

CLEVELAND CLIFFS INC
Form DEF 14A
June 15, 2007

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington D.C. 20549

SCHEDULE 14A

(RULE 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

**PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE SECURITIES
EXCHANGE ACT OF 1934**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to Section 240.14a-12

CLEVELAND-CLIFFS INC

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

June 15, 2007

To the Shareholders of

CLEVELAND-CLIFFS INC

Our Annual Meeting of Shareholders will be held at The Forum Conference Center, located in One Cleveland Center, 1375 East Ninth Street, Cleveland, Ohio 44114 on Friday, July 27, 2007 at 10:00 A.M. (Cleveland time).

At the annual meeting, shareholders will act upon the election of Directors and proposals to adopt the 2007 Incentive Equity Plan, adopt a new Executive Management Performance Incentive Plan and to ratify the appointment of Deloitte & Touche LLP as independent auditors. An explanation of each of these matters is contained in the attached proxy statement and accompanying proxy card, first being mailed or otherwise distributed to shareholders on or about June 15, 2007.

The Board of Directors and management believe that the proposed actions are in the best interests of your Cleveland-Cliffs. We urge you to exercise your voting rights by signing and dating the enclosed proxy card and returning it in the accompanying envelope to ensure that your shares will be represented whether or not you expect to be present at the annual meeting. In addition, record shareholders have the opportunity to appoint proxies to vote their shares through the Internet or via toll-free telephone if they wish. Instructions for appointing proxies through the Internet or by telephone are contained on your proxy card. Whichever of these methods you choose, the named proxies will vote your shares in accordance with your instructions. Please note that failure to vote surrenders voting power to those who exercise their voting right. If you attend the meeting, you will be entitled to vote in person.

We look forward to meeting with you at the annual meeting.

Sincerely,

Joseph A. Carrabba

Chairman, President and

Chief Executive Officer

It is important that your shares be represented at the meeting. Whether or not you intend to be present, please sign and date the enclosed proxy card and return it in the enclosed postage-prepaid envelope, which requires no postage if mailed in the United States, or appoint your proxies through the Internet or by telephone as directed on your proxy card.

Cleveland-Cliffs Inc

1100 Superior Avenue East

Suite 1500

Cleveland, Ohio 44114-2544

216.694.5700 PH

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

June 15, 2007

Dear Shareholder:

Our Annual Meeting of Shareholders will be held at The Forum Conference Center, located in One Cleveland Center, 1375 East Ninth Street, Cleveland, Ohio 44114 on Friday, July 27, 2007 at 10:00 A.M. (Cleveland time) for the purpose of considering and acting upon the following:

1. A proposal to elect ten Directors to hold office until the next Annual Meeting of Shareholders or until their successors are elected;
2. A proposal to adopt the 2007 Incentive Equity Plan;
3. A proposal to adopt a new Executive Management Performance Incentive Plan;
4. A proposal to ratify the appointment of Deloitte & Touche LLP as independent auditors to examine our consolidated financial statements for the 2007 fiscal year; and
5. Such other matters as may properly come before the annual meeting and any adjournments or postponements thereof. Shareholders of record at the close of business on June 15, 2007 are entitled to notice of and to vote at such meeting and any adjournments or postponements thereof.

Very truly yours,

George W. Hawk, Jr.

General Counsel and Secretary

It is important that your shares be represented at the meeting. Whether or not you intend to be present, please sign and date the enclosed proxy card and return it in the enclosed postage-prepaid envelope, which requires no postage if mailed in the United States, or appoint your proxies through the Internet or by telephone as directed on your proxy card.

Cleveland-Cliffs Inc

1100 Superior Avenue East

Suite 1500

Cleveland, Ohio 44114-2544

216.694.5700 PH

216.694.4800 FAX

PROXY STATEMENT

June 15, 2007

SOLICITATION, USE AND REVOCATION OF PROXIES

The accompanying proxy is solicited by our Board of Directors for use at the Annual Meeting of Shareholders to be held on July 27, 2007 and any adjournments or postponements thereof. Any proxy may be revoked by a later proxy, by written notice to our Secretary or in open meeting, without affecting any vote previously taken.

OUTSTANDING SHARES AND VOTING RIGHTS

As of June 7, 2007, the record date for the determination of persons entitled to vote at the annual meeting, there were 41,020,105 of our common shares, par value \$.25 per share, and 172,260 shares of our 3.25% Redeemable Cumulative Convertible Perpetual Preferred Stock with no par value, which we refer to as preferred shares, outstanding. Each common share and each preferred share is entitled to one vote. In connection with the election of Directors, the proposed adoption of the 2007 Incentive Equity Plan, which we refer to as the 2007 Incentive Plan, the proposed adoption of a new Executive Management Performance Incentive Plan, which we refer to as the EMPI Plan, and the ratification of the appointment of Deloitte & Touche LLP as independent auditors, holders of common shares and preferred shares vote together as one class. This proxy statement and accompanying proxy card are being first mailed or otherwise distributed to shareholders on or about June 15, 2007.

ELECTION OF DIRECTORS

(Proposal No. 1)

It is intended that proxies received will be voted, unless contrary instructions are given, to elect the ten nominees named in the following table to serve until the next annual meeting and until their successors shall be elected.

Should any nominee decline or be unable to accept such nomination to serve as a Director, an event which we do not currently anticipate, the persons named as proxies reserve the right, in their discretion, to vote for a lesser number or for substitute nominees designated by the Directors, to the extent consistent with our Regulations.

We do not have a formal policy regarding director attendance at the annual meeting, however, all Directors and nominees have been invited to attend the annual meeting. Due to the unusual timing of this year's annual meeting, we are anticipating that most of our Directors will be unable to attend. Nine Directors currently standing for re-election and two retired Directors attended the annual meeting in 2006.

Cleveland-Cliffs Inc

1100 Superior Avenue East

Suite 1500

Cleveland, Ohio 44114-2544

216.694.5700 PH

INFORMATION CONCERNING DIRECTORS AND NOMINEES

Based upon information received from the respective Directors and nominees as of June 7, 2007, the following information is furnished with respect to each person nominated for election as a Director.

Name, Age and Principal Occupation and Employment During Past Five Years	First Became Director
RONALD C. CAMBRE , 68, Former Chairman of the Board of Newmont Mining Corporation, an international mining company, from January 1995 through December 2001. Mr. Cambre served as Chief Executive Officer of Newmont Mining Corporation, from November 1993 to December 2000. Mr. Cambre is a Director of W. R. Grace & Co. and McDermott International, Inc.	1996
JOSEPH A. CARRABBA , 54, Chairman, President and Chief Executive Officer since May 8, 2007. Mr. Carrabba served as our President and Chief Executive Officer from September 2006 through May 8, 2007 and as our President and Chief Operating Officer from May 2005 to September 2006. Mr. Carrabba previously served as President and Chief Operating Officer of Diavik Diamond Mines, Inc. from April 2003 to May 2005 and General Manager of Weipa Bauxite Operation of Comalco Aluminum from March 2000 to April 2003, both subsidiaries of Rio Tinto plc. Mr. Carrabba is a Director of Newmont Mining Corporation.	2006
SUSAN M. CUNNINGHAM , 51, Senior Vice President of Exploration and Corporate Reserves of Noble Energy Inc., an international oil and gas exploration and production company, since October 2005. Ms. Cunningham served as Senior Vice President of Exploration of Noble Energy Inc. since 2001.	2005
BARRY J. ELDRIDGE , 61, Former Managing Director and Chief Executive Officer of Portman Limited, an international iron ore mining company in Australia, from October 2002 through April 2005. Mr. Eldridge served as Managing Director and Chief Executive Officer of Griffin Coal, a mining operation and division of Griffin Energy Pty Ltd in Western Australia, from January 2001 through September 2002. Mr. Eldridge was previously with North Limited, a major metal mining and natural resources operation in Western Australia, serving as Director Major Projects from 1998 through 2002. Mr. Eldridge is a Deputy Chairman and Audit Committee Member of Mundo Minerals Pty. Ltd. and Chairman of Vulcan Resources Ltd., both of which are listed on the Australian Stock Exchange.	2005
SUSAN M. GREEN , 47, Former Montgomery County, Maryland Council Aide from December 2002 to August 2005. Ms. Green served as Associate Deputy Secretary with the U.S. Department of Labor from January 2000 to January 2001. The Board of Directors has nominated Ms. Green for election as a Director. Ms. Green was proposed as a nominee for the Board of Directors by the United Steelworkers, pursuant to the terms of our 2004 labor agreement.	
JAMES D. IRELAND III , 57, Managing Director since January 1993 of Capital One Partners, Inc., a private equity investment firm, which through an affiliate, serves as the General Partner of Early Stage Partners L.P., a venture capital investment partnership. Mr. Ireland is a Director of OurPets Co.	1986
FRANCIS R. McALLISTER , 64, Chairman and Chief Executive Officer of Stillwater Mining Company, a palladium and platinum producer, since February 12, 2001. Mr. McAllister is a Director of Stillwater Mining Company.	1996

Name, Age and Principal Occupation and Employment During Past Five Years	First Became Director
<p>ROGER PHILLIPS, 67, Former President and Chief Executive Officer of IPSCO Inc., a North American steel producing company, from February 1982 through January 2002. Mr. Phillips is a Director of Canadian Pacific Railway Limited, Imperial Oil Limited and Toronto Dominion Bank.</p>	2002
<p>RICHARD K. RIEDERER, 63, Chief Executive Officer of RKR Asset Management, a consulting organization since June 2006. Mr. Riederer served as Chief Executive Officer (from January 1996) and President (from January 1995) of Weirton Steel Corporation, a steel producing company, through February 2001. Mr. Riederer is a Director of First American Funds, Chairman and Director of Idea Foundry, and serves on the Board of Trustees of Franciscan University of Steubenville.</p>	2002
<p>ALAN SCHWARTZ, 67, Professor of Law at the Yale Law School and Professor at the Yale School of Management since 1987. Mr. Brinzo, who retired from Cleveland-Cliffs effective September 1, 2006, and Mr. Gunning, Chairman and Vice Chairman, respectively, retired as Directors effective May 8, 2007. Mr. Gunning also retired as an officer June 1, 2007. Both retirements had been expected.</p>	1991

The Board of Directors recommends a vote FOR each of the nominees listed above.

DIRECTOR INDEPENDENCE

The Board of Directors has determined that each of the current non-management Directors standing for re-election, including each of the current members of the Audit Committee, the Board Affairs Committee and the Compensation and Organization Committee, has no material relationship with Cleveland-Cliffs (either directly or as a partner, shareholder or officer of an organization that has a relationship with Cleveland-Cliffs) and is independent within our director independence standards, which reflect exactly the New York Stock Exchange, or NYSE, director independence standards (which are included as Annex A and incorporated herein by reference) as currently in effect and as they may be changed from time to time. John S. Brinzo and David H. Gunning did not meet the aforementioned independence standards because they were Chairman, and Chief Executive Officer, and Vice Chairman, respectively. Mr. Brinzo retired on September 1, 2006, and Mr. Gunning retired on June 1, 2007. Mr. Carrabba is Chairman, President and Chief Executive Officer and is not independent.

Susan M. Green, if elected to the Board of Directors, will also be an independent Director pursuant to the NYSE director independence standards. Ms. Green was proposed as a nominee for the Board of Directors by the United Steelworkers, or USW, pursuant to the terms of our 2004 labor agreement. Although Ms. Green was proposed by the USW, the Board of Directors has determined that she does not have any material relationships with the USW and will be, if elected, an independent director.

Since January 1, 2006, there have been no transactions between Cleveland-Cliffs and any of our independent Directors or Ms. Green, other than compensation for service as a director as disclosed below.

BOARD OF DIRECTORS AND BOARD COMMITTEES

The members of and nominees for the Board of Directors have diversified professional experience in general management, steel manufacturing, mining, finance, labor, law, education, natural resource reserve exploration, and other fields. There is no family relationship among any of our nominees and

executive officers. Nine of the ten nominees have no present or former employment relationship with Cleveland-Cliffs. The average age of the nominees currently serving on the Board is 62, ranging from 51 to 68. The average service of the nominees currently serving on the Board is eight years, ranging from less than one year to 21 years.

Corporate Governance Guidelines. Our governance process is based on our Corporate Governance Guidelines, which are available on our website at <http://www.cleveland-cliffs.com> and also available upon request at GeneralCounsel@cleveland-cliffs.com, (800) 214-0739 or (216) 694-5459. During 2006, seven meetings of the Board of Directors were held, and 21 meetings of all Board Committees were held. Our independent Directors held seven meetings in executive session without the presence of Messrs. Brinzo, Carrabba and Gunning in 2006. Mr. McAllister has served as Lead Director since May 2004. He chaired all of the executive session meetings in 2006. Directors also discharge their responsibilities by review of reports to Directors, visits to our facilities, correspondence with the Chairman, President and Chief Executive Officer, or CEO, and telephone conferences with the CEO and Directors regarding matters of interest and concern to Cleveland-Cliffs. The Directors have Audit, Board Affairs, Compensation and Organization, Finance and Strategic Advisory Committees as well as Ad Hoc committees when needed. All committees regularly report their activities, actions, and recommendations to the Board. All Directors attended at least 83 percent of the meetings, while one Director attended 94 percent of the meetings, and six Directors attended 100 percent of the aggregate total of meetings of the Board of Directors. No Director attended less than 75 percent the Board Committees of which they were members during 2006.

On March 13, 2007, the Board of Directors amended the Corporate Governance Guidelines to, among other things, add a director resignation policy that would require each incumbent Director and each nominee nominated for re-election to the Board to submit, prior to the mailing of our proxy statement, a contingent letter of resignation. If the Director did not receive a majority of the votes cast in an uncontested election and the Board of Directors determines to accept the resignation, the contingent letter of resignation would become effective. This director resignation policy would not apply in contested elections.

Audit Committee. The Audit Committee, consisting of Messrs. Riederer (chairman), Eldridge, Ireland, and Ms. Cunningham, reviews with our management, the internal auditors and the independent auditors, the adequacy and effectiveness of our system of internal control over financial reporting; reviews significant accounting matters; reviews quarterly unaudited financial information prior to public release; approves the audited financial statements prior to public distribution; approves our assertions related to internal controls prior to public distribution; reviews any significant changes in our accounting principles or financial reporting practices; reviews, approves and retains the services performed by our independent auditors; has the authority and responsibility to evaluate independent auditors; discusses with the auditors their independence and considers the compatibility of non-audit services with such independence; annually selects and retains our independent auditors to examine our financial statements; approves management's appointment, termination, or replacement of the Chief Internal Auditor; and conducts a legal compliance review. Pursuant to the rules of the Securities and Exchange Commission, or SEC, the members of the Audit Committee are independent, as that term is defined in the NYSE listing standards attached as Annex A. The Board of Directors identified Messrs. Riederer and Ireland as audit committee financial experts (as defined in Item 407(d)(5)(ii) of Regulation S-K). No member of the Audit Committee serves on the audit committees of more than three public companies. The Audit Committee held six meetings during 2006. The charter of the Audit Committee is available at <http://www.cleveland-cliffs.com> and is also available upon request at GeneralCounsel@cleveland-cliffs.com, (800) 214-0739 or (216) 694-5459.

Board Affairs Committee. The Board Affairs Committee, consisting of Messrs. Cambre (chairman), McAllister, Phillips, and Schwartz administers our compensation plans for Directors; monitors the Board governance process and provides counsel to the CEO on Board governance and other matters;

recommends changes in membership and responsibility of Board committees; and acts as the Board's Nominating Committee and Proxy Committee in the election of Directors. The Board Affairs Committee held three meetings during 2006. The charter of the Board Affairs Committee is available at <http://www.cleveland-cliffs.com> and is also available upon request at GeneralCounsel@cleveland-cliffs.com, (800) 214-0739 or (216) 694-5459.

As noted above, the Board Affairs Committee is involved in determining compensation for our Directors. The Board Affairs Committee administers our equity incentive plans with respect to our Directors, including approval of grants of stock options and other equity or equity-based awards, and makes recommendations to the Board with respect to incentive compensation plans and equity based plans for Directors. The Board Affairs Committee periodically reviews Director compensation in relation to comparable companies and other relevant factors. Any change in Director compensation must be approved by the Board of Directors. Other than in their capacities as a Director, no executive officers participate in setting Director compensation. From time to time, the Board Affairs Committee or the Board of Directors may engage the services of a compensation consultant to provide information regarding Director compensation at comparable companies.

Compensation and Organization Committee. The Compensation and Organization Committee, which we refer to as the Compensation Committee, consists of Messrs. McAllister (chairman), Ireland, Phillips, and Riederer. The Compensation Committee recommends to the Board of Directors the election and compensation of officers; administers our compensation plans for officers; reviews organization and management development; evaluates the performance of the CEO and the other named executives; and obtains the advice of outside experts with regard to compensation matters. The Compensation Committee may, in its discretion, delegate all or a portion of its duties and responsibilities to a subcommittee or, in the case of non-officers, to the CEO or the Senior Vice President Human Resources.

The Compensation Committee obtains the analysis and advice of Mercer Human Resource Consulting, or Mercer, to assist with the performance of its duties under its charter. Mercer is retained directly by the Compensation Committee and has helped the Compensation Committee develop an appropriate agenda for performing the Compensation Committee's responsibilities. In this regard, Mercer advises and assists the Compensation Committee:

in determining the appropriate objectives and goals of our executive compensation programs;

in designing compensation programs that fulfill those objective and goals;

regarding the external and internal equity of our executive officers' total compensation and the primary components of that compensation;

in evaluating the effectiveness of our compensation programs;

in identifying appropriate pay positioning strategies and pay levels in our executive compensation program;

in selecting performance peers and setting performance targets used to evaluate performance for incentive compensation plans; and

in identifying comparable companies and compensation surveys for the Compensation Committee to use to benchmark the appropriateness and competitiveness of our executive compensation program.

The Compensation Committee makes all decisions regarding the CEO's compensation after consulting with Mercer in executive session where no management employees are present. For the other executive officers, the CEO is asked by the Compensation Committee to conduct and present an assessment in partnership with the Senior Vice President of Human Resources on the achievement of

specific goals established for those officers and on the performance of our Company taking into account external market forces and considerations. While the CEO and Senior Vice President Human Resources attend Compensation Committee meetings regularly by invitation, the Compensation Committee is the final decision maker for the compensation of the executive officers. For additional information regarding the operation of the Compensation, see Executive Compensation Compensation Discussion and Analysis beginning on page 14 of this proxy statement. The Compensation Committee held eight meetings during 2006. The charter of the Compensation and Organization Committee is available at <http://www.cleveland-cliffs.com> and is also available upon request at GeneralCounsel@cleveland-cliffs.com, (800) 214-0739 or (216) 694-5459.

Finance Committee. The Finance Committee, consisting of Messrs. Schwartz (chairman), Cambre, Eldridge, and Ms. Cunningham, reviews our financial condition, financial policies, investment plans and benefit funds management. The Finance Committee recommends dividend and other actions to the Board of Directors. The Finance Committee held three meetings during 2006.

Strategic Advisory Committee. The Strategic Advisory Committee, or SAC Committee, consisting of Messrs. Ireland (chairman), Cambre, and McAllister, reviews corporate strategy and related issues. The SAC Committee held no meetings in 2006.

CONSIDERATION OF DIRECTOR NOMINEES

Shareholder Nominees

The policy of the Board Affairs Committee is to consider properly submitted shareholder nominations for candidates for membership on the Board as described below under Identifying and Evaluating Nominees for Director. In evaluating such nominations, the Board Affairs Committee seeks to achieve a balance of knowledge, experience and capability on the Board of Directors and to address the membership criteria set forth below under Director Qualifications. Any shareholder nominations proposed for consideration by the Board Affairs Committee should include (i) complete information as to the identity and qualifications of the proposed nominee, including name, address, present and prior business and/or professional affiliations, education and experience, and particular fields of expertise, (ii) an indication of the nominee's consent to serve as a director if elected, and (iii) the reasons why, in the opinion of the recommending shareholder, the proposed nominee is qualified and suited to be a director. Shareholder nominations should be addressed to Cleveland-Cliffs Inc, 1100 Superior Avenue, 15th Floor, Cleveland, Ohio 44114, Attention: Secretary. Our Regulations provide that at any meeting of shareholders at which directors are to be elected, only persons nominated as candidates will be eligible for election.

Director Qualifications

In evaluating director nominees, the Board Affairs Committee considers such factors as it deems appropriate, consistent with the our Corporate Governance Guidelines, the Board Affairs Committee Charter and other criteria established by the Board of Directors. The Board Affairs Committee's goal in selecting directors for nomination to the Board of Directors is generally to seek to create a well-balanced team that combines diverse experience, skill and intellect of seasoned directors in order to enable us to pursue our strategic objectives. The Board Affairs Committee has not reduced the qualifications for service on our Board of Directors to a checklist of specific standards or specific, minimum qualifications, skills or qualities. Rather, we seek, consistent with the vacancies existing on our Board of Directors at any particular time and the interplay of a particular candidate's experience with the experience of other directors, to select individuals whose business experience, knowledge, skills, diversity and integrity would be considered a desirable addition to the Board of Directors and any committees thereof. In addition, the Board Affairs Committee annually conducts a review of incumbent directors in order to determine whether a director should be nominated for re-election to the Board of Directors.

The Board Affairs Committee makes determinations as to director selection based upon the facts and circumstances at the time of the receipt of the director candidate recommendation. Applicable considerations include (i) whether the Board Affairs Committee is currently looking to fill a new position created by an expansion of the number of directors, or a vacancy that may exist on the Board of Directors, (ii) whether the current composition of the Board of Directors is consistent with the criteria described in our Corporate Governance Guidelines, (iii) whether the candidate submitted possesses the qualifications that are generally the basis for selection of candidates to the Board of Directors, and (iv) whether the candidate would be considered independent under the rules of the NYSE as set forth in Annex A and our standards with respect to director independence. Final approval of any candidate will be determined by the full Board of Directors.

Identifying and Evaluating Nominees for Directors

The Board Affairs Committee utilizes a variety of methods for identifying and evaluating nominees for director. The Board Affairs Committee regularly reviews the appropriate size of the Board and whether any vacancies on the Board are expected due to retirement or otherwise. In the event that vacancies are anticipated, or otherwise arise, the Board Affairs Committee considers various potential

candidates for director. Candidates may come to the attention of the Board Affairs Committee through current Board members, professional search firms, shareholders or other persons. As described above, the Board Affairs Committee considers properly submitted nominations for candidates for the Board. Following verification of the recommending shareholder's status, recommendations are considered by the Board Affairs Committee at its next regularly scheduled meeting.

MEETINGS OF NON-MANAGEMENT DIRECTORS; COMMUNICATIONS WITH DIRECTORS

In accordance with the NYSE's corporate governance listing standards, our non-management directors meet at regularly scheduled executive sessions without management present. The chair of the Compensation Committee has been designated as our lead independent director. Shareholders and interested parties may communicate with the chair of the Compensation Committee, or with our non-management directors as a group or with the Board of Directors, by writing to the Lead Director at Cleveland-Cliffs Inc, 1100 Superior Avenue, 15th Floor, Cleveland, Ohio 44114, Attn: Lead Director. The Board of Directors' independent directors have approved the process for determining which communications are forwarded to various members of the Board of Directors.

BUSINESS ETHICS POLICY

We have adopted a Code of Business Conduct and Ethics that applies to all of our Directors, officers and employees. The Code of Business Conduct and Ethics is available upon request at (800) 214-0739 or (216) 694-5459. It is also available on our website at <http://www.cleveland-cliffs.com>, or upon request at GeneralCounsel@cleveland-cliffs.com. We intend to post amendments to or waivers from our Code of Business Conduct (to the extent applicable to our principal executive officer, principal financial officer or principal accounting officer) on our website.

DIRECTORS COMPENSATION

Directors who are not our employees receive an annual retainer fee of \$32,500 and an annual equity award of \$32,500. Board meeting fees and Committee meeting fees are \$1,500 and \$1,000, respectively. The Lead Director annual retainer fee is \$10,000. Annual committee chair retainers are as follows: Audit Committee, \$10,000, and Board Affairs, Finance, and Compensation Committees \$5,000. Employee Directors receive no compensation for their service as Directors.

The Nonemployee Directors Compensation Plan (as Amended and Restated as of January 1, 2005), which we refer to as the Directors Plan, implements the annual equity grant program referenced above. Directors who are under age 69 on the date of the annual meeting receive an automatic annual grant of \$32,500 worth of restricted shares with a three-year vesting requirement. Nonemployee Directors who are 69 years of age or older on the date of the annual meeting receive an automatic annual grant of \$32,500 worth of common shares (with no restrictions).

The Directors Plan also provides that a Director should own by the end of a four-year period either (i) 4,000 or more common shares or (ii) common shares having a market value of at least \$100,000, in accordance with the current Director Share Ownership Guidelines. If a nonemployee Director meets these guidelines in December of each year, the Director may elect to receive all or a portion of his or her annual retainer of \$32,500 for the following year in cash. If the Director does not meet these guidelines, the Director is required to receive an equivalent value of \$15,000 in common shares until he or she meets one of the two guidelines. Nonemployee Directors may elect to receive up to 100% of their retainer and other fees in common shares. In addition, the Directors Plan gives nonemployee Directors the opportunity to defer all or a portion of their annual retainer and other fees, whether payable in cash or common shares. Beginning with the 2006 annual equity award, nonemployee Directors may elect to receive deferred shares in lieu of their annual equity award of restricted common shares or common shares. A Director may also elect that all cash dividends with respect to such restricted shares be deferred and reinvested in additional common shares during the restriction period of such restricted shares. Those additional common shares are subject to the same restrictions as the underlying award. Cash dividends not subject to the restriction described above will be paid to the Director without restriction.

Nonemployee Directors who joined the Board before January 1, 1999 were able to participate in either the Retirement Plan for Non-Employee Directors adopted in 1984, which we refer to as the 1984 Plan, or the Nonemployee Directors Supplemental Compensation Plan established in 1995, which we refer to as the 1995 Plan. The 1984 Plan provides that a nonemployee Director elected before July 1, 1995, with at least five years of service, receives during his or her lifetime after retirement an amount equal to the annual retainer currently paid to nonemployee Directors. Under the 1995 Plan, a nonemployee Director elected on or after July 1, 1995, with at least five years of service, receives after retirement a quarterly amount equal to fifty percent of the stated quarterly retainer in effect at the time of retirement for the period equal to the Director's service. Under either plan, in the event of a change in control causing the Director's retirement, he or she receives the retirement payment prorated for any service less than five years. Directors who join the Board on or after January 1, 1999 are not eligible to participate in either plan.

On January 14, 2003, the Board of Directors adopted respective amendments to both plans to provide for a voluntary immediate lump sum cash-out election of the present value of the accrued pension and deferred benefits to all nonemployee Directors participating under both plans. Under the terms of both plans, as amended, the lump-sum benefit was payable to the participants on June 30, 2003. Of the 14 participants, three elected not to participate in the lump sum benefit. The aggregate value for participants electing a payout was approximately \$2.3 million. The payout election by the 11 participants means those participants have no further opportunity for a pension adjustment under either

plan for future changes in our annual retainer. Mr. Ireland is the only current Director eligible for a retirement benefit, which will be paid from the 1984 Plan.

We have trust agreements with KeyBank National Association relating to the Directors' Plan, the 1984 Plan and the 1995 Plan, in order to establish arrangements for the funding and payment of our obligations under such plans.

Director Compensation Table

The following table, supported by the accompanying footnotes and narrative, sets forth for fiscal year 2006 all compensation earned by the individuals who served as our nonemployee Directors at any time during 2006.

Name	Fees	Stock	Change in Pension Value	Total (\$)
	Earned or Paid in Cash \$(1)	Awards \$(2)	and Nonqualified Deferred Compensation Earnings \$(3)	
R. C. Cambre	51,500	16,538		68,038
R. Cucuz(4)	23,750	23,292		47,042
S. M. Cunningham	51,000	14,271		65,271
B. J. Eldridge	47,000	16,216		63,216
J. D. Ireland III	58,000	16,538	580	75,118
F. R. McAllister	69,000	16,538		85,538
R. Phillips	53,000	26,862		79,862
R. K. Riederer	68,000	26,862		94,862
A. Schwartz	56,000	16,538		72,538

- (1) The amounts listed in this column reflect the cash dollar value of all earnings in 2006 for quarterly Board and Chairman retainers and meeting fees on the date earned, whether received in required retainer shares, voluntary shares, or cash, or a combination thereof.

A nonemployee Director may voluntarily elect to receive up to 100 percent of his or her annual retainer, Chairman retainer, and meeting fees in common shares. Messrs. Cambre, Eldridge, and Schwartz have met the Director Share Ownership Guidelines and have continued an election to receive a portion of their retainers and/or fees in common shares. Of the annual amount listed, Messrs. Cambre, Eldridge, and Schwartz have elected to receive \$32,500, \$30,123, and \$15,000 respectively, in common shares. Ms. Cunningham had not met the guidelines as of December 1, 2005 and received \$15,000 in common shares during 2006.

As discussed above, the Directors' Plan gives nonemployee Directors the opportunity to defer all or a portion of their annual retainer and Chairman retainers and meeting fees, whether payable in cash or common shares in the Nonemployee Directors' Deferred Compensation Plan, which we refer to as the Directors' Deferred Plan. In 2006, Mr. Riederer deferred \$15,000 in retainer fees converted to common shares and Mr. Ireland deferred \$15,000 in cash pursuant to the Directors' Deferred Plan.

- (2) The amounts in this column reflect the dollar amount recognized for financial statement reporting purposes for the fiscal year ended December 31, 2006, in accordance with Financial Accounting Standards Board Statement No. 123 (revised 2004), Accounting for Stock-Based Compensation, or SFAS 123R, of awards of restricted shares and includes amounts from awards granted in and prior to 2006. (See footnote 11 to our 2006 consolidated financial statements in Item 8 of our 2006 Annual Report on Form 10-K) In 2006, an automatic annual equity grant of 654 restricted shares having a grant date fair market value of \$49.69 per share was made to each of the nonemployee Directors listed above, except for Mr. Cucuz who was not a director at the time of the May 9, 2006 grant. Mr. Riederer elected to receive deferred shares in lieu of restricted shares.

As of December 31, 2006, the aggregate number of restricted shares subject to forfeiture held by each Nonemployee Director were as follows: Mr. Cambre 1,520; Ms. Cunningham 1,218; Mr. Eldridge 1,490; Mr. Ireland 1,520; Mr. McAllister 1,536; Mr. Phillips 9,520; Mr. Riederer 9,049; and Mr. Schwartz 1,520.

As of December 31, 2006, the aggregate number of unvested deferred shares credited to Mr. Riederer under the Directors Plan was 659.9124 shares.

- (3) Mr. Ireland is the only independent Director eligible for retirement benefits under the 1984 Plan.
- (4) Mr. Cucuz retired from the Board of Directors in May 2006. In connection with his retirement, the Board Affairs Committee recommended to the full Board to accelerate the vesting of 866 restricted shares granted to Mr. Cucuz in July 2005. The additional value of his award resulting from such acceleration in accordance with SFAS 123R (\$13,975) is included in the value shown in the table under Stock Awards. The actual market value received upon accelerated vesting of the restricted shares was \$43,128.

SECURITIES OWNERSHIP OF MANAGEMENT AND CERTAIN OTHER PERSONS

The following table sets forth the amount and percent of common shares that, as of June 7, 2007 (except as otherwise indicated), are deemed under the rules of the SEC to be beneficially owned by each Director (excluding Mr. Carrabba and retired Directors Messrs. Brinzo and Gunning), by each nominee for Director, by our Chief Executive Officer or CEO, Chief Financial Officer, or CFO, and the other three most highly compensated executive officers as named in the Summary Compensation Table below, which we refer to as the named executive officers, by such persons and the other executive officers as a group, and by any person or group (as the term is used in the Securities Exchange Act of 1934) known to us as of that date to be a beneficial owner of more than five percent or more of the outstanding common shares. No Directors, executive officers, or officers hold any preferred shares or outstanding stock options as of June 7, 2007.

Directors and Nominees (excluding those who are also Named Executive Officers)	Amount and Nature of Investment Power			Beneficial Ownership (1) Voting Power		Percent of Class(2)
	Beneficial Ownership	Sole	Shared	Sole	Shared	
Ronald C. Cambre	8,857	8,857		8,857		
Susan M. Cunningham	1,695	1,695		1,695		
Barry J. Eldridge	2,426	2,426		2,426		
Susan Green						
James D. Ireland III	571,270	22,042	549,228(3)	22,042	549,228(3)	1.4%
Francis R. McAllister	7,327	7,327		7,327		
Roger Phillips	16,538	16,538		16,538		
Richard K. Riederer	14,446	14,446		14,446		
Alan Schwartz	8,739	8,739		8,739		
Named Executive Officers						
Joseph A. Carrabba	33,648	33,648		34,698		
Laurie Brlas						
David H. Gunning	44,487	44,487		44,487		
William R. Calfee	76,958	76,958		76,958		
Donald J. Gallagher	82,331	82,331		82,331		
John S. Brinzo	101,867	101,867		101,867		
All Directors, Nominees, and Executive Officers as a group, including the named executive officers (19 Persons)	1,097,852	548,624	549,228	548,624	549,228	1.54%
Other Persons						
LMM LLC(4)	4,300,000		4,300,000		4,300,000	10.44%
100 Light Street Baltimore, MD 21202						
Jeffrey L. Gendell (5)	4,066,148		4,066,148		4,066,148	9.87%
55 Railroad Avenue, 3rd Floor Greenwich, CT 06830						
Wellington Management Company, LLP(6)	4,007,280		3,932,980		2,902,980	9.73%
75 State Street Boston, MA 02109						
Barclays Global Investors, NA(7)	2,406,934	2,406,934		2,240,870		5.84%

Murray House

1 Royal Mint Court

London, EC3N 4HH

Capital Research and Management Company(8)

333 South Hope Street	2,250,000	2,250,000	2,250,000	5.5%
-----------------------	-----------	-----------	-----------	------

Los Angeles, CA 90071

Bank of America Corporation(9)	2,249,966	2,244,872	2,249,966	5.46%
--------------------------------	-----------	-----------	-----------	-------

100 North Tryon Street

Floor 25

Bank of America

Corporate Center

Charlotte, NC 28255

(1) Under the rules of the SEC, beneficial ownership includes having or sharing with others the power to vote or direct the investment of securities. Accordingly, a person having or sharing the power to vote or direct the investment of

securities is deemed to beneficially own the securities even if he or she has no right to receive any part of the dividends on or the proceeds from the sale of the securities. Also, because beneficial ownership extends to persons, such as co-trustees under a trust, who share power to vote or control the disposition of the securities, the very same securities may be deemed beneficially owned by two or more persons shown in the table. Information with respect to beneficial ownership shown in the table above is based upon information supplied by our Directors, nominees and executive officers and filings made with the SEC or furnished to us by any shareholder.

- (2) Less than one percent, except as otherwise indicated.
- (3) Of the 571,270 shares deemed under the rules of the SEC to be beneficially owned by Mr. Ireland, he is a beneficial holder of 22,042 shares. The remaining 549,228 shares are held in trusts, substantially for the benefit of a charitable foundation, as to which Mr. Ireland is a co-trustee with shared voting and investment powers. Of such shares in trusts, Mr. Ireland has an interest in the income or corpus with respect to 46,849 shares.
- (4) The information shown above and in this footnote was taken from Amendment No. 2 to Schedule 13G, dated February 15, 2007, as filed with the SEC on February 15, 2007 jointly by Legg Mason Opportunity Trust and LMM LLC. The 4,300,000 shares are held for the account of Legg Mason Opportunity Trust, which is a portfolio of Legg Mason Investment Trust, Inc. (an investment company registered under the Investment Company Act of 1940). LMM LLC manages Legg Mason Opportunity Trust.
- (5) The information shown above and in this footnote was taken from the Schedule 13G/A Amendment No. 4, dated January 29, 2007, and filed with the SEC on January 29, 2007, as a group, by Tontine Partners, L.P., Tontine Management, L.L.C. (which is the general partner of Tontine Partners, L.P.), Tontine Capital Partners, L.P., Tontine Capital Management, L.L.C. (which is the general partner of Tontine Capital Partners, L.P.), Tontine Overseas Associates, L.L.C. (which serves as the investment manager to Tontine Capital Overseas Master Fund, L.P. and Tontine Overseas Fund Ltd.), and Jeffrey L. Gendell. Mr. Gendell is the managing member of Tontine Management, L.L.C., Tontine Capital Management, L.L.C. and Tontine Overseas Associates, L.L.C., and in that capacity directs their operations.
- (6) The information shown above and in this footnote was taken from the Schedule 13G, dated February 14, 2007 and filed with the SEC on February 14, 2007, by Wellington Management Company, LLP, and investment adviser.