

CLIFFS NATURAL RESOURCES INC.

FORM 10-Q (Quarterly Report)

Filed 07/29/04 for the Period Ending 06/30/04

Address	200 PUBLIC SQUARE STE. 3300 CLEVELAND, OH 44114-2315
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SIC Code	1000 - Metal Mining
Industry	Metal Mining
Sector	Basic Materials
Fiscal Year	12/31

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

FORM 10-Q

- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2004
OR
 TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____.

Commission File
Number: 1-8944

CLEVELAND-CLIFFS INC

(Exact Name of Registrant as Specified in Its Charter)

Ohio

34-1464672

(State or Other Jurisdiction of
Incorporation or Organization)

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

1100 Superior Avenue, Cleveland, Ohio 44114-2589

(Address of Principal Executive Offices) (Zip Code)

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

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

YES NO

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

YES NO

As of July 22, 2004, there were 10,700,888 Common Shares (par value \$1.00 per share) outstanding.

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PART I - FINANCIAL INFORMATION

ITEM 1 - FINANCIAL STATEMENTS

CLEVELAND-CLIFFS INC AND CONSOLIDATED SUBSIDIARIES

STATEMENT OF CONSOLIDATED OPERATIONS

	(In Millions, Except Per Share Amounts) Three Months Ended June 30		(In Millions, Except Per Share Amounts) Six Months Ended June 30	
	2004	2003	2004	2003
REVENUES				
Product sales and services				
Iron ore	\$ 257.5	\$ 172.0	\$ 421.4	\$ 294.9
Freight and minority interest	41.0	34.9	110.8	63.1
Total product sales and services	298.5	206.9	532.2	358.0
Royalties and management fees	2.9	2.3	5.8	4.6
Total operating revenues	301.4	209.2	538.0	362.6
Interest income	2.6	2.5	5.2	5.2
Other income	1.6	2.0	3.2	7.4
Total Revenues	305.6	213.7	546.4	375.2
COSTS AND EXPENSES				
Cost of goods sold and operating expenses	262.0	224.8	490.8	375.8
Administrative, selling and general expenses	4.0	4.5	13.0	9.4
Provision for customer bankruptcy exposures		2.6	1.6	2.6
Interest expense	.2	1.3	.5	2.5
Other expenses	.7	2.6	1.8	3.7
Total Costs and Expenses	266.9	235.8	507.7	394.0
INCOME (LOSS) BEFORE INCOME TAXES	38.7	(22.1)	38.7	(18.8)
INCOME TAXES (CREDIT)	5.9	(.9)	5.9	.2
NET INCOME (LOSS)	32.8	(21.2)	32.8	(19.0)
PREFERRED STOCK DIVIDENDS	(1.4)		(2.5)	
INCOME (LOSS) APPLICABLE TO COMMON SHARES	\$ 31.4	\$ (21.2)	\$ 30.3	\$ (19.0)
NET INCOME (LOSS) PER COMMON SHARE				
Basic				
Net income (loss)	\$ 3.10	\$ (2.07)	\$ 3.09	\$ (1.86)
Preferred Stock dividends	(.13)		(.23)	
Income (loss) applicable to common shares	\$ 2.97	\$ (2.07)	\$ 2.86	\$ (1.86)
Diluted				
Net income (loss)	\$ 3.03	\$ (2.07)	\$ 3.04	\$ (1.86)
Preferred Stock dividends	(.13)		(.23)	
Income (loss) applicable to common shares	\$ 2.90	\$ (2.07)	\$ 2.81	\$ (1.86)
AVERAGE NUMBER OF SHARES (IN THOUSANDS)				
Basic	10,632	10,248	10,593	10,225
Diluted	10,839	10,248	10,790	10,225

See notes to consolidated financial statements.

CLEVELAND-CLIFFS INC AND CONSOLIDATED SUBSIDIARIES

STATEMENT OF CONSOLIDATED FINANCIAL POSITION

(In Millions)

	June 30 2004	December 31 2003
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 197.9	\$ 67.8
Trade accounts receivable - net	43.5	9.5
Receivables from associated companies	13.2	5.9
Product inventories	130.8	129.7
Work in process inventories	23.4	14.4
Supplies and other inventories	53.6	58.7
Other	34.5	27.3
TOTAL CURRENT ASSETS	496.9	313.3
PROPERTIES	427.5	407.8
Allowances for depreciation and depletion	(151.8)	(137.3)
TOTAL PROPERTIES	275.7	270.5
OTHER ASSETS		
Marketable securities	150.9	196.7
Long-term receivables	54.2	63.8
Deposits and miscellaneous	22.3	23.5
Intangible pension asset	15.6	15.6
Other investments	3.4	11.8
TOTAL OTHER ASSETS	246.4	311.4
TOTAL ASSETS	\$1,019.0	\$ 895.2
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 64.9	\$ 64.7
Accrued employment cost	59.6	61.4
Accrued expenses	17.9	18.0
State and local taxes	15.9	12.6
Payables to associated companies	12.1	16.1
Environmental and mine closure obligations	8.3	10.2
Current portion of long-term debt		25.0
Other	18.8	17.9
TOTAL CURRENT LIABILITIES	197.5	225.9
PENSIONS, INCLUDING MINIMUM PENSION LIABILITY	119.6	135.2
OTHER POST-RETIREMENT BENEFITS	123.7	124.2
ENVIRONMENTAL AND MINE CLOSURE OBLIGATIONS	87.1	86.6
DEFERRED INCOME TAXES	25.0	34.5
OTHER LIABILITIES	47.5	40.5
TOTAL LIABILITIES	600.4	646.9
MINORITY INTEREST	23.7	20.2
3.25% REDEEMABLE CUMULATIVE CONVERTIBLE PERPETUAL PREFERRED STOCK - ISSUED 172,500 SHARES	172.5	
SHAREHOLDERS' EQUITY		
Common Shares - par value \$1 a share Authorized - 28,000,000 shares; Issued - 16,827,941 shares	16.8	16.8
Capital in excess of par value of shares	70.8	74.3
Retained income	286.0	255.7
Accumulated other comprehensive income, net of tax	17.3	56.4
Cost of 6,132,290 Common Shares in treasury (2003 - 6,329,926 shares)	(168.4)	(173.6)
Unearned compensation	(1)	(1.5)

TOTAL SHAREHOLDERS' EQUITY

222.4

228.1

TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY

\$1,019.0

\$ 895.2

See notes to consolidated financial statements.

CLEVELAND-CLIFFS INC AND CONSOLIDATED SUBSIDIARIES

STATEMENT OF CONSOLIDATED CASH FLOWS

	(In Millions, Brackets Indicate Cash Decrease) Six Months Ended June 30	
	2004	2003
OPERATING ACTIVITIES		
Net income (loss)	\$ 32.8	\$(19.0)
Depreciation and amortization:		
Consolidated	14.7	14.2
Share of associated companies	.8	1.8
Accretion of asset retirement obligation	2.3	
Provision for customer bankruptcy exposures	1.6	2.6
Pensions and other post-retirement benefits	(11.0)	17.9
Gain on sale of assets	(1.9)	(5.5)
Other	(3.2)	(4.0)
	<u>36.1</u>	<u>8.0</u>
Total before changes in operating assets and liabilities	36.1	8.0
Changes in operating assets and liabilities	(51.5)	(19.8)
	<u>(15.4)</u>	<u>(11.8)</u>
Net cash used by operating activities	(15.4)	(11.8)
INVESTING ACTIVITIES		
Purchase of property, plant and equipment:		
Consolidated	(19.9)	(11.1)
Share of associated companies	(.9)	(.1)
Proceeds from Rouge note	10.0	
Proceeds from Weirton investment	3.8	
Proceeds from sale of assets	2.0	6.9
	<u>(5.0)</u>	<u>(4.3)</u>
Net cash used by investing activities	(5.0)	(4.3)
FINANCING ACTIVITIES		
Proceeds from Convertible Preferred Stock	172.5	
Proceeds from stock options exercised	7.6	
Contributions by minority shareholders	2.9	.9
Repayment of long-term debt	(25.0)	(5.0)
Issuance costs of Convertible Preferred Stock	(6.4)	
Preferred Stock dividends	(1.1)	
	<u>150.5</u>	<u>(4.1)</u>
Net cash from (used by) financing activities	150.5	(4.1)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	130.1	(20.2)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	67.8	61.8
	<u>\$197.9</u>	<u>\$ 41.6</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$197.9	\$ 41.6

See notes to consolidated financial statements.

CLEVELAND-CLIFFS INC AND CONSOLIDATED SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2004

NOTE A – BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and should be read in conjunction with the financial statement footnotes and other information in the Company's 2003 Annual Report on Form 10-K. In management's opinion, the quarterly unaudited consolidated financial statements present fairly the Company's financial position, results of operations and cash flows in accordance with accounting principles generally accepted in the United States.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. On an on-going basis, management evaluates its estimates and assumptions, including those related to revenue recognition, valuation of inventories, valuation of long-lived assets, post-employment benefits, income taxes, litigation and environmental liabilities. Management bases its estimates on historical experience, current business conditions and expectations and on various other assumptions it believes are reasonable under the circumstances. Actual results could differ from those estimates.

References to the "Company" mean Cleveland-Cliffs Inc and consolidated subsidiaries. The consolidated financial statements include the accounts of the Company and its majority-owned subsidiaries, including: Tilden Mining Company L.C. ("Tilden") in Michigan, 85 percent ownership; Empire Iron Mining Partnership ("Empire") in Michigan, 79 percent ownership; United Taconite LLC ("United Taconite") in Minnesota, consolidated effective December 1, 2003 when the Company acquired a 70 percent interest; and 100 percent of Wabush Iron Co. Limited ("Wabush Iron").

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Wabush Iron owns a 26.83 percent interest in the Wabush Mines Joint Venture (“Wabush”) in Canada. The Company also holds a 23 percent interest in Hibbing Taconite Company (“Hibbing”), an unincorporated Joint Venture in Minnesota.

Investments in joint ventures 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.

Quarterly results historically are not representative of annual results due to seasonal and other factors. Certain prior year amounts have been reclassified to conform to current year classifications.

NOTE B – ACCOUNTING POLICIES

In March 2004, the Emerging Issues Task Force (“EITF”) reached consensus on Issue 04-3, “Mining Assets: Impairment and Business Combinations.” EITF 04-3 relates to estimating cash flows used to value mining assets or assess those assets for impairment. The Company assesses impairment on economically recoverable ore utilizing existing technology. The release of this issue is not expected to have a significant impact of the Company’s consolidated financial results.

Stock Compensation

Effective January 1, 2003, the Company adopted the fair value method, which is considered the preferable accounting method, of recording stock-based employee compensation as contained in SFAS No. 123, “Accounting for Stock-Based Compensation.” As prescribed in SFAS No. 148, “Accounting for Stock-Based Compensation-Transition and Disclosure,” the Company elected to use the “prospective method.” The prospective method requires expense to be recognized for all awards granted, modified or settled beginning in the year of adoption. Historically, the Company applied the intrinsic method as provided in Accounting Principles Board Opinion No. 25, “Accounting for Stock Issued to Employees” and related interpretations and accordingly, no compensation cost had been recognized for stock options in prior years. As a result of adopting the fair value method for stock options, all future awards will be expensed over the stock options’ vesting period. The following illustrates the pro

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forma effect on net income and earnings per common share as if the Company had applied the fair value recognition provisions of SFAS No. 123 to all awards unvested in each period.

	(In Millions, Except Per Common Share)			
	Three Months Ended June 30		Six Months Ended June 30	
	2004	2003	2004	2003
Income (loss) attributable to common shares, as reported	\$31.4	\$(21.2)	\$30.3	\$(19.0)
Stock-based employee compensation:				
Add (deduct) expense included in reported results	.5	(.3)	4.3	.7
Add (deduct) fair value based method	(.9)	.1	(2.7)	(1.2)
Pro forma income (loss) attributable to common shares	\$31.0	\$(21.4)	\$31.9	\$(19.5)
Income (loss) per common share:				
Diluted - as reported	\$2.90	\$(2.07)	\$2.81	\$(1.86)
- pro forma	\$2.86	\$(2.09)	\$2.96	\$(1.91)

Income Taxes

Income taxes are based on income (loss) for financial reporting purposes calculated using the Company's expected effective rate for 2004 and reflect a current tax liability (asset) for the estimated taxes payable (recoverable) on the current year tax return and expected 2004 changes in deferred taxes. Deferred tax assets or liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities and are measured using enacted tax laws and rates. A valuation allowance (Note G) was provided on deferred tax assets in recognition of uncertainty regarding realization.

Revenue Recognition

Revenue is recognized on the sale of products when title to the product has transferred to the customer in accordance with the specified terms of each term supply agreement. Generally, our term supply agreements provide that title transfers to the customer when payment is received. Under some term supply agreements, we deliver the product to ports on the lower Great Lakes and/or to the customer's facilities prior to the transfer of title. Revenue for the first six months of the year from product sales

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includes reimbursement for freight charges (\$32.2 million in 2004 and \$26.8 million in 2003) paid on behalf of customers and cost reimbursement (\$78.6 million in 2004 and \$36.3 million in 2003) from minority interest partners for their share of mine costs.

Our rationale for delivering iron ore products to customers in advance of payment for the products is to more closely relate timing of payment by customers to consumption, thereby providing additional liquidity to our customers. Title and risk of loss do not pass to the customer until payment for the pellets is received. This is a revenue recognition practice utilized to reduce our financial risk to customer insolvency. We do not believe this practice to be widely used throughout the balance of the industry.

Revenue is recognized on the sale of services when the services are performed.

Where we are joint venture participants in the ownership of a mine, our contracts entitle us to receive royalties and management fees, which we earn as the pellets are produced.

Issuance of Preferred Stock

In January 2004, the Company completed an offering of \$172.5 million of redeemable cumulative convertible perpetual preferred stock, without par value, issued at \$1,000 per share. The preferred stock will pay cash dividends at a rate of 3.25 percent per annum, has a liquidation preference of \$1,000 per share and is convertible into the Company's common shares at a rate of 16.129 common shares per share of preferred stock, which is equivalent to an initial conversion price of \$62.00 per share, subject to adjustment in certain circumstances. Each share of preferred stock may be converted by the holder: (1) if during any fiscal quarter ending after March 31, 2004 the closing sale price of the Company's common stock for at least 20 trading days in a period of 30 consecutive trading days ending on the last trading day of the preceding quarter exceeds 110 percent of the applicable conversion price on such trading day (initially \$68.20 per share); (2) if during the five business day period after any five consecutive trading-day period in which the trading price per share of preferred stock for each day of that period was less than 98 percent of the product of the closing sale

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price of the Company's common stock and the applicable conversion rate on each such day; (3) upon the occurrence of certain corporate transactions; or (4) if the preferred stock has been called for redemption. On or after January 20, 2009, the Company, at its option, may redeem some or all of the preferred stock at a redemption price equal to 100 percent of the liquidation preference, plus accumulated but unpaid dividends, but only if the closing price exceeds 135 percent of the conversion price, subject to adjustment, for 20 trading days within a period of 30 consecutive trading days ending on the trading day before the date the Company gives the redemption notice. The Company may also exchange the preferred stock for convertible subordinated debentures in certain circumstances. The Company has reserved approximately 2.8 million common treasury shares for possible future issuance for the conversion of the preferred stock. The Company's shelf registration statement with respect to the resale of the preferred stock, the convertible subordinated debentures that we may issue in exchange for the preferred stock and the common shares issuable upon conversion of the preferred stock and the convertible subordinated debentures was declared effective by the SEC on July 22, 2004. The preferred stock is classified for accounting purposes as "temporary equity" reflecting certain provisions of the agreement that could, under remote circumstances, require the Company to redeem the preferred stock for cash. The net proceeds after offering expenses were approximately \$166 million. A portion of the proceeds was utilized to repay the remaining outstanding \$25.0 million in principal amount of the Company's senior unsecured notes in the first quarter of 2004. The Company has also used approximately \$26.6 million primarily to fund its underfunded salaried pension plans and intends to use at least an additional \$18.4 million for other pension funding in 2004.

NOTE C – COMPREHENSIVE INCOME (LOSS)

Following are the components of comprehensive income (loss) for the three months and six months ended June 30, 2004 and 2003:

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	(In Millions)			
	Three Months Ended June 30		Six Months Ended June 30	
	2004	2003	2004	2003
Net income (loss)	\$ 32.8	\$(21.2)	\$ 32.8	\$(19.0)
Other comprehensive loss:				
Unrealized loss on securities – net of tax	(30.4)		(37.0)	
Minimum pension liability			(2.1)	
Total other comprehensive loss	(30.4)		(39.1)	
Total comprehensive income (loss)	\$ 2.4	\$(21.2)	\$ (6.3)	\$(19.0)

The unrealized loss on securities of \$30.4 million and \$37.0 million in the second quarter and first six months of 2004, respectively, primarily reflects the change in market value on approximately 5.0 million shares of International Steel Group, Inc. (“ISG”) common stock held directly by the Company. An additional .8 million shares of ISG common stock are held in the Company’s pension fund investments.

NOTE D – PENSIONS AND OTHER POSTRETIREMENT BENEFITS

The components of net periodic defined benefit pension expense and other postretirement benefit (“OPEB”) cost for the three months and six months ended June 30, 2004 and 2003 are as follows:

Defined Benefit Pension Expense

	(In Millions)			
	Three Months Ended June 30		Six Months Ended June 30	
	2004	2003	2004	2003
Service cost	\$ 3.1	\$ 3.1	\$ 6.3	\$ 6.2
Interest cost	9.7	10.2	19.3	20.4
Expected return on plan assets	(9.4)	(9.1)	(18.8)	(18.2)
Amortizations:				
Unrecognized prior service costs	.4	.5	.8	1.0
Net actuarial losses	2.9	3.1	5.8	6.2
Amortization of net (asset) obligations	(1.0)	(1.0)	(2.0)	(2.0)
Total cost	\$ 5.7	\$ 6.8	\$ 11.4	\$ 13.6

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In the first half 2004, the Company funded \$26.6 million primarily to the underfunded salaried pension plans and expects to fund an additional \$18.4 million in 2004. Additional pension contributions may occur.

Other Postretirement Benefit Costs

	(In Millions)			
	Three Months Ended June 30		Six Months Ended June 30	
	2004	2003	2004	2003
Service cost	\$ 1.0	\$ 1.2	\$ 2.1	\$ 2.5
Interest cost	4.8	5.2	9.7	10.3
Expected return on plan assets	(1.2)	(1.0)	(2.4)	(2.2)
Amortizations:				
Unrecognized prior service (credits)	(1.1)	(.8)	(2.2)	(1.6)
Net actuarial losses	2.7	2.4	5.2	5.0
Amortization of net (asset) obligations		.7		1.4
Total cost	\$ 6.2	\$ 7.7	\$12.4	\$15.4

On December 8, 2003, Congress passed the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (“Medicare Act”). In May 2004, FASB issued Staff Position No. 106-2 (“FSP 106-2”), “Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003,” which supersedes FSP 106-1. FSP 106-2 provides guidance on the accounting for the effects of the Medicare Act for employers that sponsor post-retirement health care plans that provide prescription drug benefits and requires certain disclosures regarding the effect of the subsidy provided by the Medicare Act. Additionally, FSP 106-2 provides two transition methods – retroactive to the date of enactment or prospective from the date of adoption. The Company elected to adopt FSP 106-2 and apply the retroactive transition method in the second quarter 2004. As a result, the net OPEB cost above reflects pre-tax cost reductions of approximately \$.6 million in the second quarter and \$1.3 million in the first half. First quarter results have been re-stated to reduce the previously reported net loss by \$.6 million or \$.05 per share. Full year pre-tax cost reduction is expected to approximate \$2.5 million. Additionally, the accumulated post retirement obligation decreased \$18.7 million.

NOTE E – ENVIRONMENTAL AND MINE CLOSURE OBLIGATIONS

At June 30, 2004, the Company, including its share of unconsolidated ventures, had environmental and mine closure liabilities of \$96.5 million, of which \$8.4 million was classified as current. Payments in the first six months of 2004 were \$3.5 million (2003 - \$3.0 million). Following is a summary of the obligations:

	(In Millions)	
	June 30 2004	December 31 2003
Environmental	\$13.5	\$15.5
Mine Closure		
LTV Steel Mining Company	35.4	37.1
Operating mines	47.6	45.2
	<u> </u>	<u> </u>
Total mine closure	83.0	82.3
	<u> </u>	<u> </u>
Total environmental and mine closure obligations	\$96.5	\$97.8
	<u> </u>	<u> </u>

Environmental

The Company’s environmental liabilities of \$13.5 million at June 30, 2004, 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 can only be estimated as a range of possible amounts with no specific amount being most likely, the minimum of the range is accrued in accordance with SFAS No. 5. Future expenditures are not discounted, and potential insurance recoveries have not been reflected. Additional environmental obligations could be incurred, the extent of which cannot be assessed.

The environmental liability includes the Company’s obligations related to six sites which are independent of the Company’s iron mining operations, seven former iron ore-related sites, eight leased land sites where the Company is lessor and miscellaneous remediation obligations at the Company’s operating units. Included in the obligation are Federal and State sites where the Company is named as a potentially responsible party, the Rio Tinto mine site in Nevada, where significant site cleanup activities have taken place, and the Kipling, Deer Lake and Pellestar sites in Michigan.

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In September 2002, the Company received a draft of a proposed Administrative Order on Consent from the United States Environmental Protection Agency (“EPA”), for cleanup and reimbursement of costs associated with the Milwaukee Solvay coke plant site in Milwaukee, Wisconsin. The plant was operated by a predecessor of the Company from 1973 to 1983, which predecessor was acquired by the Company in 1986. In January 2003, the Company completed the sale of the plant site and property to a third party. Following this sale, an Administrative Order on Consent (“Consent Order”) was entered into with the EPA by the Company, the new owner and another third party who had operated on the site. In connection with the Consent Order, the new owner agreed to take responsibility for the removal action and agreed to indemnify the Company for all costs and expenses in connection with the removal action. In the third quarter 2003, the new owner, after completing a portion of the removal, experienced financial difficulties. In an effort to continue progress on the removal action, the Company expended approximately \$.9 million in the third and fourth quarters of 2003 and \$.7 million each in the first and second quarters 2004. The Company will likely be required to expend additional amounts, estimated at approximately \$.7 million, for the completion of the removal action, which expenditures were previously provided for in the Company’s environmental reserve.

Kipling Furnace Site

By letter dated November 19, 1991, the Michigan Department of Natural Resources, now the Michigan Department of Environmental Quality, or the MDEQ, notified the Company that it believed the Company was liable for contamination at the Kipling Furnace Site in Kipling, Michigan and requested that the Company voluntarily undertake actions to remediate the site. The Company owned and operated a portion of the site from approximately 1902 through 1925 when it sold the property to CITGO Petroleum Company, or CITGO. CITGO in turn operated at the site and thereafter sold the southern portion of the site to a third party. This southern portion of the site was the location of the majority of the Company’s former operations. CITGO was working formally with MDEQ to address the portions of the site impacted by CITGO’s operations on the property, which occurred between 1925 and 1986. CITGO submitted a remedial action plan in August 2003 to the MDEQ. However, the MDEQ subsequently rejected this remedial action plan as being inadequate.

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The Company responded to the 1991 letter by performing a hydrogeological investigation at the site pursuant to Michigan's Natural Resources and Environmental Protection Act, which allows parties to conduct environmental response activity without state agency oversight. The Company's initial investigation took place in 1996, with follow-up monitoring occurring in 1998 through 2003. The Company developed a proposed remedial action plan to address materials associated with its former operations at the site. The Company currently estimates the cost of implementing our proposed remedial action to be between \$300,000 and \$350,000, which expenditures were previously provided in the Company's environmental reserve. The Company has not yet implemented the proposed remedial action plan.

By a letter dated June 10, 2004, the MDEQ made a new demand to both CITGO and the Company to take responsive activities at the property, including development and submittal of a remedial action plan to the MDEQ for approval. The Company will be meeting with the MDEQ to discuss this letter and is preparing a response. At this time, it is unclear whether the MDEQ, once it is apprised of the Company's response activities at the site to date, will require it to conduct further investigations or implement a remedial action plan going beyond what it has already developed internally. Conducting further investigations, revising the Company's proposed remedial action plan, or implementing the plan, could result in much higher costs than currently anticipated.

Mine Closure

The mine closure obligation of \$83.0 million includes the accrued obligation at June 30, 2004 for a closed operation formerly known as the LTV Steel Mining Company, and for the Company's active operating mines. The closed operation obligation results from an October 2001 transaction where subsidiaries of the Company received a net payment of \$50 million and certain other assets and assumed environmental and certain facility closure obligations of \$50 million, which obligations have declined to \$35.4 million at June 30, 2004, as a result of expenditures totaling \$14.6 million since 2001.

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The accrued closure obligation for the Company's active mining operations of \$47.6 million at June 30, 2004 reflects the adoption of SFAS No. 143, "Accounting for Asset Retirement Obligations," as of January 1, 2002, to provide for contractual and legal obligations associated with the eventual closure of the mining operations and the effects of mine ownership increases in 2002 and 2003. The Company determined the obligations, based on detailed estimates, adjusted for factors that an outside third party would consider (i.e., inflation, overhead and profit), escalated to the estimated closure dates and then discounted using a credit adjusted risk-free interest rate (primarily 10.25 percent). The closure date for each location was determined based on the exhaustion date of the remaining economic iron ore reserves. The accretion of the liability and amortization of the property and equipment are recognized over the estimated mine lives for each location.

The following summarizes the Company's asset retirement obligation liability:

	(In Millions)	
	June 30 2004	December 31 2003
Asset Retirement Obligation at Beginning of Year	\$45.2	\$36.1
Accretion Expense	2.3	3.6
Additional Ownership		2.4
Minority Interest	.1	1.0
Revision in Estimated Cash Flows		2.1
	<hr/>	<hr/>
Asset Retirement Obligation at End of Period	\$47.6	\$45.2
	<hr/>	<hr/>

NOTE F – SEGMENT REPORTING

The Company operated in one reportable segment in 2004 and 2003 offering iron products and services to the steel industry.

NOTE G – INCOME TAXES

The Company continues to maintain a deferred tax asset valuation allowance due to the uncertainty regarding full realization of its deferred tax asset. At June 30, 2004, the allowance decreased to \$116.2 million from \$122.7 million at December 31, 2003. In the future, if the Company determines, based on the existence of sufficient evidence, that it should realize more or less of its net deferred tax assets, an adjustment to the valuation allowance will affect income in the period such determination is made.

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NOTE H – LEASE OBLIGATIONS

The Company and its ventures lease certain mining, production and other equipment under operating and capital leases. Future minimum payments under capital leases and non-cancellable operating leases, including the Company's share of ventures, at June 30, 2004 are expected to be:

	(In Millions)			
	Company Share		Total	
	Capital Leases	Operating Leases	Capital Leases	Operating Leases
2004 (July 1 – December 31)	\$1.5	\$ 9.4	\$ 2.6	\$16.4
2005	2.1	16.4	3.2	27.2
2006	2.0	11.2	2.7	19.1
2007	2.9	8.1	3.2	11.2
2008	.6	5.9	.6	6.6
2009 and thereafter	.6	4.8	.6	4.8
Total minimum lease payments	9.7	\$55.8	12.9	\$85.3
Amounts representing interest	1.6		1.8	
Present value of net minimum lease payments	\$8.1		\$11.1	

The Company's share of total minimum lease payments, \$65.5 million, is comprised of the Company's consolidated obligation of \$58.7 million and the Company's share of unconsolidated ventures' obligations of \$6.8 million, principally related to Hibbing.

NOTE I – BANKRUPTCY OF CUSTOMERS

On September 16, 2003, WCI Steel Inc. ("WCI") petitioned for protection under chapter 11 of the U.S. Bankruptcy Code. At the time of the filing, the Company had a trade receivable exposure of \$4.9 million, which was reserved in the third quarter 2003. WCI purchased 1.5 million tons, or 8 percent, of total tons sold in 2003 and has purchased .7 million tons, or 6 percent, of total tons sold in the first six months of 2004. WCI continues to operate and purchase pellets from the Company. The Company's sales contract with WCI expires at the end of 2004.

On May 19, 2003, Weirton Steel Corporation ("Weirton") filed for protection under chapter 11 of the U.S. Bankruptcy Code. Weirton, a significant customer of the Company, purchased approximately .5 million tons, or 5 percent, of tons sold in the first

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six months of 2004, and 2.8 million tons, or 14 percent, of tons sold for the full year of 2003. On April 22, 2004, the Bankruptcy Court issued an order approving the sale of Weirton's assets to a subsidiary of ISG, and on May 18, 2004, ISG completed the acquisition of substantially all of the assets, including the power-related leased assets (discussed below), of Weirton. As part of the acquisition, ISG assumed the Company's pellet sales contract with Weirton with some modifications. The contract term is for 15 years with the Company supplying the majority of pellets required for the ISG-Weirton facility in 2004 and 2005 and all of ISG-Weirton's pellet requirements thereafter.

The Company is a 40.5 percent participant in a joint venture that acquired certain power-related assets from FW Holdings, Inc. ("FW Holdings"), a subsidiary of Weirton, in 2001, in a purchase-leaseback arrangement. On February 26, 2004, FW Holdings filed a petition for chapter 11 bankruptcy protection. In connection with its bankruptcy filing, FW Holdings filed an adversary complaint against the joint venture members for declaratory relief and the return of assets acquired in the purchase-leaseback transaction. In that complaint, FW Holdings asserted that the lease transaction should be recharacterized as a secured loan. As a result, FW Holdings did not make its quarterly lease payment due on March 31, 2004, of which the Company's share was \$.5 million. In conjunction with ISG's purchase of the Weirton assets, a settlement agreement was reached between Weirton, ISG and the joint venture. As a result of the settlement agreement, the Company wrote-down its investment to \$6.1 million as of March 31, 2004 from \$10.3 million. An additional \$1.6 million charge was included in the "Provision for customer bankruptcy exposures" in the first quarter 2004; the Company had previously recorded a \$2.6 million reserve for Weirton bankruptcy exposures in May 2003. The sale of Weirton's assets to ISG resulted in a \$10 million payment to the joint venture on closing (Company's share \$4.0 million), which was made on May 18, 2004, and annual payments of \$.5 million (Company's share \$.2 million) including interest at the rate of 5 percent over the next fifteen years. The joint venture members also received a release from Weirton and FW Holdings of bankruptcy claims, such as preference actions, upon the closing of the sale to ISG.

On October 23, 2003, Rouge Industries, Inc. ("Rouge") a significant pellet sales customer of the Company filed for chapter 11 bankruptcy protection. On January 30, 2004, Rouge sold substantially all of its assets to Severstal North America, Inc.

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(“Severstal”). Severstal, as part of the acquisition of assets of Rouge, has assumed the Company’s pellet sales contract with Rouge with minimal modifications. The contract provides that the Company would be the sole supplier of iron ore pellets through 2012. The Company sold 3.0 million tons to Rouge in 2003 and 1.1 million tons in the first six months of 2004. Additionally, in the first quarter 2004, Rouge repaid the \$10 million secured loan balance outstanding plus accrued interest.

On January 29, 2004, Stelco applied and obtained bankruptcy-court protection from creditors in Ontario Superior Court under the Companies’ Creditors Arrangement Act. Pellet sales to Stelco totaled .4 million tons in the first six months of 2004 and .1 million tons in the full year 2003. Stelco Inc. is a 44.6 percent participant in Wabush, and U.S. subsidiaries of Stelco (which have not filed for bankruptcy protection) own 14.7 percent of Hibbing and 15 percent of Tilden. At the time of the filing, the Company had no trade receivable exposure to Stelco. Additionally, Stelco has met its cash call requirements at the mining ventures to date. The Company currently expects Stelco to continue its participation in the mining ventures. On May 27, 2004, Stelco obtained an extension of the stay period under its court-ordered restructuring process until September 30, 2004.

NOTE J – SUBSEQUENT EVENTS

Discontinued Operation

On July 23, 2004, Cliffs and Associates Limited (“CAL”), an affiliate of the Company jointly owned by a subsidiary of the Company (82.3945 percent) and Outokumpu Technology GmbH (17.6055 percent), a German company (formerly known as Lurgi Metallurgie GmbH), completed the sale of CAL’s Hot Briquette Iron (“HBI”) facility located in Trinidad and Tobago to ISG. Terms of the sale include a purchase price of \$8.0 million plus assumption of liabilities. The Company will record an after-tax gain of approximately \$5 million related to this transaction in third quarter results. The gain will be classified under “Discontinued Operation” in the Statement of Consolidated Operations. CAL may receive up to \$10 million in future payments contingent on HBI production and shipments.

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Sales of ISG Common Stock

From July 1 through July 29, 2004, the Company sold approximately .9 million shares of its directly-held ISG common stock in market transactions realizing total net proceeds of \$29.9 million. The sales will result in a gain of approximately \$26.7 million pre-tax (\$21.2 million after-tax), which will be recorded in third quarter 2004 operating results. As of July 29, 2004, the Company continues to own 4.9 million shares of ISG stock (4.1 million owned directly and .8 million through pension fund investments). The Company intends to continue selling ISG shares as market conditions warrant.

ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

COMPARISON OF SECOND QUARTER AND FIRST SIX MONTHS - 2004 AND 2003

Net income was \$32.8 million in the second quarter 2004 and \$32.8 million for the first six months compared to net losses of \$21.2 million and \$19.0 million in the second quarter and first six months of 2003, respectively. Income attributable to common shares was \$2.90 per share (all per share amounts are “diluted”) and \$2.81 per share in the second quarter and first six months of 2004, respectively, compared to net losses of \$2.07 per share and \$1.86 per share for the second quarter and first six months of 2003, respectively. The per share amounts for 2004 reflect the effect of preferred dividends related to the January 2004 preferred stock offering of \$1.4 million in the second quarter and \$2.5 million in the first six months. Following is a summary of results:

	(In Millions, Except Per Common Share)			
	Second Quarter		First Six Months	
	2004	2003	2004	2003
Net Income (Loss):				
Amount	\$32.8	\$(21.2)	\$32.8	\$(19.0)
Per Common Share	3.03	(2.07)	3.04	(1.86)
Preferred Stock Dividends:				
Amount	(1.4)		(2.5)	
Per Common Share	(.13)		(.23)	
Income (loss) Attributable To Common Shareholders:				
Amount	\$31.4	\$(21.2)	\$30.3	\$(19.0)
Per Common Share	\$2.90	\$(2.07)	\$2.81	\$(1.86)

Second Quarter

Net income was \$32.8 million in the second quarter of 2004 compared to a net loss of \$21.2 million for the second quarter of 2003. Included in the second quarter 2004 net income was a \$5.9 million charge for income taxes compared to a tax credit of \$.9 million in the second quarter of 2003. Pre-tax second quarter 2004 income was \$38.7 million compared to a pre-tax loss of \$22.1 million in the same period in 2003. The \$60.8 million improvement in pre-tax results was primarily due to an increased sales margin, summarized as follows:

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	(In Millions) Second Quarter		
	2004	2003	Change
Sales (tons)	5.9	4.9	1.0
Revenue from product sales and services*	\$257.5	\$172.0	\$ 85.5
Cost of goods sold and operating expenses*			
Excluding production curtailments	221.0	178.9	42.1
Production curtailments		11.0	(11.0)
Total	221.0	189.9	31.1
Sales margin (loss)			
Total	\$ 36.5	\$ (17.9)	\$ 54.4

* Excludes revenues and cost of goods sold and operating expenses related to freight and minority interests.

Sales margin in the second quarter of 2004 was \$36.5 million versus a negative margin of \$17.9 million in 2003. The \$54.4 million increase in sales margin was principally due to higher pellet sales prices and record quarterly sales volume. Revenue from iron ore sales and services was \$257.5 million in the second quarter 2004, an increase of \$85.5 million, or 50 percent, from revenue of \$172.0 million in the comparable 2003 period. The increase in sales prices primarily reflected the effect on term sales contract escalators of higher steel prices and an approximate 20 percent increase in international pellet prices. The 1.0 million ton, or 19 percent, increase in pellet sales volume in 2004 was due to the combined effect of increased customer demand and increased production capacity due to the acquisition and startup of United Taconite in December 2003. The 5.9 million tons sold in the second quarter was a quarterly sales record, surpassing the previous record of 5.6 million tons sold in the fourth quarter 2003. Aggregate cost of goods sold and operating expenses increased \$31.1 million, or 16 percent, primarily due to increased volume, \$34.4 million, and higher production costs, \$7.7 million, including the adverse effect of higher energy rates, \$2.8 million, continued low ore throughput at Empire and slower than anticipated ramp-up to design capacity at United Taconite and Wabush, partially offset by the \$11.0 million fixed cost impact in 2003 of a five-week production curtailment at Empire and Tilden mines as a result of the loss of electric power supply. The loss of electric power in 2003 resulted from flood conditions which occurred when a dam in the Upper Peninsula of Michigan

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failed. The Company continues to pursue a business interruption claim under its property insurance program.

Pre-tax earnings were also favorably impacted by lower interest expense, \$1.1 million, reflecting the repayment of the senior unsecured notes in January 2004; lower other expense of \$1.9 million, due to decreased coal retiree expense and expense relating to debt refinancing activities in 2003; lower customer bankruptcy expense, \$2.6 million; higher royalty and management fee income of \$.6 million, primarily higher production at the Michigan mines and management fees from United Taconite; and lower administrative expense, \$.5 million; partly offset by lower other income of \$.4 million, primarily relating to 2003 non-strategic land asset sales.

First Half

Net income was \$32.8 million in the first half 2004 versus a net loss of \$19.0 million in the comparable 2003 period. Pre-tax income was \$38.7 million in 2004, a \$57.5 million improvement from the \$18.8 million loss in 2003. The pre-tax earnings increase was primarily due to higher sales margin, summarized as follows:

	(In Millions) First Six Months		
	2004	2003	Change
Sales (tons)	10.2	8.4	1.8
Revenue from product sales and services*	\$421.4	\$294.9	\$126.5
Cost of goods sold and operating expenses*			
Excluding production curtailments	380.0	301.7	78.3
Fixed costs of production curtailments		11.0	(11.0)
Total	380.0	312.7	67.3
Sales margin (loss)			
Total	\$ 41.4	\$ (17.8)	\$ 59.2

* Excludes revenues and cost of goods sold and operating expenses related to freight and minority interests.

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The sales margin improvement of \$59.2 million in the first half was principally due to an increase in per ton sales revenue and record first half sales volume. Revenue from iron ore sales and services was \$421.4 million in the first half 2004, an increase of \$126.5 million, or 43 percent, from revenue of \$294.9 million in the comparable 2003 period. The increase in sales prices primarily reflected the effect on term sales contract escalators of higher steel prices and an approximate 20 percent increase in international pellet prices. The 1.8 million ton, or 21 percent, increase in pellet sales volume in 2004 was due to the combined effect of increased customer demand and increased production capacity due to the acquisition and startup of United Taconite in December 2003. The 10.2 million tons sold in 2004 was a first half sales record. Aggregate cost of goods sold and operating expenses increased \$67.3 million, or 22 percent, primarily due to increased volume, \$64.0 million, and higher production costs, \$14.3 million, including the adverse effect of higher energy rates, \$4.8 million, continued low ore throughput at Empire, slower than anticipated ramp-up to design capacity at United Taconite and Wabush, and a \$2.1 million unfavorable exchange rate effect reflecting the impact of a weaker U.S. dollar on the Company's share of Wabush costs, partially offset by the \$11.0 million fixed cost impact of the five-week production curtailment at Empire and Tilden mines in 2003.

Other factors contributing to the change in pre-tax earnings included:

- Lower interest expense of \$2.0 million due to the repayment of the senior unsecured notes in January 2004.
- Lower other expense of \$1.9 million, primarily decreased coal retiree expense and debt refinancing expense in 2003.
- Lower customer bankruptcy expense of \$1.0 million. The Company recorded \$1.6 million in bankruptcy expense in 2004 compared to \$2.6 million in 2003 relating to the Weirton Steel Corporation bankruptcy (see Note I for further discussion).
- Higher royalty and management fee income of \$1.2 million due to higher production at the Michigan mines and management fee from United Taconite.

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- Lower other income of \$4.2 million primarily relating to non-strategic Michigan land sales in 2003.
- Higher administrative, selling and general expense of \$3.6 million principally reflecting the effect of the change in the Company's common stock price on stock-based compensation.

Sales and Production Volume

Pellet sales in the second quarter 2004 were a quarterly record 5.9 million tons compared to 4.9 million tons in 2003. First half sales were 10.2 million tons, a first half record, versus 8.4 million tons in the first half 2003, with the majority of the sales increase resulting from sales to International Steel Group Inc. While there is uncertainty regarding the pellet requirements of customers, the length of the Wabush strike in Canada, and the resolution of a new labor agreement covering workers at four of the Company's five U.S. mines, sales volume is currently forecasted to total about 22 million tons in 2004 compared to sales of 19.2 million tons in 2003. The increase in tons sold in the first half and expected full year reflects the continuing impact of the Company's business model and strong industry demand for pellets. Since 2001, the Company has been repositioning itself from a manager of iron ore mines on behalf of steel company owners to primarily a merchant of iron ore to steel customers by entering into long-term pellet sales contracts, supported by increased mine ownerships. During 2002, the Company increased its share of mine production capacity more than 50 percent, or approximately 7 million tons, and increased its capacity another 3.0 million tons with the acquisition of United Taconite in December 2003. All of our mines are operating at capacity and the Company is planning to expand production capacity at United Taconite by at least 800,000 tons (Company share 560,000 tons) in 2005 and a further 900,000 tons (Company share 630,000 tons) thereafter to a total annual production capacity of 6 million tons (Company share 4.2 million tons).

The Company's share of second quarter 2004 production was 5.6 million tons compared to 3.9 million tons in second quarter 2003. For the first half of 2004, the Company's share of production was 10.1 million tons, 1.7 million tons above last year's first half production of 8.4 million tons. Total iron ore pellet production at the Company's managed mines was 8.9 million tons in the second quarter 2004 and 17.2 million tons in the first six months of 2004 compared to 6.8 million tons and 14.1 million tons in the second quarter and first six months of 2003, respectively. Following is a

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summary of production tonnage (long tons of pellets) for the second quarter and first six months of 2004, compared with 2003.

(Tons in Millions)

	Second Quarter		First Six Months	
	2004	2003	2004	2003
Empire	1.1	.9	2.5	2.4
Tilden	2.1	1.4	3.5	3.0
Total Michigan Mines	3.2	2.3	6.0	5.4
Hibbing	2.0	1.9	4.0	3.9
Northshore	1.3	1.2	2.5	2.4
United Taconite	1.0		2.0	
Wabush	1.4	1.4	2.7	2.4
Total	8.9	6.8	17.2	14.1
Company Share of Total	5.6	3.9	10.1	8.4

Excluding the effects of any further production losses due to the Wabush work stoppage, total 2004 production is expected to approximate 36 million tons (Company share 22 million tons).

Labor Contracts

The United Steelworkers of America (“USWA”) represent all hourly employees at the Company’s Empire, Hibbing, Tilden and United Taconite mines in the United States, as well as the Wabush mine in Canada. On July 27, 2004, tentative settlements were reached with the USWA on labor agreements covering the Company’s U.S. operations. The tentative agreements, subject to union member ratification, will replace existing agreements scheduled to expire on August 1, 2004.

On July 5, 2004, the USWA initiated a strike that idled the Wabush mine in Canada. Wabush was scheduled to produce 5.6 million tons in 2004. For each week the mine is idle, production is reduced by an estimated 120,000 tons (Company share 32,000 tons). Negotiations have not yet resumed.

CASH FLOW, LIQUIDITY AND CAPITAL RESOURCES

At June 30, 2004, the Company had cash and cash equivalents of \$197.9 million. Following is a summary of cash activity:

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	(In Millions)
Proceeds from issuance of preferred stock-net	\$166.1
Net cash from operating activities before changes in operating assets and liabilities	36.1
Proceeds from repayment of long-term note receivable	10.0
Proceeds from stock options exercised	7.6
Proceeds from power-related asset investment	3.8
Higher payables and accrued expenses	3.2
Increased receivables	(42.7)
Repayment of long-term debt	(25.0)
Capital expenditures	(20.8)
Increased product and work in process inventories	(10.1)
Other	1.9
	<hr/>
Increase in cash and cash equivalents	130.1
Cash and cash equivalents at beginning of period	67.8
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Cash and cash equivalents at end of period	\$197.9
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At June 30, 2004, there were 4.1 million tons of pellets in inventory, unchanged from December 31, 2003, at a cost of \$130.8 million, or an increase of \$1.1 million from December 31, 2003. Pellet inventory at June 30, 2003, was 4.3 million tons, or \$134.0 million.

Effective April 30, 2004, the Company entered into a \$30 million unsecured revolving credit agreement, which expires on April 29, 2005. There have been no borrowings under the facility.

In January 2004, the Company completed an offering of \$172.5 million of redeemable cumulative convertible perpetual preferred stock. The preferred stock pays cash dividends at the rate of 3.25 percent per annum, with the first dividend of \$1.1 million for the partial period ended March 31, 2004 paid in April 2004. The Company utilized a portion of the \$166 million net proceeds from the offering to retire the remaining \$25.0 million of senior unsecured notes and \$26.6 million primarily to fund its underfunded salaried pension plans and intends to use at least an additional \$18.4 million for other pension funding in 2004. The Company expects to use any remaining proceeds for working capital and other general corporate purposes, including capital expenditures, potential increased investments in existing mines and additional contributions to its pension plans.

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From July 1 through July 29, 2004, the Company sold approximately .9 million shares of its directly-held ISG common stock in market transactions realizing total net proceeds of \$29.9 million. As of July 29, 2004, the Company continues to own approximately 4.9 million shares of ISG stock (4.1 million owned directly and .8 million through pension fund investments), which represents approximately 5.0 percent of the outstanding ISG shares as of March 31, 2004. As of July 29, 2004, the closing trading price for the ISG common stock was \$33.50 per share. The Company intends to continue selling ISG shares as market conditions warrant.

In July 2004, the Company initiated a stock repurchase program for up to 1.0 million shares of its outstanding Common Stock. These purchases will be either Common Stock and/or Preferred Stock at the rate of one share of Preferred Stock equivalent to 16.129 shares of the Company's Common Stock. The Company has not yet made any purchases under this program. Common Stock repurchased under this program, if any, will be returned as Treasury Stock for general corporate purposes.

The Company's share of capital expenditures at the six mining ventures and supporting operations is expected to approximate \$49 million in 2004, with \$20.8 million having occurred through June 30, 2004.

Following is a summary of common shares outstanding:

	2004	2003	2002
March 31	10,684,037	10,323,421	10,180,849
June 30	10,695,651	10,322,581	10,184,846
September 30		10,318,352	10,185,083
December 31		10,498,015	10,184,211

BANKRUPTCY OF CUSTOMERS

On September 16, 2003, WCI Steel Inc. ("WCI") petitioned for protection under chapter 11 of the U.S. Bankruptcy Code. At the time of the filing, the Company had a trade receivable exposure of \$4.9 million, which was reserved in the third quarter 2003. WCI purchased 1.5 million tons, or 8 percent, of total tons sold in 2003 and has purchased .7 million tons, or 6 percent, of total tons sold in the first six months of 2004. WCI continues to operate and purchase pellets from the Company. The Company's sales contract with WCI expires at the end of 2004. On April 20, 2004, the current

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owners of WCI filed their Plan of Reorganization in U.S. Bankruptcy Court. Two competing reorganization plans have also been filed. The Company has tentatively reached agreement with the current owners of WCI, subject to Bankruptcy court approval of their reorganization plan, to supply WCI for ten years beginning in 2005.

On May 19, 2003, Weirton Steel Corporation (“Weirton”) filed for protection under chapter 11 of the U.S. Bankruptcy Code. Weirton, a significant customer of the Company, purchased approximately .5 million tons, or 5 percent, of tons sold in the first six months of 2004, and 2.8 million tons, or 14 percent, of tons sold for the full year of 2003. On April 22, 2004, the Bankruptcy Court issued an order approving the sale of Weirton’s assets to a subsidiary of International Steel Group, Inc. (“ISG”), and on May 18, 2004, ISG completed the acquisition of substantially all of the assets including the power-related leased assets (discussed below) of Weirton. As part of the acquisition, ISG assumed the Company’s pellet sales contract with Weirton with some modifications. The contract term is for 15 years with the Company supplying the majority of pellets required for the ISG-Weirton facility in 2004 and 2005 and all of ISG-Weirton’s pellet requirements thereafter.

The Company is a 40.5 percent participant in a joint venture that acquired certain power-related assets from FW Holdings, Inc. (“FW Holdings”), a subsidiary of Weirton, in 2001, in a purchase-leaseback arrangement. On February 26, 2004, FW Holdings filed a petition for chapter 11 bankruptcy protection. In connection with its bankruptcy filing, FW Holdings filed an adversary complaint against the joint venture members for declaratory relief and the return of assets acquired in the purchase-leaseback transaction. In that complaint, FW Holdings asserted that the lease transaction should be recharacterized as a secured loan. As a result, FW Holdings did not make its quarterly lease payment due on March 31, 2004, of which the Company’s share was \$.5 million. In conjunction with ISG’s purchase of the Weirton assets, a settlement agreement was reached between Weirton, ISG and the joint venture. As a result of the settlement agreement, the Company wrote-down its investment to \$6.1 million as of March 31, 2004 from \$10.3 million. An additional \$1.6 million charge was included in the “Provision for customer bankruptcy exposures” in the first quarter 2004; the Company had previously recorded a \$2.6 million reserve for Weirton bankruptcy exposures in May 2003. The sale of Weirton’s assets to ISG resulted in a \$10 million

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payment to the joint venture on closing (Company's share \$4.0 million), which was made on May 18, 2004, and annual payments of \$.5 million (Company's share \$.2 million) including interest at the rate of 5 percent over the next fifteen years. The joint venture members also received a release from Weirton and FW Holdings of bankruptcy claims, such as preference actions, upon the closing of the sale to ISG.

On October 23, 2003, Rouge Industries, Inc. ("Rouge"), a significant pellet sales customer of the Company, filed for chapter 11 bankruptcy protection. On January 30, 2004, Rouge sold substantially all of its assets to Severstal North America, Inc. ("Severstal"). Severstal, as part of the acquisition of assets of Rouge, has assumed the Company's pellet sales contract with Rouge with minimal modifications. The contract provides that the Company would be the sole supplier of iron ore pellets through 2012. The Company sold 3.0 million tons to Rouge in 2003 and 1.1 million tons in the first six months of 2004. Additionally, in the first quarter 2004, Rouge repaid the \$10 million secured loan balance outstanding plus accrued interest.

On January 29, 2004, Stelco applied and obtained bankruptcy-court protection from creditors in Ontario Superior Court under the Companies' Creditors Arrangement Act. Pellet sales to Stelco totaled .4 million tons in the first six months of 2004 and .1 million tons in the full year 2003. Stelco Inc. is a 44.6 percent participant in Wabush Mines and U.S. subsidiaries of Stelco (which have not filed for bankruptcy protection) own 14.7 percent of Hibbing Taconite Company – Joint Venture and 15 percent of Tilden Mining Company L.C. At the time of the filing, the Company had no trade receivable exposure to Stelco. Additionally, Stelco has met its cash call requirements at the mining ventures to date. The Company currently expects Stelco to continue its participation in the mining ventures. On May 27, 2004, Stelco obtained an extension of the stay period under its court-ordered restructuring process until September 30, 2004.

PENSIONS AND OTHER POSTRETIREMENT BENEFITS

The Company and its mining ventures sponsor defined benefit pension plans covering substantially all employees. These plans are largely noncontributory, and benefits are generally based on employees' years of service and average earnings for a defined period prior to retirement. Additionally, the Company and its ventures provide

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retirement health care (“OPEB”) to most full-time employees who meet certain length of service and age requirements. The Company’s pension and medical costs (including OPEB) have increased substantially over the past several years. Lower interest rates, lower asset returns and continued escalation of medical costs have been the predominant causes of the increases. The Company has taken actions to control pension and medical costs. Effective July 1, 2003, the Company implemented changes to U.S. salaried employee plans to reduce costs by more than an estimated \$8.0 million on an annualized basis. Benefits under the current defined benefit formula were frozen for affected U.S. salaried employees and a new cash balance formula was instituted. Increases in affected U.S. salaried retiree healthcare co-pays became effective for retirements after June 30, 2003. A cap on the Company’s share of annual medical premiums was also implemented for existing and future U.S. salaried retirees. The foregoing does not reflect any modifications to bargaining unit plans.

Following is a summary of the Company’s defined benefit pension and OPEB funding and expense for the years 2002 through 2004:

	(In Millions)			
	Pension		OPEB	
	Funding	Expense	Funding	Expense
2002	\$ 1.1	\$ 7.2	\$16.8	\$21.5
2003	6.4	32.0	17.0	29.1
2004 (Estimated)	45.0	20.8	21.3	24.9

In the first half 2004, the Company funded \$26.6 million primarily to its underfunded salaried pension plans and expects to fund an additional \$18.4 million in 2004. Additional pension contributions may occur. Year 2004 OPEB expense reflects an estimated cost reduction of \$2.5 million due to the effect of the Medicare Prescription Drug, Improvement and Modernization Act of 2003. The Company elected to adopt the retroactive transition method for recognizing the OPEB cost reduction in the second quarter 2004. Accordingly, first quarter 2004 results have been re-stated to reduce the previously reported net loss by \$.6 million or \$.05 per share.

MARKET RISKS

The Company is subject to a variety of risks, including those caused by changes in market value of equity investments, changes in commodity prices and foreign

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currency exchange rates. The Company has established policies and procedures to manage such risks; however, certain risks are beyond the control of the Company.

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

The value of the Company's equity investment, \$150.2 million at June 30, 2004, in common stock of ISG is subject to changes in market value as reflected in the trading price. This investment has been classified as an available-for-sale investment, and accordingly, changes in value have been recorded in Shareholders' Equity. If the market price of the stock at June 30, 2004, were to increase or decrease 10 percent, the value of the investment would change approximately \$15 million before taxes.

The rising cost of energy is an important issue affecting the Company. Energy costs account for approximately 25 percent of production costs. Recent trends indicate that electric power, natural gas and oil costs can be expected to increase over time, although the direction and magnitude of short-term changes are difficult to predict. The Company's strategy to address increasing energy rates includes improving efficiency in energy usage and utilizing the lowest cost alternative fuels. The Company is currently exploring whether existing technology to convert coal into natural gas can be used in lieu of purchasing natural gas in the long-term. The Company's mining ventures enter into forward contracts for certain commodities, primarily natural gas, as a hedge against price volatility. Such contracts are in quantities expected to be delivered and used in the production process. At June 30, 2004, the notional amounts of the outstanding forward contracts were \$15.4 million (Company share — \$12.1 million), with an unrecognized fair value loss of \$.7 million (Company share — \$.5 million) based on June 30, 2004 forward rates. The contracts mature at various times through October 2004. If the forward rates were to change 10 percent from the month-end rate, the value and potential cash flow effect on the contracts would be approximately \$1.5 million (Company share — \$1.2 million).

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In the first half 2004, our Wabush operation in Canada represented approximately 7 percent of the Company's pellet production. Wabush operations are subject to currency fluctuations between U.S. and Canadian dollars. The Company currently does not hedge its exposure to currency exchange fluctuations. During 2003 and the first half 2004, the value of the Canadian dollar rose against the U.S. dollar, from \$.64 U.S. dollars per Canadian dollar at the beginning of 2003 to \$.75 U.S. dollars per Canadian dollar at June 30, 2004, an increase of 17 percent. The average exchange rate increased to \$.75 U.S. dollars per Canadian dollar in the first half 2004 from \$.69 U.S. dollars per Canadian dollar in the first half 2003, an increase of 9 percent. Exchange rates can fluctuate as a result of many factors that are difficult to predict. The Company does not believe that the recent increase in the U.S./Canadian exchange rate is a trend that will continue in the long-term; however, short-term U.S./Canadian exchange rate fluctuations cannot reasonably be predicted.

STRATEGIC INVESTMENTS

The Company intends to continue to pursue investment and operations management opportunities to broaden its scope as a supplier of iron ore pellets to the integrated steel industry through the acquisition of additional mining interests to strengthen its market position. The Company is particularly focused on expanding its international investments to leverage its expertise in processing low grade ores to capitalize on global demand for steel and iron ore in areas such as China. The Company's innovative United Taconite joint venture with Laiwu is one example of its ability to expand geographically, and the Company intends to continue to pursue similar opportunities in other regions (see discussion on Venezuela below). In addition, the Company has formed an alliance with a major Chinese trading company to seek additional iron ore properties for development to source markets in Asia. In the event of any future acquisitions or joint venture opportunities, the Company may consider using available liquidity or other sources of funding to make investments.

Mesabi Nugget Project

In 2002, the Company agreed to participate in Phase II of the Mesabi Nugget Project. Other participants include Kobe Steel, Ltd., Steel Dynamics, Inc., Ferrometrics, Inc. and the State of Minnesota. Construction of a \$24 million pilot plant at the Company's Northshore Mine, to test and develop Kobe Steel's technology for

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converting iron ore into nearly pure iron in nugget form, was completed in May 2003. The high iron content product could be utilized to replace steel scrap as a raw material for electric steel furnaces and blast furnaces or basic oxygen furnaces of integrated steel producers. A third operating phase of the pilot plant test, which is scheduled to be completed by July 31, 2004, is intended to confirm the commercial viability of this technology. The pilot plant is expected to continue operations through August to satisfy three 1,000 ton test quantity orders from three separate steel companies. Pilot plant results will be analyzed over the next several months prior to development of a commercial feasibility study. The Company's contribution to the project through the pilot plant testing and development phase was \$5.3 million, primarily contributions of in-kind facilities and services. Environmental permitting activities have been initiated for three potential commercial plant locations with earliest approval expected in the first quarter 2005. A decision to proceed on construction of a commercial plant has not yet been made.

Venezuela Technical Assistance

In March 2004, a subsidiary of the Company entered into an agreement to provide technical assistance to C.V.G. Ferrominera Orinoco C.A. of Venezuela. Under the agreement, the Company is assisting Ferrominera in achieving stable and sustainable production at its iron ore pellet plant located in the State of Bolivar, Venezuela.

Ferrominera Orinoco is a government-owned company responsible for the development of Venezuela's iron ore industry. Ferrominera Orinoco owns a 3.3 million metric ton pellet plant located in Puerto Ordaz, Venezuela, where it processes high-grade ores produced from its main iron ore deposits in Ciudad Piar. Production from the mine and pellet plant is for both domestic consumption and sale in the international markets.

Under terms of the agreement, the Company is providing technical assistance from the U.S. including a team residing in Venezuela and working at the pellet plant on a full-time basis. The objective of the contract is to assist current management in various operational functions including operations and process control, maintenance,

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safety, environmental, training, and quality control. The Company is receiving a fixed fee with additional amounts based on the level of production achieved. The agreement was effective April 1, 2004 and is for an initial term of five years.

PolyMet Option

On February 16, 2004 the Company entered into an option agreement with PolyMet Mining Inc., a U.S. subsidiary of PolyMet Mining Corporation (collectively “PolyMet”), that grants PolyMet exclusive right to acquire certain land, crushing, concentrating and other ancillary facilities located at the Company’s Cliffs Erie site in Hoyt Lakes, Minnesota (formerly owned by LTV Steel Mining Company). The iron ore mining and pelletizing operations were permanently closed in January 2001.

Under the terms of the agreement, the Company received \$500,000 and one million common shares of PolyMet for maintaining certain identified components of the Cliffs Erie facility, while PolyMet conducts a feasibility study on the development of its Northmet PolyMetallic non-ferrous ore deposit located near the Cliffs Erie site. PolyMet will have until June 30, 2006 to exercise its option and acquire the assets covered under the agreement for additional consideration.

PolyMet is a non-ferrous mining company located in Vancouver, B.C. Canada. Its stock trades Over The Counter in the U.S. under the symbol POMGF.OB. Its stock closed at \$.23 per share on February 13, 2004. The Company is recognizing the \$500,000 option payment and one million common shares (valued at \$230,000 on the agreement date) over the term of the agreement. The shares are classified as available-for-sale with mark-to-market changes recognized in equity as other comprehensive income. At June 30, 2004, the market value of the shares was \$650,000.

FORWARD-LOOKING STATEMENTS

Cautionary Statements

This report contains statements that constitute “forward-looking statements.” These forward-looking statements may be identified by the use of predictive, future-tense or forward-looking terminology, such as “believes,” “anticipates,” “expects,”

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“estimates,” “intends,” “may,” “will” or similar terms. 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 appear in a number of places in this report and include statements regarding our intent, belief or current expectations of our directors or our officers with respect to, among other things:

- trends affecting our financial condition, results of operations or future prospects;
- estimates of our economic iron ore 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 the forward-looking statements as a result of various factors, some of which are unknown. The factors that could adversely affect our actual results and performance include, without limitation:

- decreased steel production in North America caused by global overcapacity of steel, intense competition in the steel industry, increased imports of steel, consolidation in the steel industry, cyclical nature in the North American steel market and other factors, all of which could result in decreased demand for iron ore products;
- use by North American steel makers of products other than domestic iron ore in the production of steel;
- uncertainty about the continued demand for steel to support rapid industrial growth in China;
- the highly competitive nature of the iron ore mining industry;

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- our dependence on our term supply agreements with a limited number of customers;
- changes in demand for our products under the requirements contracts we have with our customers;
- the provisions of our term supply agreements, including price adjustment provisions that may not allow us to match international prices for iron ore products;
- the substantial costs of mine closures, and the uncertainties regarding mine life and estimates of ore reserves;
- uncertainty relating to several of our customers' pending bankruptcy or reorganization proceedings, and the creditworthiness of our customers;
- our change in strategy from a manager of iron ore mines to primarily a merchant of iron ore to steel company customers;
- our reliance on our joint venture partners to meet their obligations;
- unanticipated geological conditions, natural disasters, interruptions in electrical or other power sources and equipment failures, which could cause shutdowns or production curtailments for us or our steel industry customers;
- increases in our costs of electrical power, fuel or other energy sources;
- uncertainties relating to governmental regulation of our mines and our processing facilities, including under environmental laws;
- uncertainties relating to our pension plans;

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- restrictions on our sale of ISG shares including restrictions related to any subsequent public offerings by ISG;
- uncertainties relating to our ability to identify and consummate any strategic investments;
- uncertainties relating to labor relations, including the potential for, and duration of, work stoppages;
- increasing dependency on a limited number of customers;
- the success of our cost reduction efforts.

You are urged to carefully consider these factors and the “— Risks Relating to the Company” included in the Company’s 2003 Annual Report on Form 10-K. All forward-looking statements attributable to us are expressly qualified in their entirety by the foregoing cautionary statements.

ITEM 3. QUALITATIVE AND QUANTITATIVE DISCLOSURES ABOUT MARKET RISK

Information regarding Market Risk of the Company is presented under the caption “Market Risk” which is included in the Company’s 2003 Annual Report on Form 10-K.

ITEM 4. CONTROLS AND PROCEDURES

The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the Company's 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 the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure based closely on the definition of "disclosure controls and procedures" in

Rule 13a-15(e). 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, the Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and the Company's Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based on the foregoing, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective at the reasonable assurance level as of the date of the evaluation conducted by our Chief Executive Officer and Chief Financial Officer.

There have been no significant changes in the Company's internal controls or in other factors that could significantly affect the internal controls subsequent to the date the Company completed its evaluation.

PART II – OTHER INFORMATION

Item 2. Changes in Securities, Use of Proceeds and Issuer Purchases of Equity Securities

- (a) On May 14, 2004, pursuant to the Cleveland-Cliffs Inc Voluntary Non-Qualified Deferred Compensation Plan (“VNQDC Plan”), the Company sold 5 shares of common stock, par value \$1.00 per share, of Cleveland-Cliffs Inc (“Common Shares”) for an aggregate consideration of \$206.55 to the Trustee of the Trust maintained under the VNQDC Plan. These sales were made in reliance on Rule 506 of Regulation D under the Securities Act of 1933 pursuant to an election made by two managerial employees under the VNQDC Plan.
- (b) The table below sets forth information regarding repurchases by Cleveland-Cliffs Inc of its Common Shares during the periods indicated.

ISSUER PURCHASES OF EQUITY SECURITIES ⁽¹⁾

Period	Total Number of Shares (or Units) Purchased	Average Price Paid per Share (or Unit) \$
April 1-30, 2004	1,001	58.70
May 1-31, 2004	413	42.89
June 1-30, 2004	—	—

- ⁽¹⁾ The Company did not repurchase any of its equity securities during the period covered by this report pursuant to any publicly announced plan or program, and no such plan or program was in effect during the period covered by this report. All purchases reflected in the table above reflect acquisitions of Common Shares in connection with the transfer of Common Shares to the Company by employees in payment of the exercise price of employee stock options and in satisfaction of the tax withholding obligation upon vesting of restricted stock.

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

The Company's Annual Meeting of Shareholders was held on May 11, 2004. At the meeting the Company's shareholders acted upon the election of Directors. In the election of Directors, all 11 nominees named in the Company's Proxy Statement, dated March 22, 2004, were elected to hold office until the next Annual Meeting of Shareholders and until their respective successors are elected. Each nominee received the number of votes set opposite his or her name:

NOMINEES	FOR	WITHHELD
John S. Brinzo	9,922,995	106,061
Ronald C. Cambre	9,951,187	77,869
Ranko Cucuz	9,449,763	579,293
David H. Gunning	9,417,706	611,350
James D. Ireland III	9,391,887	637,169
Francis R. McAllister	9,951,190	77,866
John C. Morley	9,421,329	607,727
Stephen B. Oresman	9,421,072	607,984
Roger Phillips	9,951,109	77,947
Richard K. Riederer	9,922,466	106,590
Alan Schwartz	9,416,880	612,176

There were no broker non-votes with respect to the election of Directors.

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Item 6. Exhibits and Reports on Form 8-K

- (a) List of Exhibits – Refer to Exhibit Index on page 42.
- (b) During the second quarter of 2004, the Registrant filed or furnished Current Reports on Form 8-K, dated April 20, 2004, May 12, 2004, May 18, 2004, and June 18, 2004, each covering information reported under Item 9 (Regulation FD Disclosure); and April 28, 2004, covering information reported under Item 12 (Results of Operations and Financial Condition).

SIGNATURE

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

CLEVELAND-CLIFFS INC

Date July 29, 2004

By /s/ Donald J. Gallagher
Donald J. Gallagher
Senior Vice President and Chief
Financial Officer and Treasurer
(Principal Financial Officer)

EXHIBIT INDEX

Exhibit Number	Exhibit	
4(a)	Credit Agreement, dated as of April 30, 2004, between Cleveland-Cliffs Inc and Fifth Third Bank	Filed Herewith
4(b)	Guaranty Agreement, dated as of April 30, 2004, among certain subsidiaries of Cleveland-Cliffs Inc and Fifth Third Bank	Filed Herewith
10(a)	*Severance Agreement by and between Cleveland-Cliffs Inc and Edward C. Dowling, dated as of March 9, 2004	Filed Herewith
10(b)	*Severance Agreement by and between Cleveland-Cliffs Inc and Donald J. Gallagher, dated as of March 9, 2004	Filed Herewith
10(c)	*Cleveland-Cliffs Inc and Subsidiaries Management Performance Incentive Plan, effective January 1, 2004 (Summary Description)	Filed Herewith
10(d)	*Cleveland-Cliffs Inc Nonemployee Directors' Compensation Plan, (as amended and restated as of January 1, 2004)	Filed Herewith
31(a)	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 John S. Brinzo, Chairman, President and Chief Executive Officer for Cleveland-Cliffs Inc, as of July 29, 2004	Filed Herewith

*Reflects Management contract or other compensatory arrangement required to be filed as an Exhibit pursuant to Item 14(c) of this report

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Exhibit Number	Exhibit	
31(b)	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 Donald J. Gallagher, Senior Vice President, Chief Financial Officer and Treasurer, as of July 29, 2004	Filed Herewith
32(a)	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 John S. Brinzo, Chairman, President and Chief Executive Officer for Cleveland-Cliffs Inc, as of July 29, 2004	Filed Herewith
32(b)	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 Donald J. Gallagher, Senior Vice President, Chief Financial Officer and Treasurer, as of July 29, 2004	Filed Herewith

Exhibit 4(a)

CREDIT AGREEMENT

Dated as of April 30, 2004

between

CLEVELAND-CLIFFS INC

and

FIFTH THIRD BANK,

an Ohio banking corporation

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CREDIT AGREEMENT

This Credit Agreement is entered into as of APRIL 30, 2004, by and between CLEVELAND-CLIFFS INC, an Ohio corporation (the "Borrower") and FIFTH THIRD BANK, an Ohio banking corporation (the "Bank").

The Borrower has requested, and the Bank has agreed to extend, certain credit facilities on the terms and conditions of this Agreement. In consideration of the mutual agreements set forth in this Agreement, the parties to this Agreement agree as follows:

SECTION 1. DEFINITIONS; INTERPRETATION.

Section 1.1. Definitions. The following terms when used herein shall have the following meanings:

"Adjusted LIBOR" means a rate per annum determined by the Bank in accordance with the following formula:

$$\text{Adjusted LIBOR} = \text{LIBOR} / 100\% - \text{Reserve Percentage}$$

"Reserve Percentage" means, for the purpose of computing Adjusted LIBOR, the maximum rate of all reserve requirements (including, without limitation, any marginal, emergency, supplemental or other special reserves) imposed by the Board of Governors of the Federal Reserve System (or any successor) under Regulation D on Eurocurrency liabilities (as such term is defined in Regulation D) for the applicable Interest Period as of the first day of such Interest Period, but subject to any amendments to such reserve requirement by such Board or its successor, and taking into account any transitional adjustments thereto becoming effective during such Interest Period. For purposes of this definition, LIBOR Portions shall be deemed to be Eurocurrency liabilities as defined in Regulation D without benefit of or credit for prorrations, exemptions or offsets under Regulation D. "LIBOR" means, for each Interest Period, (a) the LIBOR Index Rate for such Interest Period, if such rate is available, and (b) if the LIBOR Index Rate cannot be determined, the arithmetic average of the rates of interest per annum (rounded upward, if necessary, to the nearest 1/100th of 1%) at which deposits in U.S. Dollars in immediately available funds are offered to the Bank at 11:00 a.m. (London, England time) 2 Business Days before the beginning of such Interest Period by 3 or more major banks in the interbank eurodollar market selected by the Bank for a period equal to such Interest Period and in an amount equal or comparable to the applicable LIBOR Portion scheduled to be outstanding from the Bank during such Interest Period. "LIBOR Index Rate" means, for any Interest Period, the rate per annum (rounded upwards, if necessary, to the next higher one hundred-thousandth of a percentage point) for deposits in U.S. Dollars for a period equal to such Interest Period which appears on the Telerate Page 3750 as of 11:00 a.m. (London, England time) on the date 2 Business Days before the commencement of such Interest Period. "Telerate Page 3750" means the display designated as "Page 3750" on the Telerate Service (or such other page as may replace Page 3750 on that service or such other service as may be nominated by the British Bankers'

Association as the information vendor for the purpose of displaying British Bankers' Association Interest Settlement Rates for U.S. Dollar deposits). Each determination of LIBOR made by the Bank shall be conclusive and binding absent manifest error.

"Adjusted Net Income" means, with reference to any period, Net Income less any gain recognized from the sale of International Steel Group, Inc. common stock during such period on the books of the Borrower and its Subsidiaries.

"Affiliate" means any Person directly or indirectly controlling or controlled by, or under direct or indirect common control with, another Person. A Person shall be deemed to control another Person for purposes of this definition if such Person possesses, directly or indirectly, the power to direct, or cause the direction of, the management and policies of the other Person, whether through the ownership of voting securities, common directors, trustees or officers, by contract or otherwise; provided that, in any event for purposes of this definition, any Person that owns, directly or indirectly, 30% or more of the securities having the ordinary voting power for the election of directors or governing body of a corporation or 30% or more of the partnership or other ownership interests of any other Person (other than as a limited partner of such other Person) will be deemed to control such corporation or other Person.

"Agreement" means this Credit Agreement, as the same may be amended, modified, or restated from time to time in accordance with the terms hereof.

"Applicable Margin" means, with respect to Loans and letter of credit fees payable under Section 2.13 hereof, until the first Pricing Date, the rates per annum shown opposite Level II below, and thereafter from one Pricing Date to the next the Applicable Margin means the rates per annum determined in accordance with the following schedule:

LEVEL	EBITDA	APPLICABLE MARGIN FOR BASE RATE LOANS SHALL BE:	APPLICABLE MARGIN FOR EURODOLLAR LOANS AND LETTER OF CREDIT FEE SHALL BE:
I	Less than or equal to \$25,000,000	.50%	2.25%
II	Greater than \$25,000,000 but less than or equal to \$50,000,000	.00%	1.75%
III	Greater than \$50,000,000	.00%	1.25%

For purposes hereof, the term "Pricing Date" means, for any fiscal quarter of the Borrower ending on or after June 30, 2004, the date on which the Bank is in receipt of the Borrower's most recent financial statements (and, in the case of the year-end financial statements, audit report) for the fiscal quarter then ended, pursuant to Section 6.1 hereof. The Applicable Margin shall be established based on the EBITDA for the four most recently completed fiscal quarters and the Applicable Margin established on a Pricing Date shall remain in effect until the next Pricing Date. If the Borrower has not delivered its financial statements by the date such financial statements (and, in the case of the year-end financial statements, audit report) are required to be delivered under Section 6.1 hereof, until such financial statements and

audit report are delivered, the Applicable Margin shall be the highest Applicable Margin (i.e., the EBITDA shall be deemed to be less than \$25,000,000). If the Borrower subsequently delivers such financial statements before the next Pricing Date, the Applicable Margin established by such late delivered financial statements shall take effect from the date of delivery until the next Pricing Date. In all other circumstances, the Applicable Margin established by such financial statements shall be in effect from the Pricing Date that occurs immediately after the end of the fiscal quarter covered by such financial statements until the next Pricing Date. Each determination of the Applicable Margin made by the Bank in accordance with the foregoing shall be conclusive and binding on the Borrower absent manifest error.

"Application" is defined in Section 2.3(d) hereof.

"Authorized Representative" means those persons shown on the list of officers provided by the Borrower pursuant to Section 3.2 hereof, or on any update of any such list provided by the Borrower to the Bank, or any further or different officer of the Borrower so named by any Authorized Representative of the Borrower in a written notice to the Bank.

"Bank" is defined in the introductory paragraph hereof.

"Base Rate" means, for any day, the greater of: (i) the rate of interest announced by the Bank from time to time as its "prime rate" is in effect on such day with any change in the Base Rate resulting from a change in said prime rate to be effective as of the date of the relevant change in said prime rate (it being understood and agreed that such rate may not be the Bank's best or lowest rate) and (ii) the sum of (x) the Federal Funds Rate, plus (y) 1/2 of 1%.

"Base Rate Portion" is defined in Section 2.5(a) hereof.

"Borrower" is defined in the introductory paragraph hereof.

"Business Day" means any day other than a Saturday or Sunday on which the Bank is not authorized or required to close in Cleveland, Ohio, and if the applicable Business Day relates to the advance or continuation of, or conversion into, or payment of, a LIBOR Portion on which banks are dealing in U.S. Dollar deposits in the interbank eurodollar market in London, England.

"Capital Expenditures" means, with respect to any Person for any period, the aggregate amount of all expenditures (whether paid in cash or accrued as a liability) by such Person during that period for the acquisition or leasing (pursuant to a Capital Lease) of fixed or capital assets or additions to property, plant, or equipment (including replacements and improvements) which should be capitalized on the balance sheet of such Person in accordance with GAAP.

"Capital Lease" means any lease of Property which in accordance with GAAP is required to be capitalized on the balance sheet of the lessee.

"Capitalized Lease Obligation" means, for any Person, the amount of the liability shown on the balance sheet of such Person in respect of a Capital Lease determined in accordance with GAAP.

"Change of Control" shall mean and include any Person or related Persons constituting a "group" for the purposes of Section 13(d) of the Securities Exchange Act of 1934, as amended, becoming the beneficial owner or owners, directly or indirectly, of a majority of the Voting Stock (determined by number of votes) of the Borrower (the "Beneficial Owners"); provided that a Change of Control shall not have occurred if the Beneficial Owner include, and are under the general direction and control of, a member or members of the Current Management Group. As used herein, the term "Voting Stock" shall mean Securities of any class or classes, the holders of which are ordinarily, in the absence of contingencies, entitled to elect a majority of the corporate directors (or Persons performing similar functions). As used herein, the term "Current Management Group" shall mean William R. Calfee, John S. Brinzo, Edward C. Dowling, Jr. and David H. Gunning and any successors thereto who are appointed by a majority of the Continuing Directors. As used herein, this term "Continuing Director" shall mean any director of the Borrower who either (x) is a director of the Borrower on the date hereof or (y) becomes a director of the Borrower subsequent to the date hereof but prior to the date of the Change of Control and whose election or nomination for election by the shareholders of the Borrower was duly approved by at least two-thirds of the Continuing Directors who were such immediately prior to that time of election or nomination, either by a specific vote of such Continuing Directors or by approval of the proxy statement issued by the Borrower in which such individual was named as a nominee for director of the Borrower.

"Code" means the Internal Revenue Code of 1986, as amended, and any successor statute thereto.

"Commitment" is defined in Section 2.1 hereof.

"Contingent Obligation" shall mean as to any Person, any obligation of such Person guaranteeing or intended to guarantee any Indebtedness, leases, dividends or other obligations ("primary obligations") of any other Person (the "primary obligor") in any manner, whether directly or indirectly, including, without limitation, any obligation of such Person, whether or not contingent, (i) to purchase any such primary obligation or any Property constituting direct or indirect security therefor, (ii) to advance or supply funds (x) for the purchase or payment of any such primary obligation or (y) to maintain working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor, (iii) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation or (iv) otherwise to assure or hold harmless the holder of such primary obligation against loss in respect thereof; provided, however, that the term Contingent Obligation shall not include endorsements of instruments for deposit or collection in the ordinary course of business. The amount of any Contingent Obligation shall be deemed to be an amount equal to the stated or determinable amount of the primary obligation in respect of which such Contingent Obligation is made or, if not stated or determinable, the maximum reasonably anticipated liability in respect thereof (assuming such Person is required to perform thereunder) as determined by such Person in good faith.

"Controlled Group" means all members of a controlled group of corporations and all trades and businesses (whether or not incorporated) under common control which, together with

the Borrower or any of its Subsidiaries, are treated as a single employer under Section 414 of the Code.

"Default" means any event or condition the occurrence of which would, with the passage of time or the giving of notice, or both, constitute an Event of Default.

"EBITDA" means, with reference to any period, Net Income for such period plus all amounts deducted in arriving at such Net Income amount in respect of

(a) Interest Expense for such period, plus (b) federal, state and local income taxes for such period, plus (c) all amounts properly charged for depreciation of fixed assets and amortization of intangible assets during such period on the books of the Borrower and its Subsidiaries, less (x) all amounts added in arriving at such Net Income in respect of Interest Income for such period, and (y) dividends accrued on preferred stock of the Borrower during such period on the books of the Borrower.

"Encumbrance" means any mortgage, lien, security interest, pledge, charge, or encumbrance of any kind in respect of any Property, including the interests of a vendor or lessor under any conditional sale, Capital Lease or other title retention arrangement.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended, or any successor statute thereto.

"Event of Default" means any event or condition identified as such in Section 7.1 hereof.

"Federal Funds Rate" means for any day the rate determined by the Bank to be the average (rounded upward, if necessary, to the next higher 1/100 of 1%) of the rates per annum quoted to the Bank at approximately 10:00 a.m. (Cleveland time) (or as soon thereafter as is practicable) on such day (or, if such day is not a Business Day, on the immediately preceding Business Day) by two or more Federal funds brokers selected by the Bank for sale to the Bank at face value of Federal funds in the secondary market in an amount equal or comparable to the principal amount owed to the Bank for which such rate is being determined.

"Funds Transfer and Deposit Account Liability" means the liability of the Borrower or any of its Subsidiaries owing to the Bank, or any Affiliates of the Bank, arising out of (a) the execution or processing of electronic transfers of funds by automatic clearing house transfer, wire transfer or otherwise to or from the deposit accounts of the Borrower and/or any Subsidiary now or hereafter maintained with the Bank or its Affiliates, (b) the acceptance for deposit or the honoring for payment of any check, draft or other item with respect to any such deposit accounts, and (c) any other deposit, disbursement, and cash management services afforded to the Borrower or any such Subsidiary by the Bank or its Affiliates.

"GAAP" means generally accepted accounting principles set forth from time to time in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board (or agencies with similar functions of comparable stature and authority within the U.S. accounting profession), which are applicable to the circumstances as of the date of determination.

"Guaranty" is defined in Section 4 hereof.

"Hedging Agreements" shall mean, with respect to any Person, any agreement entered into to protect such Person against fluctuations in interest rates, or currency or commodity values, including, without limitation, any interest rate swap, cap or collar agreement or similar arrangement between such Person and one or more counterparties, any foreign currency exchange agreement, currency protection agreements, commodity purchase or option agreements or other interest or exchange rate or commodity price hedging agreements.

"Hedging Liability" means the liability of the Borrower or any Subsidiary to the Bank, or any Affiliates of the Bank, in respect of any Hedging Agreements as the Borrower or such Subsidiary, as the case may be, may from time to time enter into with the Bank or its Affiliates.

"Indebtedness" means for any Person (without duplication) (a) all indebtedness of such Person for borrowed money, whether current or funded, or secured or unsecured, (b) all indebtedness for the deferred purchase price of Property or services, (c) all indebtedness created or arising under any conditional sale or other title retention agreement with respect to Property acquired by such Person (even though the rights and remedies of the seller or lender under such agreement in the event of a default are limited to repossession or sale of such Property), (d) all indebtedness secured by a purchase money mortgage or other Lien to secure all or part of the purchase price of Property subject to such mortgage or Lien, (e) all obligations under leases which shall have been or must be, in accordance with GAAP, recorded as Capital Leases in respect of which such Person is liable as lessee, (f) any liability in respect of banker's acceptances or letters of credit, (g) any indebtedness, whether or not assumed, secured by Liens on Property acquired by such Person at the time of acquisition thereof, (h) all obligations under any so-called "synthetic lease" transaction entered into by such Person, (i) all obligations under any so-called "asset securitization" transaction entered into by such Person, and (j) all Contingent Obligations, it being understood that the term "Indebtedness" shall not include trade payables arising in the ordinary course of business.

"Interest Expense" means, with reference to any period, the sum of all interest charges (including imputed interest charges with respect to Capitalized Lease Obligations and all amortization of debt discount and expense) of the Borrower and its Subsidiaries for such period determined in accordance with GAAP.

"Interest Income" means, with reference to any period, the sum of all interest revenues of the Borrower and its Subsidiaries for such period determined in accordance with GAAP.

"Interest Period" means, with respect to any LIBOR Portion, the period commencing on, as the case may be, the creation, continuation or conversion date with respect to such LIBOR Portion and ending 1, 2 or 3 months thereafter as selected by the Borrower in its notice as provided herein, subject to the following:

(i) if any Interest Period would otherwise end on a day which is not a Business Day, that Interest Period shall be extended to the next succeeding Business Day, unless in the case of an Interest Period the result of such extension would be to carry such

Interest Period into another calendar month in which event such Interest Period shall end on the immediately preceding Business Day;

(ii) no Interest Period may extend beyond the final maturity date of the Note; and

(iii) the interest rate to be applicable to each Portion for each Interest Period shall apply from and including the first day of such Interest Period to but excluding the last day thereof.

For purposes of determining an Interest Period, a month means a period starting on one day in a calendar month and ending on a numerically corresponding day in the next calendar month, provided, however, if an Interest Period begins on the last day of a month or if there is no numerically corresponding day in the month in which an Interest Period is to end, then such Interest Period shall end on the last Business Day of such month.

"Investment" means any investment, made in cash or by delivery of property, by the Borrower or any of its Subsidiaries (i) in any Person, whether by acquisition of stock, Indebtedness or other obligation or Security, or by loan, guaranty, advance, capital contribution or otherwise, or (ii) in property.

"Letter of Credit" and "Letters of Credit" each is defined in Section 2.1 hereof.

"LIBOR Portion" is defined in Section 2.5(a) hereof.

"Lien" means any mortgage, lien, security interest, pledge, charge or encumbrance of any kind in respect of any Property, including the interests of a vendor or lessor under any conditional sale, Capital Lease or other title retention arrangement.

"Loan" and "Loans" each is defined in Section 2.1 hereof.

"Loan Documents" means this Agreement, the Note, the Guaranty and each other instrument or document to be executed or delivered by the Borrower or any Subsidiary Guarantor hereunder or thereunder or otherwise in connection therewith.

"Material Adverse Effect" means (a) a material adverse change in, or material adverse effect upon, the operations, business, Property, condition (financial or otherwise) of the Borrower and its Subsidiaries taken as a whole, (b) a material impairment of the ability of the Borrower or any Subsidiary to perform its obligations under any Loan Document, or (c) a material adverse effect upon the legality, validity, binding effect or enforceability against the Borrower or any Subsidiary of any Loan Document or the rights and remedies of the Bank thereunder.

"Multiemployer Plan" shall have the same meaning as in ERISA.

"Net Income" means, with reference to any period, the net income (or net loss) of the Borrower and its Subsidiaries for such period computed on a consolidated basis in accordance

with GAAP; provided that there shall be excluded from Net Income (a) that non-cash charge in the amount of approximately \$6,000,000 resulting from the kiln shutdown at the Borrower's Tilden facility in November of 2003, (b) that non-cash charges resulting from the salaried employees reduction program taken during the third and fourth fiscal quarters of the Borrower's 2003 fiscal year in an amount not to exceed \$8,700,000, (c) those expenses in the amount of approximately \$3,000,000 arising from the acquisition and start-up of the Eveleth Mines by United Taconite in December of 2003, (d) that charge in the amount of approximately \$5,000,000 for stock-based employee compensation arising from the increase in the market price of the Borrower's common stock taken during the fourth quarter of the Borrower's 2003 fiscal year, (e) that charge in the amount of up to \$5,000,000 for stock-based employee compensation arising from the increase in the market price of the Borrower's common stock taken during the first quarter of the Borrower's 2004 fiscal year, and (f) that charge in the amount of up to \$10,000,000 taken to write down the value of that certain MABCO note on the books of the Borrower during the first quarter of the Borrower's 2004 fiscal year.

"Note" is defined in Section 2.2 hereof.

"Obligations" means all obligations of the Borrower to pay principal and interest on the Loans, all fees and charges payable hereunder, and all other payment obligations of the Borrower arising under or in relation to any Loan Document, in each case whether now existing or hereafter arising, due or to become due, direct or indirect, absolute or contingent, and howsoever evidenced, held, or acquired.

"PBGC" means the Pension Benefit Guaranty Corporation or any Person succeeding to any or all of its functions under ERISA.

"Permitted Liens" is defined in Section 6.13 hereof.

"Person" shall mean an individual, partnership, corporation, trust or unincorporated organization, and a government or agency or political subdivision thereof.

"Plan" means any employee pension benefit plan covered by Title IV of ERISA or subject to the minimum funding standards under Section 412 of the Code that either (a) is maintained by a member of the Controlled Group for employees of a member of the Controlled Group or (b) is maintained pursuant to a collective bargaining agreement or any other arrangement under which more than one employer makes contributions and to which a member of the Controlled Group is then making or accruing an obligation to make contributions or has within the preceding five plan years made contributions.

"Portion" is defined in Section 2.5(a) hereof.

"Property" means any interest in any kind of property or asset, whether real, personal or mixed, or tangible or intangible.

"Responsible Officer" shall mean any of the President, Chairman, Chief Executive Officer, Chief Operating Officer, Vice Chairman, any Executive Vice President, Chief Financial Officer or General Counsel, of the Borrower.

"Restricted Investments" means all Investments except the following:

- (a) property, plant and equipment to be used in the ordinary course of business of the Borrower and its Subsidiaries;
- (b) current assets arising from the sale of goods and services in the ordinary course of business of the Borrower and its Subsidiaries;
- (c) Investments from time to time in one or more of the Subsidiaries disclosed on Schedule 5.2;
- (d) Investments disclosed in Schedule 6.15;
- (e) Investments in United States Governmental Securities, provided that such obligations mature within 365 days from the date of acquisition thereof;
- (f) Investments in certificates of deposit or banker's acceptances issued by an Acceptable Bank, provided that such obligations mature within 365 days from the date of acquisition thereof;
- (g) Investments in commercial paper given the highest rating by a credit rating agency of recognized national standing and maturing not more than 270 days from the date of creation thereof;
- (h) Investments in money market mutual funds which maintain a constant \$1.00 net asset value and invest substantially all of their assets in the Investments of the type described in clauses (e), (f) and/or (g) above;
- (i) Investments in Repurchase Agreements;
- (j) Investments in tax-exempt obligations of any state of the United States of America, or any municipality of any such state, in each case rated "AA" or better by S&P, "Aa2" or better by Moody's or an equivalent rating by any other credit rating agency of recognized national standing, provided that such obligations mature within 365 days from the date of acquisition thereof;
- (k) Investments of the Borrower and its Subsidiaries to make acquisitions of additional mining interests (including liabilities such as Capital Leases but excluding any other Indebtedness) provided (i) the aggregate amount of cash invested in connection with such Investments pursuant to this clause (k) shall not exceed at any time \$20,000,000 and (ii) all such Investments (in excess of \$5,000,000 cash invested) pursuant to this

clause (k) shall be described in writing to the Bank in reasonable detail not less than 15 days prior to making any such Investment;

(l) Investments in Polymet Mining Corp., a Canadian corporation, provided that the aggregate amount of cash invested pursuant to this clause (l) shall not exceed \$5,000,000;

(m) Investments in that joint venture commonly known as the Mesabi Nugget Project, provided that the aggregate amount of cash invested pursuant to this clause (m) shall not exceed \$25,000,000;

(n) Investments permitted by Sections 6.12(e) and (f) hereof; and

(o) Other Investments of the Borrower and its Subsidiaries for strategic or commercial purposes, provided that (i) the aggregate amount of cash invested in connection with such investments pursuant to this clause (o) shall not exceed at any time \$20,000,000 minus the amount of cash invested pursuant to clause (k) above, and (ii) all such investments (in excess of \$5,000,000 cash invested) pursuant to this clause (o) shall be described in writing to the Bank in reasonable detail not less than 15 days prior to making any such Investment.

As used in this definition of "Restricted Investments":

"Acceptable Bank" means any bank or trust company (i) which is organized under the laws of the United States of America or any State thereof, (ii) which has capital, surplus and undivided profits aggregating at least \$500,000,000 , and (iii) whose long-term unsecured debt obligations (or the long-term unsecured debt obligations of the bank holding company owning all of the capital stock of such bank or trust company) shall have been given a rating of "A" or better by S&P, "A2" or better by Moody's or an equivalent rating by any other credit rating agency of recognized national standing.

"Acceptable Broker-Dealer" means any Person other than a natural person (i) which is registered as a broker or dealer pursuant to the Securities and Exchange Act of 1934, as amended, and (ii) whose long-term unsecured debt obligations shall have been given a rating of "A" or better by S&P, "A2" or better by Moody's or an equivalent rating by any other credit rating agency of recognized national standing.

"Moody's" means Moody's Investors Service, Inc.

"Repurchase Agreement" means any written agreement

(a) that provides for (i) the transfer of one or more United States Governmental Securities in an aggregate principal amount at least equal to the amount of the Transfer Price (defined below) to the Borrower

or any of its Subsidiaries from an Acceptable Bank or an Acceptable Broker-Dealer against a transfer of funds (the "Transfer Price") by the Company or such Subsidiary to such Acceptable Bank or Acceptable Borrower, and (ii) a simultaneous agreement by the Borrower or such Subsidiary, in connection with such transfer of funds, to transfer to such Acceptable Bank or Acceptable Broker-Dealer the same or substantially similar United States Governmental Securities for a price not less than the Transfer Price plus a reasonable return thereon at a date certain not later than 365 days after such transfer of funds,

(b) in respect of which the Borrower or such Subsidiary shall have the right, whether by contract or pursuant to applicable law, to liquidate such agreement upon the occurrence of any default thereunder, and

(c) in connection with which the Borrower or such Subsidiary, or an agent thereof, shall have taken all action required by applicable law or regulations to perfect a Lien in such United States Governmental Securities.

"Security" shall have the same meaning as in Section 2(1) of the Securities Act of 1933, as amended

"S&P" means Standard & Poor's Ratings Group, a division of The McGraw Hill Companies, Inc.

"United States Governmental Security" means any direct obligation of, or obligation guaranteed by, the United States of America, or any agency controlled or supervised by or acting as an instrumentality of the United States of America pursuant to authority granted by the Congress of the United States of America, so long as such obligation or guarantee shall have the benefit of the full faith and credit of the United States of America which shall have been pledged pursuant to authority granted by the Congress of the United States of America.

"Revolving Credit" is defined in Section 2.1 hereof.

"Subordinated Debt" means Indebtedness owing to any Person on terms and conditions, and in such amounts, acceptable to the Bank and which is subordinated in right of payment to the prior payment in full of the Obligations, Hedging Liability and Funds Transfer and Deposit Account Liability pursuant to written subordination provisions approved in writing by the Bank; provided that, no Subordinated Debt may mature on or before May 15, 2005.

"Subsidiary" means, as to any particular parent corporation or organization, any other corporation or organization more than 50% of the outstanding Voting Stock of which is at the time directly or indirectly owned by such parent corporation or organization or by any one or more other entities which are themselves subsidiaries of such parent corporation or organization.

Unless otherwise expressly noted herein, the term "Subsidiary" means a Subsidiary of the Borrower or of any of its direct or indirect Subsidiaries.

"Subsidiary Guarantor" shall mean and include (i) each Subsidiary, except a Subsidiary that does not have (together with its Subsidiaries) (a) consolidated total assets that constitute more than 5% of the consolidated total assets of the Borrower with its Subsidiaries as of the close of any fiscal year of the Borrower ending on or after December 31, 2003, or (b) consolidated gross revenues for any fiscal year of the Borrower ending on or after December 31, 2003, that constitute more than 5% of the consolidated gross revenues of the Borrowers and its Subsidiaries during such fiscal year, and (ii) each of the following Subsidiaries of the Borrower: The Cleveland-Cliffs Iron Company, Northshore Sales Company, Cliffs Mining Company, Cliffs Mining Services Company, IronUnits LLC, Northshore Mining Company, Lake Superior and Ishpeming Railroad Company and Cliffs Minnesota Mining Company

"Tangible Net Worth" means, at any time the same is to be determined, the total shareholders' equity (including capital stock, additional paid-in capital and retained earnings after deducting treasury stock) which would appear on the balance sheet of the Borrower and its Subsidiaries determined on a consolidated basis in accordance with GAAP plus, (a), to the extent not already included in such total shareholder's equity, the book value convertible preferred stock of the Borrower, plus (b), to the extent not already included in such total shareholder's equity, the book value of International Steel Group Inc.'s common stock owned by the Borrower net of deferred taxes relating to such stock, less (x) the aggregate book value of all assets which would be classified as intangible assets under GAAP, including, without limitation, goodwill, patents, trademarks, trade names, copyrights, franchises and deferred charges (including, without limitation, unamortized debt discount and expense, organization costs and deferred research and development expense) and similar assets.

"Termination Date" means March 30, 2005, or such earlier date on which the Commitment is terminated in whole pursuant to Section 2.10, 7.2 or 7.3 hereof.

"Total Liabilities" means, at any time the same is to be determined, the aggregate of all indebtedness, obligations, liabilities, reserves and any other items which would be listed as a liability on a balance sheet of the Borrower and its Subsidiaries determined on a consolidated basis in accordance with GAAP.

"U.S. Dollars" and "\$" each mean the lawful currency of the United States of America.

"Unfunded Vested Liabilities" means, for any Plan at any time, the amount (if any) by which the present value of all vested nonforfeitable accrued benefits under such Plan exceeds the fair market value of all Plan assets allocable to such benefits, all determined as of the then most recent valuation date for such Plan, but only to the extent that such excess represents a potential liability of a member of the Controlled Group to the PBGC or the Plan under Title IV of ERISA.

"Voting Stock" of any Person means capital stock or other equity interests of any class or classes (however designated) having ordinary power for the election of directors or other similar governing body of such Person (including, without limitation, general partners of a partnership),

other than stock or other equity interests having such power only by reason of the happening of a contingency.

"Welfare Plan" means a "welfare plan" as defined in Section 3(1) of ERISA.

"Wholly-Owned Subsidiary" means, at any time, any Subsidiary all of the Voting Stock (except directors' qualifying shares) of which are owned by any one or more of the Borrower and the Borrower's other Wholly-Owned Subsidiaries at such time.

Section 1.2. Interpretation. The foregoing definitions are equally applicable to both the singular and plural forms of the terms defined. The words "hereof", "herein", and "hereunder" and words of like import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement. All references to time of day herein are references to Cleveland, Ohio time unless otherwise specifically provided. Where the character or amount of any asset or liability or item of income or expense is required to be determined or any consolidation or other accounting computation is required to be made for the purposes of this Agreement, it shall be done in accordance with GAAP except where such principles are inconsistent with the specific provisions of this Agreement.

Section 1.3. Change in Accounting Principles. If, after the date of this Agreement, there shall occur any change in GAAP from those used in the preparation of the financial statements referred to in Section 6.1 hereof and such change shall result in a change in the method of calculation of any financial covenant, standard or term found in this Agreement, either the Bank or the Borrower may by notice to the other party, require that the Bank and the Borrower negotiate in good faith to amend such covenants, standards, and term so as equitably to reflect such change in accounting principles, with the desired result being that the criteria for evaluating the financial condition of the Borrower and its Subsidiaries shall be the same as if such change had not been made. No delay by the Bank or the Borrower in requiring such negotiation shall limit its right to so require such a negotiation at any time after such a change in accounting principles. Until any such covenant, standard, or term is amended in accordance with this Section 1.3, financial covenants shall be computed and determined in accordance with GAAP in effect prior to such change in accounting principles. Without limiting the generality of the foregoing, the Borrower shall neither be deemed to be in compliance with any financial covenant hereunder nor out of compliance with any financial covenant hereunder if such state of compliance or noncompliance, as the case may be, would not exist but for the occurrence of a change in accounting principles after the date hereof.

SECTION 2. THE CREDITS.

Section 2.1. Revolving Credit. Subject to the terms and conditions hereof, the Bank agrees to extend a revolving credit (the "Revolving Credit") to the Borrower which may be availed of by the Borrower from time to time during the period from and including the date hereof to but not including the Termination Date, at which time the commitment of the Bank to extend credit under the Revolving Credit shall expire. The Revolving Credit may be utilized by the Borrower in the form of loans (individually a "Loan" and collectively the "Loans") and stand-by letters of credit issued by the Bank for the account of the Borrower or any Subsidiary

(individually a "Letter of Credit" and collectively the "Letters of Credit"), all as more fully hereinafter set forth, provided that the aggregate outstanding principal amount of Loans and the face amount of all issued and outstanding Letters of Credit shall not at any time exceed \$30,000,000 (the "Commitment", as such amount may be reduced pursuant to the terms hereof). During the period from and including the date hereof to but not including the Termination Date, the Borrower may use the Commitment by borrowing, repaying, and reborrowing Loans in whole or in part and/or by having the Bank issue Letters of Credit, having such Letters of Credit expire or otherwise terminate without having been drawn upon or, if drawn upon, reimbursing the Bank for each such drawing, and having the Bank issue new Letters of Credit, all in accordance with the terms and conditions of this Agreement.

Section 2.2. Revolving Credit Loans. Each Loan shall be in a minimum amount of \$100,000; provided, however, that any LIBOR Portion of the Loans shall be in such greater amount as is required by Section 2.6 hereof. The Loans shall be made against and evidenced by a single promissory note of the Borrower in the form (with appropriate insertions) attached hereto as Exhibit A (the "Note"). The Note shall be dated the date of issuance thereof and be expressed to bear interest as set forth herein. The Note, and all Loans evidenced thereby, shall mature and become due and payable in full on the Termination Date. Without regard to the principal amount of the Note stated on its face, the actual principal amount at any time outstanding and owing by the Borrower on account of the Note shall be the sum of all Loans made hereunder less all payments of principal actually received by the Bank.

Section 2.3. Letters of Credit. (a) General Terms. The aggregate amount of Letters of Credit issued and outstanding at any time hereunder shall not at any one time exceed \$5,000,000. For purposes of this Agreement, a Letter of Credit shall be deemed outstanding as of any time in an amount equal to the maximum amount which could be drawn thereunder under any circumstances and over any period of time plus any unreimbursed drawings then outstanding with respect thereto. If and to the extent any Letter of Credit expires or otherwise terminates without having been drawn upon, the availability under the Commitment shall to such extent be reinstated.

(b) Term. Each Letter of Credit issued hereunder shall expire not later than five (5) days prior to the Termination Date.

(c) General Characteristics. Each Letter of Credit issued hereunder shall be payable in U.S. Dollars, conform to the general requirements of the Bank for the issuance of a standby or commercial letter of credit, as the case may be, as to form and substance, and be a letter of credit which the Bank may lawfully issue.

(d) Applications. At the time the Borrower requests each Letter of Credit to be issued (or prior to the first issuance of a Letter of Credit in the case of a continuing application), the Borrower shall execute and deliver to the Bank an application for such Letter of Credit in the form then customarily prescribed by the Bank (individually an "Application" and collectively the "Applications"). Subject to the other provisions of this subsection, the obligation of the Borrower to reimburse the Bank for drawings under a Letter of Credit shall be governed by the Application for such Letter of Credit; provided however that in the event of a conflict between

the terms of the Application and the terms of the Credit Agreement, the terms of the Credit Agreement will prevail. Anything contained in the Applications to the contrary notwithstanding, (i) in the event the Bank is not reimbursed by the Borrower for the amount the Bank pays on any drawing made under a Letter of Credit issued hereunder by 11:00 a.m. (Cleveland time) within 1 Business Day of when such drawing is paid, the obligation of the Borrower to reimburse the Bank for the amount of such drawing shall bear interest (which the Borrower hereby promises to pay on demand) from and after the date the drawing is paid by the Bank until repayment in full thereof at the fluctuating rate per annum determined by adding 2% to the Base Rate as from time to time in effect (computed on the basis of a year of 360 days for the actual number of days elapsed), and (ii) the Borrower shall pay fees in connection with each Letter of Credit as set forth in Section 2.13 hereof.

Section 2.4. Manner and Disbursement of Loans. The Borrower shall give written or telephonic notice to the Bank (which notice shall be irrevocable once given and, if given by telephone, shall be promptly confirmed in writing) by no later than 11:00 a.m. (Cleveland time) on the date the Borrower requests the Bank to make a Loan hereunder. Each such notice shall specify the date of the Loan requested (which must be a Business Day) and the amount of such Loan. Each Loan shall initially constitute part of the Base Rate Portion of the Note except to the extent the Borrower has otherwise timely elected that such Loan, or any part thereof, constitute part of a LIBOR Portion as provided in Section 2.5 hereof. The Borrower agrees that the Bank may rely upon any written or telephonic notice given by any person the Bank in good faith believes is an Authorized Representative without the necessity of independent investigation and, in the event any telephonic notice conflicts with the written confirmation, such telephonic notice shall govern if the Bank has acted in reliance thereon. Subject to the provisions of Section 3 hereof, the proceeds of each Loan shall be made available to the Borrower at the Borrower's account with the Bank in Cleveland, Ohio, in immediately available funds.

Section 2.5. Interest Rate Options. (a) Subject to all of the terms and conditions of this Section 2, portions of the principal indebtedness evidenced by the Note (all of the indebtedness evidenced by the Note bearing interest at the rate for the same period of time being hereinafter referred to as a "Portion") may, at the option of the Borrower, bear interest with reference to the Base Rate (the "Base Rate Portion") or with reference to an Adjusted LIBOR ("LIBOR Portions"), and Portions may be converted from time to time from one basis to another. All of the indebtedness evidenced by the Note that is not part of a LIBOR Portion shall constitute a single Base Rate Portion. All of the indebtedness evidenced by the Note which bears interest with reference to a particular Adjusted LIBOR for a particular Interest Period shall constitute a single LIBOR Portion applicable to the Note. There shall not be more than five LIBOR Portions applicable to the Note outstanding at any one time. Anything contained herein to the contrary notwithstanding, the obligation of the Bank to create, continue, or effect by conversion any LIBOR Portion (other than the conversion of any LIBOR Portion to the Base Rate Portion) shall be conditioned upon the fact that at the time no Default or Event of Default shall have occurred and be continuing. The Borrower hereby promises to pay interest on each Portion at the rates and times specified in this Section 2.

(b) Base Rate Portion. Each Base Rate Portion shall bear interest at the rate per annum determined by adding the Applicable Margin to the Base Rate as in effect from time to time,

provided that if the Base Rate Portion or any part thereof is not paid when due (whether by lapse of time, acceleration, or otherwise), or at the election of the Bank upon notice to the Borrower during the existence of any other Event of Default, such Portion shall bear interest, whether before or after judgment until the earlier of payment in full thereof or the date on which such Event of Default is cured, at the rate per annum determined by adding 2% to the interest rate which would otherwise be applicable thereto from time to time. Interest on each Base Rate Portion shall be payable monthly in arrears on the first day of each month in each year and at maturity of the Note, and interest after maturity (whether by lapse of time, acceleration, or otherwise) shall be due and payable upon demand. Any change in the interest rate on any Base Rate Portion resulting from a change in the Base Rate shall be effective on the date of the relevant change in the Base Rate.

(c) LIBOR Portions. Each LIBOR Portion shall bear interest for each Interest Period selected therefor at a rate per annum determined by adding the Applicable Margin to the Adjusted LIBOR for such Interest Period, provided that if any LIBOR Portion is not paid when due (whether by lapse of time, acceleration, or otherwise), or at the election of the Bank upon notice to the Borrower during the existence of any other Event of Default, such Portion shall bear interest, whether before or after judgment until the earlier of payment in full thereof or the date on which such Event of Default is cured, through the end of the Interest Period then applicable thereto at the rate per annum determined by adding 2% to the interest rate which would otherwise be applicable thereto, and effective at the end of such Interest Period such LIBOR Portion shall automatically be converted into and added to the Base Rate Portion of the Note and shall thereafter bear interest at the interest rate applicable to the Base Rate Portion of such Note after default. Interest on each LIBOR Portion shall be due and payable on the last day of each Interest Period applicable thereto, and interest after maturity (whether by lapse of time, acceleration, or otherwise) shall be due and payable upon demand. The Borrower shall notify the Bank on or before 11:00 a.m. (Cleveland time) on the third Business Day preceding the end of an Interest Period applicable to a LIBOR Portion whether such LIBOR Portion is to continue as a LIBOR Portion, in which event the Borrower shall notify the Bank of the new Interest Period selected therefor; and in the event the Borrower shall fail to so notify the Bank, such LIBOR Portion shall automatically be converted into and added to the Base Rate Portion of the relevant Note as of and on the last day of such Interest Period.

Section 2.6. Minimum Amounts. Each LIBOR Portion shall be in an amount equal to \$1,000,000 or such greater amount which is an integral multiple of \$500,000.

Section 2.7. Computation of Interest. All interest on the Note shall be computed on the basis of a year of 360 days for the actual number of days elapsed.

Section 2.8. Manner of Rate Selection. The Borrower shall notify the Bank by 11:00 a.m. (Cleveland time) at least 3 Business Days prior to the date upon which the Borrower requests that any LIBOR Portion be created or that any part of the Base Rate Portion be converted into a LIBOR Portion (each such notice to specify in each instance the amount thereof and the Interest Period selected therefor). If any request is made to convert a LIBOR Portion of the Note into a Base Rate Portion, such conversion shall only be made so as to become effective as of the last day of the Interest Period applicable thereto. All requests for the creation,

continuance, and conversion of Portions under this Agreement shall be irrevocable. Such requests may be written or oral and the Bank is hereby authorized to honor telephonic requests for creations, continuances, and conversions received by it from any person the Bank in good faith believes to be an Authorized Representative without the necessity of independent investigation, the Borrower hereby indemnifying the Bank from any liability or loss ensuing from so acting.

Section 2.9. Prepayments. The Borrower shall have the privilege of prepaying the Loans in whole or in part (but, if in part, then (a) if such Loan or Loans constitutes part of the Base Rate Portion, in an amount not less than \$100,000, (b) if such Loan or Loans constitutes part of a LIBOR Portion, in an amount not less than \$500,000, and (c) in each case, in an amount such that the minimum amount required for a Loan pursuant to Sections 2.2 and 2.6 hereof remain outstanding) at any time, if such Loan or Loans constitutes part of a LIBOR Portion, upon 3 Business Days prior irrevocable notice by the Borrower to the Bank or, if such Loan or Loans constitute part of the Base Rate Portion, upon prior notice by the Borrower to the Bank (any such notice if received subsequent to 11:00 a.m. (Cleveland time) on a given day to be treated as though received at the opening of business on the next Business Day) and by paying to the Bank the principal amount to be prepaid and (i) if such a prepayment prepaies the Note in full and is accompanied by the termination of the Commitment in whole, accrued interest thereon to the date of prepayment, and (ii) in the case of any prepayment of a LIBOR Portion of the Loans, accrued interest thereon to the date of prepayment plus any amounts due the Bank under Section 8.5 hereof.

Section 2.10. Terminations. The Borrower shall have the right, at any time and from time to time, upon 3 Business Days prior notice to the Bank, to terminate without premium or penalty and in whole or in part (but if in part, then in an amount not less than \$5,000,000 and in multiples of \$1,000,000 thereafter) the Commitment, provided that the Commitment may not be reduced to an amount less than the aggregate principal amount of the Loans and Letters of Credit then outstanding. Any termination of the Commitment pursuant to this Section may not be reinstated.

Section 2.11. Place and Application of Payments. All payments of principal, interest, fees, and all other Obligations payable under the Loan Documents shall be made to the Bank at its principal office in Cleveland, Ohio (or at such other place as the Bank may specify) no later than 12:00 noon (Cleveland time) on the date any such payment is due and payable. Payments received by the Bank after 12:00 noon (Cleveland time) shall be deemed received as of the opening of business on the next Business Day. All such payments shall be made in lawful money of the United States of America, in immediately available funds at the place of payment, without set-off or counterclaim and without reduction for, and free from, any and all present or future taxes, levies, imposts, duties, fees, charges, deductions, withholdings, restrictions, and conditions of any nature imposed by any government or any political subdivision or taxing authority thereof (but excluding any taxes imposed on or measured by the net income of the Bank). Unless the Borrower otherwise directs, principal payments shall be applied first to the Prime Portion until payment in full thereof, with any balance applied to the LIBOR Portions in the order in which their Interest Periods expire. Any amount repaid may, subject to the terms and conditions hereof, be borrowed, repaid, and borrowed again.

Section 2.12. Notations. All Loans made against the Note, the status of all amounts evidenced by the Note as constituting part of the Base Rate Portion or a LIBOR Portion, and, in the case of any LIBOR Portion, the rates of interest and Interest Periods applicable to such Portions shall be recorded by the Bank on its books and records or, at its option in any instance, endorsed on a schedule to the Note and the unpaid principal balance and status, rates and Interest Periods so recorded or endorsed by the Bank shall be prima facie evidence in any court or other proceeding brought to enforce the Note of the principal amount remaining unpaid thereon, the status of the Loan or Loans evidenced thereby and the interest rates and Interest Periods applicable thereto; provided that the failure of the Bank to record any of the foregoing shall not limit or otherwise affect the obligation of the Borrower to repay the principal amount of the Note together with accrued interest thereon. Prior to any negotiation of the Note, the Bank shall record on a schedule thereto the status of all amounts evidenced thereby as constituting part of the Base Rate Portion or a LIBOR Portion and, in the case of any LIBOR Portion, the rates of interest and the Interest Periods applicable thereto.

Section 2.13. Fees.

(a) Facility Fee. For the period from and including the date hereof to but not including the Termination Date, the Borrower shall pay to the Bank a facility fee at the rate equal to .25% (computed on the basis of a year of 360 days for the actual number of days elapsed) of the average daily amount of the Commitment. Such facility fee shall be payable quarterly in arrears on the first day of each January, April, July and October in each year (commencing July 1, 2004) and on the Termination Date.

(b) Letter of Credit Fees. On the date of issuance of each Letter of Credit, and as a condition thereto, the Borrower shall pay to the Bank a letter of credit fee equal to the Applicable Margin (computed on the basis of a year of 360 days for the actual number of days elapsed) on the average daily amount of such Letter of Credit. Such fee shall be payable quarterly in advance on the date of issuance of such Letter of Credit and on the first day of each January, April, July and October. In addition to the letter of credit fee called for above, the Borrower further agrees to pay to the Bank such processing and transaction fees and charges as the Bank from time to time customarily imposes in connection with any issuance, amendment, cancellation, negotiation, and/or payment of letters of credit and drafts drawn thereunder.

(c) Closing Fee. The Borrower shall pay to the Bank on the date hereof a closing fee in the amount of \$45,000.

SECTION 3. CONDITIONS PRECEDENT.

The obligation of the Bank to make any Loan or issue any Letter of Credit under this Agreement is subject to the following conditions precedent:

Section 3.1. All Advances. As of the time of the making of each Loan or the issuance of each Letter of Credit (including the initial Loan) hereunder:

(a) each of the representations and warranties set forth in Section 5 hereof and in the other Loan Documents shall be true and correct in all material respects as of such time, except to the extent the same expressly relate to an earlier date;

(b) the Borrower shall be in compliance with the terms and conditions of the Loan Documents, and no Default or Event of Default shall have occurred and be continuing or would occur as a result of making such Loan or issuing such Letter of Credit;

(c) in the case of the issuance of any Letter of Credit, the Bank shall have received a properly completed Application therefor together with the fees called for hereby; and

(d) such Loan or Letter of Credit shall not violate any order, judgment, or decree of any court or other authority or any provision of law or regulation applicable to the Bank (including, without limitation, Regulation U of the Board of Governors of the Federal Reserve System) as then in effect.

The Borrower's request for any Loan or Letter of Credit shall constitute its warranty as to the facts specified in subsections (a) through (c) above, both inclusive.

Section 3.2. Initial Advance. At or prior to the making of the initial extension of credit hereunder, the following conditions precedent shall also have been satisfied:

(a) the Bank shall have received the following (and, with respect to all documents, each to be properly executed and completed) and the same shall have been approved as to form and substance by the Bank:

(i) the Note;

(ii) the Guaranty;

(iii) copies (executed or certified as may be appropriate) of resolutions of the Board of Directors or other governing body of the Borrower and of each Subsidiary Guarantor authorizing the execution, delivery, and performance of the Loan Documents;

(iv) articles of incorporation (or equivalent formation documents) of the Borrower and of each Subsidiary Guarantor certified by the appropriate governmental office of the state of its organization;

(v) by-laws (or equivalent governing documents) for the Borrower and for each Subsidiary Guarantor certified by an appropriate officer of such Person acceptable to the Bank;

(vi) an incumbency certificate containing the name, title and genuine signature of the Borrower's Authorized Representatives; and

(vii) a good standing certificate for the Borrower and each Subsidiary, dated as of a date no earlier than 45 days prior to the date hereof, from the appropriate governmental offices in the state of its incorporation or organization and in each state in the United States in which it is qualified to do business as a foreign organization;

(b) the Bank shall have received the closing fee specified in Section 2.13(c) hereof;

(c) legal matters incident to the execution and delivery of the Loan Documents and to the transactions contemplated hereby shall be satisfactory to the Bank and its counsel;

(d) the Bank shall have received financing statement, tax and judgment lien search results against the Property of the Borrower and its Subsidiaries, evidencing the absence of Liens on their Property except as permitted by Section 6.11 hereof; and

(e) the Bank shall have received such other agreements, instruments, documents, certificates and opinions as the Bank may reasonably request.

SECTION 4. GUARANTY.

The payment and performance of the Obligations shall at all times be guaranteed by each Subsidiary Guarantor pursuant to a guaranty agreement in form and substance acceptable to the Bank, as the same may be amended, modified or supplemented from time to time (the "Guaranty"). In the event the Borrower or any Subsidiary forms or acquires any other Subsidiary after the date hereof and such Subsidiary qualifies as a Subsidiary Guarantor, or in the event that any existing Subsidiary that is not a Subsidiary Guarantor on the date hereof later qualifies as a Subsidiary Guarantor, the Borrower shall promptly upon such formation, acquisition or qualification cause such Subsidiary to become a party to the Guaranty by executing and delivering to the Bank that supplement attached as Exhibit A to the Guaranty.

SECTION 5. REPRESENTATIONS AND WARRANTIES.

The Borrower represents and warrants to the Bank as follows:

Section 5.1. Organization and Qualification. The Borrower is duly organized, validly existing, and in good standing as a corporation under the laws of the State of Ohio, has full and adequate power to own its Property and conduct its business as now conducted, and is duly licensed or qualified and in good standing in each jurisdiction in which the nature of the business conducted by it or the nature of the Property owned or leased by it requires such licensing or qualifying except where the failure to do so would not have a Material Adverse Effect.

Section 5.2. Subsidiaries. Each Subsidiary is duly organized, validly existing, and in good standing under the laws of the jurisdiction in which it is organized, has full and adequate power to own its Property and conduct its business as now conducted, and is duly licensed or qualified and in good standing in each jurisdiction in which the nature of the business conducted by it or the nature of the Property owned or leased by it requires such licensing or qualifying except where the failure to do so would not have a Material Adverse Effect. Schedule 5.2 hereto identifies each Subsidiary, the jurisdiction of its organization, the percentage of issued and outstanding shares of each class of its capital stock or other equity interests owned by the Borrower and the Subsidiaries and, if such percentage is not 100% (excluding directors' qualifying shares as required by law), a description of each class of its authorized capital stock and other equity interests and the number of shares of each class issued and outstanding. There are no outstanding commitments or other obligations of any Subsidiary to issue, and no options, warrants or other rights of any Person to acquire, any shares of any class of capital stock or other equity interests of any Subsidiary.

Section 5.3. Authority and Validity of Obligations. The Borrower has full right and authority to enter into this Agreement and the other Loan Documents executed by it, to make the borrowings herein provided for, to issue its Note in evidence thereof, and to perform all of its obligations hereunder and under the other Loan Documents executed by it. Each Subsidiary Guarantor has full right and authority to enter into the Loan Documents executed by it, to guarantee the Obligations, and to perform all of its obligations under the Loan Documents executed by it. The Loan Documents delivered by the Borrower and each Subsidiary Guarantor have been duly authorized, executed, and delivered by the Borrower and each Subsidiary Guarantor and constitute valid and binding obligations of the Borrower and each Subsidiary Guarantor enforceable in accordance with their terms except as enforceability may be limited by bankruptcy, insolvency, fraudulent conveyance, or similar laws affecting creditors' rights generally and general principles of equity (regardless of whether the application of such principles is considered in a proceeding in equity or at law); and this Agreement and the other Loan Documents do not, nor does the performance or observance by the Borrower and each Subsidiary Guarantor of any of the matters and things herein or therein provided for, (a) contravene or constitute a default under any provision of law or any judgment, injunction, order or decree binding upon the Borrower or any Subsidiary Guarantor or any provision of the organizational documents (e.g., charter, articles of incorporation, or by-laws) of the Borrower or any Subsidiary Guarantor or any covenant, indenture or agreement of or affecting the Borrower or any Subsidiary Guarantor or any of its Property, or (b) result in the creation or imposition of any Encumbrance on any Property of the Borrower or any Subsidiary Guarantor.

Section 5.4. Use of Proceeds; Margin Stock. The Borrower shall use the proceeds of the Loans for its general working capital purposes and for such other legal and proper purposes as are consistent with all applicable laws. Neither the Borrower nor any Subsidiary is engaged in the business of extending credit for the purpose of purchasing or carrying margin stock (within the meaning of Regulation U of the Board of Governors of the Federal Reserve System), and no part of the proceeds of any Loan will be used to purchase or carry any such margin stock or to extend credit to others for the purpose of purchasing or carrying any such margin stock.

Section 5.5. Financial Reports. The consolidated balance sheet of the Borrower and its Subsidiaries as at December 31, 2003, and the related consolidated statements of income, retained earnings, and cash flows of the Borrower and its Subsidiaries for the fiscal year then ended, and accompanying notes thereto, which financial statements are accompanied by the audit report of Ernst & Young LLP, independent public accountants, fairly present in all material respects the consolidated financial condition of the Borrower and its Subsidiaries as at said date and the consolidated results of their operations and cash flows for the period then ended in conformity with GAAP applied on a consistent basis. Neither the Borrower nor any Subsidiary has contingent liabilities which are material to it other than as indicated on such financial statements and accompanying notes thereto or, with respect to future periods, on the financial statements and accompanying notes thereto furnished pursuant to Section 6.1 hereof.

Section 5.6. No Material Adverse Change. Since December 31, 2003, there has been no change in the condition (financial or otherwise) of the Borrower or any Subsidiary except those occurring in the ordinary course of business, none of which individually or in the aggregate could reasonably be expected to have a Material Adverse Effect.

Section 5.7. Full Disclosure. The statements and information furnished to the Bank in connection with the negotiation of this Agreement and the other Loan Documents, and the commitment by the Bank to provide all or part of the financing contemplated hereby, do not contain any untrue statements of a material fact or omit a material fact necessary to make the material statements contained herein or therein not misleading, the Bank acknowledging that, as to any projections furnished to the Bank, the Borrower only represents that the same were prepared on the basis of information and estimates the Borrower believed to be reasonable at the time prepared.

Section 5.8. Trademarks, Franchises and Licenses. The Borrower and its Subsidiaries own, possess or have the right to use all necessary patents, licenses, franchises, trademarks, trade names, trade styles, copyrights, trade secrets, know how, and confidential commercial and proprietary information to conduct their businesses as now conducted, without known conflict with any patent, license, franchise, trademark, trade name, trade style, copyright or other proprietary right of any other Person except where the failure to do so would not have a Material Adverse Effect.

Section 5.9. Governmental Authority and Licensing. The Borrower and its Subsidiaries have received all licenses, permits, and approvals of all federal, state, and local governmental authorities, if any, necessary to conduct their businesses, in each case where the failure to obtain or maintain the same could reasonably be expected to have a Material Adverse Effect. No investigation or proceeding which, if adversely determined, could reasonably be expected to result in revocation or denial of any material license, permit or approval is pending or, to the Borrower's knowledge threatened.

Section 5.10. Good Title. The Borrower and its Subsidiaries have good and defensible title (or valid leasehold interests) to all of their material assets as reflected on the most recent consolidated balance sheet of the Borrower and its Subsidiaries furnished to the Bank (except for

sales of assets by the Borrower and its Subsidiaries in the ordinary course of business), subject to no Liens other than Permitted Liens.

Section 5.11. **Litigation and Other Controversies.** Except as disclosed on Schedule 5.11, there is no litigation or governmental or arbitration proceeding or labor controversy pending, nor to the Borrower's knowledge threatened, against the Borrower or any Subsidiary that could reasonably be expected to have a Material Adverse Effect.

Section 5.12. **Taxes.** All material tax returns required to be filed by the Borrower or any Subsidiary in any jurisdiction have, in fact, been filed, and all material taxes, assessments, fees, and other governmental charges upon the Borrower or any Subsidiary or upon any of their Property, income or franchises, which are shown to be due and payable in such returns, have been paid except to the extent that the Borrower or any Subsidiary is contesting the same in good faith. The Borrower does not know of any proposed additional material tax assessment against it or its Subsidiaries for which adequate provisions in accordance with GAAP have not been made on their accounts. Adequate provisions in accordance with GAAP for taxes on the books of the Borrower and its Subsidiaries have been made for all open years, and for the current fiscal period.

Section 5.13. **Approvals.** No authorization, consent, license or exemption from, or filing or registration with, any court or governmental department, agency or instrumentality, nor any approval or consent of any other Person, is or will be necessary to the valid execution, delivery or performance by the Borrower or any Subsidiary of any Loan Document to which it is a party, except for such approvals which have been obtained prior to the date of this Agreement and remain in full force and effect.

Section 5.14. **Affiliate Transactions.** Neither the Borrower nor any Subsidiary is a party to any material contracts or agreements with any of its Affiliates on terms and conditions which are less favorable to the Borrower or such Subsidiary than would be usual and customary in similar contracts or agreements between Persons not affiliated with each other.

Section 5.15. **Investment Company; Public Utility Holding Company.** Neither the Borrower nor any Subsidiary is an "investment company" or a company "controlled" by an "investment company" within the meaning of the Investment Company Act of 1940, as amended, or a "public utility holding company" within the meaning of the Public Utility Holding Company Act of 1935, as amended.

Section 5.16. **ERISA.** The Borrower and each other member of its Controlled Group has fulfilled its obligations under the minimum funding standards of, and is in compliance in all material respects with, ERISA and the Code to the extent applicable to it and has not incurred any liability to the PBGC or a Plan under Title IV of ERISA other than a liability to the PBGC for premiums under Section 4007 of ERISA. Except with respect to the Welfare Plans identified on Schedule 5.16, as of the date hereof, neither the Borrower nor any Subsidiary has any contingent liabilities with respect to any post-retirement benefits under a Welfare Plan, other than liability for continuation coverage described in article 6 of Title I of ERISA.

Section 5.17. Compliance with Laws. The Borrower and its Subsidiaries are in compliance with the requirements of all federal, state, and local laws, rules and regulations applicable to or pertaining to their Property or business operations (including, without limitation, the Occupational Safety and Health Act of 1970, the Americans with Disabilities Act of 1990, and laws and regulations establishing quality criteria and standards for air, water, land and toxic or hazardous wastes and substances), non-compliance with which, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect. Neither the Borrower nor any Subsidiary has received notice to the effect that its operations are not in compliance with any of the requirements of applicable federal, state or local environmental, health and safety statutes and regulations or are the subject of any governmental investigation evaluating whether any remedial action is needed to respond to a release of any toxic or hazardous waste or substance into the environment, which non-compliance or remedial action, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect.

Section 5.18. Other Agreements. Neither the Borrower nor any Subsidiary is in default under the terms of any covenant, indenture or agreement of or affecting the Borrower, any Subsidiary or any of their Property, which default if uncured could reasonably be expected to have a Material Adverse Effect.

Section 5.19. No Default. No Default or Event of Default has occurred and is continuing.

SECTION 6. COVENANTS.

The Borrower covenants and agrees that, so long as any credit is available to the Borrower hereunder, except to the extent compliance in any case is waived in writing by the Bank, and until all Obligations are paid in full:

Section 6.1. Information Covenants. The Borrower will furnish to the Bank:

(a) Quarterly Statements. Within 45 days after the close of each quarterly accounting period in each fiscal year of the Borrower, the Borrower's consolidated balance sheet as at the end of such quarterly accounting period and the related consolidated statements of income and of cash flows for such quarterly accounting period and for the elapsed portion of the fiscal year ended with the last day of such quarterly accounting period, in each case setting forth comparative figures for the related periods in the prior fiscal year (other than with respect to the consolidated balance sheet which shall be compared to the consolidated balance sheet for the fiscal year most recently ended), all of which shall be in reasonable detail, prepared by the Borrower in accordance with GAAP, and certified by the chief financial officer or other officer of the Borrower acceptable to the Bank that they fairly present in all material respects in accordance with GAAP the financial condition of the Borrower and its Subsidiaries as of the dates indicated and the results of their operations and changes in their cash flows for the periods indicated, subject to normal year-end audit adjustments and the absence of footnotes.

(b) Annual Statements. Within 90 days after the close of each fiscal year of the Borrower, a copy of the Borrower's consolidated balance sheet as of the last day of the fiscal year then ended and the Borrower's consolidated statements of income, shareholder's equity, and cash flows for the fiscal year then ended, and accompanying notes thereto, each in reasonable detail showing in comparative form the figures for the previous fiscal year, accompanied by an unqualified opinion of a firm of independent public accountants of recognized national standing, selected by the Borrower and acceptable to the Bank, to the effect that the financial statements have been prepared in accordance with GAAP and present fairly in accordance with GAAP the consolidated financial condition of the Borrower and its Subsidiaries as of the close of such fiscal year and the results of their operations and cash flows for the fiscal year then ended and that an examination of such accounts in connection with such financial statements has been made in accordance with generally accepted auditing standards.

(c) Officer's Certificates. Within 75 days after the close of each quarterly accounting period in each fiscal year of the Borrower, a certificate of the chief financial officer or other officer of the Borrower acceptable to Bank in the form of Exhibit B (x) stating no Default or Event of Default has occurred during the period covered by such statements or, if a Default or Event of Default exists, a detailed description of the Default or Event of Default and all actions the Borrower is taking with respect to such Default or Event of Default, (y) confirming that the representations and warranties stated in Section 5 remain true and correct in all material respects, and (z) showing the Borrower's compliance with the covenants set forth in Section 6.17 hereof.

(d) Notice of Default or Litigation. Promptly, and in any event within five Business Days after any Responsible Officer obtains knowledge thereof, notice of (i) the occurrence of any event which constitutes a Default or an Event of Default or any other event which could reasonably be expected to have a Material Adverse Effect, which notice shall specify the nature thereof, the period of existence thereof and what action the Borrower proposes to take with respect thereto, (ii) the commencement of, or any significant development in, any litigation, labor controversy, arbitration or governmental proceeding pending against the Borrower or any of its Subsidiaries which, if adversely determined, could reasonably be expected to have a Material Adverse Effect.

(e) Other Reports and Filings. Promptly, copies of all financial information, proxy materials and other material information, certificates, reports, statements and completed forms, if any, which the Borrower or any of its Subsidiaries (x) has filed with the Securities and Exchange Commission or any governmental agencies substituted therefor (the "SEC") or any comparable agency outside of the United States, or (y) has furnished to the shareholders of the Borrower.

(f) Other Information. From time to time, such other information or documents (financial or otherwise) as the Bank may reasonably request.

Section 6.2. Inspections. At such times when any Loan or Letter of Credit is outstanding, the Borrower will, and will cause each Subsidiary to, permit officers, representatives

and agents of the Bank, to visit and inspect any Property of the Borrower or such Subsidiary, and to examine the books of account of the Borrower or such Subsidiary and discuss the affairs, finances and accounts of the Borrower or such Subsidiary with its and their officers and independent accountants, all at such reasonable times as the Bank may request and upon reasonable advance notice.

Section 6.3. Maintenance of Property, Insurance, etc. (a) The Borrower will, and will cause each of its Subsidiaries to, (i) keep its property, plant and equipment in good repair, working order and condition, normal wear and tear excepted, and shall from time to time make all needful and proper repairs, renewals, replacements, extensions, additions, betterments and improvements thereto so that at all times such property, plant and equipment are reasonably preserved and maintained and (ii) maintain in full force and effect with financially sound and reputable insurance companies insurance which provides substantially the same (or greater) coverage and against at least such risks as is in accordance with industry practice, and shall furnish to the Bank upon request full information as to the insurance so carried.

Section 6.4. Preservation of Existence. The Borrower will, and will cause each of its Subsidiaries to, do or cause to be done, all things necessary to preserve and keep in full force and effect its existence and, except where the failure to do so would not reasonably be expected to have a Material Adverse Effect, its franchises, authority to do business, licenses, patents, trademarks, copyrights and other proprietary rights; provided, however, that nothing in this

Section 6.4 shall prevent, to the extent permitted by Section 6.14 hereof, sales of assets by the Borrower or any of its Subsidiaries, the dissolution or liquidation of any Subsidiary of the Borrower, or the merger or consolidation between or among the Subsidiaries of the Borrower.

Section 6.5. Compliance with Laws. The Borrower shall, and shall cause each Subsidiary to, comply in all respects with the requirements of all federal, state, local, and foreign laws, rules, regulations, ordinances and orders applicable to its property or business operations, where any such non-compliance, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect or result in a Lien upon any of its material Property not permitted hereunder.

Section 6.6. ERISA. The Borrower shall, and shall cause each Subsidiary to, promptly pay and discharge all obligations and liabilities arising under ERISA of a character which if unpaid or unperformed could reasonably be expected to have a Material Adverse Effect or result in a Lien upon any of its Property. The Borrower shall, and shall cause each Subsidiary to, promptly notify the Bank of: (a) the occurrence of any reportable event (as defined in ERISA) with respect to a Plan which the Borrower is required to report to the PBGC, (b) receipt of any notice from the PBGC of its intention to seek termination of any Plan or appointment of a trustee therefor, (c) its intention to terminate or withdraw from any Plan subject to Title IV of ERISA, and (d) the occurrence of any event with respect to any Plan which would result in the incurrence by the Borrower or any Subsidiary of any material liability, fine or penalty, or any material increase in the contingent liability of the Borrower or any Subsidiary with respect to any post-retirement Welfare Plan benefit.

Section 6.7. Payment of Taxes. The Borrower will, and will cause each of its Subsidiaries to, pay and discharge, all material taxes, assessments, fees and other governmental charges imposed upon it or any of its Property, before becoming delinquent and before any penalties accrue thereon, unless and to the extent that the same are being contested in good faith and by proper proceedings and as to which appropriate reserves are provided therefor, unless and until any Lien resulting therefrom attaches to any of its Property.

Section 6.8. No Changes in Fiscal Year. The Borrower shall not, nor shall it permit any Subsidiary to, change its fiscal year from its present basis.

Section 6.9. Change in the Nature of Business. The Borrower will not, and will not permit its Subsidiaries to, engage in any business activities which are materially different in nature from and unrelated to the activities of the Borrower and its Subsidiaries engaged in as of the date hereof, which activities include mining, processing, manufacturing and management services for such businesses and activities and other organizations.

Section 6.10. Limitation on Restrictions.

(a) Except as set forth on Schedule 6.10 hereto, the Borrower will not, and it will not permit any of its Subsidiaries to, directly or indirectly, create or otherwise cause or suffer to exist or become effective any restriction on the ability of any such Subsidiary to (i) pay dividends or make any other distributions on its capital stock or other equity interests owned by the Borrower or any other Subsidiary, (ii) pay or repay any Indebtedness owed to the Borrower or any other Subsidiary, (iii) make loans or advances to the Borrower or any other Subsidiary, (iv) transfer any of its Property to the Borrower or any other Subsidiary, (v) encumber or pledge any of its assets to or for the benefit of the Bank or (vi) guaranty the Obligations.

(b) The Borrower will not, and it will not permit any of its Subsidiaries to, cause or suffer to exist or become effective any restriction on the ability of the Borrower or any Subsidiary to grant Liens to the Bank.

Section 6.11. Contracts with Affiliates. The Borrower shall not, nor shall it permit any Subsidiary to, enter into any material contract, agreement or business arrangement with any of its Affiliates on terms and conditions less favorable to the Borrower or such Subsidiary than would be usual and customary in similar contracts or agreements between Persons not affiliated with each other; provided that all transactions or arrangements with Affiliates shall be assessed in light of, and taking into consideration, all related transactions with the relevant Affiliate or Affiliates (including its or their Affiliates).

Section 6.12. Indebtedness. The Borrower will not, and will not permit any of its Subsidiaries to, contract, create, incur, assume or suffer to exist any Indebtedness, except;

(a) the Obligations, the Guaranty and other indebtedness and obligations of the Borrower or any Subsidiary from time to time owing to the Bank;

(b) intercompany Indebtedness among the Borrower and its Subsidiaries to the extent permitted by Section 6.15;

(c) purchase money Indebtedness and Capitalized Lease Obligations of the Borrower and its Subsidiaries in an amount not to exceed \$30,000,000 in the aggregate at any one time outstanding;

(d) customer advances for prepayment of ore sales;

(e) Indebtedness and obligations owing under Hedging Agreements entered into to manage existing or anticipated interest rate, currency or commodity price risks and not for speculative purposes;

(f) Indebtedness and obligations owing under agreements entered into to manage existing or anticipated risk relating to the fluctuations in the value of the Borrower's investment in common stock of International Steel Group Inc.; provided that the aggregate notional amount of such Indebtedness and obligations shall not exceed \$100,000,000 at any one time;

(g) Indebtedness of the Borrower or any Subsidiary owing pursuant to letters of credit issued by any financial institution other than the Bank; provided that the aggregate amount of such Indebtedness shall not exceed \$10,000,000 at any one time;

(h) Subordinated Debt of the Borrower; and

(i) Unsecured Indebtedness of the Borrower and its Subsidiaries not otherwise permitted by this Section in an amount not to exceed \$1,000,000 in the aggregate at any one time outstanding.

Section 6.13. Liens. The Borrower will not, and will not permit any of its Subsidiaries to, create, incur or suffer to exist any Lien on any of its Property; provided that the foregoing shall not prevent the following (the Liens described below, the "Permitted Liens"):

(a) inchoate Liens for the payment of taxes which are not yet due and payable or the payment of which is not required by Section 6.7;

(b) Liens arising by statute in connection with worker's compensation, unemployment insurance, old age benefits, social security obligations, taxes, assessments, statutory obligations or other similar charges (other than Liens arising under ERISA), good faith cash deposits in connection with tenders, contracts or leases to which the Borrower or any Subsidiary is a party or other cash deposits required to be made in the ordinary course of business, provided in each case that the obligation is not for borrowed money and that the obligation secured is not overdue or, if overdue, is being contested in good faith by appropriate proceedings which prevent enforcement of the matter under contest and adequate reserves have been established therefor;

(c) mechanics', workmen's, materialmen's, landlords', carriers' or other similar Liens arising in the ordinary course of business with respect to obligations which are not due or which are being contested in good faith by appropriate proceedings which prevent enforcement of the matter under contest;

(d) Liens of or resulting from any judgment or award, the time for the appeal or petition for rehearing of which shall not have expired, or in respect of which the Borrower or a Subsidiary shall at any time in good faith be prosecuting an appeal or proceeding for a review and in respect of which a stay of execution pending such appeal or proceeding for review shall have been secured;

(e) any interest or title of a lessor under any operating lease;

(f) Liens on Property of the Borrower or any Subsidiary created solely for the purpose of securing indebtedness permitted by Section 6.11(c) hereof, representing or incurred to finance the purchase price of Property, provided that no such Lien shall extend to or cover other Property of the Borrower or such Subsidiary other than the respective Property so acquired, and the principal amount of indebtedness secured by any such Lien shall at no time exceed the purchase price of such Property, as reduced by repayments of principal thereon;

(g) Liens in favor of the Minnesota Department of Natural Resources and Pollution Control Agency, or any political subdivision of the State of Minnesota replacing such agency, on Property of the Borrower or any Subsidiary with a fair market value not to exceed \$7,000,000; and

(h) easements, rights-of-way, restrictions, and other similar encumbrances against real property incurred in the ordinary course of business which, in the aggregate, are not substantial in amount and which do not materially detract from the value of the Property subject thereto or materially interfere with the ordinary conduct of the business of the Borrower or any Subsidiary.

Section 6.14. Consolidation, Merger, Sale of Assets, etc. The Borrower will not, and will not permit any of its Subsidiaries to, wind up, liquidate or dissolve its affairs or agree to any merger or consolidation, or convey, sell, lease or otherwise dispose of all or any part of its operating property, including any disposition as part of any sale-leaseback transactions except that this Section shall not prevent:

(a) the sale and lease of inventory in the ordinary course of business;

(b) the sale, transfer or other disposition of any tangible personal property that, in the reasonable judgment of the Borrower or its Subsidiaries, has become uneconomic, obsolete or worn out;

(c) the sale, transfer, lease, or other disposition of Property of the Borrower and its Wholly-owned Subsidiaries to one another;

(d) the merger of any Wholly-owned Subsidiary with and into the Borrower or any other Wholly-owned Subsidiary, provided that, in the case of any merger involving the Borrower, the Borrower is the legal entity surviving the merger; and

(e) the sale of International Steel Group Inc. common stock by the Borrower; and

(f) the sale of Polymet Mining Corp. common stock by the Borrower.

Section 6.15. Restricted Investments Prohibited. The Borrower will not and will not permit any of its Subsidiaries to have, make or authorize any Restricted Investments.

Section 6.16. Subordinated Debt. The Borrower shall not, nor shall it permit any Subsidiary to, (a) amend or modify any of the terms or conditions relating to the Subordinated Debt, (b) make any voluntary prepayment of Subordinated Debt or effect any voluntary redemption thereof, or (c) make any payment on account of Subordinated Debt which is prohibited under the terms of any instrument or agreement subordinating the same to the Obligations.

Section 6.17. Financial Covenants.

(a) Minimum Tangible Net Worth. On and after June 30, 2004, the Borrower will at all times keep and maintain Tangible Net Worth at an amount not less than the sum of (a) 90% of Tangible Net Worth as of December 31, 2003, plus (b) to the extent it is not included in determining Tangible Net Worth, 100% of the Borrower's convertible preferred stock at the time such Tangible Net Worth is being measured, plus (c) 50% of Adjusted Net Income for each fiscal quarter of the Borrower after that fiscal quarter ending on December 31, 2003, for which Adjusted Net Income is a positive amount (i.e. there shall be no reduction to the minimum amount of Tangible Net Worth required to be maintained hereunder for any fiscal quarter in which Adjusted Net Income is a negative amount).

(b) Leverage Ratio. The Borrower shall not, as of the last day of each fiscal quarter of the Borrower, permit the ratio of Total Liabilities at such time to Tangible Net Worth at such time to be more than 2.10 to 1.00.

(c) Interest Coverage Ratio. On and after June 30, 2004, the Borrower shall not, as of the last day of each fiscal quarter of the Borrower, permit the ratio of EBITDA for the four fiscal quarters of the Borrower then ended to Interest Expense for the same four fiscal quarters then ended to be less than 5.00 to 1.00.

(d) Capital Expenditures. The Borrower will not, nor shall it permit any Subsidiary to, expend or become obligated for Capital Expenditures in an aggregate amount in excess of \$55,000,000 during any fiscal year of the Borrower, provided that the Bank's consent to, and approval of, Capital Expenditures proposed to be made in excess of such \$55,000,000 amount shall not be unreasonably withheld.

(e) Future Covenant Adjustments. The Bank, in its own discretion, may amend or otherwise modify the definition of Net Income to exclude from such definition specific non-cash charges that the Borrower may request from time to time, provided that this Section 6.17(e) does not obligate or commit the Bank to making or consenting to any such requested amendments or modifications.

Section 6.18. Additional Restrictions. In addition to and not in limitation of any of the restrictions to which the Borrower or any Subsidiary is subject pursuant to this Agreement, the Borrower agrees that in the event the Borrower or any Subsidiary is subject to any financial covenant for the benefit of any lender or other provider of credit which is in addition to, or more restrictive than the financial covenants to which the Borrower and its subsidiaries are subject pursuant to this Agreement, such other covenants, without further action, shall be deemed to be incorporated herein and the Bank shall be entitled to the benefit of such covenants at all times so long as such other covenants remain outstanding; provided that, this Section 6.18 shall not operate to incorporate any (a) reporting requirements under Capital Leases or similar contracts and (b) requirements in any contracts with regard to insurance. At the request of the Bank, the Borrower shall, or shall cause the appropriate Subsidiary to enter into amendments hereto to properly incorporate the aforementioned additional covenants.

Section 6.19. Operating Accounts. The Borrower will maintain its primary deposit accounts with the Bank.

SECTION 7. EVENTS OF DEFAULT AND REMEDIES.

Section 7.1. Events of Default. Any one or more of the following shall constitute an "Event of Default" hereunder:

(a) default (i) in the payment when due of all or any part of the principal of any Obligation payable by the Borrower hereunder or under any Loan Document or (ii) in the payment when due or within five Business Days thereafter of all or any part of the interest on any Obligation payable by the Borrower hereunder or under any Loan Document, (whether at the stated maturity thereof or at any other time provided for in this Agreement); or

(b) default in the observance or performance of any covenant set forth in Sections 6.4, 6.12, 6.13, 6.14, 6.15, 6.16 and 6.17 hereof; or

(c) default in the observance or performance of any other provision hereof or of any other Loan Document which is not remedied within 30 days after the earlier of (i) the date on which such failure shall first become known to any Responsible Officer or (ii) written notice thereof is given to the Borrower by the Bank to remedy the same; or

(d) any representation or warranty made by the Borrower or any Subsidiary Guarantor herein or in any other Loan Document, or in any statement or certificate furnished by it pursuant hereto or thereto, or in connection with any Loan made

hereunder, proves untrue in any material respect as of the date of the issuance or making thereof; or

(e) default shall occur under any Indebtedness issued, assumed or guaranteed by the Borrower or any Subsidiary aggregating more than \$1,000,000 or under any indenture, agreement or other instrument under which the same may be issued, and such default shall continue for a period of time sufficient to permit the acceleration of the maturity of any such Indebtedness (whether or not such maturity is in fact accelerated), or any such Indebtedness shall not be paid when due (whether by lapse of time, acceleration or otherwise); or

(f) any judgment or judgments, writ or writs, or warrant or warrants of attachment, or any similar process or processes in an aggregate amount in excess of \$10,000,000 (and not covered by insurance) shall be entered or filed against the Borrower or any Subsidiary or against any of their Property and which remains unvacated, unbonded, unstayed or unsatisfied for a period of 30 days; or

(g) the Borrower or any Subsidiary withdraws from any Multiemployer Plan or permits any employee benefit plan maintained by it to be terminated if such withdrawal or termination results in withdrawal liability (as described in Part 1 of Subtitle E of Title IV of ERISA) in excess of \$3,000,000 or the imposition of a Lien on any property of the Borrower or any Subsidiary pursuant to Section 4068 of ERISA; or

(h) the Borrower or any Subsidiary shall (i) have entered involuntarily against it an order for relief under the United States Bankruptcy Code, as amended which is not stayed or dismissed within 60 days of the filing thereof, (ii) not pay, or admit in writing its inability to pay, its debts generally as they become due, (iii) make an assignment for the benefit of creditors, (iv) apply for, seek, consent to, or acquiesce in, the appointment of a receiver, custodian, trustee, examiner, liquidator or similar official for it or any substantial part of its Property, (v) institute any proceeding seeking to have entered against it an order for relief under the United States Bankruptcy Code, as amended, to adjudicate it insolvent, or seeking dissolution, winding up, liquidation, reorganization, arrangement, adjustment or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors or fail to file an answer or other pleading denying the material allegations of any such proceeding filed against it, (vi) take any corporate action in furtherance of any matter described in parts (i) through (v) above, or (vii) fail to contest in good faith any appointment or proceeding described in Section 7.1(i) hereof; or

(i) a custodian, receiver, trustee, examiner, liquidator or similar official shall be appointed for the Borrower or any Subsidiary or any substantial part of any of their Property, or a proceeding described in Section 7.1(h)(v) shall be instituted against the Borrower or any Subsidiary, and such appointment continues undischarged or such proceeding continues undismissed or unstayed for a period of 60 days; or

(j) any Subsidiary Guarantor takes any action for the purpose of terminating, repudiating or rescinding any Loan Document executed by it, except as permitted hereunder, or any of its obligations thereunder, or any event of the type described in any of Sections 7.1(e), 7.1(f), 7.1(h) or 7.1(i) above shall occur with respect to any Subsidiary Guarantor; or

(k) a Change of Control occurs.

Section 7.2. Non-Bankruptcy Defaults. When any Event of Default described in subsection (a) through (g), both inclusive, or subsection (j) of Section 7.1 has occurred and is continuing, the Bank may, by notice to the Borrower, take one or more of the following actions:

(a) terminate the obligation of the Bank to extend any further credit hereunder on the date (which may be the date thereof) stated in such notice;

(b) declare the principal of and the accrued interest on the Note to be forthwith due and payable and thereupon the Note, including both principal and interest and all fees, charges and other Obligations payable hereunder and under the other Loan Documents, shall be and become immediately due and payable without further demand, presentment, protest or notice of any kind; and

(c) enforce any and all rights and remedies available to it under the Loan Documents or applicable law.

Section 7.3. Bankruptcy Defaults. When any Event of Default described in subsection (h) or (i) of Section 7.1 has occurred and is continuing, then the Note, including both principal and interest, and all fees, charges and other Obligations payable hereunder and under the other Loan Documents, shall immediately become due and payable without presentment, demand, protest or notice of any kind, and the obligation of the Bank to extend further credit pursuant to any of the terms hereof shall immediately terminate. In addition, the Bank may exercise any and all remedies available to it under the Loan Documents or applicable law.

Section 7.4. Collateral for Undrawn Letters of Credit. When any Event of Default, other than an Event of Default described in subsection (h) or (i) of

Section 7.1, has occurred and is continuing, the Borrower shall, upon demand of the Bank, and when any Event of Default described in subsection (h) or (i) of

Section 7.1 has occurred the Borrower shall, without notice or demand from the Bank, immediately pay to the Bank the full amount of each Letter of Credit then outstanding, the Borrower agreeing to immediately make such payment and acknowledging and agreeing that the Bank would not have an adequate remedy at law for failure of the Borrower to honor any such demand and that the Bank shall have the right to require the Borrower to specifically perform such undertaking whether or not any draws have been made under any such Letters of Credit. Such funds shall be held by the Bank in a cash collateral account maintained at the Bank. The cash collateral shall be in the name of the Borrower and shall be pledged to, and subject to the control of the Bank. The Borrower hereby pledges and grants to the Bank a security interest in all such funds held in the cash collateral account from time to time and all

proceeds thereof, as security for the payment of all amounts due under any outstanding Letter of Credit, whether or not then due.

SECTION 8. CHANGE IN CIRCUMSTANCES AND CONTINGENCIES.

Section 8.1. Change of Law. Notwithstanding any other provisions of this Agreement or the Note, if at any time the Bank shall determine that any change in applicable laws, treaties, or regulations, or in the interpretation thereof, makes it unlawful for the Bank to create or continue to maintain any LIBOR Portion, it shall promptly so notify the Borrower and the obligation of the Bank to create, continue, or maintain any such LIBOR Portion under this Agreement shall be suspended until it is no longer unlawful for the Bank to create, continue, or maintain such LIBOR Portion. If the continued maintenance of any such LIBOR Portion is unlawful, the Borrower shall prepay on demand to the Bank the outstanding principal amount of the affected LIBOR Portion together with all interest accrued thereon and all other amounts payable to the Bank with respect thereto under this Agreement; provided, however, the Borrower may elect to convert the principal amount of the affected Portion into another type of Portion available hereunder, subject to the terms and conditions of this Agreement (but shall not be liable for any indemnity costs pursuant to Section 8.5 hereof).

Section 8.2. Unavailability of Deposits or Inability to Ascertain Adjusted LIBOR. Notwithstanding any other provision of this Agreement or the Note, if the Bank shall determine prior to the commencement of any Interest Period that deposits in the amount of any LIBOR Portion scheduled to be outstanding during such Interest Period are not readily available to the Bank in the relevant market or, by reason of circumstances affecting the relevant market, adequate and reasonable means do not exist for ascertaining Adjusted LIBOR, then the Bank shall promptly give notice thereof to the Borrower and the obligations of the Bank to create, continue, or effect by conversion any such LIBOR Portion in such amount and for such Interest Period shall be suspended until deposits in such amount and for the Interest Period selected by the Borrower shall again be readily available in the relevant market and adequate and reasonable means exist for ascertaining Adjusted LIBOR.

Section 8.3. Taxes and Increased Costs. With respect to any LIBOR Portion, if the Bank shall determine that any change in any applicable law, treaty, regulation, or guideline (including, without limitation, Regulation D of the Board of Governors of the Federal Reserve System), or any new law, treaty, regulation, or guideline, or any interpretation of any of the foregoing, by any governmental authority charged with the administration thereof or any central bank or other fiscal, monetary, or other authority having jurisdiction over the Bank or its lending branch or the LIBOR Portions contemplated by this Agreement (whether or not having the force of law), shall:

(i) impose, increase, or deem applicable any reserve, special deposit, or similar requirement against assets held by, or deposits in or for the account of, or loans by, or any other acquisition of funds or disbursements by, the Bank which is not in any instance already accounted for in computing the interest rate applicable to such LIBOR Portion;

(ii) subject the Bank, any LIBOR Portion or the Note to the extent it evidences such LIBOR Portion to any tax (including, without limitation, any United States interest equalization tax or similar tax however named applicable to the acquisition or holding of debt obligations and any interest or penalties with respect thereto), duty, charge, stamp tax, fee, deduction, or withholding in respect of this Agreement, any LIBOR Portion or the Note to the extent it evidences such LIBOR Portion, except such taxes as may be measured by the overall net income or gross receipts of the Bank or its lending branches and imposed by the jurisdiction, or any political subdivision or taxing authority thereof, in which the Bank's principal executive office or its lending branch is located;

(iii) change the basis of taxation of payments of principal and interest due from the Borrower to the Bank hereunder or under the Note to the extent it evidences any LIBOR Portion (other than by a change in taxation of the overall net income or gross receipts of the Bank); or

(iv) impose on the Bank any penalty with respect to the foregoing or any other condition regarding this Agreement, any LIBOR Portion, or its disbursement, or the Note to the extent it evidences any LIBOR Portion;

and the Bank shall determine that the result of any of the foregoing is to materially increase the cost (whether by incurring a cost or adding to a cost) to the Bank of creating or maintaining any LIBOR Portion hereunder or to reduce the amount of principal or interest received or receivable by the Bank (without benefit of, or credit for, any prorrations, exemption, credits, or other offsets available under any such laws, treaties, regulations, guidelines, or interpretations thereof), then the Borrower shall pay on demand to the Bank from time to time as specified by the Bank such additional amounts as the Bank shall reasonably determine are sufficient to compensate and indemnify it for such increased cost or reduced amount. If the Bank makes such a claim for compensation, it shall provide to the Borrower a certificate setting forth the computation of the increased cost or reduced amount as a result of any event mentioned herein in reasonable detail and such certificate shall be conclusive absent manifest error.

Section 8.4. Change in Capital Adequacy Requirements. If the Bank shall determine that the adoption after the date hereof of any applicable law, rule, or regulation regarding capital adequacy, or any change in any existing law, rule, or regulation, or any change in the interpretation or administration thereof by any governmental authority, central bank, or comparable agency charged with the interpretation or administration thereof, or compliance by the Bank (or any of its branches) with any request or directive regarding capital adequacy (whether or not having the force of law) of any such authority, central bank, or comparable agency, has or would have the effect of reducing the rate of return on the Bank's capital as a consequence of its obligations hereunder or for the credit which is the subject matter hereof to a level below that which the Bank could have achieved but for such adoption, change, or compliance (taking into consideration the Bank's policies with respect to liquidity and capital adequacy) by an amount deemed by the Bank to be material, then from time to time, within 15 days after demand by the Bank, the Borrower shall pay to the Bank such additional amount or amounts reasonably determined by the Bank as will compensate the Bank for such reduction.

Section 8.5. Funding Indemnity. (a) In the event the Bank shall incur any loss, cost, or expense (including, without limitation, any loss (excluding any loss of anticipated profit), cost, or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired or contracted to be acquired by the Bank to fund or maintain any LIBOR Portion or the relending or reinvesting of such deposits or other funds or amounts paid or prepaid to the Bank or by reason of breakage of interest rate swap agreements or the liquidation of other hedging interests or agreements) as a result of:

- (i) any payment or prepayment of a LIBOR Portion on a date other than the last day of the then applicable Interest Period for any reason, whether before or after default, and whether or not such payment is required by any provision of this Agreement; or
- (ii) any failure by the Borrower to create, borrow, continue, or effect by conversion a LIBOR Portion on the date specified in a notice given pursuant to this Agreement;

then upon the demand of the Bank, the Borrower shall pay to the Bank such amount as will reimburse the Bank for such loss, cost, or expense.

(b) If the Bank requests reimbursement or payment under this Section, it shall provide to the Borrower a certificate setting forth the computation of the loss, cost, expense, or funding indemnity giving rise to the request for reimbursement and payment in reasonable detail and such certificate shall be conclusive absent manifest error.

Section 8.6. Lending Branch. The Bank may, at its option, elect to make, fund or maintain Portions of the Loans hereunder at such of its branches or offices as the Bank may from time to time elect. To the extent reasonably possible, the Bank shall designate an alternate branch or funding office with respect to the LIBOR Portions to reduce any liability of the Borrower to the Bank under Section 8.3 hereof or to avoid the unavailability of an interest rate option under Section 8.2 hereof, so long as such designation is not otherwise disadvantageous to the Bank.

Section 8.7. Discretion of Bank as to Manner of Funding. Notwithstanding any provision of this Agreement to the contrary, the Bank shall be entitled to fund and maintain its funding of all or any part of the Note in any manner it sees fit, it being understood, however, that for the purposes of this Agreement all determinations hereunder (including, without limitation, determinations under Sections 8.2, 8.3 and 8.4 hereof) shall be made as if the Bank had actually funded and maintained each LIBOR Portion during each Interest Period applicable thereto through the purchase of deposits in the relevant market in the amount of such LIBOR Portion, having a maturity corresponding to such Interest Period, and bearing an interest rate equal to the LIBOR for such Interest Period.

SECTION 9. MISCELLANEOUS.

Section 9.1. Non-Business Days. If any payment hereunder becomes due and payable on a day which is not a Business Day, the due date of such payment shall be extended to the next succeeding Business Day on which date such payment shall be due and payable. In the case of any payment of principal falling due on a day which is not a Business Day, interest on such principal amount shall continue to accrue during such extension at the rate per annum then in effect, which accrued amount shall be due and payable on the next scheduled date for the payment of interest.

Section 9.2. No Waiver, Cumulative Remedies. No delay or failure on the part of the Bank or on the part of the holder of the Obligations in the exercise of any power or right shall operate as a waiver thereof or as an acquiescence in any default, nor shall any single or partial exercise of any power or right preclude any other or further exercise thereof or the exercise of any other power or right. The rights and remedies hereunder of the Bank and of the holder of the Obligations are cumulative to, and not exclusive of, any rights or remedies which any of them would otherwise have.

Section 9.3. Amendments, Etc. No amendment, modification, termination or waiver of any provision of this Agreement or of any other Loan Document, nor consent to any departure by the Borrower therefrom, shall in any event be effective unless the same shall be in writing and signed by the Bank. No notice to or demand on the Borrower in any case shall entitle the Borrower to any other or further notice or demand in similar or other circumstances.

Section 9.4. Costs and Expenses; Indemnification. The Borrower agrees to pay on demand the reasonable costs and expenses of the Bank in connection with the negotiation, preparation, execution and delivery of this Agreement, the other Loan Documents and the other instruments and documents to be delivered hereunder or thereunder, and in connection with the recording or filing of any of the foregoing, and in connection with the transactions contemplated hereby or thereby, and in connection with any consents hereunder or waivers or amendments hereto or thereto, including the reasonable fees and expenses of counsel for the Bank with respect to all of the foregoing (whether or not the transactions contemplated hereby are consummated). The Borrower further agrees to pay to the Bank or any other holder of the Obligations all costs and expenses (including court costs and reasonable attorneys' fees), if any, incurred or paid by the Bank or any other holder of the Obligations in connection with any Default or Event of Default or in connection with the enforcement of this Agreement or any of the other Loan Documents or any other instrument or document delivered hereunder or thereunder. The Borrower further agrees to indemnify the Bank, and any security trustee, and their respective directors, officers and employees, against all losses, claims, damages, penalties, judgments, liabilities and expenses (including, without limitation, all expenses of litigation or preparation therefor, whether or not the indemnified Person is a party thereto) which any of them may pay or incur arising out of or relating to any Loan Document or any of the transactions contemplated thereby or the direct or indirect application or proposed application of the proceeds of any Loan, other than those which arise from the gross negligence or willful misconduct of the party claiming indemnification. The Borrower, upon demand by the Bank at any time, shall reimburse the Bank for any legal or other expenses incurred in connection with investigating or defending

against any of the foregoing except if the same is directly due to the gross negligence or willful misconduct of the party to be indemnified. The obligations of the Borrower under this Section shall survive the termination of this Agreement.

Section 9.5. Documentary Taxes. The Borrower agrees to pay on demand any documentary, stamp or similar taxes payable in respect of this Agreement or any other Loan Document, including interest and penalties, in the event any such taxes are assessed, irrespective of when such assessment is made and whether or not any credit is then in use or available hereunder.

Section 9.6. Survival of Representations. All representations and warranties made herein or in any of the other Loan Documents or in certificates given pursuant hereto or thereto shall survive the execution and delivery of this Agreement and the other Loan Documents, and shall continue in full force and effect with respect to the date as of which they were made as long as any credit is in use or available hereunder.

Section 9.7. Notices. Except as otherwise specified herein, all notices hereunder shall be in writing (including, without limitation, notice by teletype) and shall be given to the relevant party at its address or teletypewriter number set forth below, or such other address or teletypewriter number as such party may hereafter specify by notice to the other given by United States certified or registered mail, by teletype or by other telecommunication device capable of creating a written record of such notice and its receipt. Notices hereunder shall be addressed:

to the Borrower at:

Cleveland-Cliffs Inc
1100 Superior Avenue
Cleveland, Ohio 44114-2589
Attention: Secretary
Telephone: (216) 694-5470
Telecopy: (216) 694-6741

to the Bank at:

Fifth Third Bank
1404 East Ninth Street
Cleveland, Ohio 44114
Attention: Myia Lowman
Telephone: (216) 274-5578
Telecopy: (216) 274-5420

Each such notice, request or other communication shall be effective (i) if given by teletypewriter, when such teletype is transmitted to the teletypewriter number specified in this Section and a confirmation of such teletype has been received by the sender, (ii) if given by mail, five (5) days after such communication is deposited in the mail, certified or registered with return receipt requested, addressed as aforesaid or (iii) if given by any other means, when delivered at the addresses specified in this Section; provided that any notice given pursuant to Section 2 hereof shall be effective only upon receipt.

Section 9.8. Participations. The Bank shall have the right to grant participations (to be evidenced by one or more agreements or certificates of participation) in its extensions of credit hereunder at any time and from time to time to one or more other Persons; provided that no such participation shall relieve the Bank of any of its obligations under this Agreement, and, provided, further that no such participant shall have any rights under this Agreement except as provided in this Section. Any agreement pursuant to which such participation is granted shall provide that

the Bank shall retain the sole right and responsibility to enforce the obligations of the Borrower under this Agreement and the other Loan Documents including, without limitation, the right to approve any amendment, modification or waiver of any provision of the Loan Documents, except that such agreement may provide that the Bank will not agree to any modification, amendment or waiver of the Loan Documents that would reduce the amount of or postpone any fixed date for payment of any Obligation in which such participant has an interest. Any party to which such a participation has been granted shall have the benefits of Section 8.3 and Section 8.5 hereof. The Borrower authorizes the Bank to disclose to any participant or prospective participant under this Section any financial or other information pertaining to the Borrower or any Subsidiary, provided that such participant or prospective participant agrees in writing to maintain the confidentiality of such information in a form acceptable to the Borrower.

Section 9.9. Construction. The provisions of this Agreement relating to Subsidiaries shall only apply during such times as the Borrower has one or more Subsidiaries. **NOTHING CONTAINED HEREIN SHALL BE DEEMED OR CONSTRUED TO PERMIT ANY ACT OR OMISSION WHICH IS PROHIBITED BY THE TERMS OF ANY OF THE OTHER LOAN DOCUMENTS, THE COVENANTS AND AGREEMENTS CONTAINED HEREIN BEING IN ADDITION TO AND NOT IN SUBSTITUTION FOR THE COVENANTS AND AGREEMENTS CONTAINED IN THE OTHER LOAN DOCUMENTS.**

Section 9.10. Headings. Section headings used in this Agreement are for convenience of reference only and are not a part of this Agreement for any other purpose.

Section 9.11. Severability of Provisions. Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof or affecting the validity or enforceability of such provision in any other jurisdiction.

Section 9.12. Counterparts. This Agreement may be executed in any number of counterparts, and by different parties hereto on separate counterpart signature pages, and all such counterparts taken together shall be deemed to constitute one and the same instrument.

Section 9.13. Binding Nature, Governing Law, Etc. This Agreement shall be binding upon the Borrower and its successors and assigns, and shall inure to the benefit of the Bank and the benefit of its successors and assigns, including any subsequent holder of the Obligations. The Borrower may not assign its rights hereunder without the written consent of the Bank. This Agreement constitutes the entire understanding of the parties with respect to the subject matter hereof and any prior agreements, whether written or oral, with respect thereto are superseded hereby. **THIS AGREEMENT AND THE RIGHTS AND DUTIES OF THE PARTIES HERETO SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE INTERNAL LAWS OF THE STATE OF OHIO WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAWS.**

Section 9.14. Submission to Jurisdiction; Waiver of Jury Trial. The Borrower hereby submits to the nonexclusive jurisdiction of the United States District Court for the Southern District of Ohio and of any Ohio State court sitting in the City of Cincinnati for purposes of all legal proceedings arising out of or relating to this Agreement, the other Loan Documents or the

transactions contemplated hereby or thereby. The Borrower irrevocably waives, to the fullest extent permitted by law, any objection which it may now or hereafter have to the laying of the venue of any such proceeding brought in such a court and any claim that any such proceeding brought in such a court has been brought in an inconvenient forum. THE BORROWER AND THE BANK HEREBY IRREVOCABLY WAIVE ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO ANY LOAN DOCUMENT OR THE TRANSACTIONS CONTEMPLATED THEREBY.

[SIGNATURE PAGE TO FOLLOW]

Upon your acceptance hereof in the manner hereinafter set forth, this Agreement shall constitute a contract between us for the uses and purposes hereinabove set forth.

Dated as of this 30th day of April, 2004.

CLEVELAND-CLIFFS INC

By /s/ D. J. Gallagher

*Name D. J. Gallagher
Title Senior Vice President, Chief
Financial Officer and Treasurer*

Accepted and agreed as of the day and year last above written.

FIFTH THIRD BANK, an Ohio banking corporation

By /s/ R. C. Lanctot

*Name R. C. Lanctot
Title Vice President*

**EXHIBIT A
REVOLVING NOTE**

\$30,000,000.00 Cleveland, Ohio

APRIL 30, 2004

On the Termination Date, for value received, the undersigned, CLEVELAND-CLIFFS INC, an Ohio corporation (the "Borrower"), hereby promises to pay to the order of FIFTH THIRD BANK, an Ohio banking corporation (the "Bank") at its principal office in Cleveland, Ohio, the principal sum of (i) THIRTY MILLION and no/100 DOLLARS (\$30,000,000), or (ii) such lesser amount as may at the time of the maturity hereof, whether by acceleration or otherwise, be the aggregate unpaid principal amount of all Loans owing from the Borrower to the Bank under the Revolving Credit provided for in the Credit Agreement hereinafter mentioned.

This Note evidences Loans made and to be made to the Borrower by the Bank under the Revolving Credit provided for under that certain Credit Agreement dated as of APRIL 30, 2004, between the Borrower and the Bank (said Credit Agreement, as the same may be amended, modified or restated from time to time, being referred to herein as the "Credit Agreement"), and the Borrower hereby promises to pay interest at the office described above on such Loans evidenced hereby at the rates and at the times and in the manner specified therefor in the Credit Agreement.

This Note is issued by the Borrower under the terms and provisions of the Credit Agreement and this Note and the holder hereof are entitled to all of the benefits provided for thereby or referred to therein, to which reference is hereby made for a statement thereof. This Note may be declared to be, or be and become, due prior to its expressed maturity, voluntary prepayments may be made hereon, all in the events, on the terms and with the effects provided in the Credit Agreement. All capitalized terms used herein without definition shall have the same meanings herein as such terms are defined in the Credit Agreement.

The Borrower hereby promises to pay all costs and expenses (including attorneys' fees) suffered or incurred by the holder hereof in collecting this Note or enforcing any rights in any collateral therefor. The Borrower hereby waives presentment for payment and demand. THIS NOTE SHALL BE CONSTRUED IN ACCORDANCE WITH, AND GOVERNED BY, THE INTERNAL LAWS OF THE STATE OF OHIO WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAWS.

CLEVELAND-CLIFFS INC

By

Name _____
Title _____

EXHIBIT B

COMPLIANCE CERTIFICATE

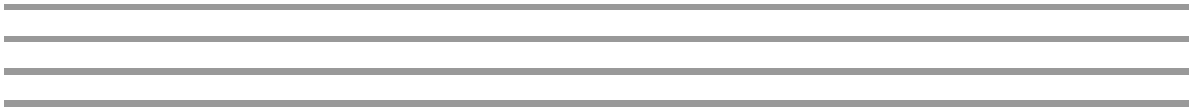
To: Fifth Third Bank

This Compliance Certificate is furnished to the Fifth Third Bank, an Ohio banking corporation, pursuant to that certain Credit Agreement dated as of APRIL 30, 2004, between us (the "Credit Agreement"). Unless otherwise defined herein, the terms used in this Compliance Certificate have the meanings ascribed thereto in the Credit Agreement.

THE UNDERSIGNED HEREBY CERTIFIES THAT:

1. I am the duly elected _____ of Cleveland-Cliffs Inc;
2. I have reviewed the terms of the Credit Agreement and I have made, or have caused to be made under my supervision, a detailed review of the transactions and conditions of the Borrower and its Subsidiaries during the accounting period covered by the attached financial statements;
3. The examinations described in paragraph 2 did not disclose, and I have no knowledge of, the existence of any condition or the occurrence of any event which constitutes a Default or Event of Default during or at the end of the accounting period covered by the attached financial statements or as of the date of this Compliance Certificate, except as set forth below;
4. The financial statements required by Section 6.1 of the Credit Agreement and being furnished to you concurrently with this Compliance Certificate are true, correct and complete as of the date and for the periods covered thereby;
5. The representations and warranties of the Borrower contained in Section 5 of the Credit Agreement are true and correct in all material respects as though made on and as of the date hereof (except to the extent such representations and warranties relate to an earlier date, in which case they are true and correct as of such date); and
6. The Schedule I hereto sets forth financial data and computations evidencing the Borrower's compliance with certain covenants of the Credit Agreement, all of which data and computations are, to the best of my knowledge, true, complete and correct and have been made in accordance with the relevant Sections of the Credit Agreement.

Described below are the exceptions, if any, to paragraph 3 by listing, in detail, the nature of the condition or event, the period during which it has existed and the action which the Borrower has taken, is taking, or proposes to take with respect to each such condition or event:



The foregoing certifications, together with the computations set forth in Schedule I hereto and the financial statements delivered with this Certificate in support hereof, are made and delivered this _____ day of _____ 20____.

CLEVELAND-CLIFFS INC

By

Name _____
Title _____

**SCHEDULE I
TO COMPLIANCE CERTIFICATE**

CLEVELAND-CLIFFS INC

**COMPLIANCE CALCULATIONS
FOR CREDIT AGREEMENT DATED AS OF APRIL 30, 2004**

CALCULATIONS AS OF _____, 20__

A.	Tangible Net Worth (Section 6.17(a))	
1.	Total Shareholder's Equity	\$ _____
2.	Value of Borrower's Convertible Preferred Stock (to the extent not included in Line A1)	\$ _____
3.	Value of International Steel Group Inc.'s Common Stock net of deferred taxes (to the extent not included in Line A1)	\$ _____
4.	Total Intangible Assets	\$ _____
5.	Tangible Net Worth (Line A1 plus Lines A2 and A3 minus Line A4)	\$ _____
6.	90% of Tangible Net Worth on 12/31/03	\$ _____
7.	Value of Borrower's Convertible Preferred Stock (to the extent not included in Line A5)	\$ _____
8.	50% of positive Adjusted Net Income after 12/31/03	\$ _____
9.	Sum of Lines A6 through A8	\$ _____
10.	Line A5 must be greater than Line A9 yes/no The Borrower is in compliance (circle yes or no)	yes/no
B.	Leverage Ratio (Section 6.17(b))	
1.	Total Liabilities	\$ _____
2.	Tangible Net Worth (from Line A5)	\$ _____
3.	Ratio of Line B1 to B2 must not be more than	2.10 to 1.00
4.	The Borrower is in compliance (circle yes or no) yes/no	yes/no
C.	Interest Coverage Ratio (Section 6.17(c))	
1.	Net Income for past 4 quarters	\$ _____
2.	Interest Expense for past 4 quarters	\$ _____

- | | | |
|-----|---|--------------|
| 3. | Income taxes for past 4 quarters | \$ _____ |
| 4. | Depreciation and amortization expense for past 4 quarters | \$ _____ |
| 5. | Interest Income for past 4 quarters | \$ _____ |
| 6. | Accrued Dividends on Preferred Stock during past 4 quarters | \$ _____ |
| 7. | Sum of Lines C1, C2, C3 and C4 minus Lines C5 and C6 ("EBITDA") | \$ _____ |
| 8. | Interest Expense for past 4 quarters | \$ _____ |
| 9. | Ratio of Line C7 to C8 | \$ _____ |
| 10. | Line C9 must not be less than | 5.00 to 1.00 |
| 11. | The Borrower is in compliance (circle yes or no) yes/no | yes/no |
- D. Capital Expenditures (Section 6.17(d))
- | | | |
|----|---|----------|
| 1. | Year-to-date Capital Expenditures | \$ _____ |
| 2. | Capital Expenditures must not exceed \$55,000,000 | |
| 3. | The Borrower is in compliance (circle yes or no) yes/no | yes/no |

SCHEDULE 5.2**SUBSIDIARIES**

ENTITY	STATE OF FORMATION	PERCENTAGE OWNERSHIP
Cleveland-Cliffs Ore Corporation	OH	100%
The Cleveland-Cliffs Iron Company	OH	100%
Northshore Sales Company	OH	100%
Wabush Iron Co. Limited	OH	100%
Cliffs Oil Shale Corp.	CO	100%
CALipso Sales Company	DE	82.39%
Cliffs Erie L.L.C.	DE	100%
Cliffs Mining Company	DE	100%
Cliffs Mining Services Company	DE	100%
Cliffs Reduced Iron Corporation	DE	100%
Cliffs Reduced Iron Management Company	DE	100%
IronUnits LLC	DE	100%
Northshore Mining Company	DE	100%
Seignelay Resources, Inc.	DE	100%
Silver Bay Power Company	DE	100%
The Cleveland-Cliffs Steamship Company	DE	100%
Cliffs Biwabik Ore Corporation	MN	100%
Pickands Hibbing Corporation	MN	100%
Syracuse Mining Company	MN	100%
Cliffs Empire, Inc.	MI	100%

ENTITY	STATE OF FORMATION	PERCENTAGE OWNERSHIP
Cliffs IH Empire, Inc.	MI	100%
Cliffs Marquette, Inc.	MI	100%
Cliffs MC Empire, Inc.	MI	100%
Cliffs TIOP, Inc.	MI	100%
Lake Superior & Ishpeming Railroad Company	MI	100%
Lasco Development Corporation	MI	100%
Empire-Cliffs Partnership (assumed name for Cliffs Empire, Inc. and Cliffs MC Empire, Inc.)	MI	100%
Empire Iron Mining Partnership	MI	79%
Marquette Iron Mining Partnership (assumed name for Cliffs Marquette, Inc.)	MI	100%
Marquette Range Coal Service Company	MI	82.086%
Tilden Mining Company L.C.	MI	85%
Wheeling-Pittsburgh/Cliffs Partnership (assumed name for Cliffs Empire, Inc., Cliffs IH Empire, Inc. and Wheeling-Empire Company)	MI	100%
Minerais Midway Ltee-Midway Ore Company Ltd.	Quebec, Canada	100%
Cliffs and Associates Limited	Trinidad	82.39%
Cliffs Synfuel Corp.	UT	100%
Republic Wetlands Preserve LLC	MI	100%
Cliffs International Management Company LLC	DE	100%

ENTITY	STATE OF FORMATION	PERCENTAGE OWNERSHIP
Cliffs Minnesota Mining Company	DE	100%
United Taconite LLC	DE	70%
Cliffs Natural Stone LLC	MN	56%

SCHEDULE 5.11

LITIGATION

NONE

SCHEDULE 5.16

WELFARE PLANS

1. Program of Hospital and Medical Benefits for Eligible Pensioners (Cliffs Mining)
2. Program of Hospital/Medical Benefits for Eligible Pensioners & Surviving Spouses Represented by United Steelworkers of America (Empire Iron Mining Partnership)
3. Program of Hospital/Medical Benefits for Eligible Pensioners & Surviving Spouses Represented by United Steelworkers of America (Tilden)
4. Program of Hospital/Medical Benefits for Eligible Pensioners & Surviving Spouses (Cliffs Mining as Managing Agent of Hibbing Joint Venture)
5. Program of Hospital/Medical Benefits for Eligible Pensioners & Surviving Spouses Represented by United Steelworkers of America (Cleveland-Cliffs Iron)
6. Program of Insurance Benefits for Salaried Retirees and Surviving Spouses of the Cleveland-Cliffs Iron Company and Its Associated Employers (Cleveland-Cliffs Iron)
7. Insurance Benefits for Retirees and Surviving Spouses (Cleveland-Cliffs Inc)
8. Program of Hospital/Medical Benefits for Eligible Pensioners & Surviving Spouses (Central Shops) (Cleveland-Cliffs Iron)

SCHEDULE 6.10

LIMITATION ON RESTRICTIONS

1. Any agreement evidencing or relating to a capital lease or purchase money financing to the extent that such agreement prohibits the transfer or encumbrance of the property subject to such agreement.
2. Any agreement relating to any shares of International Steel Group Inc. owned by the Borrower or any of its Subsidiaries that restricts the transfer of such shares or prohibits the creation of a lien on or pledge of such shares by the Borrower or any of its Subsidiaries.

SCHEDULE 6.15

PERMITTED INVESTMENTS

- Investments from time to time in variable rate notes and bonds that are credit enhanced by letters of credit issued by any commercial bank
- Investments from time to time in municipal auction reset securities or comparable securities

EXHIBIT 4(b)

GUARANTY AGREEMENT

THIS GUARANTY AGREEMENT (this "Guaranty") is made as of this 30th day of April, 2004, by and among each of the parties who have executed this Guaranty (collectively the "Guarantors" and individually a "Guarantor") in favor of Fifth Third Bank, an Ohio banking corporation (the "Bank").

WITNESSETH:

WHEREAS, each Guarantor is a subsidiary or affiliate of CLEVELAND-CLIFFS INC, an Ohio corporation (the "Borrower"); and

WHEREAS, the Borrower and the Bank have entered into a Credit Agreement dated as of March 31, 2004 (such Credit Agreement as the same may from time to time hereafter be modified, amended or restated being hereinafter referred to as the "Credit Agreement") pursuant to which the Bank has extended various credit facilities to the Borrower; and

WHEREAS, the Borrower provides each of the Guarantors with substantial financial, management, administrative, technical and design support; and

WHEREAS, the interdependent nature of the businesses of each of the Guarantors and the Borrower is such that the viability of each Guarantor is dependent upon the continued success of the Borrower and upon the continuation of the Borrower's business relationships with such Guarantor, and the continuation thereof necessitates the Borrower's access to credit and other financial accommodations from the Bank which the Bank will only make available on the condition, among others, that the Guarantors guarantee all indebtedness, obligations and liabilities of the Borrower from time to time owing to the Bank under the Credit Agreement; and

WHEREAS, each Guarantor will directly and substantially benefit from credit and other financial accommodations extended and to be extended by the Bank to the Borrower.

NOW, THEREFORE, FOR VALUE RECEIVED, and in consideration of advances made or to be made, or credit accommodations given or to be given, to the Borrower by the Bank from time to time, each Guarantor hereby agrees as follows:

1. All capitalized terms used herein without definition shall have the same meanings herein as such terms have in the Credit Agreement.
2. The Guarantors hereby jointly and severally guarantee the full and prompt payment to the Bank at maturity and at all times thereafter of (i) any and all indebtedness, obligations and liabilities of every kind and nature of the Borrower to the Bank under or in connection with or evidenced by the Credit Agreement, the Note of the Borrower heretofore or hereafter issued under the Credit Agreement and the obligations of the Borrower to reimburse the Bank for the amount of all drawings on all Letters of Credit issued pursuant to the Credit Agreement and all other obligations of the Borrower under any and all applications for Letters of Credit (and

whether arising before or after the filing of a petition in bankruptcy and including all interest accrued after the petition date), due or to become due, direct or indirect, absolute or contingent, and howsoever evidenced, held or acquired (hereinafter all such indebtedness, obligations and liabilities being collectively referred to as the "indebtedness hereby guaranteed").

Notwithstanding in this Guaranty to the contrary, the right of recovery against a Guarantor under this Guaranty shall not exceed \$1.00 less than the lowest amount which would render such Guarantor's obligations under this Guaranty void or voidable under applicable law, including fraudulent conveyance law.

3. The Guarantors further jointly and severally agree to pay all costs and expenses, legal and/or otherwise (including court costs and reasonable attorneys' fees), suffered or incurred by the Bank in enforcing or endeavoring to enforce this Guaranty, in enforcing or endeavoring to collect the indebtedness hereby guaranteed, or any part thereof, and in protecting, defending or enforcing this Guaranty in any litigation, bankruptcy or insolvency proceedings or otherwise.

4. If any of the indebtedness hereby guaranteed is not paid when due and payable, each Guarantor agrees that, upon demand, such Guarantor will then pay to the Bank the full amount of the indebtedness hereby guaranteed (subject to the limitations on the right of recovery from such Guarantor pursuant to the last sentence of Section 2 above) whether or not any one or more of the other Guarantors shall then or thereafter pay any amount whatsoever in respect to their obligations hereunder.

5. Each of the Guarantors agrees that such Guarantor will not exercise or enforce any right of exoneration, contribution, reimbursement, recourse or subrogation available to such Guarantor against any person liable for payment of the indebtedness hereby guaranteed, or as to any security therefor, unless and until the full amount owing to the Bank of the indebtedness hereby guaranteed has been paid and all commitments, if any, of the Bank to extend credit to or for the account of the Borrower which, when made, would constitute indebtedness hereby guaranteed shall have terminated. The payment by any Guarantor of any amount or amounts to the Bank pursuant hereto shall not in any way entitle any such Guarantor, either at law, in equity or otherwise, to any right, title or interest (whether by way of subrogation or otherwise) in and to the indebtedness hereby guaranteed or any part thereof or any collateral security therefor or any other rights or remedies in any way relating thereto or in and to any amounts theretofore, then or thereafter paid or applicable to the payment thereof howsoever such payment may be made and from whatsoever source such payment may be derived unless and until all of the indebtedness hereby guaranteed and all costs and expenses suffered or incurred by said Bank in enforcing this Guaranty have been paid in full and all commitments, if any, of the Bank to extend credit to or for the account of the Borrower which, when made, would constitute indebtedness hereby guaranteed shall have terminated and unless and until such payment in full and termination, any payments made by any Guarantor hereunder and any other payments from whatsoever source derived on account of or applicable to the indebtedness hereby guaranteed or any part thereof shall be held and taken to be merely payments in gross to the Bank reducing pro tanto the indebtedness hereby guaranteed.

6. The Bank may, without any notice whatsoever to any one, sell, assign, or transfer all of the indebtedness hereby guaranteed, or any part thereof, or grant participations therein, and in

that event each and every immediate and successive assignee, transferee, or holder of or participant in all or any part of the indebtedness hereby guaranteed, shall have the right to enforce this Guaranty, by suit or otherwise, for the benefit of such assignee, transferee, holder or participant, as fully as if such assignee, transferee, holder or participant were herein by name specifically given such rights, powers and benefits; but the Bank shall have an unimpaired right to enforce this Guaranty for the benefit of the Bank or any such participant, as to so much of the indebtedness hereby guaranteed that it has not sold, assigned or transferred.

7. This Guaranty is a continuing, absolute and unconditional Guaranty, and shall remain in full force and effect until written notice of its discontinuance executed by the Borrower and all the Guarantors shall be actually received by said Bank, and also until any and all of said indebtedness hereby guaranteed created or existing before receipt of such notice shall be fully paid and all commitments, if any, of the Bank to extend credit to or for the account of the Borrower which, when made, would constitute indebtedness hereby guaranteed shall have terminated. The dissolution of any of the Guarantors shall not terminate this Guaranty until notice of such dissolution shall have been actually received by said Bank, nor until all of said indebtedness hereby guaranteed, created or existing or committed to be extended in each case before receipt of such notice shall be fully paid. The Bank may at any time or from time to time release any Guarantor from its obligations hereunder or effect any compromise with any Guarantor and no such release or compromise shall in any manner effect or impair the obligations hereunder of the other Guarantors.

8. In case of the incompetency, dissolution, liquidation or insolvency (howsoever evidenced) of, or the institution of bankruptcy or receivership proceedings against the Borrower or any of the Guarantors, all of the indebtedness hereby guaranteed which is then existing shall, at the option of the Bank, immediately become due or accrued and payable from the Guarantors. All dividends or other payments received from the Borrower or on account of the indebtedness hereby guaranteed from whatsoever source, shall be taken and applied as payment in gross, and this Guaranty shall apply to and secure any ultimate balance that shall remain owing to the Bank.

9. The liability hereunder shall in no way be affected or impaired by (and said Bank is hereby expressly authorized to make from time to time, without notice to anyone), any sale, pledge, surrender, compromise, settlement, release, renewal, extension, indulgence, alteration, substitution, exchange, change in, modification or other disposition of any of said indebtedness hereby guaranteed, either express or implied, or of any contract or contracts evidencing any thereof, or of any security or collateral therefor or any guaranty thereof. The liability hereunder shall in no way be affected or impaired by any acceptance by said Bank of any security for or other guarantors upon any of said indebtedness hereby guaranteed, or by any failure, neglect or omission on the part of said Bank to realize upon or protect any of said indebtedness hereby guaranteed, or any collateral or security therefor, or to exercise any lien upon or right of appropriation of any moneys, credits or property of said Borrower possessed by said Bank toward the liquidation of said indebtedness hereby guaranteed, or by any application of payments or credits thereon. Said Bank shall have the exclusive right to determine how, when and what application of payments and credits, if any, shall be made on said indebtedness hereby guaranteed, or any part of same. In order to hold any Guarantor liable hereunder, there shall be no obligation on the part of said Bank at any time to resort for payment to said Borrower or to

any other Guarantor, or to any other person or corporations, their properties or estate, or resort to any collateral, security, property, liens or other rights or remedies whatsoever, and the Bank shall have the right to enforce this Guaranty irrespective of whether or not other proceedings or steps are pending seeking resort to or realization upon or from any of the foregoing are pending.

10. In the event the Bank shall at any time in its discretion permit a substitution of Guarantors hereunder or a party shall wish to become Guarantor hereunder, such substituted or additional Guarantor shall, upon executing an agreement in the form attached hereto as Exhibit A, become a party hereto and be bound by all the terms and conditions hereof to the same extent as though such Guarantor had originally executed this Guaranty and, in the case of a substitution, in lieu of the Guarantor being replaced. No such substitution shall be effective absent the written consent of the Bank nor shall it in any manner affect the obligations of the other Guarantors hereunder.

11. All diligence in collection or protection, and all presentment, demand, protest and/or notice, as to any and everyone, whether or not the Borrower or the Guarantors or others, of dishonor and of default and of non-payment and of the creation and existence of any and all of said indebtedness hereby guaranteed, and of any security and collateral therefor, and of the acceptance of this Guaranty, and of any and all extensions of credit and indulgence hereunder, are expressly waived.

12. No act of commission or omission of any kind, or at any time, upon the part of the Bank with respect to the Borrower, shall in any way affect or impair this Guaranty.

13. The Guarantors waive any and all defenses, claims and discharges of the Borrower, or any other obligor, pertaining to the indebtedness hereby guaranteed, except the defense of discharge by payment in full. Without limiting the generality of the foregoing, the Guarantors will not assert, plead or enforce against the Bank any defense of waiver, release, discharge in bankruptcy, statute of limitations, res judicata, statute of frauds, anti-deficiency statute, fraud, incapacity, minority, usury, illegality or unenforceability which may be available to the Borrower or any other person liable in respect of any of the indebtedness hereby guaranteed, or any set-off available against the Bank to the Borrower or any such other person, whether or not on account of a related transaction. The Guarantors agree that the Guarantors shall be and remain jointly and severally liable for any deficiency remaining after foreclosure of any mortgage or security interest securing the indebtedness hereby guaranteed, whether or not the liability of the Borrower or any other obligor for such deficiency is discharged pursuant to statute or judicial decision.

14. If any payment applied by the Bank to the indebtedness hereby guaranteed is thereafter set aside, recovered, rescinded or required to be returned for any reason (including, without limitation, the bankruptcy, insolvency or reorganization of the Borrower or any other obligor), the indebtedness hereby guaranteed to which such payment was applied shall for the purposes of this Guaranty be deemed to have continued in existence, notwithstanding such application, and this Guaranty shall be enforceable as to such of the indebtedness hereby guaranteed as fully as if such application had never been made.

15. The liability of the Guarantors under this Guaranty is in addition to and shall be cumulative with all other liabilities of the Guarantors after the date hereof to the Bank as a Guarantor of the indebtedness hereby guaranteed, without any limitation as to amount, unless the instrument or agreement evidencing or creating such other liability specifically provides to the contrary.

16. Any invalidity or unenforceability of any provision or application of this Guaranty shall not affect other lawful provisions and applications hereof, and to this end the provisions of this Guaranty are declared to be severable. Without limiting the generality of the foregoing, any invalidity or unenforceability against any Guarantor of any provision or application of the Guaranty shall not affect the validity or enforceability of the provisions or application of this Guaranty as against the other Guarantors.

17. Any demand for payment on this Guaranty or any other notice required or desired to be given hereunder to any Guarantor shall be in writing (including, without limitation, notice by telecopy) and shall be given to the relevant party c/o Cleveland-Cliffs Inc its address or telecopier number set forth in the Credit Agreement, or such other address or telecopier number as such party may hereafter specify by notice to the Bank given by United States certified or registered mail, by telecopy or by other telecommunication device capable of creating a written record of such notice and its receipt. Each such notice, request or other communication shall be effective (i) if given by telecopy, when such telecopy is transmitted to the telecopier number specified in this Section and a confirmation of such telecopy has been received by the sender, (ii) if given by mail, five (5) days after such communication is deposited in the mail, certified or registered with return receipt requested, addressed as aforesaid or (iii) if given by any other means, when received at the addresses specified in this Section.

18. Each Guarantor represents and warrants to the Bank that:

(a) Such Guarantor is a corporation or other legal entity duly organized, validly existing and in good standing under the laws of its jurisdiction of organization, and is duly qualified as a foreign corporation or other legal entity and is in good standing in each jurisdiction in which such qualification is required by law, other than those jurisdictions as to which the failure to be so qualified or in good standing would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. Such Guarantor has the power and authority to own or hold under lease the properties it purports to own or hold under lease, to transact the business it transacts and proposes to transact, to execute and deliver this Guaranty and to perform the provisions hereof.

(b) This Guaranty has been duly authorized by all necessary action on the part of such Guarantor, and this Guaranty constitutes a legal, valid and binding obligation of such Guarantor enforceable against such Guarantor in accordance with its terms, except as such enforceability may be limited by (i) applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally and (ii) general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

(c) The execution, delivery and performance by such Guarantor of this Guaranty will not (i) contravene, result in any breach of, or constitute a default under, or result in the creation of any Lien in respect of any property of such Guarantor or any of its subsidiaries under any indenture, mortgage, deed of trust, loan, purchase or credit agreement, lease, charter document or by-law, or any other agreement or instrument to which such Guarantor or any of its subsidiaries is bound or by which such Guarantor or any of its subsidiaries or any of their respective properties may be bound or affected, or (ii) contravene any provision of any law, statute, rule, regulation, order, judgment, decree, or ruling of any court, arbitrator or governmental authority applicable to such Guarantor or any of its subsidiaries.

(d) No consent, approval or authorization of, or registration, filing or declaration with, any governmental authority is required in connection with the execution, delivery or performance by such Guarantor of this Guaranty.

(e) Such Guarantor is solvent, has capital not unreasonably small in relation to its business or any contemplated or undertaken transaction and has assets having a value both at fair valuation and at present fair salable value greater than the amount required to pay its debts as they become due and greater than the amount that will be required to pay its probable liability on its existing debts as they become absolute and matured. Such Guarantor does not intend to incur, or believe or should have believed that it will incur, debts beyond its ability to pay such debts as they become due. Such Guarantor will not be rendered insolvent by the execution and delivery of, this Guaranty and, on a consolidated basis with the Borrower and the other Guarantors, will not be rendered insolvent. Such Guarantor does not intend to hinder, delay or defraud its creditors by or through the execution and delivery of, or performance of its obligations under, this Guaranty.

(f) From and after the date of execution of the Credit Agreement by the Borrower and continuing so long as any amount remains unpaid thereon, each Guarantor agrees to comply with the terms and provisions of Section 6 of the Credit Agreement, insofar as such provisions apply to such Guarantor, as if said Section was set forth herein in full.

19. THIS GUARANTY SHALL BE GOVERNED BY AND CONSTRUED ACCORDING TO THE LAW OF THE STATE OF OHIO (without regard to principles of conflicts of laws) in which state it shall be performed by the Guarantors and may not be waived, amended, released or otherwise changed except by a writing signed by the Bank. This Guaranty and every part thereof shall be effective upon delivery to the Bank, without further act, condition or acceptance by the Bank, shall be binding upon the Guarantors and upon the successors and assigns of the Guarantors, and shall inure to the benefit of said Bank, its successors, legal representatives and assigns. The Guarantors waive notice of the Bank's acceptance hereof. This Guaranty may be executed in counterparts and by different parties hereto on separate counterpart signature pages, each of which shall be an original, but all together to be one and the same instrument.

20. Each Guarantor hereby submits to the nonexclusive jurisdiction of the United States District Court for the Southern District of Ohio and of any Ohio State court sitting in the City of Cincinnati, Ohio for purposes of all legal proceedings arising out of or relating to this Guaranty or the transactions contemplated hereby. Each Guarantor irrevocably waives, to the fullest extent

permitted by law, any objection which it may now or hereafter have to the laying of the venue of any such proceeding brought in such a court and any claim that any such proceeding brought in such court has been brought in an inconvenient forum. EACH GUARANTOR AND THE BANK HEREBY IRREVOCABLY WAIVE ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS GUARANTY OR THE TRANSACTIONS CONTEMPLATED HEREBY.

[SIGNATURE PAGE TO FOLLOW]

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

"GUARANTORS"

**THE CLEVELAND-CLIFFS IRON COMPANY;
NORTHSHORE SALES COMPANY;
CLIFFS MINING COMPANY;
CLIFFS MINING SERVICES COMPANY;
IRONUNITS LLC;
NORTHSHORE MINING COMPANY;
LAKE SUPERIOR & ISHPEMING RAILROAD COMPANY;
and
CLIFFS MINNESOTA MINING COMPANY**

By: /s/ D. J. Gallagher

*Name: D. J. Gallagher
Title: Treasurer*

Accepted and agreed to as of the date first above written.

FIFTH THIRD BANK

By /s/ R. C. Lanctot

Name R. C. Lanctot
Title Vice President

Address:

1404 East Ninth Street
Cleveland, Ohio 44114
Attention: Myia Lowman
Telephone: (216) 274-5578
Telecopy: (216) 274-5420

**EXHIBIT A
TO
GUARANTY AGREEMENT**

ASSUMPTION AND SUPPLEMENT TO GUARANTY AGREEMENT

This Assumption and Supplement to Guaranty Agreement (the "Agreement") is dated as of this ____ day of _____, 20__, made by [NEW GUARANTOR], a(n) _____ CORPORATION/LIMITED LIABILITY COMPANY/PARTNERSHIP (the "New Guarantor") in favor of Fifth Third Bank, an Ohio banking corporation (the "Bank");

WITNESSETH THAT:

WHEREAS, certain parties have executed and delivered to the Bank that certain Guaranty Agreement dated as of April 30, 2004 (such Guaranty Agreement, as the same may from time to time be modified or amended, including supplements thereto which add or substitute parties as Guarantors thereunder, being hereinafter referred to as the "Guaranty") pursuant to which such parties (the "Existing Guarantors") have guaranteed to the Bank the full and prompt payment of, among other things, any and all indebtedness, obligations and liabilities of CLEVELAND-CLIFFS INC, an Ohio corporation (the "Borrower"), arising under or relating to the Credit Agreement and the Loan Documents as defined therein; and

WHEREAS, the Borrower provides the New Guarantor with substantial financial, managerial, administrative, technical and design support and the New Guarantor will directly and substantially benefit from credit and other financial accommodations extended and to be extended by the Bank to the Borrower;

NOW, THEREFORE, FOR VALUE RECEIVED, and in consideration of advances made or to be made, or credit accommodations given or to be given, to the Borrower by the Bank from time to time, the New Guarantor hereby agrees as follows:

1. The New Guarantor acknowledges and agrees that it shall become a "Guarantor" party to the Guaranty effective upon the date the New Guarantor's execution of this Agreement and the delivery of this Agreement to the Bank, and that upon such execution and delivery, all references in the Guaranty to the terms "Guarantor" or "Guarantors" shall be deemed to include the New Guarantor.
2. The New Guarantor hereby assumes and becomes liable (jointly and severally with all the other Guarantors) for the indebtedness hereby guaranteed (as defined in the Guaranty) and agrees to pay and otherwise perform all of the obligations of a Guarantor under the Guaranty according to, and otherwise on and subject to, the terms and conditions of the Guaranty to the same extent and with the same force and effect as if the New Guarantor had originally been one of the Existing Guarantors under the Guaranty and had originally executed the same as such an Existing Guarantor.

3. The New Guarantor acknowledges and agrees that, as of the date hereof, the New Guarantor makes each and every representation and warranty that is set forth in Section 18 of the Guaranty.

4. All capitalized terms used in this Agreement without definition shall have the same meaning herein as such terms have in the Guaranty, except that any reference to the term "Guarantor" or "Guarantors" and any provision of the Guaranty providing meaning to such term shall be deemed a reference to the Existing Guarantors and the New Guarantor. Except as specifically modified hereby, all of the terms and conditions of the Guaranty shall stand and remain unchanged and in full force and effect.

5. The New Guarantor agrees to execute and deliver such further instruments and documents and do such further acts and things as the Bank may deem necessary or proper to carry out more effectively the purposes of this Agreement.

6. No reference to this Agreement need be made in the Guaranty or in any other document or instrument making reference to the Guaranty, any reference to the Guaranty in any of such to be deemed a reference to the Guaranty as modified hereby.

7. This Agreement shall be governed by and construed in accordance with the State of Ohio (without regard to principles of conflicts of law) in which state it shall be performed by the New Guarantor.

[NEW GUARANTOR]

By

Name _____
Title _____

Acknowledged and agreed to as of the date first above written.

FIFTH THIRD BANK

By

Name _____
Title _____

Address:

1404 East Ninth Street
Cleveland, Ohio 44114
Attention: Myia Lowman
Telephone: (216) 274-5578
Telecopy: (216) 274-5420

Exhibit 10(a)

SEVERANCE AGREEMENT

THIS SEVERANCE AGREEMENT (this "Agreement"), dated as of March 9, 2004 is made and entered by and between Cleveland-Cliffs Inc, an Ohio corporation (the "Company"), and Edward C. Dowling (the "Executive").

WITNESSETH:

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

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

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

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

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

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

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

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

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

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

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

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

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

(iv) intentional wrongful engagement in any Competitive Activity;

and any such act shall have been demonstrably and materially harmful to the Company. For purposes of this Agreement, no act or failure to act on the part of the Executive shall be deemed "intentional" if it was due primarily to an error in judgment or negligence, but shall be deemed "intentional" only if done or omitted to be done by the Executive not in good faith and without reasonable belief that the Executive's action or omission was in the best interest of the Company. Notwithstanding the foregoing, the Executive shall not be deemed to have been terminated for "Cause" hereunder unless and until there shall have been delivered to the Executive a copy of a resolution duly adopted by the affirmative vote of not less than three quarters of the Board then in office at a meeting of the Board called and held for such purpose, after reasonable notice to the Executive and an opportunity for the Executive, together with the Executive's counsel (if the Executive chooses to have counsel present at such meeting), to be heard before the Board, finding that, in the good faith opinion of the Board, the Executive had committed an act constituting "Cause" as herein defined and specifying the particulars thereof in detail. Nothing herein will limit the right of the Executive or his beneficiaries to contest the validity or propriety of any such determination.

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

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

(ii) individuals who, as of the date hereof, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a Director subsequent to the date hereof whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least a majority of the Directors then comprising the Incumbent Board (either by

a specific vote or by approval of the proxy statement of the Company in which such person is named as a nominee for director, without objection to such nomination) shall be deemed to have been a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest (within the meaning of Rule 14a-11 of the Exchange Act) with respect to the election or removal of Directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or

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

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

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

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

(f) "Employee Benefits" means the perquisites, benefits and service credit for benefits as provided under any and all employee retirement income and welfare benefit policies, plans, programs or arrangements in which Executive is entitled to participate, including without limitation any stock option, performance share, performance unit, stock purchase, stock appreciation, savings, pension, supplemental executive retirement, or other retirement income or welfare benefit, deferred compensation, incentive compensation, group or other life, health, medical/hospital or other insurance (whether funded by actual insurance or self-insured by the Company or a Subsidiary), disability, salary continuation, expense reimbursement and other employee benefit policies, plans, programs or arrangements that may now exist or any equivalent successor policies, plans, programs or arrangements that may be adopted hereafter by the Company or a Subsidiary, providing perquisites, benefits and service credit for benefits at least as great in value in the aggregate as are payable thereunder prior to a Change in Control.

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

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

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

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

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

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

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

(n) "Term" means the period commencing as of the date hereof and expiring as of the later of (i) the close of business on December 31, 2004, or (ii) the expiration of the Severance Period; provided, however, that (A) commencing on January 1, 2005 and each January 1 thereafter, the term of this Agreement will automatically be extended for an additional year unless, not later than September 30 of the immediately preceding year, the Company or the Executive shall have given notice that it or the Executive, as the case may be, does not wish to have the Term extended and (B) subject to the last sentence of Section 9, if, prior to a Change in Control, the Executive ceases for any reason to be an officer of the Company and any Subsidiary, thereupon without further action the Term shall be deemed to have expired and this Agreement will immediately terminate and be of no further effect. For purposes of this Section 1(n), the Executive shall not be deemed to have ceased to be an employee of the Company and any Subsidiary by reason of the transfer of Executive's employment between the Company and any Subsidiary, or among any Subsidiaries.

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

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

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

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

(i) The Executive's death;

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

(iii) Cause.

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

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

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

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

(iii) A determination by the Executive (which determination will be conclusive and binding upon the parties hereto provided it has been made in good faith and in all events will be presumed to have been made in good faith unless otherwise shown by the Company by clear and convincing evidence) that a change in circumstances has occurred following a Change in Control, including, without limitation, a change in the scope of the business or other activities for which the Executive was responsible immediately prior to the Change in Control, which has rendered the Executive substantially unable to carry out, has substantially hindered Executive's performance of, or has caused Executive to suffer a substantial reduction in, any of the authorities, powers, functions, responsibilities or duties attached to the position held by the Executive immediately prior to the Change in Control, which situation is not remedied within 10 calendar days after written notice to the Company from the Executive of such determination;

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

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

(vi) Without limiting the generality or effect of the foregoing, any material breach of this Agreement by the Company or any successor thereto which is not remedied by the Company within 10 calendar days after receipt by the Company of written notice from the Executive of such breach.

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

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

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

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

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

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

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

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

state or local income or other tax return. As a result of the uncertainty in the application of Section 4999 of the Code (or any successor provision thereto) and the possibility of similar uncertainty regarding applicable state or local tax law at the time of any determination by the Accounting Firm hereunder, it is possible that Gross-Up Payments which will not have been made by the Company should have been made (an "Underpayment"), consistent with the calculations required to be made hereunder. In the event that the Company exhausts or fails to pursue its remedies pursuant to

Section 5(f) and the Executive thereafter is required to make a payment of any Excise Tax, the Executive shall direct the Accounting Firm to determine the amount of the Underpayment that has occurred and to submit its determination and detailed supporting calculations to both the Company and the Executive as promptly as possible. Any such Underpayment shall be promptly paid by the Company to, or for the benefit of, the Executive within five business days after receipt of such determination and calculations.

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

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

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

(f) The Executive shall notify the Company in writing of any claim by the Internal Revenue Service or any other taxing authority that, if successful, would

require the payment by the Company of a Gross-Up Payment. Such notification shall be given as promptly as practicable but no later than 10 business days after the Executive actually receives notice of such claim and the Executive shall further apprise the Company of the nature of such claim and the date on which such claim is requested to be paid (in each case, to the extent known by the Executive). The Executive shall not pay such claim prior to the earlier of (i) the expiration of the 30-calendar-day period following the date on which he gives such notice to the Company and

(ii) the date that any payment of amount with respect to such claim is due. If the Company notifies the Executive in writing prior to the expiration of such period that it desires to contest such claim, the Executive shall:

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

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

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

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

provided, however, that the Company shall bear and pay directly all costs and expenses (including interest and penalties) incurred in connection with such contest and shall indemnify and hold harmless the Executive, on an after-tax basis, for and against any Excise Tax or income tax, including interest and penalties with respect thereto, imposed as a result of such representation and payment of costs and expenses. Without limiting the foregoing provisions of this

Section 5(f), the Company shall control all proceedings taken in connection with the contest of any claim contemplated by this Section 5(f) and, at its sole option, may pursue or forego any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim (provided, however, that the Executive may participate therein at his own cost and expense) and may, at its option, either direct the Executive to pay the tax claimed and sue for a refund or contest the claim in any permissible manner, and the Executive agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company shall determine; provided, however, that if the Company directs the Executive to pay the tax claimed and sue for a refund, the Company shall advance the amount of such payment to the Executive on an interest-free basis and shall indemnify and hold the Executive harmless, on an after-tax basis, from any Excise Tax or income or other tax, including interest or penalties with respect thereto, imposed with respect to such advance; and provided further, however, that any extension of the statute of limitations relating to payment of taxes for the taxable year of the Executive with respect to which the contested amount is claimed to be due is limited solely to such contested amount.

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

(g) If, after the receipt by the Executive of an amount advanced by the Company pursuant to Section 5(f), the Executive receives any refund with respect to such claim, the Executive shall (subject to the Company's complying with the requirements of Section 5(f)) promptly pay to the Company the amount of such refund (together with any interest paid or credited thereon after any taxes applicable thereto). If, after the receipt by the Executive of an amount advanced by the Company pursuant to Section 5(f), a determination is made that the Executive shall not be entitled to any refund with respect to such claim and the Company does not notify the Executive in writing of its intent to contest such denial or refund prior to the expiration of 30 calendar days after such determination, then such advance shall be forgiven and shall not be required to be repaid and the amount of any such advance shall offset, to the extent thereof, the amount of Gross-Up Payment required to be paid by the Company to the Executive pursuant to this Section 5.

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

7. Legal Fees and Expenses.(a) (a) It is the intent of the Company that the Executive not be required to incur legal fees and the related expenses associated with the interpretation, enforcement or defense of Executive's rights under this Agreement by litigation or otherwise because the cost and expense thereof would substantially detract from the benefits intended to be extended to the Executive hereunder. Accordingly, if it should appear to the Executive that the Company has failed to comply with any of its obligations under this Agreement or in the event that the Company or any other person takes or threatens to take any action to declare this Agreement void or unenforceable, or institutes any litigation or other action or proceeding designed to deny, or to recover from, the Executive the benefits provided or intended to be provided to the Executive hereunder, the Company irrevocably authorizes the Executive from time to time to retain counsel

of Executive's choice, at the expense of the Company as hereafter provided, to advise and represent the Executive in connection with any such interpretation, enforcement or defense, including without limitation the initiation or defense of any litigation or other legal action, whether by or against the Company or any Director, officer, stockholder or other person affiliated with the Company, in any jurisdiction. Notwithstanding any existing or prior attorney-client relationship between the Company and such counsel, the Company irrevocably consents to the Executive's entering into an attorney-client relationship with such counsel, and in that connection the Company and the Executive agree that a confidential relationship shall exist between the Executive and such counsel. Without respect to whether the Executive prevails, in whole or in part, in connection with any of the foregoing, the Company will pay and be solely financially responsible for any and all attorneys' and related fees and expenses incurred by the Executive in connection with any of the foregoing; provided that, in regard to such matters, the Executive has not acted in bad faith or with no colorable claim of success.

(b) To ensure that the provisions of this Agreement can be enforced by the Executive, certain trust arrangements ("Trusts") have been established between KeyTrust Company of Ohio, N.A., as Trustee ("Trustee"), and the Company. Each of Trust Agreement No. 1 (Amended and Restated Effective June 1, 1997, as amended) ("Trust Agreement No. 1"), Trust Agreement No. 2 (Amended and Restated Effective October 15, 2002, as amended) ("Trust Agreement No. 2"), and Trust Agreement No. 7 dated April 9, 1991, as amended ("Trust Agreement No. 7"), as it may be subsequently amended and/or restated, between the Trustee and the Company, sets forth the terms and conditions relating to payment from Trust Agreement No. 1 of compensation, pension benefits and other benefits pursuant to the Agreement owed by the Company, payment from Trust Agreement No. 2 for attorneys' fees and related fees and expenses pursuant to Section 7(a) hereof owed by the Company, and payment from Trust Agreement No. 7 of pension benefits owed by the Company. Executive shall make demand on the Company for any payments due Executive pursuant to Section 7(a) hereof prior to making demand therefor on the Trustee under Trust Agreement No. 2.

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

(A) transfer to Trustee to be added to the principal of the Trust under Trust Agreement No. 1 a sum equal to (I) the present value on the date of the Change in Control (or on such fifth business day if the Board has declared a Change in Control to be imminent) of the payments to be made to Executive under the provisions of Annex A and Section 5 hereof, such present value to be computed using the assumptions set forth in Annex A hereof and the computations provided for in Section 5 hereof less
(II) the balance in the Executive's accounts provided for in Trust Agreement No. 1 as of

the most recent completed valuation thereof, as certified by the Trustee under Trust Agreement No. 1 less (III) the balance in the Executive's accounts provided for in Trust Agreement No. 7 as of the most recently completed valuation thereof, as certified by the Trustee under Trust Agreement No. 7; provided, however, that if the Trustee under Trust Agreement No. 1 and/or Trust Agreement No. 7 does not so certify by the end of the fourth (4th) business day after the earlier of such Change in Control or declaration, then the balance of such respective account shall be deemed to be zero. Any payments of compensation, pension or other benefits by the Trustee pursuant to Trust Agreement No. 1 or Trust Agreement No. 7 shall, to the extent thereof, discharge the Company's obligation to pay compensation, pension and other benefits hereunder, it being the intent of the Company that assets in such Trusts be held as security for the Company's obligation to pay compensation, pension and other benefits under this Agreement; and

(B) transfer to the Trustee to be added to the principal of the Trust under Trust Agreement No. 2 the sum of TWO HUNDRED FIFTY THOUSAND DOLLARS (\$250,000) less any principal in such Trust on such fifth business day. Any payments of the Executive's attorneys' and related fees and expenses by the Trustee pursuant to Trust Agreement No. 2 shall, to the extent thereof, discharge the Company's obligation hereunder, it being the intent of the Company that assets in such Trust be held as security for the Company's obligation under Section 7(a) hereof. Executive understands and acknowledges that the entire corpus of the Trust under Trust Agreement No. 2 will be \$250,000 and that said amount will be available to discharge not only the obligations of the Company to Executive under Section 7(a) hereof, but also similar obligations of the Company to other executives and employees under similar provisions of other agreements and plans.

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

(b) During the Term, the Company agrees that it will disclose to Executive its confidential or proprietary information (as defined in this Section 8(b)) to the extent necessary for Executive to carry out his obligations to the Company. The Executive hereby covenants and agrees that he will not, without the prior written consent of the Company, during the Term or thereafter disclose to any person not employed by the Company, or use in connection with engaging in competition

with the Company, any confidential or proprietary information of the Company. For purposes of this Agreement, the term "confidential or proprietary information" will include all information of any nature and in any form that is owned by the Company and that is not publicly available (other than by Executive's breach of this Section

8(b)) or generally known to persons engaged in businesses similar or related to those of the Company. Confidential or proprietary information will include, without limitation, the Company's financial matters, customers, employees, industry contracts, strategic business plans, product development (or other proprietary product data), marketing plans, and all other secrets and all other information of a confidential or proprietary nature. For purposes of the preceding two sentences, the term "Company" will also include any Subsidiary (collectively, the "Restricted Group"). The foregoing obligations imposed by this Section 8(b) will not apply (i) during the Term, in the course of the business of and for the benefit of the Company, (ii) if such confidential or proprietary information will have become, through no fault of the Executive, generally known to the public or (iii) if the Executive is required by law to make disclosure (after giving the Company notice and an opportunity to contest such requirement).

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

9. Employment Rights. Nothing expressed or implied in this Agreement will create any right or duty on the part of the Company or the Executive to have the Executive remain in the employment of the Company or any Subsidiary prior to or following any Change in Control. Any termination of employment of the Executive or the removal of the Executive from the office or position in the Company or any Subsidiary that occurs

(i) not more than 180 days prior to the date on which a Change in Control occurs, and (ii) following the commencement of any discussion with a third person that ultimately results in a Change in Control, shall be deemed to be a termination or removal of the Executive after a Change in Control for purposes of this Agreement.

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

11. Successors and Binding Agreement.(a) (a) The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation, reorganization or otherwise) to all or substantially all of the business or assets of the Company, by agreement in form and substance reasonably satisfactory to the Executive, expressly to assume and agree to perform this Agreement in the same manner and to the same extent the Company would be required to perform if no

such succession had taken place. This Agreement will be binding upon and inure to the benefit of the Company and any successor to the Company, including without limitation any persons acquiring directly or indirectly all or substantially all of the business or assets of the Company whether by purchase, merger, consolidation, reorganization or otherwise (and such successor shall thereafter be deemed the "Company" for the purposes of this Agreement), but will not otherwise be assignable, transferable or delegable by the Company.

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

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

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

13. Governing Law. The validity, interpretation, construction and performance of this Agreement will be governed by and construed in accordance with the substantive laws of the State of Ohio, without giving effect to the principles of conflict of laws of such State.

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

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

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

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

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

CLEVELAND-CLIFFS INC

By: */s/ J. S. Brinzo*

J. S. Brinzo

Chairman and Chief Executive Officer

/s/ E. C. Dowling

Edward C. Dowling

Annex A

Severance Compensation

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

(2) For a period of thirty-six (36) months following the Termination Date (the "Continuation Period"), the Company will arrange to provide the Executive with Employee Benefits that are welfare benefits (but not stock option, performance share, performance unit, stock purchase, stock appreciation or similar compensatory benefits) substantially similar to those that the Executive was receiving or entitled to receive immediately prior to the Termination Date (or, if greater, immediately prior to the reduction, termination, or denial described in Section 3(b)(ii)). If and to the extent that any benefit described in this Paragraph 2 is not or cannot be paid or provided under any policy, plan, program or arrangement of the Company or any Subsidiary, as the case may be, then the Company will itself pay or provide for the payment to the Executive, his dependents and beneficiaries, of such Employee Benefits along with, in the case of any benefit described in this Paragraph 2 which is subject to tax because it is not or cannot be paid or provided under any such policy, plan, program or arrangement of the Company or any Subsidiary, an additional amount such that after payment by the Executive, or his dependents or beneficiaries, as the case may be, of all taxes so imposed, the recipient retains an amount equal to such taxes. Notwithstanding the foregoing, or any other provision of the Agreement, for purposes of determining the period of continuation coverage to which the Executive or any of his dependents is entitled pursuant to Section 4980B of the Code (or any successor provision thereto) under the Company's medical, dental and other group health plans, or successor plans, the Executive's "qualifying event" shall be the termination of the Continuation Period and the Executive shall be considered to have remained actively employed on a full-time basis through that date. Without otherwise limiting the purposes or effect of Section 5, Employee Benefits otherwise receivable by the Executive pursuant to this Paragraph 2 will be reduced to the extent comparable welfare benefits are actually received by the Executive from another employer during the Continuation Period following the Executive's Termination Date, and any such benefits actually received by the Executive shall be reported by the Executive to the Company.

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

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

The Company hereby waives the discretionary right, at any time subsequent to the date of a Change in Control, to amend or terminate the SRP as to the Executive as provided in paragraph 7 thereof or to terminate the rights of the Executive or his beneficiary under the SRP in the event Executive engages in a competitive business as provided in any plan or arrangement between the Company and the Executive or applicable to the Executive, including but not limited to, the provisions of paragraph 4 of the SRP, or any similar provisions of any such plan or arrangement or other plan or arrangement supplementing or superseding the same. This Paragraph (3) shall constitute a "Supplemental Agreement" as defined in Paragraph 1.J of the SRP. If the Company shall terminate the Executive's employment during the Severance Period, other than for Cause pursuant to Section 3(a)(i), 3(a)(ii) or 3(a)(iii) of the Agreement, or if the Executive shall terminate his employment pursuant to Section 3(b) of the Agreement, or if, following the end of the Severance Period, the Executive's employment is terminated for any reason, for the purposes of computing the Executive's period of continuous service and of calculating and paying his benefit under the SRP:

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

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

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

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

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

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

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

**CLEVELAND-CLIFFS INC
SEVERANCE AGREEMENT**

EXHIBIT A

Form of Release

WHEREAS, the Executive's employment has been terminated in accordance with Section 3 of the Severance Agreement (the "Agreement") dated as of March 9, 2004 between the Executive and Cleveland-Cliffs Inc; and

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

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

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

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

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

Exh. A-1

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

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

4. Executive further agrees and acknowledges that:

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

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

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

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

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

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

Exh. A-2

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

Dated: _____ Executive

Exh. A-3

Exhibit 10(b)

SEVERANCE AGREEMENT

THIS SEVERANCE AGREEMENT (this "Agreement"), dated as of March 9, 2004 is made and entered by and between Cleveland-Cliffs Inc, an Ohio corporation (the "Company"), and Donald J. Gallagher (the "Executive").

WITNESSETH:

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

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

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

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

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

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

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

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

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

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

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

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

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

(iv) intentional wrongful engagement in any Competitive Activity;

and any such act shall have been demonstrably and materially harmful to the Company. For purposes of this Agreement, no act or failure to act on the part of the Executive shall be deemed "intentional" if it was due primarily to an error in judgment or negligence, but shall be deemed "intentional" only if done or omitted to be done by the Executive not in good faith and without reasonable belief that the Executive's action or omission was in the best interest of the Company. Notwithstanding the foregoing, the Executive shall not be deemed to have been terminated for "Cause" hereunder unless and until there shall have been delivered to the Executive a copy of a resolution duly adopted by the affirmative vote of not less than three quarters of the Board then in office at a meeting of the Board called and held for such purpose, after reasonable notice to the Executive and an opportunity for the Executive, together with the Executive's counsel (if the Executive chooses to have counsel present at such meeting), to be heard before the Board, finding that, in the good faith opinion of the Board, the Executive had committed an act constituting "Cause" as herein defined and specifying the particulars thereof in detail. Nothing herein will limit the right of the Executive or his beneficiaries to contest the validity or propriety of any such determination.

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

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

(ii) individuals who, as of the date hereof, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a Director subsequent to the date hereof whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least a majority of the Directors then comprising the Incumbent Board (either by

a specific vote or by approval of the proxy statement of the Company in which such person is named as a nominee for director, without objection to such nomination) shall be deemed to have been a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest (within the meaning of Rule 14a-11 of the Exchange Act) with respect to the election or removal of Directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or

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

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

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

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

(f) "Employee Benefits" means the perquisites, benefits and service credit for benefits as provided under any and all employee retirement income and welfare benefit policies, plans, programs or arrangements in which Executive is entitled to participate, including without limitation any stock option, performance share, performance unit, stock purchase, stock appreciation, savings, pension, supplemental executive retirement, or other retirement income or welfare benefit, deferred compensation, incentive compensation, group or other life, health, medical/hospital or other insurance (whether funded by actual insurance or self-insured by the Company or a Subsidiary), disability, salary continuation, expense reimbursement and other employee benefit policies, plans, programs or arrangements that may now exist or any equivalent successor policies, plans, programs or arrangements that may be adopted hereafter by the Company or a Subsidiary, providing perquisites, benefits and service credit for benefits at least as great in value in the aggregate as are payable thereunder prior to a Change in Control.

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

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

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

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

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

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

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

(n) "Term" means the period commencing as of the date hereof and expiring as of the later of (i) the close of business on December 31, 2004, or (ii) the expiration of the Severance Period; provided, however, that (A) commencing on January 1, 2005 and each January 1 thereafter, the term of this Agreement will automatically be extended for an additional year unless, not later than September 30 of the immediately preceding year, the Company or the Executive shall have given notice that it or the Executive, as the case may be, does not wish to have the Term extended and (B) subject to the last sentence of Section 9, if, prior to a Change in Control, the Executive ceases for any reason to be an officer of the Company and any Subsidiary, thereupon without further action the Term shall be deemed to have expired and this Agreement will immediately terminate and be of no further effect. For purposes of this Section 1(n), the Executive shall not be deemed to have ceased to be an employee of the Company and any Subsidiary by reason of the transfer of Executive's employment between the Company and any Subsidiary, or among any Subsidiaries.

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

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

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

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

(i) The Executive's death;

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

(iii) Cause.

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

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

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

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

(iii) A determination by the Executive (which determination will be conclusive and binding upon the parties hereto provided it has been made in good faith and in all events will be presumed to have been made in good faith unless otherwise shown by the Company by clear and convincing evidence) that a change in circumstances has occurred following a Change in Control, including, without limitation, a change in the scope of the business or other activities for which the Executive was responsible immediately prior to the Change in Control, which has rendered the Executive substantially unable to carry out, has substantially hindered Executive's performance of, or has caused Executive to suffer a substantial reduction in, any of the authorities, powers, functions, responsibilities or duties attached to the position held by the Executive immediately prior to the Change in Control, which situation is not remedied within 10 calendar days after written notice to the Company from the Executive of such determination;

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

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

(vi) Without limiting the generality or effect of the foregoing, any material breach of this Agreement by the Company or any successor thereto which is not remedied by the Company within 10 calendar days after receipt by the Company of written notice from the Executive of such breach.

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

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

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

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

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

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

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

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

state or local income or other tax return. As a result of the uncertainty in the application of Section 4999 of the Code (or any successor provision thereto) and the possibility of similar uncertainty regarding applicable state or local tax law at the time of any determination by the Accounting Firm hereunder, it is possible that Gross-Up Payments which will not have been made by the Company should have been made (an "Underpayment"), consistent with the calculations required to be made hereunder. In the event that the Company exhausts or fails to pursue its remedies pursuant to

Section 5(f) and the Executive thereafter is required to make a payment of any Excise Tax, the Executive shall direct the Accounting Firm to determine the amount of the Underpayment that has occurred and to submit its determination and detailed supporting calculations to both the Company and the Executive as promptly as possible. Any such Underpayment shall be promptly paid by the Company to, or for the benefit of, the Executive within five business days after receipt of such determination and calculations.

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

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

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

(f) The Executive shall notify the Company in writing of any claim by the Internal Revenue Service or any other taxing authority that, if successful, would

require the payment by the Company of a Gross-Up Payment. Such notification shall be given as promptly as practicable but no later than 10 business days after the Executive actually receives notice of such claim and the Executive shall further apprise the Company of the nature of such claim and the date on which such claim is requested to be paid (in each case, to the extent known by the Executive). The Executive shall not pay such claim prior to the earlier of (i) the expiration of the 30-calendar-day period following the date on which he gives such notice to the Company and

(ii) the date that any payment of amount with respect to such claim is due. If the Company notifies the Executive in writing prior to the expiration of such period that it desires to contest such claim, the Executive shall:

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

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

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

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

provided, however, that the Company shall bear and pay directly all costs and expenses (including interest and penalties) incurred in connection with such contest and shall indemnify and hold harmless the Executive, on an after-tax basis, for and against any Excise Tax or income tax, including interest and penalties with respect thereto, imposed as a result of such representation and payment of costs and expenses. Without limiting the foregoing provisions of this

Section 5(f), the Company shall control all proceedings taken in connection with the contest of any claim contemplated by this Section 5(f) and, at its sole option, may pursue or forego any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim (provided, however, that the Executive may participate therein at his own cost and expense) and may, at its option, either direct the Executive to pay the tax claimed and sue for a refund or contest the claim in any permissible manner, and the Executive agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company shall determine; provided, however, that if the Company directs the Executive to pay the tax claimed and sue for a refund, the Company shall advance the amount of such payment to the Executive on an interest-free basis and shall indemnify and hold the Executive harmless, on an after-tax basis, from any Excise Tax or income or other tax, including interest or penalties with respect thereto, imposed with respect to such advance; and provided further, however, that any extension of the statute of limitations relating to payment of taxes for the taxable year of the Executive with respect to which the contested amount is claimed to be due is limited solely to such contested amount.

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

(g) If, after the receipt by the Executive of an amount advanced by the Company pursuant to Section 5(f), the Executive receives any refund with respect to such claim, the Executive shall (subject to the Company's complying with the requirements of Section 5(f)) promptly pay to the Company the amount of such refund (together with any interest paid or credited thereon after any taxes applicable thereto). If, after the receipt by the Executive of an amount advanced by the Company pursuant to Section 5(f), a determination is made that the Executive shall not be entitled to any refund with respect to such claim and the Company does not notify the Executive in writing of its intent to contest such denial or refund prior to the expiration of 30 calendar days after such determination, then such advance shall be forgiven and shall not be required to be repaid and the amount of any such advance shall offset, to the extent thereof, the amount of Gross-Up Payment required to be paid by the Company to the Executive pursuant to this Section 5.

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

7. Legal Fees and Expenses.(a) It is the intent of the Company that the Executive not be required to incur legal fees and the related expenses associated with the interpretation, enforcement or defense of Executive's rights under this Agreement by litigation or otherwise because the cost and expense thereof would substantially detract from the benefits intended to be extended to the Executive hereunder. Accordingly, if it should appear to the Executive that the Company has failed to comply with any of its obligations under this Agreement or in the event that the Company or any other person takes or threatens to take any action to declare this Agreement void or unenforceable, or institutes any litigation or other action or proceeding designed to deny, or to recover from, the Executive the benefits provided or intended to be provided to the Executive hereunder, the Company irrevocably authorizes the Executive from time to time to retain counsel

of Executive's choice, at the expense of the Company as hereafter provided, to advise and represent the Executive in connection with any such interpretation, enforcement or defense, including without limitation the initiation or defense of any litigation or other legal action, whether by or against the Company or any Director, officer, stockholder or other person affiliated with the Company, in any jurisdiction. Notwithstanding any existing or prior attorney-client relationship between the Company and such counsel, the Company irrevocably consents to the Executive's entering into an attorney-client relationship with such counsel, and in that connection the Company and the Executive agree that a confidential relationship shall exist between the Executive and such counsel. Without respect to whether the Executive prevails, in whole or in part, in connection with any of the foregoing, the Company will pay and be solely financially responsible for any and all attorneys' and related fees and expenses incurred by the Executive in connection with any of the foregoing; provided that, in regard to such matters, the Executive has not acted in bad faith or with no colorable claim of success.

(b) To ensure that the provisions of this Agreement can be enforced by the Executive, certain trust arrangements ("Trusts") have been established between KeyTrust Company of Ohio, N.A., as Trustee ("Trustee"), and the Company. Each of Trust Agreement No. 1 (Amended and Restated Effective June 1, 1997, as amended) ("Trust Agreement No. 1"), Trust Agreement No. 2 (Amended and Restated Effective October 15, 2002, as amended) ("Trust Agreement No. 2"), and Trust Agreement No. 7 dated April 9, 1991, as amended ("Trust Agreement No. 7"), as it may be subsequently amended and/or restated, between the Trustee and the Company, sets forth the terms and conditions relating to payment from Trust Agreement No. 1 of compensation, pension benefits and other benefits pursuant to the Agreement owed by the Company, payment from Trust Agreement No. 2 for attorneys' fees and related fees and expenses pursuant to Section 7(a) hereof owed by the Company, and payment from Trust Agreement No. 7 of pension benefits owed by the Company. Executive shall make demand on the Company for any payments due Executive pursuant to Section 7(a) hereof prior to making demand therefor on the Trustee under Trust Agreement No. 2.

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

(A) transfer to Trustee to be added to the principal of the Trust under Trust Agreement No. 1 a sum equal to (I) the present value on the date of the Change in Control (or on such fifth business day if the Board has declared a Change in Control to be imminent) of the payments to be made to Executive under the provisions of Annex A and Section 5 hereof, such present value to be computed using the assumptions set forth in Annex A hereof and the computations provided for in Section 5 hereof less
(II) the balance in the Executive's accounts provided for in Trust Agreement No. 1 as of

the most recent completed valuation thereof, as certified by the Trustee under Trust Agreement No. 1 less (III) the balance in the Executive's accounts provided for in Trust Agreement No. 7 as of the most recently completed valuation thereof, as certified by the Trustee under Trust Agreement No. 7; provided, however, that if the Trustee under Trust Agreement No. 1 and/or Trust Agreement No. 7 does not so certify by the end of the fourth (4th) business day after the earlier of such Change in Control or declaration, then the balance of such respective account shall be deemed to be zero. Any payments of compensation, pension or other benefits by the Trustee pursuant to Trust Agreement No. 1 or Trust Agreement No. 7 shall, to the extent thereof, discharge the Company's obligation to pay compensation, pension and other benefits hereunder, it being the intent of the Company that assets in such Trusts be held as security for the Company's obligation to pay compensation, pension and other benefits under this Agreement; and

(B) transfer to the Trustee to be added to the principal of the Trust under Trust Agreement No. 2 the sum of TWO HUNDRED FIFTY THOUSAND DOLLARS (\$250,000) less any principal in such Trust on such fifth business day. Any payments of the Executive's attorneys' and related fees and expenses by the Trustee pursuant to Trust Agreement No. 2 shall, to the extent thereof, discharge the Company's obligation hereunder, it being the intent of the Company that assets in such Trust be held as security for the Company's obligation under Section 7(a) hereof. Executive understands and acknowledges that the entire corpus of the Trust under Trust Agreement No. 2 will be \$250,000 and that said amount will be available to discharge not only the obligations of the Company to Executive under Section 7(a) hereof, but also similar obligations of the Company to other executives and employees under similar provisions of other agreements and plans.

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

(b) During the Term, the Company agrees that it will disclose to Executive its confidential or proprietary information (as defined in this Section 8(b)) to the extent necessary for Executive to carry out his obligations to the Company. The Executive hereby covenants and agrees that he will not, without the prior written consent of the Company, during the Term or thereafter disclose to any person not employed by the Company, or use in connection with engaging in competition

with the Company, any confidential or proprietary information of the Company. For purposes of this Agreement, the term "confidential or proprietary information" will include all information of any nature and in any form that is owned by the Company and that is not publicly available (other than by Executive's breach of this Section

8(b)) or generally known to persons engaged in businesses similar or related to those of the Company. Confidential or proprietary information will include, without limitation, the Company's financial matters, customers, employees, industry contracts, strategic business plans, product development (or other proprietary product data), marketing plans, and all other secrets and all other information of a confidential or proprietary nature. For purposes of the preceding two sentences, the term "Company" will also include any Subsidiary (collectively, the "Restricted Group"). The foregoing obligations imposed by this Section 8(b) will not apply (i) during the Term, in the course of the business of and for the benefit of the Company, (ii) if such confidential or proprietary information will have become, through no fault of the Executive, generally known to the public or (iii) if the Executive is required by law to make disclosure (after giving the Company notice and an opportunity to contest such requirement).

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

9. Employment Rights. Nothing expressed or implied in this Agreement will create any right or duty on the part of the Company or the Executive to have the Executive remain in the employment of the Company or any Subsidiary prior to or following any Change in Control. Any termination of employment of the Executive or the removal of the Executive from the office or position in the Company or any Subsidiary that occurs

(i) not more than 180 days prior to the date on which a Change in Control occurs, and (ii) following the commencement of any discussion with a third person that ultimately results in a Change in Control, shall be deemed to be a termination or removal of the Executive after a Change in Control for purposes of this Agreement.

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

11. Successors and Binding Agreement.(a) The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation, reorganization or otherwise) to all or substantially all of the business or assets of the Company, by agreement in form and substance reasonably satisfactory to the Executive, expressly to assume and agree to perform this Agreement in the same manner and to the same extent the Company would be required to perform if no

such succession had taken place. This Agreement will be binding upon and inure to the benefit of the Company and any successor to the Company, including without limitation any persons acquiring directly or indirectly all or substantially all of the business or assets of the Company whether by purchase, merger, consolidation, reorganization or otherwise (and such successor shall thereafter be deemed the "Company" for the purposes of this Agreement), but will not otherwise be assignable, transferable or delegable by the Company.

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

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

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

13. Governing Law. The validity, interpretation, construction and performance of this Agreement will be governed by and construed in accordance with the substantive laws of the State of Ohio, without giving effect to the principles of conflict of laws of such State.

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

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

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

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

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

CLEVELAND-CLIFFS INC

By: */s/ J. S. Brinzo*

J. S. Brinzo

Chairman and Chief Executive Officer

/s/ Donald J. Gallagher

Donald J. Gallagher

Annex A

Severance Compensation

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

(2) For a period of thirty-six (36) months following the Termination Date (the "Continuation Period"), the Company will arrange to provide the Executive with Employee Benefits that are welfare benefits (but not stock option, performance share, performance unit, stock purchase, stock appreciation or similar compensatory benefits) substantially similar to those that the Executive was receiving or entitled to receive immediately prior to the Termination Date (or, if greater, immediately prior to the reduction, termination, or denial described in Section 3(b)(ii)). If and to the extent that any benefit described in this Paragraph 2 is not or cannot be paid or provided under any policy, plan, program or arrangement of the Company or any Subsidiary, as the case may be, then the Company will itself pay or provide for the payment to the Executive, his dependents and beneficiaries, of such Employee Benefits along with, in the case of any benefit described in this Paragraph 2 which is subject to tax because it is not or cannot be paid or provided under any such policy, plan, program or arrangement of the Company or any Subsidiary, an additional amount such that after payment by the Executive, or his dependents or beneficiaries, as the case may be, of all taxes so imposed, the recipient retains an amount equal to such taxes. Notwithstanding the foregoing, or any other provision of the Agreement, for purposes of determining the period of continuation coverage to which the Executive or any of his dependents is entitled pursuant to Section 4980B of the Code (or any successor provision thereto) under the Company's medical, dental and other group health plans, or successor plans, the Executive's "qualifying event" shall be the termination of the Continuation Period and the Executive shall be considered to have remained actively employed on a full-time basis through that date. Without otherwise limiting the purposes or effect of Section 5, Employee Benefits otherwise receivable by the Executive pursuant to this Paragraph 2 will be reduced to the extent comparable welfare benefits are actually received by the Executive from another employer during the Continuation Period following the Executive's Termination Date, and any such benefits actually received by the Executive shall be reported by the Executive to the Company.

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

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

The Company hereby waives the discretionary right, at any time subsequent to the date of a Change in Control, to amend or terminate the SRP as to the Executive as provided in paragraph 7 thereof or to terminate the rights of the Executive or his beneficiary under the SRP in the event Executive engages in a competitive business as provided in any plan or arrangement between the Company and the Executive or applicable to the Executive, including but not limited to, the provisions of paragraph 4 of the SRP, or any similar provisions of any such plan or arrangement or other plan or arrangement supplementing or superseding the same. This Paragraph (3) shall constitute a "Supplemental Agreement" as defined in Paragraph 1.J of the SRP. If the Company shall terminate the Executive's employment during the Severance Period, other than for Cause pursuant to Section 3(a)(i), 3(a)(ii) or 3(a)(iii) of the Agreement, or if the Executive shall terminate his employment pursuant to Section 3(b) of the Agreement, or if, following the end of the Severance Period, the Executive's employment is terminated for any reason, for the purposes of computing the Executive's period of continuous service and of calculating and paying his benefit under the SRP:

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

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

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

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

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

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

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

**CLEVELAND-CLIFFS INC
SEVERANCE AGREEMENT**

EXHIBIT A

Form of Release

WHEREAS, the Executive's employment has been terminated in accordance with Section 3 of the Severance Agreement (the "Agreement") dated as of March 9, 2004 between the Executive and Cleveland-Cliffs Inc; and

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

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

1. This Release is effective on the date hereof and will continue in effect as provided herein.
2. In consideration of the payments to be made and the benefits to be received by the Executive pursuant to the Agreement, which the Executive acknowledges are in addition to payments and benefits which the Executive would be entitled to receive absent the Agreement (other than severance pay and benefits under any other severance plan, policy, program or arrangement sponsored by Cleveland-Cliffs Inc), the Executive, for himself and his dependents, successors, assigns, heirs, executors and administrators (and his and their legal representatives of every kind), hereby releases, dismisses, remises and forever discharges Cleveland-Cliffs Inc, its predecessors, parents, subsidiaries, divisions, related or affiliated companies, officers, directors, stockholders, members, employees, heirs, successors, assigns, representatives, agents and counsel (the "Company") from any and all arbitrations, claims, including claims for attorney's fees, demands, damages, suits, proceedings, actions and/or causes of action of any kind and every description, whether known or unknown, which Executive now has or may have had for, upon, or by reason of any cause whatsoever ("claims"), against the Company, including but not limited to:
 - (a) any and all claims arising out of or relating to Executive's employment by or service with the Company and his termination from the Company;
 - (b) any and all claims of discrimination, including but not limited to claims of discrimination on the basis of sex, race, age, national origin, marital status, religion or handicap, including, specifically, but without limiting the generality of the foregoing, any claims under the Age Discrimination in Employment Act, as amended, Title VII of the Civil Rights Act of 1964, as amended, the Americans with Disabilities Act, Ohio Revised

Exh. A-1

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

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

4. Executive further agrees and acknowledges that:

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

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

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

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

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

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

Exh. A-2

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

Dated: _____ Executive

Exh. A-3

Exhibit 10(c)

**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 50th 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.

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.

Exhibit 10(d)

**CLEVELAND-CLIFFS INC NONEMPLOYEE
DIRECTORS' COMPENSATION PLAN
(AS AMENDED AND RESTATED AS OF JANUARY 1, 2004)**

RECITALS

WHEREAS, Cleveland-Cliffs Inc ("Company"), with approval of the Company's shareholders on May 14, 1996, established the Cleveland-Cliffs Inc Nonemployee Directors' Compensation Plan ("Plan"), effective July 1, 1996;

WHEREAS, with approval of the Board of Directors of the Company ("Board"), the Plan was amended by the First Amendment to the Plan effective November 12, 1996;

WHEREAS, with the approval of the Board, the Plan was further amended by the Second Amendment to the Plan, effective May 13, 1997;

WHEREAS, with the approval of the Board, the Plan was further amended by the Third Amendment, effective January, 1999;

WHEREAS, with the approval of the Board and the shareholders, the Plan was further amended by the Fourth Amendment, effective May 8, 2001;

WHEREAS, the Company now desires to amend the Plan further and to restate the Plan, as so amended; and WHEREAS, the Board of Directors of the Company has approved such amendment and restatement, effective as of January 1, 2004, in accordance with Section 8.2 of the Plan.

AMENDMENT AND RESTATEMENT

NOW, THEREFORE, the Plan is amended and restated as follows:

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 in 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) "Director Share Ownership Guidelines": Guidelines relating to ownership of Shares by Directors as established by the Administrator from time to time.
- (s) "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.
- (t) "Fees": The portion of the annual Retainer and other Director compensation payable in cash.
- (u) "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.
- (v) "Plan": The Plan set forth in this instrument as it may from time to time be amended.
- (w) "Plan Year": The 12-month period beginning January 1 and ending December 31.
- (x) "Prior Plan": The Company's Plan for Deferred Payment of Directors' Fees originally adopted in 1981.
- (y) "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.
- (z) "Retainer": The portion of a Director's annual compensation that is payable without regard to number of Board or committee meetings attended, committee positions or the Lead Director position.
- (aa) "Required Retainer Shares": Such number of Shares or dollar value of a Director's Retainer as the Administrator may specify from time to time as the portion of a Director's Retainer required to be paid in Shares, less any amount such Director may have elected to receive in cash pursuant to Section 3.2 (a)(ii).

(bb) "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.

(cc) "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.

(dd) "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.

(ee) "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 a portion 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) Each Director who is first elected or appointed to the Board as a Director shall be awarded 2,000 Restricted Shares.

(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 in 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 in 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 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 voting stock of the Company; provided, however, that for purposes of this Section 3.1(b)(i) of Article III, 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 3.1(b)(ii) of Article III below), (B) any acquisition by the Company of voting stock of the Company, (C) any acquisition of voting stock of the Company by any employee benefit plan (or related trust) sponsored or maintained by the Company or any subsidiary, or (D) any acquisition of voting stock of the Company by any Person pursuant to a Business Combination that complies with clauses (A), (B) and (C) of Section 3.1(b)(iii) of Article 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 3.1(b)(iii) of Article III.

For purposes of this Section 3.1(b) of Article III, voting stock means securities entitled to vote generally in the election of directors, and 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.

(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 date of the Vesting Event 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.

(e) A Director may elect, not later than 30 days after becoming a Director, that all cash dividends declared with respect to such Restricted Shares during the period of such restrictions shall be deferred and reinvested in additional Common Shares which shall be subject to the same restrictions as the underlying award. All such deferred dividends shall be reinvested in a manner consistent with Section 6.2 hereof and shall be delivered as additional unrestricted Common Shares on the applicable Vesting Date, subject to proration as provided in Section 3.1(c) hereof.

3.2 Required Retainer Shares and Voluntary Shares.

(a) Payment of Retainer.

(i) Subject to Section 3.2(a)(ii), Section 3.2(b) and Article IV of this Plan, the Retainer established by the Administrator from time to time shall be payable in part as Required Retainer Shares payable on January 1 of the following year, and the balance of such Retainer and all other Fees shall be payable in cash quarterly in advance of each Accounting Period.

(ii) If a Director meets the Director Share Ownership Guidelines as of January 1, 2004 or meets such Guidelines on December 1 of 2004 or any year thereafter, such Director may elect, by the filing of a Participant Agreement or such other form as may be approved by the Administrator by March 29, 2004 or by December 15 of such year, as applicable, to have up to 100% of such Director's Retainer paid by the Company in cash.

Such election shall apply to the Director's Retainer for the Plan Year commencing January 1, 2004 or the Plan Year following such election, as applicable.

(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 the Company shall issue

(i) to each Director a number of Shares equal to such Director's Required Retainer Shares 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 Shares for each such Accounting Period equal to the portion of such Director's Fees 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 Directors Required Retainer Shares and Voluntary Shares that is deferred pursuant to a Deferral Commitment shall be credited promptly following each Plan Year to the Director's Deferred Share Account as of the date the corresponding non-deferred portion of his or her Required Retainer Shares and Voluntary Shares would have been issued to the Director.

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 6%. Any distribution made pursuant to such an election shall be made within sixty days of the date such election is submitted to the Administrator. The remaining 6% of the portion of the electing Director's Deferred Fee Account and/or Deferred Share Account subject to such distribution shall be forfeited. Notwithstanding

any other provision of this Article VII, a Director who is currently serving as a Director and who elects a distribution pursuant to Section 7.6 shall immediately terminate his or her participation in the deferral portion of the Plan for the balance, if any, of the Plan Year during which the Director's election is submitted to the Committee and for the next two Plan Years.

7.7 Beneficiary Designation. As used in the Plan the term "Beneficiary" means:

- (a) The person last designated as Beneficiary by the Director in writing on a form prescribed by the Administrator;
- (b) If there is no designated Beneficiary or if the person so designated shall not survive the Director, such Director's spouse; or
- (c) If no such designated Beneficiary and no such spouse is living upon the death of a Director, or if all such persons die prior to the distribution of the Director's balance in his or her Deferred Fee Account and Deferred Share Account, then the legal representative of the last survivor of the Director and such persons, or, if the Administrator shall not receive notice of the appointment of any such legal representative within one year after such death, the heirs-at-law of such survivor shall be the Beneficiaries to whom the then remaining balance of such Accounts shall be distributed (in the proportions in which they would inherit his or her intestate personal property).

Any Beneficiary designation may be changed from time to time by the filing of a new form. No notice given under this Section 7.7 shall be effective unless and until the Administrator actually receives such notice.

7.8 Facility of Payment. Whenever and as often as any Director or his or her Beneficiary entitled to payments hereunder shall be under a legal disability or, in the sole judgment of the Administrator, shall otherwise be unable to apply such payments to his or her own best interests and advantage, the Administrator in the exercise of its discretion may direct all or any portion of such payments to be made in any one or more of the following ways: (i) directly to him or her; (ii) to his or her legal guardian or conservator; or (iii) to his or her spouse or to any other person, to be expended for his or her benefit; and the decision of the Administrator, shall in each case be final and binding upon all persons in interest.

ARTICLE VIII. ADMINISTRATION, AMENDMENT AND TERMINATION

8.1 Administration. The Plan shall be administered by the Administrator. The Administrator shall have such powers as may be necessary to discharge its duties hereunder. The Administrator may, from time to time, employ, appoint or delegate to an agent or agents (who may be an officer or officers of the Company) and delegate to them such administrative duties as it sees fit, and may from time to time consult with legal counsel who may be counsel to the Company. The Administrator shall have no power to add to, subtract from or modify any of the terms of the Plan, or to change or add to any benefits provided under the Plan, or to waive or fail to apply any requirements of eligibility for a benefit under the Plan. No member of the Administrator shall act in respect of his or her own Deferred Fee Account or his or her own Deferred Share Account. All decisions and determinations by the Administrator shall be final and binding on all parties. No member of the Administrator shall be liable for any such action

taken or determination made in good faith. All decisions of the Administrator shall be made by the vote of the majority, including actions and writing taken without a meeting. All elections, notices and directions under the Plan by a Director shall be made on such forms as the Administrator shall prescribe.

8.2 Amendment and Termination. The Board may alter or amend this Plan from time to time or may terminate it in its entirety; PROVIDED, HOWEVER, that no such action shall, without the consent of a Director, affect the rights in any Shares issued or to be issued to such Director, in any Deferred Shares in a Director's Deferred Share Account or in any amounts in a Director's Deferred Fee Account; and further provided, that, without further approval by the shareholders of the Company no such action shall (a) increase the total number of Shares available for issuance under this Plan specified in Article X or (b) otherwise cause Rule 16b-3 to become inapplicable to this Plan.

ARTICLE IX. FINANCING OF BENEFITS

9.1 Financing of Benefits. The Shares and benefits payable in cash under the Plan to a Director or, in the event of his or her death, to his or her Beneficiary shall be paid by the Company from its general assets. The right to receive payment of the Shares and benefits payable in cash represents an unfunded, unsecured obligation of the Company. No person entitled to payment under the Plan shall have any claim, right, security interest or other interest in any fund, trust, account, insurance contract, or asset of the Company which may be responsible for such payment.

9.2 Security for Benefits. Notwithstanding the provisions of Section 9.1, nothing in this Plan shall preclude the Company from setting aside Shares or funds in trust ("Trust") pursuant to one or more trust agreements between a trustee and the Company. However, no Director or Beneficiary shall have any secured interest or claim in any assets or property of the Company or the Trust and all Shares or funds contained in the Trust shall remain subject to the claims of the Company's general creditors.

ARTICLE X. SHARES SUBJECT TO PLAN

10.1 Shares Subject to Plan. Subject to adjustment as provided in this Plan, the total number of Shares which may be issued under this Plan shall be 100,000 (50,000 of which were approved in 1996 and 50,000 of which were added as of May 8, 2001).

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. Effective May 14, 1996, the Prior Plan was discontinued, except that amounts remaining payable to former Directors in the Prior Plan were paid 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.

12.4 Rule 16b-3. This Plan is intended to comply with Rule 16b-3. 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 and Restricted Retainer Shares to be awarded under Section 3.1 and 3.2, respectively, from time to time, and the Board may provide for annual election of Voluntary Shares pursuant to Section 3.3 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.

Exhibit 31(a)

CERTIFICATION

I, John S. Brinzo, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Cleveland-Cliffs 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)) 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 quarterly report is being prepared;
 - (b) 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
 - (c) 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 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: July 29, 2004

By /s/ John S. Brinzo

John S. Brinzo
Chairman, President and Chief
Executive Officer

Exhibit 31(b)

CERTIFICATION

I, Donald J. Gallagher, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Cleveland-Cliffs 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)) 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 quarterly report is being prepared;
 - (b) 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
 - (c) 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 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: July 29, 2004

By /s/ Donald J. Gallagher

Donald J. Gallagher
Senior Vice President, Chief
Financial Officer and Treasurer

Exhibit 32(a)

**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 Quarterly Report of Cleveland-Cliffs Inc (the "Company") on Form 10-Q for the period ended June 30, 2004 as filed with the Securities and Exchange Commission on the date hereof (the "Form 10-Q"), I, John S. Brinzo, 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-Q 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-Q 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-Q.

Date: July 29, 2004

/s/ John S. Brinzo

*John S. Brinzo
Chairman, President and Chief
Executive Officer*

Exhibit 32(b)

**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 Quarterly Report of Cleveland-Cliffs Inc (the "Company") on Form 10-Q for the period ended June 30, 2004 as filed with the Securities and Exchange Commission on the date hereof (the "Form 10-Q"), I, Donald J. Gallagher, Senior Vice President, Chief Financial Officer and Treasurer 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-Q 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-Q 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-Q.

Date: July 29, 2004

/s/ Donald J. Gallagher

*Donald J. Gallagher
Senior Vice President, Chief
Financial Officer and Treasurer*