14 of the Agreement for each quarter of the Incentive Period for the Company shall be compared to the Total Shareholder Return for each of the entities within the Peer Group for each quarter of the Incentive Period. The results shall be ranked to determine the Company's Total Shareholder Return percentile ranking compared to the Peer Group in each such quarter.
2. The Total Shareholder Return percentile rankings of the Company for each quarter of the Incentive Period shall then be averaged for the Incentive Period to determine the average Relative Total Shareholder Return of the Company for the Incentive Period, which shall be compared to the Relative Total Shareholder Return performance target range of the Company established for the Incentive Period.
3. The Relative Total Shareholder Return performance target range has been established for the 2006-2008 Incentive Period as follows:

<u>Performance Level</u>	<u>2006-2008 Relative Total Shareholder Return Percentile Ranking</u>
Maximum	75th Percentile
Target	55th Percentile
Threshold	35th Percentile

Exhibit D

RETURN ON NET ASSETS.

(2006-2008)

Return on Net Assets is calculated as follows:

1. Earnings Before Taxes (as computed in 2. below) divided by the Average Net Assets (as computed in 3. below) equals the Return on Net Assets for the Incentive Period, stated as a percentage to two decimals.
2. Earnings Before Taxes is defined as cumulative pre-tax income (after adjusting to exclude any minority interests income or loss) in the Incentive Period divided by three.
3. Average Net Assets is defined as an average of total assets less (i) non-interest bearing current liabilities and (ii) minority interests.

GRANT YEAR 2006

Exhibit E

BENEFICIARY DESIGNATION

In accordance with the terms and conditions of the Cleveland-Cliffs Inc Long-Term Incentive Program ("Incentive Program") and the Participant Grant and Agreement Year 2006 ("Agreement"), I hereby designate the person(s) indicated below as my beneficiary(ies) to receive any payments under the Incentive Program and Agreement 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 Incentive Program and Agreement. In the event that there is no beneficiary living at the time of my death, I understand that the payments under the Incentive Program and Agreement will be paid to my estate.

Date (Signature)

(Print or type name)

AMENDMENT NO. 1

TO

LONG-TERM INCENTIVE PROGRAM

This Amendment No. 1 is executed as of the date set forth below by Cleveland-Cliffs Inc (the "Company");

WITNESSETH:

WHEREAS, effective May 8, 2000, the Company established the Cleveland-Cliffs Inc Long-Term Incentive Plan (the "Incentive Plan") in order to attract and retain executives and other key employees of the Company and its subsidiaries and to align their interests directly with the interests of the shareholders of the Company by increasing the Company's long-term value and exceeding the performance of peer companies; and

WHEREAS, the committee (or subcommittee) established under the terms of the 1992 Incentive Equity Plan (the "Committee") has the right to amend the Incentive Plan pursuant to Section 8.5; and

WHEREAS, the Committee authorized that the Incentive Plan be amended in order to eliminate the maximum amount that may be paid from the Incentive Plan; and

WHEREAS, the Committee authorized that any such amendment to the Incentive Plan may be executed by any member of the Committee;

NOW, THEREFORE, pursuant to Section 8.5 of the Incentive Plan, the Incentive Plan is hereby amended, effective January 1, 2006, as follows:

(1) Paragraph (iii) of Section 5.3(b) of the Incentive Plan is hereby amended by the deletion of said Paragraph in its entirety and the substitution in lieu thereof of a new Paragraph (iii) to read as follows:

"(iii) Each grant shall specify the Management Objectives, with respect to the Performance Shares, that are to be achieved by the Company and a required minimum level of achievement below which no payment of Performance Shares will be made. Each grant of Performance Shares shall set forth a formula for determining the amount of any payment to be made if performance is at or above the required minimum level."

(2) Section 5.4 of the Incentive Plan is hereby amended by the deletion of Subsection (e) in its entirety.

(3) Section 7.4 of the Incentive Plan is hereby amended by the deletion of said Section in its entirety and the substitution in lieu thereof of a new Section 7.4 to read as follows:

"7.4 Change in Control . Except as may otherwise be determined in accordance with the Participant's Grant and Agreement, in the event a Change in Control occurs before completion of an Incentive Period(s), all Performance Shares or Retention Units granted to a Participant shall immediately become Performance Shares Earned in the case of Performance Shares, and the value of which shall be paid in cash within 10 days of the Change in Control, and Retention Units shall become immediately nonforfeitable and be paid in cash within 10 days."

IN WITNESS WHEREOF, the Committee, by a duly authorized member, has executed this Amendment No. 1 as of this 8th day of May, 2006.

By: /s/ F. R. McAllister