

CLEVELAND CLIFFS INC

Form S-3/A

June 30, 2004

Table of Contents

As filed with the Securities and Exchange Commission on June 30, 2004.

Registration No. 333-113252

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

AMENDMENT NO. 2
TO
Form S-3
REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

Cleveland-Cliffs Inc

(Exact Name of Registrant as Specified in Its Charter)

Ohio

(State or Other Jurisdiction of Incorporation or Organization)

34-1464672

(I.R.S. Employer Identification Number)

1100 Superior Avenue

Cleveland, Ohio 44114

(216) 694-5700

*(Address, Including Zip Code, and Telephone Number,
Including Area Code, of Registrant's Principal Executive Offices)*

John E. Lenhard, Esq.

Vice President, Secretary and General Counsel

Cleveland-Cliffs Inc

1100 Superior Avenue

Cleveland, Ohio 44114

(216) 694-5700

*(Name, Address, Including Zip Code, and Telephone Number,
Including Area Code, of Agent for Service)*

Copies to:

David P. Porter, Esq.

Jones Day

901 Lakeside Avenue

Cleveland, Ohio 44114

(216) 586-3939

Approximate date of commencement of proposed sale to the public: From time to time after the effective date of this registration statement, as the selling securityholders determine.

If the only securities being registered on this form are offered pursuant to dividend or interest reinvestment plans, please check the following box.

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If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or reinvestment plans, please check the following box. x

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration number of the earlier effective registration statement for the same offering. o _____

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration number of the earlier effective registration statement of the same offering. o _____

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. o _____

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

Table of Contents

The information in this prospectus is not complete and may be changed. The selling securityholders may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities, and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

PRELIMINARY PROSPECTUS

SUBJECT TO COMPLETION, DATED JUNE 30, 2004

172,500 Shares

Cleveland-Cliffs Inc

172,500 SHARES OF 3.25% REDEEMABLE CUMULATIVE CONVERTIBLE PERPETUAL PREFERRED STOCK

\$172,500,000 PRINCIPAL AGGREGATE AMOUNT OF 3.25% CONVERTIBLE SUBORDINATED

DEBENTURES ISSUABLE IN EXCHANGE FOR THE PREFERRED STOCK

*2,782,253 COMMON SHARES ISSUABLE UPON CONVERSION OF THE PREFERRED STOCK OR
CONVERTIBLE SUBORDINATED DEBENTURES*

*We originally issued the preferred stock in a private placement on January 21, 2004. This prospectus relates to resales of preferred stock and to sales of convertible subordinated debentures that may be issued in exchange for preferred stock and common shares that may be issued upon conversion of preferred stock or convertible subordinated debentures by the securityholders named under the caption *Selling Securityholders* in this prospectus. The selling securityholders may offer the securities at fixed prices, at prevailing market prices at the time of sale, at varying prices or negotiated prices. We will not receive any cash proceeds from the selling securityholders' sales of these securities.*

Each share of preferred stock has an initial liquidation preference of \$1,000 and is convertible initially into 16.1290 of our common shares, based on an initial conversion price of \$62.00 per share, subject in each case to specified adjustments, only under the following circumstances: (1) the closing sale price of our common shares reaches, or the trading price of the preferred stock falls below, specified thresholds, (2) the preferred stock is called for redemption, or (3) specified corporate transactions have occurred.

Cash dividends on the preferred stock are payable, when and as declared by our board of directors, out of funds legally available therefor, at the rate of 3.25% per annum, quarterly in arrears, commencing April 15, 2004. Dividends on the preferred stock will be cumulative from the date of issuance. Accumulated but unpaid dividends will not cumulate additional dividends or interest. If we fail to pay, or to set apart funds to pay, dividends on the preferred stock for any quarterly dividend period, then holders of the preferred stock will be entitled to receive, when and as declared by our board of directors, out of funds legally available therefor, cash dividends at an increased rate per annum as described herein for each subsequent quarterly dividend period until we have paid or provided for the payment of all dividends on the preferred stock for all dividend periods up to and including the dividend payment date on which the accumulated and unpaid dividends are paid in full.

Beginning January 20, 2009, we may redeem shares of the preferred stock by paying cash, our common shares valued at a discount of 2.5% from their market price or any combination thereof in an amount equal to the liquidation preference, plus any accumulated and unpaid dividends to the redemption date, but only if the closing sale price of our common shares has exceeded 135% of the conversion price for at least 20 trading days within a period of 30 consecutive trading days ending on the trading day prior to the date we give the notice of redemption. Following a designated event, as defined herein, holders of the preferred stock may require us to purchase any or all of their shares of preferred stock at the liquidation preference, plus any accumulated and unpaid dividends to the date of purchase, which we may pay in either cash, our common shares valued at a discount of 2.5% from their market price or any combination thereof.

We also have the right, subject to certain conditions, to require holders of the preferred stock to exchange their shares for convertible subordinated debentures with similar terms.

*For a more detailed description of the preferred stock, see *Description of Preferred Stock* beginning on page 17. For a more detailed description of the convertible subordinated debentures, see *Description of the Convertible Subordinated Debentures* beginning on page 36.*

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Our common shares trade on the New York Stock Exchange under the symbol CLF. On June 29, 2004, the closing sale price of our common shares was \$56.11 per share.

Investing in the preferred stock, the convertible subordinated debentures or the common shares involves risks. See Risk Factors beginning on page 9.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR DETERMINED IF THIS PROSPECTUS IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The date of this prospectus is _____, 2004

TABLE OF CONTENTS

ABOUT THIS PROSPECTUS

WHERE YOU CAN FIND MORE INFORMATION

SUMMARY

THE OFFERING

RISK FACTORS

FORWARD-LOOKING STATEMENTS

USE OF PROCEEDS

RATIO OF EARNINGS TO COMBINED FIXED CHARGES AND PREFERRED STOCK

DIVIDEND REQUIREMENTS

RATIO OF EARNINGS TO FIXED CHARGES

DESCRIPTION OF PREFERRED STOCK

DESCRIPTION OF THE CONVERTIBLE SUBORDINATED DEBENTURES

DESCRIPTION OF OTHER CAPITAL STOCK

CERTAIN FEDERAL INCOME TAX CONSEQUENCES

SELLING SECURITYHOLDERS

PLAN OF DISTRIBUTION

LEGAL MATTERS

EXPERTS

DEALER PROSPECTUS DELIVERY OBLIGATION

SIGNATURES

EXHIBIT INDEX

EXHIBIT 23

Table of Contents

TABLE OF CONTENTS

	Page
About This Prospectus	ii
Where You Can Find More Information	iii
Summary	1
The Offering	4
Risk Factors	9
Forward-Looking Statements	15
Use of Proceeds	16
Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividend Requirements	16
Ratio of Earnings to Fixed Charges	16
Description of Preferred Stock	17
Description of the Convertible Subordinated Debentures	36
Description of Other Capital Stock	43
Certain Federal Income Tax Consequences	47
Selling Securityholders	60
Plan of Distribution	65
Legal Matters	67
Experts	67

You should rely only on the information contained or incorporated by reference in this prospectus. We have not authorized anyone to provide you with different information. We are not making an offer of these securities in any jurisdiction where an offer is not permitted. You should not assume that the information provided in this prospectus is accurate as of any date other than the date on the front cover of this prospectus.

Table of Contents

ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement that we filed with the Securities and Exchange Commission, or SEC, using a shelf registration process or continuous offering process. Under this shelf registration process, the selling securityholders may, from time to time, sell the securities described in this prospectus in one or more offerings. This prospectus provides you with a general description of the securities that may be offered by the selling securityholders. Each time a selling securityholder sells securities, the selling securityholder is required to provide you with this prospectus and, in certain cases, a prospectus supplement containing specific information about the selling securityholder and the terms of the securities being offered. That prospectus supplement may include additional risk factors or other special considerations applicable to those securities. Any prospectus supplement may also add, update, or change information in this prospectus. If there is any supplement, you should rely on the information in that prospectus supplement. You should read both this prospectus and any prospectus supplement together with additional information described under [Where You Can Find More Information](#).

The data included in this prospectus regarding industries and ranking, including the size of specific industries and our position and the position of our competitors within these industries, are based on independent industry publications or other published industry sources and our estimates. Our estimates are based on information obtained from our customers, distributors, suppliers, trade and business organizations and other contacts in the industries in which we operate and our management's knowledge and experience. Although we believe these estimates to be accurate as of the date of this prospectus and these sources to be reliable, we have not independently verified and do not guarantee the accuracy and completeness of those estimates and this information.

Table of Contents

WHERE YOU CAN FIND MORE INFORMATION

Available Information

We file reports, proxy statements and other information with the SEC. You may obtain copies of this information by mail from the Public Reference Room of the SEC, 450 Fifth Street, N.W., Room 1024, Washington, D.C. 20549, at prescribed rates. Further information on the operation of the SEC's Public Reference Room in Washington, D.C. can be obtained by calling the SEC at 1-800-SEC-0330. The SEC also maintains an internet site at www.sec.gov that contains reports, proxy statements and other information regarding public companies like us that file SEC reports and other documents electronically. Reports, proxy statements and other information concerning us also may be inspected at the offices of the New York Stock Exchange, 20 Broad Street, New York, New York 10005. We also maintain an internet site at www.cleveland-cliffs.com that contains information concerning us and our affiliates. The information at our internet site is not incorporated by reference in this prospectus, and you should not consider it to be a part of this prospectus.

Incorporation by Reference

We incorporate by reference into this prospectus the following documents that we have filed with the SEC:

Annual Report on Form 10-K for the fiscal year ended December 31, 2003;

Quarterly Report on Form 10-Q for the quarter ended March 31, 2004;

Current Report on Form 8-K filed on January 13, 2004;

Current Report on Form 8-K filed on January 15, 2004;

Current Report on Form 8-K filed on January 20, 2004;

Current Report on Form 8-K filed on January 22, 2004; and

The Description of Common Shares contained in the Current Report on Form 8-K filed on March 2, 2004.

We also are incorporating by reference into this prospectus the documents that we subsequently file with the SEC pursuant to Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 until this offering is complete. In no event, however, will any of the information that we furnish under Item 9 or Item 12 of any Current Report on Form 8-K that we may from time to time provide to the SEC be incorporated by reference into, or otherwise part of, this prospectus. Any statement contained in a document incorporated by reference herein shall be deemed to be modified or superseded for all purposes to the extent that a statement contained in this prospectus, or in any other subsequently filed document that is also incorporated or deemed to be incorporated by reference, modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this prospectus.

We will provide without charge to each person to whom a copy of this prospectus has been delivered a copy of any and all of these filings. You may request a copy of these filings by writing or telephoning us at:

Cleveland-Cliffs Inc

Investor Relations
1100 Superior Avenue
Cleveland, Ohio 44114-2589
(216) 694-5459

Table of Contents

SUMMARY

This summary highlights information contained elsewhere or incorporated by reference in this prospectus. This summary does not contain all of the information that you should consider before investing in the preferred stock, the convertible subordinated debentures issuable upon exchange of the preferred stock and the common shares issuable upon conversion of the preferred stock or the convertible subordinated debentures. Before investing in the preferred stock, the convertible subordinated debentures or the common shares, you should read this entire prospectus carefully, including the Risk Factors section and the summary consolidated financial data and related notes, as well as the other information incorporated by reference in this prospectus. The term preferred stock refers to our 3.25% redeemable cumulative convertible perpetual preferred stock, without par value, the term convertible subordinated debentures refers to our convertible subordinated debentures we may issue in exchange for the preferred stock and the term common shares refers to our common shares, par value \$1.00 per share.

The Company

Business Description

Founded in 1847, we are the largest producer of iron ore pellets in North America and sell the majority of our pellets to integrated steel companies in the United States and Canada. We operate six iron ore mines located in Michigan, Minnesota and Eastern Canada that currently have a rated capacity of 36.9 million tons of iron ore pellet production annually. Based on our percentage ownership of the mines we operate, our share of the rated pellet production capacity is currently 22.6 million tons annually, representing approximately 28 percent of total North American annual pellet capacity. We sell our share of iron ore production to integrated steel producers, generally pursuant to term supply agreements with various price adjustment provisions.

Recent Developments

Cliffs and Associates Limited

On May 12, 2004, we announced that our affiliate, Cliffs and Associates Limited, or CAL, which is jointly owned by a subsidiary of ours and Outokumpu Technology GmbH, a German company, has entered into an agreement to sell CAL's idled Circore™ hot briquette iron facility located in Trinidad and Tobago to ISG Venture Inc., a wholly owned subsidiary of International Steel Group Inc., or ISG. In the fourth quarter of 2002, we abandoned our investment in CAL and exited the ferrous metalics business.

International Pellet Price

The major iron ore producers of Brazil and Eastern Canada annually negotiate and publish the price of their seaborne iron ore products. On February 6, 2004, Companhia Vale do Rio Doce, Brazil's principal iron ore producer, reached settlement on its 2004 price for blast furnace pellets with a major European consumer. The price represents an increase of 19.0 percent and 20.1 percent for 2004 versus 2003, depending on the point of sale. On February 27, 2004, Iron Ore Company of Canada and Quebec Cartier Mining Company, Eastern Canadian iron ore pellet producers, reached settlement on a 21.2 percent price increase with their European customers. This negotiated international price is one of several price adjustment factors included in our term supply agreements with our customers. The estimated effect of this international pellet price adjustment factor on our revenues per ton from iron ore sales and services for 2004 will be an average increase of approximately five percent from 2003. This would represent an improvement in operating earnings of approximately \$40 million, based on the 22 million tons of estimated pellet sales for 2004. Our 2004 revenues will also be affected by certain steel customers' average hot rolled coil prices for 2004, pursuant to both term supply agreements and spot sales. Based on projected pellet sales of 22 million tons, we estimate that our 2004 revenues would increase by approximately \$.22 per ton of pellets sold, or roughly \$5 million, for every \$10 per ton increment that the customers' actual average annual realization for basic hot rolled coil exceeds approximately \$300.

Table of Contents

The estimated 2004 impact of the other price adjustment factors included in our term supply agreements, including the adjustments based on general industrial inflation rates, cannot be determined at this time; however, additional price increases will be limited by annual collars.

Weirton Steel Corporation

On May 19, 2003, Weirton Steel Corporation, or Weirton, filed for protection under chapter 11 of the U.S. Bankruptcy Code in the United States Bankruptcy Court for the Northern District of West Virginia. On May 18, 2004, a subsidiary of ISG, or ISG-Weirton, purchased the assets of Weirton for \$253 million. ISG-Weirton, as part of the acquisition of the assets of Weirton, has assumed the existing term supply agreement between Weirton and us with modifications. The agreement with ISG-Weirton continues through 2018. For the first two years, ISG-Weirton will purchase the greater of 67 percent or 1.5 million tons of ISG-Weirton's annual iron ore pellet requirements from us. For years 2006-2018, ISG-Weirton will purchase 100 percent of its annual iron ore pellet requirements from us.

In addition, as a part of the acquisition of the assets of Weirton, ISG-Weirton agreed to purchase the power-generating assets of MABCO Steam Company, LLP, or MABCO. MABCO is a joint venture, of which we are a 40.5 percent participant, that purchased certain steam generation facilities that provide steam power to Weirton. MABCO purchased the steam-generation assets from FW Holdings, Inc., a subsidiary of Weirton, in a purchase-leaseback arrangement prior to Weirton's bankruptcy filing. On February 26, 2004, FW Holdings filed a petition for chapter 11 bankruptcy protection. As a result, FW Holdings did not make its quarterly lease payment due on March 31, 2004, of which our share was \$.5 million. The sale of the MABCO assets to ISG-Weirton required a payment to MABCO on closing (\$4.0 million at our share) and annual payments (\$.2 million at our share) including interest at the rate of five percent for 15 years.

In conjunction with the sale of the assets of Weirton and MABCO to ISG-Weirton, the lawsuit previously initiated by FW Holdings against MABCO was settled, and MABCO and its members and their affiliates, including us, received a release.

USWA Negotiations

On June 18, 2004, we reported that we and the United Steel Workers of America, or the USWA, have made progress toward new labor agreements covering the bargaining unit employees at our Empire, Tilden, Hibbing Taconite and United Taconite mines. The current agreements covering those employees are due to expire at midnight on July 31, 2004. While we and the USWA have reached tentative agreement on a number of issues, additional bargaining will be required to resolve the challenging issues which remain, and we may not be able to reach a new agreement before August 1, 2004.

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 us that it believed we were liable for contamination at the Kipling Furnace Site in Kipling, Michigan and requested that we voluntarily undertake actions to remediate the site. We owned and operated a portion of the site from approximately 1902 through 1925 when we 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 our 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.

We 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. Our initial investigation took place in 1996, with follow up monitoring occurring in 1998 through 2003. We have developed a proposed remedial action plan to address materials associated with our former operations at the site. We currently estimate the cost of

Table of Contents

implementing our proposed remedial action to be between \$300,000 and \$350,000. We have 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 us to take responsive activities at the property, including development and submittal of a remedial action plan to the MDEQ for approval. We will be meeting with the MDEQ to discuss this letter and are preparing a response. At this time, it is unclear whether the MDEQ, once it is apprised of our responsive activities at the site to date, will require us to conduct further investigations or implement a remedial action plan going beyond what we have already developed internally. Conducting further investigations, revising our proposed remedial action plan or implementing the plan could result in much higher costs than currently anticipated.

Our principal executive offices are currently located at 1100 Superior Avenue, Cleveland, Ohio 44114-2589, and our telephone number is (216) 694-5459.

Table of Contents

THE OFFERING

The following is a brief summary of the material terms of the preferred stock and the convertible subordinated debentures. For a more complete description of the terms of the preferred stock and the convertible subordinated debentures, see the sections of this prospectus entitled Description of Preferred Stock and Description of the Convertible Subordinated Debentures, respectively.

Summary of the Terms of the Series A-2 Preferred Stock

Issuer	Cleveland-Cliffs Inc
Securities offered	172,500 shares of preferred stock
Liquidation preference	\$1,000 per share of preferred stock
Dividends	<p>Holders of preferred stock are entitled to receive, when and as declared by our board of directors, out of funds legally available therefor, cash dividends at the rate of 3.25% per annum, payable quarterly in arrears on January 15, April 15, July 15 and October 15 of each year, commencing April 15, 2004. Dividends on the preferred stock will be cumulative from the date of original issuance. Accumulated but unpaid dividends will not cumulate additional dividends or interest.</p> <p>If we fail to pay, or to set apart funds to pay, dividends on the preferred stock for any quarterly dividend period, then holders of preferred stock will be entitled to receive, when and as declared by our board of directors, out of funds legally available therefor, cash dividends at the rate per annum equal to:</p> $3.25\% + [N * (3.25\% 2) * 0.25]$ <p>Where:</p> <p style="padding-left: 40px;">N = the number of quarterly dividend periods for which we have failed to pay or to set apart funds to pay dividends on the preferred stock,</p> <p>for each subsequent quarterly dividend period until we have paid or provided for the payment of all dividends on the preferred stock for all dividend periods up to and including the dividend payment date on which the accumulated and unpaid dividends are paid in full.</p>
Conversion	<p>A holder may convert its preferred stock into a number of our common shares equal to the conversion rate only under the following circumstances:</p> <p style="padding-left: 40px;">during any fiscal quarter after the fiscal quarter ending March 31, 2004 and only during such quarter, if the closing sale price of our common shares for at least 20 trading days in a period of 30 consecutive trading days ending on the last trading day of the preceding fiscal quarter exceeds 110 percent of the applicable conversion price on such trading day (initially 110 percent of \$62.00, or \$68.20);</p> <p style="padding-left: 40px;">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 price of our</p>

Table of Contents

common shares and the applicable conversion rate on each such day;

if the preferred stock has been called for redemption; or

upon the occurrence of certain corporate transactions described under [Description of Preferred Stock Conversion Rights](#) [Events Triggering Conversion Rights](#) [Conversion Rights Upon Occurrence of Certain Corporate Transactions](#).

The initial conversion price is \$62.00 per common share, subject to specified adjustments, but will not be adjusted for accumulated and unpaid dividends or liquidated damages, if any. Upon conversion, any accumulated dividends will be cancelled, and holders will not receive any cash payment representing accumulated dividends.

Optional redemption

We may not redeem any shares of preferred stock before January 20, 2009. On or after January 20, 2009, we 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, and liquidated damages, if any, to the redemption date, but only if the closing sale price of our common shares for 20 trading days within a period of 30 consecutive trading days ending on the trading day before the date we give the redemption notice exceeds 135 percent of the conversion price of the preferred stock, subject to adjustment in a number of circumstances described under [Description of Preferred Stock Conversion Rights](#) [Adjustments to Conversion Rate](#). We may choose to pay the redemption price in cash, our common shares, or a combination of cash and our common shares.

If full cumulative dividends on the preferred stock are not paid, the preferred stock may not be redeemed, and we may not purchase or acquire any shares of preferred stock other than pursuant to a purchase or exchange offer made on the same terms to all holders of preferred stock and any parity stock.

The preferred stock is not subject to any mandatory redemption or sinking fund provision.

Designated event

If a designated event (as described under [Description of Preferred Stock Designated Event Requires Us to Purchase Shares of Preferred Stock at the Option of the Holder](#)) occurs, each holder of shares of preferred stock will have the right to require us to purchase any or all of its shares at a purchase price equal to 100 percent of the liquidation preference, plus accumulated and unpaid dividends, and liquidated damages, if any, to, but excluding, the date of purchase. We may choose to pay the purchase price in cash, our common shares, or a combination thereof. See [Description of Preferred Stock Designated Event Requires Us to Purchase Shares of Preferred Stock at the Option of the Holder](#).

Voting rights

Holders of preferred stock will be entitled to one vote for each share of preferred stock held upon all matters presented to our shareholders and shall vote together with the holders of our common shares as one class.

Table of Contents

If we fail to pay, or to set apart funds to pay, dividends on the preferred stock or any other series of Class A Preferred Stock in an amount equivalent to six full quarterly dividends on any such series, whether or not consecutive and whether or not earned or declared, the holders of preferred stock and any other outstanding series of our Class A Preferred Stock will also be entitled to vote separately as a class to elect two directors. This special class voting right will terminate when all accrued and unpaid dividends on the preferred stock and any other series of our Class A Preferred Stock then outstanding are paid or funds are set apart for their payment.

Ranking

The preferred stock will be, with respect to dividend rights and rights upon liquidation, dissolution or winding up of our company:

junior to all our existing and future debt obligations;

junior to each class or series of our capital stock that has terms which provide that such class or series will rank senior to the preferred stock;

on a parity with parity stock, which is any other class or series of our capital stock that has terms which provide that class or series will rank on a parity with the preferred stock;

senior to our common shares and any other class or series of our capital stock that has terms that provide that class or series will rank junior to the preferred stock; and

effectively junior to all of our subsidiaries existing and future liabilities and capital stock held by others.

Exchange right

We have the right, subject to certain restrictions, to require all holders of outstanding preferred stock to exchange their preferred stock for our convertible subordinated debentures having an aggregate principal amount equal to the aggregate liquidation preference of the preferred stock and having a conversion rate and interest rate equal to the conversion rate and dividend rate for the preferred stock. The maturity date of the convertible subordinated debentures will be the thirtieth anniversary of the exchange date.

Tax consequences to U.S. holders exercising the exchange right

The exchange of preferred stock for our convertible subordinated debentures under the exchange right would be taxable to the U.S. holders of the preferred stock and may be treated as a taxable distribution in the amount of the fair market value of the convertible subordinated debentures. See Certain Federal Income Tax Consequences U.S. Holders Preferred Stock and Common Shares Exchange of Preferred Stock for Convertible Subordinated Debentures. Based upon the advice of our counsel, we intend to treat such exchange as generally giving rise to capital gain or loss.

Trading

We have not applied and do not intend to apply for the listing of the preferred stock or the convertible subordinated debentures on any securities exchange.

Table of Contents

PORTAL trading of the preferred stock The preferred stock is currently eligible for trading on the Private Offerings, Resales and Trading through Automated Linkages, or PORTAL, System of the National Association of Securities Dealers, Inc.

NYSE symbol for the common shares Our common shares are traded on the New York Stock Exchange under the symbol CLF.

Summary of the Terms of the Convertible Subordinated Debentures

Securities offered The convertible subordinated debentures will be convertible into shares of our common shares and will have terms and conditions substantially similar to the preferred stock, except as described below.

Principal amount The aggregate principal amount of the convertible subordinated debentures will be limited to the aggregate liquidation preference of the preferred stock outstanding on the effective date of the exchange. The convertible subordinated debentures will be issued in denominations equal to integral multiples of the liquidation preference of one share of preferred stock.

Ranking The convertible subordinated debentures will be unsecured obligations of ours and will rank equally with all of our other unsecured subordinated indebtedness.

Subordination The payment of principal and interest on the convertible subordinated debentures is subordinated in right of payment to the prior payment in full of all of our future senior debt.

Interest Interest on the convertible subordinated debentures will accrue at an annual rate of 3.25 percent of the principal amount from the dividend payment date of the preferred stock immediately preceding the exchange date or, if the exchange date is a dividend payment date, from the exchange date, and thereafter from the most recent interest payment date. Interest will be payable in cash semi-annually in arrears on January 15 and July 15 of each year. We will not have the right to defer interest payments or to accrete the principal amount of the convertible subordinated debentures.

Maturity The thirtieth anniversary of the exchange date.

Optional redemption Our rights to redeem the convertible subordinated debentures will be substantially identical to our rights to redeem the preferred stock.

Conversion The conversion rights of the convertible subordinated debentures will be substantially identical to the conversion rights of the preferred stock, except that on the date of any conversion upon satisfaction of a trading price condition as described in Description of Preferred Stock Conversion Rights Events Triggering Conversion Rights Conversion Upon Satisfaction of Trading Condition that is on or after the twenty-fifth anniversary of the exchange date, holders may not convert their convertible subordinated debentures upon satisfaction of such condition if on any trading day during the relevant measurement period for determin-

Table of Contents

ing whether such condition has been met, the closing sale price of the common shares was between 100 percent and 110 percent of the then-current conversion price of the convertible subordinated debentures.

Voting rights

The holders of convertible subordinated debentures will not have the right to vote in the election of our directors or any other voting rights as holders of our common shares prior to the holders' receipt of common shares upon conversion of their convertible subordinated debentures.

Designated event

The designated event repurchase rights of holders of the convertible subordinated debentures will be substantially identical to the designated event repurchase rights of holders of the preferred stock.

Events of default

A default in payment of principal or interest, the failure to deliver common shares upon conversion, the failure to comply with our other agreements in the indenture governing the convertible subordinated debentures or the occurrence of specified events of bankruptcy, insolvency or reorganization affecting us will constitute an event of default with respect to the convertible subordinated debentures.

Table of Contents

RISK FACTORS

An investment in the preferred stock, the convertible subordinated debentures that we may issue in exchange for the preferred stock and the common shares issuable upon the conversion of the preferred stock and the convertible subordinated debentures involves risks. You should consider carefully the following risk factors, and the risk factors included in our annual report on Form 10-K for the fiscal year ended December 31, 2003, which is incorporated by reference into this prospectus, in addition to the other information contained in this prospectus before deciding to purchase any shares of the preferred stock, the convertible subordinated debentures or the common shares. If any of the following risks actually occur, we may not be able to conduct our business as currently planned and our revenues and financial condition could be seriously harmed.

Risks Relating to the Preferred Stock, the Convertible Subordinated Debentures and the Common Shares Issuable Upon Conversion of the Preferred Stock and the Convertible Subordinated Debentures

The preferred stock ranks junior to all of our liabilities.

The preferred stock ranks junior to all of our liabilities. In the event of our bankruptcy, liquidation or winding-up, our assets will be available to pay obligations on the preferred stock, including the purchase of your shares of the preferred stock for cash upon a designated event, only after all our indebtedness and other liabilities have been paid. In addition, the preferred stock will effectively rank junior to all existing and future liabilities of our subsidiaries and any capital stock of our subsidiaries held by others. The rights of holders of the preferred stock to participate in the distribution of assets of our subsidiaries will rank junior to the prior claims of that subsidiary's creditors and any such other equity holders. As of December 31, 2003, we had total consolidated liabilities of approximately \$646.9 million. Consequently, if we are forced to liquidate our assets to pay our creditors, we may not have sufficient assets remaining to pay amounts due on any or all of the preferred stock then outstanding. We and our subsidiaries may incur substantial amounts of additional debt and other obligations that will rank senior to the preferred stock.

We may not be able to pay the repurchase price of the preferred stock or the convertible subordinated debentures upon a designated event. We also could be prevented from paying dividends on shares of the preferred stock.

Upon the occurrence of a designated event, you will have the right to require us to purchase all your shares of preferred stock or your convertible subordinated debentures, as the case may be. However, we may not have sufficient cash to purchase your shares of preferred stock or convertible subordinated debentures, as the case may be, upon the occurrence of a designated event.

The terms of any indebtedness that we may enter into in the future may also restrict us from repurchasing, or paying dividends with respect to, the preferred stock. Even if the terms of any future indebtedness allow us to pay dividends and to repurchase the preferred stock or the convertible subordinated debentures, we would only be able to make such payments if then permitted to under applicable Ohio statutory limitations on the payment of dividends or redemption, and we may not be able to pay dividends to you or to repurchase your shares of preferred stock or convertible subordinated debentures.

In addition, because we are a holding company, our ability to repurchase the preferred stock or the convertible subordinated debentures or to pay dividends on the preferred stock or interest on the convertible subordinated debentures may be limited by restrictions on our ability to obtain funds for such repurchase, dividends or interest, as the case may be, through dividends from our subsidiaries.

An active trading market for the preferred stock or the convertible subordinated debentures, as the case may be, may not develop, and you may be unable to resell your shares of preferred stock or convertible subordinated debentures at or above the purchase price.

Under the registration rights agreement applicable to the preferred stock, the convertible subordinated debentures and the common stock issuable upon conversion of the preferred stock and the convertible

Table of Contents

subordinated debentures, we are required to file and to use our reasonable best efforts to have declared effective a shelf registration statement registering the preferred stock, the convertible subordinated debentures and the common shares issuable upon the conversion of the preferred stock and the convertible subordinated debentures, as case may be. We filed the registration statement on March 3, 2004. However, we cannot assure you that we will be successful in having that registration statement declared effective.

No trading market for the preferred stock or the convertible subordinated debentures currently exists, and we have not applied and do not intend to apply for the listing of the preferred stock or the convertible subordinated debentures on any securities exchange or for the inclusion of the preferred stock or the convertible subordinated debentures in any automated quotation system. The initial purchaser has advised us that it intends to make a market in the preferred stock. However, it is not obligated to do so and it may discontinue any market-making activities at any time without notice. Consequently, a liquid trading market for the preferred stock or the convertible subordinated debentures may not develop and the market price of the preferred stock or the convertible subordinated debentures may be volatile. As a result, you may be unable to sell your shares of preferred stock or your convertible subordinated debentures at a price equal to or greater than that you paid, if at all.

You may be unable to convert the preferred stock or the convertible subordinated debentures into our common shares and, if you are able to and do convert, you will experience immediate dilution.

You may convert your shares of preferred stock or your convertible subordinated debentures, as the case may be, into common shares only if (1) the closing sale price of our common shares reaches, or the trading price of the preferred stock falls below, specified thresholds, (2) the preferred stock is called for redemption, or (3) specified corporate transactions have occurred. You may not convert your shares of preferred stock or your convertible subordinated debentures unless you will be in compliance with the Ohio statutes relating to control share acquisitions immediately after such conversion. Your inability to convert the preferred stock or the convertible subordinated debentures may adversely affect their value.

If you convert your shares of preferred stock or your convertible subordinated debentures into common shares, you will experience immediate dilution because the per share conversion price of the preferred stock or the convertible subordinated debentures immediately after this offering will be higher than the net tangible book value per common share then outstanding. In addition, you will also experience dilution when and if we issue additional common shares.

The price of our common shares, and therefore of the preferred stock or the convertible subordinated debentures, may fluctuate significantly, which may make it difficult for you to resell the preferred stock, the convertible subordinated debentures or common shares issuable upon conversion of the preferred stock or the convertible subordinated debentures, as the case may be, when you want or at prices you find attractive.

The price of our common shares on the New York Stock Exchange constantly changes. For example, the intra-day market price of our common shares has ranged from \$14.75 to \$69.16 in the period beginning May 1, 2003 and ending on June 29, 2004 and from \$38.80 to \$69.16 in the period beginning January 1, 2004 and ending on June 29, 2004. We expect that the market price of our common shares will continue to fluctuate. Because shares of the preferred stock and the convertible subordinated debentures are convertible into our common shares, volatility or depressed prices for our common shares could have a similar effect on the trading price of the preferred stock or the convertible subordinated debentures, as the case may be. Holders who have received common shares upon conversion of such securities will also be subject to the risk of volatility and depressed prices.

Our stock price can fluctuate as a result of a variety of factors, many of which are beyond our control. These factors include, among others:

quarterly variations in our operating results;

operating results that vary from the expectations of management, securities analysts and investors;

Table of Contents

changes in expectations as to our future financial performance, including financial estimates by securities analysts and investors;

developments generally affecting our industry and the steel industry;

announcements by us or our competitors of significant contracts, acquisitions, joint ventures or capital commitments;

announcements by third parties of significant claims or proceedings against us;

our dividend policy;

future sales of our equity or equity-linked equities; and

general domestic and international economic conditions.

In addition, the stock market in general has experienced extreme volatility that has often been unrelated to the operating performance of a particular company. These broad market fluctuations may adversely affect the market price of our common shares.

The trading price for the preferred stock or the convertible subordinated debentures, as the case may be, will be directly affected by the trading prices for our common shares, which are impossible to predict.

The price of our common shares could be affected by possible sales of our common shares by investors who view the preferred stock or the convertible subordinated debentures, as the case may be, as a more attractive means of equity participation in our company and by hedging or arbitrage activity that may develop involving the common shares. The arbitrage could, in turn, affect the trading prices of the preferred stock or the convertible subordinated debentures, as the case may be.

Our ability to pay dividends may be limited, and we do not anticipate paying cash dividends on our common shares in the near term.

We currently do not pay dividends on our common shares. In the future, we may agree to contractual restrictions on our ability to pay dividends. In addition, to maintain our credit ratings, we may be limited in our ability to pay dividends so that we can maintain an appropriate level of debt. We do not anticipate making any cash dividend payments to our common shareholders for the near term.

The Ohio takeover statutes and our rights plan could deter, delay or prevent a third party from acquiring us and that could deprive you of an opportunity to obtain a takeover premium for our common shares.

We are subject to the Ohio statutes relating to control share acquisitions, which restrict the ability of an acquiror to acquire a significant amount of our outstanding common shares without shareholder approval, as well as Ohio's merger moratorium statute, which restricts the ability of certain interested shareholders to effect transactions involving us or our assets. In addition, we have a shareholder rights plan that under certain circumstances would significantly impair the ability of third parties to acquire control of us without prior approval of our board of directors. We adopted our current rights plan in 1997 upon the expiration of our 1987 rights plan. Both rights plans were adopted to protect us and our shareholders from potentially coercive takeover practices or takeover bids that are inconsistent with the interests of our company and our shareholders, and not in response to any pending takeover or proposed change in control.

Together, these provisions of the Ohio corporate law and our rights plan may discourage transactions that otherwise could provide for the payment of a premium over prevailing market prices for our common shares and could also limit the price that investors may be willing to pay in the future for our common shares. Further, the designated event purchase feature of the preferred stock may in certain circumstances make more difficult or discourage a takeover of our company.

Table of Contents

The exchange of the preferred stock for the convertible subordinated debentures may be treated as a dividend for U.S. federal income tax purposes.

We have the right, subject to certain conditions, to require holders of preferred stock to exchange their shares for convertible subordinated debentures. Any exchange of the preferred stock for convertible subordinated debentures may be treated as a taxable dividend in the amount of the fair market value of the convertible subordinated debentures at the time of the exchange. Based upon the advice of our counsel, we intend, however, to treat the exchange of preferred stock for our convertible subordinated debentures under the exchange right as generally giving rise to capital gain or loss. We cannot assure you that the IRS or the courts will agree with this treatment.

Risks Relating to the Steel Industry

Increased imports of steel into the United States could adversely impact North American steel sales, which could adversely affect demand for our products and our sales, margins and profitability.

From time to time, global overcapacity in steel manufacturing and a weakening of certain foreign economies, particularly in Eastern Europe, Asia and Latin America, may negatively impact steel prices in those foreign economies and result in high levels of steel imports from those countries into the United States at depressed prices. Based on the American Iron and Steel Institute's Apparent Steel Supply (excluding semi-finished steel products), imports of steel into the United States constituted 15.8 percent, 20.4 percent and 20.2 percent of the domestic steel market supply for 2003, 2002 and 2001, respectively. Significant imports of steel into the United States have substantially reduced sales, margins and profitability of North American steel producers, and therefore, have reduced demand for iron ore. The purchase by North American steel producers of semi-finished steel products from foreign suppliers also will decrease demand for our iron ore products.

The U.S. government established various protective actions during 2001 and 2002, including the enactment of various steel import quotas and tariffs, which contributed to a decrease of some steel imports during 2002. However, on December 4, 2003, these steel import quotas and tariffs were lifted. At this time it is uncertain how the lifting of these measures will affect the North American steel industry, but the removal of these measures may lead to a resurgence of steel imports and result in downward pressure on North American steel prices. The decreased North American steel sales could decrease demand for iron ore products and have a substantial negative impact on our sales, margins and profitability.

Natural disasters, equipment failures and other unexpected events may lead our steel industry customers to curtail production or shut down their operations.

Operating levels at our steel industry customers are subject to conditions beyond their control, including raw material shortages, weather conditions, natural disasters, interruptions in electrical power or other energy services, interruptions in transportation services, equipment failures, strikes, lock-outs and other unexpected events. Any of those events could also affect other suppliers to the North American steel industry. In either case, those events could cause our steel industry customers to curtail production or shut down a portion or all of their operations, which could reduce their demand for our iron ore products. For example, in late 2003, a fire occurred in a mine of a major coal supplier to United States Steel Corporation, or U.S. Steel, which supplies a majority of the coke, a processed form of coal, used by our steel industry customers to operate their blast furnaces. The fire caused U.S. Steel to curtail its production of coke, and to reduce its coke shipments to at least two of our steel industry customers. As a result, one of our steel industry customers had to curtail its steel production, and its demand for our iron ore products decreased. Accordingly, as discussed below, that customer invoked the force majeure provision of its term supply agreement with us and reduced its requirements for our iron ore products in the first quarter of 2004 by 180,000 long tons. Another of our steel industry customers announced that it is exploring alternatives, including temporary curtailments of some of its steel-making operations, in order to deal with the coke shortage. Production of steel by our other steel industry customers may also be adversely affected by the failure of U.S. Steel to ship adequate supplies of coke to them. Decreased demand for our iron ore products could adversely affect our sales, margins and profitability.

Table of Contents

If the rate of steel consumption in China slows, the demand for iron ore could decrease.

Although we do not have significant international sales, the price of iron ore is strongly influenced by international demand. The current growing level of international demand for iron ore and steel is largely due to the rapid industrial growth in China. A large quantity of steel is currently being used in China to build roads, bridges, railroads and factories. If the economic growth rate in China slows, which may be difficult to forecast, less steel will be used in construction and manufacturing, which would decrease demand for iron ore. Additionally, according to the Wall Street Journal, China has begun to tighten its monetary policies in an attempt to curb an excessive credit expansion that has helped to finance high levels of investment. Several economists have opined that China's central bank eventually will be forced to raise interest rates in a bid to slow China's economic expansion. This could adversely impact the world iron ore market, which would impact the North American iron ore market, and could also adversely impact our United Taconite LLC, or United Taconite, joint venture with Laiwu Steel Group Ltd., or Laiwu, of China.

Our sales, margins and profitability may be significantly affected by the bankruptcy or reorganization of our customers.

The volatility, fluctuating prices, level of imports and low demand affecting the North American steel industry have severely impacted the ability of many North American steelmakers to generate profits. Many North American steelmakers, particularly large integrated steel producers, have been hampered with significant legacy costs, particularly underfunded pension obligations and significant retiree health obligations. Since 1997, approximately 49 North American steelmakers have filed for bankruptcy, reorganization, restructuring or similar protection including Acme Steel Corporation, Algoma Steel Inc., Bethlehem Steel Corporation, Geneva Steel Holdings Corp., Gulf States Steel, LTV Steel Company, National Steel Corporation, Slater Steel Inc. and Wheeling-Pittsburgh Steel Corporation. Since May 2003, four of our North American steel industry customers, WCI Steel Inc., or WCI, Weirton, Rouge Industries, Inc., and Stelco Inc. have petitioned for protection under bankruptcy or other similar laws.

Financially distressed customers may be unable to perform under their agreements with us and, if they file for protection under bankruptcy or other similar laws, they may be able to reject their agreements with us pursuant to the operation of those laws. Such laws may enable a customer under bankruptcy protection to reject its existing term supply agreement with us, which may adversely affect our sales and profitability. In effect, such laws may allow the customer (or a party that might acquire the customer's business through the bankruptcy process) to renegotiate the customer's existing term supply agreement with us or to pursue arrangements with another pellet supplier without penalty.

In June 2004, WCI proposed a chapter 11 plan of reorganization. Also during June 2004, Wilmington Trust Company, as successor indenture trustee for \$300 million principal amount of senior notes of WCI secured by substantially all real property, plant and equipment owned by WCI, together with certain holders of the senior notes, proposed a chapter 11 plan of reorganization, which is a competing plan to the plan proposed by WCI. A hearing before the bankruptcy court on the confirmation of the competing plans is scheduled to commence on July 21, 2004. Accordingly, we cannot determine at this time whether or not one of the competing plans will be confirmed. Moreover, the specific treatment of our claim against WCI and the ongoing supplier relationship between us and WCI has not been resolved at this time. Additionally, we cannot assure that WCI and Stelco will successfully emerge from bankruptcy or restructuring or that they will continue to meet their obligations under their agreements with us. We currently have trade receivable exposure of \$4.9 million to WCI (which was reserved against in the third quarter of 2003). The bankruptcy or reorganization of our largest customers could have a significant impact on our sales, margins and profitability.

Our ISG shares are subject to lock-up provisions, and we cannot predict the value of those shares if we sell them after those provisions lapse.

We currently own approximately 5.5 million shares of ISG's common stock (5.0 million owned directly and .5 million through pension fund investments), which represented approximately 5.6 percent of the

Table of Contents

outstanding ISG shares as of March 31, 2004. As of June 29, 2004, the closing trading price for the ISG common stock was \$29.98 per share.

Our ability to sell our ISG shares may be restricted by applicable federal securities laws and the terms of the ISG registration rights agreement, which impose 180-day lock-up periods under some circumstances in the event ISG conducts additional primary or secondary offerings. We cannot assure you that we will sell our ISG shares or that any sale of our ISG shares will result in a gain to us. If we do sell our ISG shares, we may sell only limited quantities of the shares.

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

The USWA represents all hourly employees at our Empire, Hibbing, Tilden and United Taconite mines, as well as the Wabush mine in Canada. The collective bargaining agreements for the employees at the Empire, Hibbing, Tilden and United Taconite mines will expire on August 1, 2004, and the collective bargaining agreements for the employees at the Wabush mine expired on March 1, 2004. As noted in Business Recent Developments USWA Negotiations, while we and the USWA have reached tentative agreement on a number of issues, additional bargaining will be required to resolve the challenging issues which remain, and we may not be able to reach a new agreement before August 1, 2004. Hourly employees at the railroads we own that transport products among our facilities are represented by multiple unions with labor agreements that expire at various dates. If the collective bargaining agreements relating to the employees at our mines are not successfully renegotiated in a timely manner, we could face work stoppages or labor strikes.

The workforce at our Northshore mine is currently not represented by a union. If our Northshore operations were to become unionized, we would incur an increased risk of work stoppages, reduced productivity and higher labor costs.

Table of Contents

FORWARD-LOOKING STATEMENTS

This prospectus 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, estimates, intends, may, will or similar terms. These statements speak only as of the date of this prospectus 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 prospectus 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 those described under Risk Factors beginning on page 8 of this prospectus and in Management's Discussion and Analysis of Financial Conditions and Results of Operations Risks Relating to the Company in our Annual Report on Form 10-K for the fiscal year ended December 31, 2003. You are urged to carefully consider these factors. All forward-looking statements attributable to us are expressly qualified in their entirety by the foregoing cautionary statements.

Table of Contents**USE OF PROCEEDS**

All sales of the preferred stock, the convertible subordinated debentures and common shares will be by or for the account of the selling securityholders named in this prospectus or in any amendment or supplement to this prospectus. We will not receive any proceeds from the sale by any selling securityholder of the preferred stock, the issue of or subsequent sale by any selling securityholder of the convertible subordinated debentures that may be issued in exchange for the preferred stock or the issue of or subsequent sale by any selling securityholder of the common shares issuable upon exercise of the conversion privilege attached to the preferred stock or convertible subordinated debentures.

We used approximately \$25.0 million of the net proceeds from the private placement of the preferred stock to repay all our outstanding senior notes due December 15, 2004, which as of January 1, 2004 had an interest rate of 9.5% per year. We have used approximately \$25.4 million of the remaining net proceeds to fund our underfunded salaried pension plans and intend to use at least an additional \$19.6 million for pension funding in 2004. We expect to use any remaining proceeds from that private placement for working capital and general corporate purposes, including capital expenditures, increased investments in our existing mines and additional contributions to our pension plans.

RATIO OF EARNINGS TO COMBINED FIXED CHARGES**AND PREFERRED STOCK DIVIDEND REQUIREMENTS**

The following table sets forth our consolidated ratios of earnings to combined fixed charges and preferred stock dividend requirements for the periods shown.

	Three Months	Year Ended December 31,				
	Ended March 31, 2004	2003	2002	2001	2000	1999
Ratio of earnings to combined fixed charges and preferred stock dividend requirements	(1)	(2)	(3)	(4)	3.5x	2.1x

- (1) For the three months ended March 31, 2004, earnings were inadequate to cover fixed charges and preferred stock dividend requirements. We would need an additional \$1.6 million of earnings in order to cover our fixed charges and preferred stock dividend requirements.
- (2) For the year ended December 31, 2003, earnings were inadequate to cover fixed charges. We would need an additional \$35.1 million of earnings in order to cover our fixed charges.
- (3) For the year ended December 31, 2002, earnings were inadequate to cover fixed charges. We would need an additional \$58.6 million of earnings in order to cover our fixed charges.
- (4) For the year ended December 31, 2001, earnings were inadequate to cover fixed charges. We would need an additional \$28.7 million of earnings in order to cover our fixed charges.

For purposes of determining the ratios of earnings to combined fixed charges and preferred stock dividend requirements and the insufficiency of earnings to cover combined fixed charges and preferred stock dividend requirements, earnings are defined as income (loss) from continuing operations before income taxes, less interest capitalized, less undistributed earnings of non-consolidated affiliates plus fixed charges and preferred stock dividends. Fixed charges consist of interest expenses on all indebtedness and that portion of operating lease rental expense that is representative of the interest factor. Preferred stock dividend requirements consist of the amount of pre-tax earnings that is required to pay the dividends on the outstanding preferred stock.

RATIO OF EARNINGS TO FIXED CHARGES

Because we had no preferred stock dividend requirements prior to the issuance of our preferred stock, our consolidated ratios of earnings to fixed charges for the years ended December 31, 2000 and 1999 and the deficiency of our earnings to cover our fixed charges for the years ended

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December 31, 2003, 2002 and 2001 are the same as our consolidated ratios of earnings to combined fixed charges and preferred stock dividend requirements for the years ended December 31, 2000 and 1999 and the deficiency of our earnings to cover combined fixed charges and preferred stock dividend requirements for the years ended December 31, 2003, 2002 and 2001. See Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividend Requirements. For the three months ended March 31, 2004, our earnings were inadequate to cover fixed charges. We would need an additional \$.5 million of earning in order to cover our fixed charges.

Table of Contents

DESCRIPTION OF PREFERRED STOCK

The shares of preferred stock are to be issued pursuant to the terms of our amended articles of incorporation. The preferred stock, and the common shares issuable upon conversion of the preferred stock, will be covered by a registration rights agreement. You may request a copy of our amended articles of incorporation and the registration rights agreement from us in the manner described above under [Where You Can Find More Information](#).

The following description is a summary of the material provisions of the preferred stock, our amended articles of incorporation related to the preferred stock and the registration rights agreement. It does not purport to be complete. This summary is subject to and is qualified by reference to all the provisions of our amended articles of incorporation, including the definitions of terms used in our amended articles of incorporation and the registration rights agreement. Wherever particular provisions or defined terms of our amended articles of incorporation or the registration rights agreement are referred to, these provisions or defined terms are incorporated in this prospectus by reference. We urge you to read our amended articles of incorporation because it, and not this description, defines your rights as a holder of shares of preferred stock.

General

Under our amended articles of incorporation, our board of directors is authorized to issue up to 3,000,000 shares of Serial Preferred Stock, Class A, without par value (the [Class A Preferred Stock](#)), of which 2,975,226 shares may be issued as convertible shares, in one or more series, with such rights and restrictions as set forth as the express terms of the [Class A Preferred Stock](#) in our amended articles of incorporation and with such additional provisions as our board of directors may determine, including dividend, redemption, sinking fund, liquidation and conversion rights, and additional restrictions. The preferred stock constitutes a separate series of the [Class A Preferred Stock](#). We also have authorized 4,000,000 shares of Serial Preferred Stock, Class B, without par value (the [Class B Preferred Stock](#)). Immediately prior to the offering, no shares of [Class A Preferred Stock](#) or [Class B Preferred Stock](#) were outstanding.

On January 21, 2004, we issued 172,500 shares of our 3.25% Redeemable Cumulative Convertible Perpetual Preferred Stock without par value and with a liquidation preference of \$1,000 per share. The shares of preferred stock were validly issued, fully paid and nonassessable.

The holders of the shares of preferred stock have no preemptive rights. Under Ohio law, we may not:

pay dividends (a) if the dividends exceed the sum of (1) our surplus (as defined and calculated under Ohio law) and (2) the difference between (A) the reduction in surplus that would result from the immediate recognition of the transition obligation under Statement of Financial Accounting Standards No. 106 and (B) the aggregate amount of the transition obligation that would have been recognized as of the date of declaration had we elected to amortize our recognition of such obligation, (b) to the holders of shares of any class in violation of the rights of the holders of any other class and (c) when we are insolvent or there is a reasonable ground to believe that by such payment we would be rendered insolvent, and

redeem the preferred stock, whether we pay the redemption price in cash or our common shares, or exchange the preferred stock for convertible subordinated debentures if (a) immediately thereafter our assets would be less than our liabilities plus our stated capital, if any, (b) we would be insolvent or (c) there is a reasonable ground to believe that by such redemption or exchange we would be rendered insolvent.

When any portion of a dividend or distribution is paid out of capital surplus, we must notify the shareholders receiving the dividend or distribution as to the kind of surplus out of which the dividend or distribution is paid.

Table of Contents

Ranking

The preferred stock, with respect to rights to dividends and distributions in the event of a voluntary or involuntary liquidation, dissolution or winding up of our company, ranks:

junior to all our existing and future debt obligations;

junior to senior stock, which is all of our shares in respect of which the rights of the holders thereof either as to the payment of dividends or as to distributions in the event of our voluntary or involuntary liquidation, dissolution or winding up are given preference over the rights of the holders of Class A Preferred Stock;

on a parity with parity stock, which is all shares of Class B Preferred Stock and all of our other shares in respect of which the rights of the holders thereof (i) are not given preference over the rights of the holders of Class A Preferred Stock either as to the payment of dividends or as to distributions in the event of our voluntary or involuntary liquidation, dissolution or winding up and (ii) either as to the payment of dividends or as to distribution in the event of our voluntary or involuntary liquidation, dissolution or winding up, or as to both, rank on an equality (except as to the amounts fixed therefor) with the rights of the holders of Class A Preferred Stock;

senior to junior stock, which is all of our shares in respect of which the rights of the holders thereof both as to the payment of dividends and as to distributions in the event of our voluntary or involuntary liquidation, dissolution or winding up are junior and subordinate to the rights of the holders of the Class A Preferred Stock, including our common shares; and

effectively junior to all of our subsidiaries (i) existing and future liabilities and (ii) capital stock held by others.

The term senior stock includes warrants, rights, calls or options exercisable for or convertible into that type of stock. We currently have no authorized or outstanding senior stock.

Dividends

Holders of the shares of preferred stock, in preference to the holders of common shares and of any other class of shares ranking junior to the preferred stock, are entitled to receive, when and as declared by our board of directors, out of funds legally available therefor, cumulative cash dividends on each outstanding share of preferred stock at the annual rate of 3.25% of the liquidation preference per share. The dividend rate is initially equivalent to \$32.50 per share annually. If we fail to pay or to set apart funds to pay, dividends on the preferred stock for any quarterly dividend period, then holders of preferred stock will be entitled to receive, when and as declared by our board of directors, out of funds legally available therefor, cash dividends at the rate per annum equal to:

$$3.25\% + [N * (3.25\%²) * 0.25]$$

where:

N = the number of quarterly dividend periods for which we have failed to pay or to set apart funds to pay dividends on the preferred stock, for each subsequent quarterly dividend period until we have paid or provided for the payment of all dividends on the preferred stock for all dividend periods up to and including the dividend payment date on which the accumulated and unpaid dividends are paid in full. The right of holders of the shares of preferred stock to receive dividend payments is subject to the rights of any holders of shares of senior stock and parity stock.

Dividends are payable quarterly in arrears on January 15, April 15, July 15 and October 15 of each year, beginning on April 15, 2004. If any of those dates is not a business day, then dividends will be payable on the next succeeding business day. Dividends will accumulate from the most recent date as to which dividends will have been paid or, if no dividends have been paid, from the date of original issuance of the preferred stock. Dividends are payable to holders of record as they appear in our stock records at the close of business on

Table of Contents

January 1, April 1, July 1 and October 1 of each year or on a record date that may be fixed by our board of directors and that will be not more than 60 days nor fewer than ten days before the applicable quarterly dividend payment date. Dividends will be cumulative from each quarterly dividend payment date, whether or not we have funds legally available for the payment of those dividends.

Dividends payable on the shares of preferred stock for any period shorter than a full quarterly period will be computed on the basis of a 360-day year consisting of twelve 30-day months. Dividends on the shares of preferred stock will be payable in cash. Accumulated unpaid dividends will not bear interest.

No dividend may be paid upon or set apart for any shares of preferred stock on any dividend payment date unless (i) all dividends upon all Class A Preferred Stock then outstanding and all classes of senior stock and parity stock then outstanding for all dividend payment dates prior to such date have been paid or funds therefor set apart and (ii) at the same time a like dividend upon all series of Class A Preferred Stock then outstanding and all classes of senior stock and parity stock then outstanding and having a dividend payment date on such date, ratably in proportion to the respective dividend rates of such series or class, is paid or funds therefor set apart.

In no event so long as any preferred stock is outstanding will any dividends, except a dividend payable in common shares or other junior stock, be paid or declared or any distribution be made except as aforesaid on the common shares or other junior stock, nor may any common shares or other junior stock be purchased, retired or otherwise acquired by us (except out of the proceeds of the sale of common shares or other junior stock received by us on or subsequent to the date on which shares of any series of preferred stock are first issued), unless (i) all accrued and unpaid dividends upon all Class A Preferred Stock then outstanding for all dividend payment dates on or prior to the date of such action have been paid or funds therefor set apart and (ii) as of the date of such action there are no arrearages with respect to the redemption of Class A Preferred Stock of any series from any sinking fund provided for shares of such series.

Holders of the preferred stock will not have any right to receive dividends that we may declare on our common shares, unless the record date for the payment of such dividends falls on or after the conversion date (as defined below) for such holder's shares of preferred stock.

Conversion Rights

General

Each share of preferred stock will be convertible, only on or after the occurrence of the conversion triggering events described below at the option of the holder, into fully paid and nonassessable common shares at a conversion rate of 16.1290 shares, subject to adjustments as described under **Adjustments to the Conversion Rate**.

A holder of shares of the preferred stock may convert any or all of those shares by surrendering to us at our principal office or at the office of our transfer agent the certificate or certificates for those shares of the preferred stock accompanied by a written notice stating that the holder elects to convert all or a specified whole number of those shares in accordance with the provisions described in this prospectus and specifying the name or names in which the holder wishes the certificate or certificates for common shares to be issued. As promptly as practicable after the surrender of that certificate or certificates and the receipt of the notice relating to the conversion and payment of all required transfer taxes, if any, we will deliver or cause to be delivered (a) certificates representing the number of validly issued, fully paid and nonassessable full common shares to which the holder, or the holder's transferee, of shares of the preferred stock being converted will be entitled and (b) if less than the full number of shares of preferred stock evidenced by the surrendered certificate or certificates is being converted, a new certificate or certificates, of like tenor, for the number of shares evidenced by the surrendered certificate or certificates less the number of shares being converted. This conversion will be deemed to have been made at the close of business on the date of giving the notice and of surrendering the certificate or certificates representing the shares of preferred stock to be converted (the **conversion date**) so that the rights of the holder thereof as to the shares being converted will cease except

Table of Contents

for the right to receive common shares, and the person entitled to receive the common shares will be treated for all purposes as having become the record holder of those common shares at that time.

In lieu of the foregoing procedures, if the preferred stock is held in global form, you must comply with the procedures of The Depository Trust Company (DTC) to convert your beneficial interest in respect of preferred stock evidenced by a global share of preferred stock.

In case any shares of preferred stock are to be redeemed, the right to convert those shares of the preferred stock will terminate at 5:00 p.m., New York City time, on the business day immediately preceding the date fixed for redemption unless we default in the payment of the redemption price of those shares.

We will at all times reserve and keep available, free from preemptive rights out of our authorized but unissued shares or treasury shares, for issuance upon the conversion of shares of preferred stock, a number of our authorized but unissued common shares that will from time to time be sufficient to permit the conversion of all outstanding shares of preferred stock.

Before the delivery of any securities that we will be obligated to deliver upon conversion of the preferred stock, we will comply with all applicable federal and state laws and regulations that require action to be taken by us. All common shares delivered upon conversion of the preferred stock will upon delivery be duly and validly issued, fully paid and nonassessable, free of all liens and charges and not subject to any preemptive rights.

Effect of Conversion on Dividends. If a holder of shares of preferred stock exercises conversion rights, upon delivery of the shares for conversion, those shares will cease to cumulate dividends as of the end of the day immediately preceding the date of conversion. Holders of shares of preferred stock who convert their shares into our common shares will not be entitled to, nor will the conversion rate be adjusted for, any accumulated and unpaid dividends, which will instead be cancelled. Accordingly, shares of preferred stock surrendered for conversion after the close of business on any record date for the payment of dividends declared and before the opening of business on the dividend payment date relating to that record date must be accompanied by a payment in cash of an amount equal to the dividend payable in respect of those shares for the dividend period in which the shares are converted. A holder of shares of preferred stock on a dividend payment record date who converts such shares into common shares on the corresponding dividend payment date will be entitled to receive the dividend payable on such shares of preferred stock on such dividend payment date.

Notwithstanding the foregoing, if shares of preferred stock are converted during the period between the close of business on any dividend payment record date and the opening of business on the corresponding dividend payment date, and we have called such shares of preferred stock for redemption during the period between the close of business on any dividend payment record date and the close of business on the corresponding dividend payment date, or we have specified a designated event purchase date during such period, the holder who tenders such shares for conversion will receive the dividend payable on such dividend payment date and need not include payment of the amount of such dividend upon surrender of shares of preferred stock for conversion.

Fractional Shares. In connection with the conversion of any shares of preferred stock, no fractional common shares will be issued, but we will pay a cash adjustment in respect of any fractional interest in an amount equal to the fractional interest multiplied by the closing sale price of our common shares (as defined under Events Triggering Conversion Rights Conversion Rights Based on Trading Price of Our Common Shares) on the date the shares of preferred stock are surrendered for conversion.

Conversion Cap. No holder of preferred stock may convert such number of shares of preferred stock if, as a result of such conversion, the common shares held by such holder immediately after conversion, together with all other common shares owned by such holder, would entitle such holder to exercise or direct the exercise of 20% or more of the voting power in the election of our directors without complying with section 1701.831 of the Ohio Revised Code. See Description of Other Capital Stock Ohio Control Share Statute.

Table of Contents

Events Triggering Conversion Rights

A holder's right to convert its shares of preferred stock will arise only upon the occurrence of the events specified in this section.

Conversion Rights Based on Trading Price of Our Common Shares. A holder may surrender shares of preferred stock for conversion into common shares during any fiscal quarter after the fiscal quarter ending March 31, 2004 (and only during such fiscal quarter) if the closing sale price of our common shares for at least 20 trading days in a period of 30 consecutive trading days ending on the last trading day of the immediately preceding fiscal quarter is more than 110% of the conversion price on such trading day. If this closing sale price condition is not satisfied at the end of any fiscal quarter, then conversion pursuant to this provision will not be permitted in the following fiscal quarter. The conversion price as of any day will equal the liquidation preference divided by the conversion rate in effect on such date.

Conversion Upon Satisfaction of Trading Price Condition. Holders may surrender their shares of preferred stock for conversion into common shares during the five business day period after any five consecutive trading-day period in which the trading price of the preferred stock for each day of that five trading day period was less than 98% of the product of the closing sale price of our common shares and the conversion rate in effect on each such day.

Conversion Rights Upon Notice of Redemption. A holder may surrender for conversion any or all shares of preferred stock that have been called for redemption at any time prior to 5:00 p.m., New York City time, on the business day immediately preceding the date of redemption, even if the preferred stock is not otherwise convertible at that time.

Conversion Rights Upon Occurrence of Certain Corporate Transactions. If we are party to a consolidation, merger, binding share exchange or sale of all or substantially all of our assets, in each case pursuant to which our common shares would be converted into cash, securities or other property, a holder may surrender shares of preferred stock for conversion into common shares at any time from and after the date that is 15 days prior to the anticipated effective date of the transaction until 15 days after the actual date of such transaction (or, if such consolidation, merger, binding share exchange or sale also constitutes a designated event, until the designated event purchase date) and, at the effective time, the right to convert shares of preferred stock into common shares will be changed into a right to convert such preferred stock into the kind and amount of cash, securities or other property of us or another person that the holder would have received if the holder had converted the holder's preferred stock immediately prior to the transaction. If such transaction also constitutes a designated event, the holder will be able to require us to purchase all or a portion of such holder's preferred stock as described under Designated Event Requires Us to Purchase Shares of Preferred Stock at the Option of the Holder.

If we elect to:

distribute to all holders of our common shares rights or warrants entitling them to purchase, for a period expiring within 45 days of the record date for such distribution, our common shares at less than the average closing sale price for the ten consecutive trading days immediately preceding the declaration date for such distribution; or

distribute to all holders of our common shares, cash, assets, debt securities or rights to purchase our securities, which distribution has a per share value exceeding 5% of the closing sale price of our common shares on the day immediately preceding the declaration date for such distribution;

we must notify you at least 20 days prior to the ex-dividend date for such distribution. Once we have given such notice, you may surrender your shares of preferred stock for conversion at any time until the earlier of the close of business on the business day immediately preceding the ex-dividend date or any announcement by us that such distribution will not take place. No adjustment to the conversion rate will be made and you will not be able to convert pursuant to this provision if you otherwise participate in the distribution without conversion.

Table of Contents

Upon determination that preferred stock holders are or will be entitled to convert their preferred stock into common shares in accordance with any of the foregoing provisions, we will issue a press release and publish such information on our website on the World Wide Web.

Adjustments to the Conversion Rate

The conversion rate is subject to adjustment from time to time if any of the following events occur:

dividends or distributions on common shares payable in common shares;

subdivisions or combinations of common shares;

distributions to all holders of common shares of rights or warrants entitling them to purchase, for a period expiring within 45 days of the record date for such distribution, our common shares at less than the average closing sale price for the ten consecutive trading days immediately preceding the declaration date for such distribution;

distributions to all holders of our common shares of shares of our capital stock, evidences of indebtedness or assets, including cash or securities but excluding rights or warrants specified above and dividends or distributions specified above.

If we distribute to all holders of our common shares capital stock of, or similar equity interests in, a subsidiary or other business unit of ours, then, unless we distribute such capital stock or similar equity interests to holders of the preferred stock in such distribution, the conversion rate will be adjusted based on the market value of the securities so distributed relative to the market value of our common shares, in each case based on the average closing sales price of those securities (where such closing sale prices are available) for the ten consecutive trading days commencing on and including the fifth trading day after the date on which ex-dividend trading commences for such distribution on the New York Stock Exchange, Nasdaq National Market or such other national or regional exchange or market on which the securities are then listed or quoted.

If we distribute cash to all holders of our common shares, excluding any dividend or distribution in connection with our liquidation, dissolution or winding up, the conversion rate will be adjusted by multiplying:

the applicable conversion rate by

a fraction, the numerator of which will be the current market price of our common shares on the record date for such dividend or distribution and the denominator of which will be the current market price of our common shares on such record date minus the amount per share of such dividend or distribution.

we or any of our subsidiaries makes a payment in respect of a tender offer or exchange offer for our common shares to the extent that the cash and value of any other consideration included in the payment per common share exceeds the closing sale price per common share on the trading day next succeeding the last date on which tenders or exchanges may be made pursuant to such tender or exchange offer; or

someone other than us or one of our subsidiaries makes a payment in respect of a tender offer or exchange offer in which, as of the closing date of the offer, our board of directors is not recommending rejection of the offer.

The adjustment referred to in the immediately preceding clause will only be made if:

the tender offer or exchange offer is for an amount that increases the offeror's ownership of common shares to more than 25% of the total common shares outstanding; and

the cash and value of any other consideration included in the payment per common share exceeds the closing sale price per common share on the trading day next succeeding the last date on which tenders or exchanges may be made pursuant to the tender or exchange offer.

Table of Contents

However, the adjustment referred to in this clause will generally not be made if as of the closing of the offer, the offering documents disclose a plan or an intention to cause us to engage in a consolidation or merger or a sale of all or substantially all of our assets.

Current market price of our common shares on any day means the average of the closing price per common share for each of the ten consecutive trading days ending on the earlier of the day in question and the day before the ex-date with respect to the issuance or distribution requiring such computation. For purposes of this paragraph, ex-date means the first date on which the common shares trade on the applicable exchange or in the applicable market, regular way, without the right to receive such issuance or distribution.

We have adopted a rights plan dated September 19, 1997, as amended, pursuant to which certain rights were issued with respect to our common shares. You will receive, upon conversion of your preferred stock, in addition to the common shares, the rights associated with the common shares under the rights plan or any other rights plan then in effect unless, prior to conversion, the rights have expired, terminated or been redeemed or unless the rights have separated from the common shares at the time of conversion, in which case the conversion rate will be adjusted at the time of separation as if we had distributed to all holders of our common shares, shares of our capital stock, evidences of indebtedness or assets as described under the fourth bullet point above, subject to readjustment in the event of the expiration, termination or redemption of such rights.

In the event of:

any reclassification of our common shares;

a consolidation, merger or combination involving us; or

a sale or conveyance to another person or entity of all or substantially all of our property and assets;

in which holders of our common shares would be entitled to receive stock, other securities, other property, assets or cash for their common shares, upon conversion of your preferred stock you will be entitled to receive the same type of consideration that you would have been entitled to receive if you had converted the preferred stock into our common shares immediately prior to any of these events.

In case of any reclassification or change of the preferred stock (except a split or combination, or a change in par value), provision shall be made as part of the terms of such reclassification or change that you will receive upon the conversion, with substantially the same protection against dilution as is currently provided, the same kind and amount of stock and other securities and property that you would have owned or been entitled to receive upon the happening of any of the events described above if you had converted immediately prior to the occurrence of the event.

In case we are consolidated with or shall merge into any other corporation, provision shall be made as a part of the terms of such consolidation or merger whereby you shall be entitled to such conversion rights with respect to securities of the resulting company as shall be substantially equivalent to your current conversion rights; *provided, however*, that such right shall be deemed to be satisfied if such consolidation or merger shall be approved by the holders of Class A Preferred Stock in accordance with our amended articles of incorporation.

You may in certain situations be deemed to have received a distribution subject to United States federal income tax as a dividend in the event of any taxable distribution to holders of common shares or in certain other situations requiring a conversion rate adjustment. We may, from time to time, increase the conversion rate if our board of directors has made a determination that this increase would be in our best interests. Any such determination by our board will be conclusive. In addition, we may increase the conversion rate if our board of directors deems it advisable to avoid or diminish any income tax to holders of common shares resulting from any stock or rights distribution. See Certain Federal Income Tax Consequences U.S. Holders Preferred Stock and Common Shares Deemed Distributions and Certain Federal Income Tax Consequences Non-U.S. Holders Preferred Stock and Common Shares Deemed Distributions.

Table of Contents

We will not be required to make an adjustment in the conversion rate unless the adjustment would require a change of at least 1% in the conversion rate. However, we will carry forward any adjustments that are less than 1% of the conversion rate. Except as described above in this section, we will not adjust the conversion rate for any issuance of our common shares or convertible or exchangeable securities or rights to purchase our common shares or convertible or exchangeable securities. We will also not adjust the conversion rate for any repurchases of our common shares not expressly described above, such as open market stock repurchases or repurchases of common shares or options from employees.

Optional Redemption

We may not redeem any shares of preferred stock before January 20, 2009. On or after January 20, 2009, we will have the option to redeem some or all the shares of preferred stock at a redemption price of 100% of the liquidation preference, plus accumulated and unpaid dividends, and liquidated damages, if any, to the redemption date, but only if the closing sale price of our common shares for 20 trading days within a period of 30 consecutive trading days ending on the trading day before the date we give the redemption notice exceeds 135% of the conversion price in effect on each such day. If full cumulative dividends on the preferred stock are not paid, the preferred stock may not be redeemed, and we may not purchase or acquire any shares of preferred stock otherwise than pursuant to a purchase or exchange offer made on the same terms to all holders of preferred stock and any parity stock.

Unless (a) the redemption is in accordance with a stock purchase offer made to all holders of Class A Preferred Stock or (b) all applicable dividends on all Class A Preferred Stock have been declared and paid or funds therefor set apart and all accrued sinking fund obligations applicable thereto shall have been complied with, a partial redemption may only be effected with the consent of the holders of two-thirds of the Class A Preferred Stock then outstanding. See Voting Rights.

Form of Redemption Payment. We may elect to pay the redemption price in cash, our common shares or a combination of cash and our common shares. The number of common shares a holder will receive will equal the redemption price divided by 97.5% of the average of the closing sale prices of our common shares for the ten consecutive trading days ending on the fifth trading day prior to the redemption date. However, we may not pay the purchase price in common shares or a combination of common shares and cash unless we satisfy certain conditions prior to the redemption date as provided in our amended articles of incorporation, including:

registration of the common shares to be issued upon redemption under the Securities Act and the Exchange Act, if required;

qualification of the common shares to be issued upon redemption under applicable state securities laws, if necessary, or the availability of an exemption therefrom; and

listing of our common shares on a United States national securities exchange or quotation thereof in an inter-dealer quotation system of any registered United States national securities association.

Mechanics of Redemption. In the event of an optional redemption, we will send a written notice of such redemption by first class mail to each holder of record of the preferred stock at such holder's registered address, not fewer than 30 nor more than 60 days prior to the redemption date, stating, among other things, whether the redemption price will be paid in cash or common shares, or a combination and, if a combination, specifying the portions payable in cash and common shares. In addition, we will:

publish such information once in a daily newspaper printed in the English language and of general circulation in the Borough of Manhattan, City of New York;

issue a press release containing such information; and

publish such information on our website on the World Wide Web.

Because the average closing sale price of our common shares will be determined prior to the redemption date, holders of preferred stock bear the market risk that our common shares will decline in value between the

Table of Contents

date the average closing sale price is calculated and the redemption date. In addition, because the number of our common shares that you will receive upon any redemption for shares is based on the average closing sale price for a ten trading day period, the market value of those shares on the date of receipt may be less than the value of those shares based on the average closing sale price.

If we give notice of redemption, then we shall, on the redemption date, before 12:00 p.m., New York City time, to the extent funds are legally available, with respect to:

shares of preferred stock held by DTC or its nominees, deposit or cause to be deposited, irrevocably with DTC cash or common shares sufficient to pay the redemption price and will give DTC irrevocable instructions and authority to pay the redemption price to holders of such shares of preferred stock; and

shares of preferred stock held in certificated form, deposit or cause to be deposited, irrevocably with the transfer agent cash or common shares sufficient to pay the redemption price and will give the transfer agent irrevocable instructions and authority to pay the redemption price to holders of such shares of preferred stock upon surrender of their certificates evidencing their shares of preferred stock.

If on the redemption date DTC and the transfer agent hold cash or securities sufficient to pay the redemption price for the shares of preferred stock delivered for redemption in accordance with the terms of our amended articles of incorporation, dividends will cease to accumulate on those shares of preferred stock called for redemption and all rights of holders of such shares will terminate except for the right to receive the redemption price.

Payment of the redemption price for the shares of preferred stock is conditioned upon book-entry transfer of or physical delivery of certificates representing the preferred stock, together with necessary endorsements, to the transfer agent, or to the transfer agent's account at DTC, at any time after delivery of the redemption notice. Payment of the redemption price for the preferred stock will be made:

if book-entry transfer of or physical delivery of the preferred stock has been made by or on the redemption date, on the redemption date; or

if book-entry transfer of or physical delivery of the preferred stock has not been made by or on such date, at the time of book-entry transfer of or physical delivery of the preferred stock.

If the redemption date falls after a dividend payment record date and on or before the related dividend payment date, holders of the shares of preferred stock at the close of business on that dividend payment record date will be entitled to receive the dividend payable on those shares on the corresponding dividend payment date. The redemption price payable on such redemption date will include only the liquidation preference but will not include any amount in respect of dividends declared and payable on such corresponding dividend payment date.

In the case of any partial redemption, we will select, pro rata or by lot, the shares so to be redeemed in such manner as shall be prescribed by our board of directors.

Designated Event Requires Us to Purchase Shares of Preferred Stock at the Option of the Holder

In the event of a designated event (as defined below), you will have the right, at your option, subject to the terms and conditions of our amended articles of incorporation, to require us to purchase any or all of your shares of preferred stock. We will purchase the preferred stock at a price equal to 100% of the liquidation preference of the preferred stock to be purchased plus any accumulated and unpaid dividends, and liquidated damages, if any, to, but excluding, the designated event purchase date (as defined below), unless such designated event purchase date falls after a record date and on or prior to the corresponding dividend payment date, in which case:

we will pay the full amount of accumulated and unpaid dividends payable on such dividend payment date only to the holder of record at the close of business on the corresponding record date; and

Table of Contents

the purchase price payable on the designated event purchase date will include only the liquidation preference, but will not include any amount in respect of dividends declared and payable on such corresponding dividend payment date.

We will be required to purchase the preferred stock as of a date (which we refer to as the designated event purchase date) that is 30 calendar days after we mail to all holders of the preferred stock a notice regarding the designated event as described below. If such thirtieth calendar day is not a business day, the designated event purchase date will be the next succeeding business day.

Unless (a) our purchase in connection with a designated event is made in conjunction with a stock purchase offer to all holders of record of Class A Preferred Stock or (b) all applicable dividends on all Class A Preferred Stock have been declared and paid or funds therefor set apart and all accrued sinking fund obligations applicable thereto shall have been complied with, we may only purchase your preferred stock upon the occurrence of a designated event with the consent of the holders of two-thirds of the Class A Preferred Stock then outstanding. See Voting Rights.

Form of Designated Event Payment. We will pay the purchase price of the preferred stock, at our option, in cash, our common shares or a combination thereof. The number of common shares a holder will receive will equal the purchase price divided by 97.5% of the average of the closing sale prices of our common shares for the ten consecutive trading days ending on the fifth trading day prior to the designated event purchase date. However, we may not pay the purchase price in common shares or a combination of common shares and cash unless we satisfy certain conditions prior to the designated event purchase date as provided in our amended articles of incorporation, including:

registration of the common shares to be issued upon repurchase in the case of a designated event under the Securities Act and the Exchange Act, if required;

qualification of the common shares to be issued upon repurchase in the case of a designated event under applicable state securities laws, if necessary, or the availability of an exemption therefrom; and

listing of our common shares on a United States national securities exchange or quotation thereof in an inter-dealer quotation system of any registered United States national securities association.

If we will pay the purchase price in common shares, we will notify you of such payment in our notice regarding the designated event. Because the average closing sale price of our common shares will be determined prior to the designated event purchase date, holders of preferred stock bear the market risk that our common shares will decline in value between the date the average closing sale is calculated and the purchase date. In addition, because the number of our common shares that you will receive is based on the average closing sale price for a ten trading-day period, the market value of those shares on the date of receipt may be less than the value of those shares based on the average closing sale price.

Definitions

A designated event will be deemed to have occurred upon a fundamental change or a termination of trading.

A fundamental change is any transaction or event (whether by means of an exchange offer, liquidation, tender offer, consolidation, merger, combination, reclassification, recapitalization or otherwise) in connection with which all or substantially all of our common shares are exchanged for, converted into, acquired for or constitute solely the right to receive, consideration that is not all or substantially all common shares that:

are listed on, or immediately after the transaction or event will be listed on, a United States national securities exchange, or

are approved, or immediately after the transaction or event will be approved, for quotation on the Nasdaq National Market or any similar United States system of automated dissemination of quotations of securities prices.

Table of Contents

A termination of trading will be deemed to have occurred if our common shares (or other common shares into which the preferred stock is then convertible) are neither listed for trading on a United States national or regional securities exchange nor approved for quotation on the Nasdaq National Market or any similar United States system of automated dissemination of quotations of securities prices that is a successor thereto.

Mechanics of Designated Event Purchase Right. Within 15 calendar days after the occurrence of a designated event, we are obligated to mail to all holders of preferred stock at their addresses shown in the register of the registrar and to beneficial owners as required by applicable law (and issue a press release and publish on our website on the World Wide Web) a notice regarding the designated event, stating, among other things:

the events causing a designated event;

the date of such designated event;

the last date on which the purchase right may be exercised;

the designated event purchase price and whether that price will be paid in cash or common shares or any specified combination thereof;

the designated event purchase date;

the name and address of the paying agent and the conversion agent;

the conversion rate and any adjustments to the conversion rate;

that the preferred stock with respect to which a designated event purchase notice is given by the holder may be converted only if the designated event purchase notice has been withdrawn in accordance with the terms of the preferred stock; and

the procedures that holders must follow to exercise these rights.

To exercise this right, you must deliver a written notice to the transfer agent prior to the close of business on the business day immediately before the designated event purchase date. The required purchase notice upon a designated event must state:

if certificated shares of preferred stock have been issued, the preferred stock certificate numbers, or if not, such information as may be required under applicable DTC procedures;

the number of preferred shares to be purchased; and

that we are to purchase such preferred stock pursuant to the applicable provisions of the preferred stock and our amended articles of incorporation.

You may withdraw any designated event purchase notice by a written notice of withdrawal delivered to the transfer agent prior to the close of business on the business day before the designated event purchase date. The notice of withdrawal must state:

the number of the withdrawn shares of preferred stock;

if certificated shares of preferred stock have been issued, the preferred stock certificate numbers, or if not, such information as may be required under applicable DTC procedures; and

the number, if any, of shares of preferred stock that remain subject to your designated event purchase notice.

A holder must either effect book-entry transfer or deliver the preferred stock to be purchased, together with necessary endorsements, to the office of the transfer agent after delivery of the designated event purchase notice to receive payment of the designated event purchase price. You will receive payment in cash or common shares, as applicable, on the later of the designated event purchase date or the time of book-entry transfer or the delivery of the preferred stock. If the transfer agent holds cash or securities sufficient to pay the

Table of Contents

designated event purchase price of the preferred stock on the business day following the designated event purchase date, then, immediately after the designated event purchase date:

the shares of preferred stock will cease to be outstanding;

dividends will cease to accrue; and

all other rights of the holder will terminate.

This will be the case whether or not book-entry transfer of the preferred stock is made or whether or not the preferred stock is delivered to the transfer agent.

Other Considerations. The designated event purchase feature of the preferred stock may in certain circumstances make more difficult or discourage a takeover of our company. The designated event purchase feature, however, is not the result of our knowledge of any specific effort:

to accumulate common shares;

to obtain control of our company by means of a merger, tender offer, solicitation or otherwise; or

by management to adopt a series of anti-takeover provisions.

Instead, the terms of the designated event purchase feature resulted from negotiations between the initial purchaser and us.

We could, in the future, enter into certain transactions, including certain recapitalizations, that would not constitute a designated event with respect to the designated event purchase feature of the preferred stock but that would increase the amount of our (or our subsidiaries') outstanding indebtedness.

Our ability to purchase shares of preferred stock upon the occurrence of a designated event is subject to important limitations. Because we are a holding company, our ability to purchase the preferred stock for cash may be limited by restrictions on our ability to obtain funds for such repurchase through dividends from our subsidiaries and the terms of our then existing borrowing agreements. Our ability to repurchase the preferred stock is also subject to restrictions under Ohio law. If a designated event were to occur, we may not have sufficient legally available funds to pay the purchase price in cash for all tendered shares of preferred stock. Any future credit agreements or other agreements relating to our indebtedness may contain provisions prohibiting the purchase of the preferred stock under certain circumstances, or expressly prohibit our purchase of the preferred stock upon a designated event or may provide that a designated event constitutes an event of default under that agreement. If a designated event occurs at a time when we are prohibited from purchasing shares of preferred stock for cash, we could seek the consent of our lenders to purchase the preferred stock or attempt to refinance this debt. If we do not obtain consent, we would not be permitted to purchase the preferred stock, except as described below.

If, following a designated event, we are prohibited from paying the purchase price of the preferred stock in cash under the terms of any indebtedness that we may enter into in the future or by applicable law, we will, if permitted under terms of such indebtedness and under applicable law, elect to pay the purchase price of the preferred stock in common shares or, in the case of a merger in which we are not the surviving corporation, common stock of the surviving corporation or its direct or indirect parent corporation.

We will comply with any applicable provisions of Rule 13e-4 and any other tender offer rules under the Exchange Act in connection with any offer by us to repurchase the preferred stock.

Voting Rights

The holders' shares of preferred stock shall be entitled to one vote for each share of preferred stock held upon all matters presented to our shareholders. Except as otherwise described herein or required by law, the holders of the preferred stock, holders of any future Class A Preferred Stock, if any, and the holders of common shares will vote together as one class on all matters presented to the shareholders.

Table of Contents

If, and so often as, we are in default in the payment of dividends on any series of Class A Preferred Stock (including the preferred stock) at the time outstanding, or funds therefor have not been set apart, in an amount equivalent to six full quarterly dividends on any such series of Class A Preferred Stock (whether or not consecutive and whether or not earned or declared), the holders of all series of Class A Preferred Stock of all series, voting separately as a class and in addition to any other rights which the shares of any series of preferred stock may have to vote for directors, will thereafter be entitled to elect two directors. This special class voting right will remain in effect until all accrued and unpaid dividends on all series of Class A Preferred Stock then outstanding are paid or funds therefor set apart.

If the holders of Class A Preferred Stock become entitled to this special class voting right, the holders of record of at least ten percent (10%) of the shares of Class A Preferred Stock of all series at the time outstanding may request in writing that our Secretary call (or may themselves call) a special meeting of the holders of Class A Preferred Stock for the purpose of electing two directors. We will give notice of any such meeting in the same manner as that required for the annual meeting of shareholders. However, we will not be required to call a special meeting if the annual meeting of shareholders or any other special meeting of shareholders is to be held within 120 days after the date of receipt of the foregoing written request.

At any meeting at which the holders of Class A Preferred Stock are entitled to elect directors pursuant to this special class voting right, the holders of thirty-five percent (35%) of the then outstanding shares of such stock of all series (whether present in person or by proxy) will be sufficient to constitute a quorum, and the vote of the holders of a majority of the shares present will be sufficient to elect the directors that the holders of Class A Preferred Stock are entitled to elect. Any directors elected pursuant to this special class voting right will serve in addition to any other directors then in office or otherwise proposed to be elected. The special class voting right will in no way prevent any change otherwise permitted in the total number of our directors or require the resignation of any director otherwise elected. The directors elected by the holders of the Class A Preferred Stock pursuant to this special voting right will be elected for one-year terms of office expiring at the next succeeding annual meeting of shareholders; however, their terms of office will terminate immediately, and the number of our directors will be reduced accordingly, upon termination of the special voting right.

The affirmative vote of the holders of at least two-thirds of the shares of outstanding Class A Preferred Stock, voting separately as a class, will be necessary to effect any one or more of the following:

- (i) any amendment, alteration or repeal of any of the provisions of our amended articles of incorporation or of our regulations that affects adversely the preference, voting or other rights of the holders of Class A Preferred Stock; *provided, however*, that neither the amendment of our amended articles of incorporation so as to authorize, create or change the authorized or outstanding amount of Class A Preferred Stock, parity stock or junior stock nor the amendment of our regulations so as to change the number of directors on our board shall be deemed to affect adversely the preferences, voting or other rights of the holders of Class A Preferred Stock; *and provided further*, that if such amendment, alteration or repeal affects adversely the preferences, voting or other rights of one or more but not all series of outstanding Class A Preferred Stock, the affirmative vote or consent of the holders of at least two-thirds of the number of outstanding shares of each series so affected, each such affected series voting separately as a series, shall also be required;
- (ii) the authorization, creation or the increase in the authorized amount of any shares of any class of senior stock (or any security convertible into shares of senior stock), unless we have provided the holders of the preferred stock notice that redemption of their stock will occur within 90 days and such redemption will not be effected, in whole or in part, with proceeds from the sale of the senior stock or any security convertible into shares of senior stock; or
- (iii) the purchase or redemption (for sinking fund purposes or otherwise) of less than all of the outstanding Class A Preferred Stock except in accordance with a stock purchase offer made to all holders of record of such stock, unless all dividends on all outstanding Class A Preferred Stock for all previous dividend periods have been declared and paid or funds therefor set apart and all accrued sinking fund obligations applicable thereto have been complied with.

Table of Contents

The affirmative vote of the holders of at least a majority of the shares of outstanding Class A Preferred Stock, voting separately as a class, shall be necessary to effect any one or more of the following:

- (i) to the extent such vote is required pursuant to any applicable statute, our consolidation or merger with or into any other corporation; or
- (ii) the authorization of any parity stock or an increase in the authorized number of shares of Class A Preferred Stock.

Neither the vote, consent nor any adjustment of the voting rights of holders of shares of Class A Preferred Stock (including the preferred stock) shall be required for an increase in the number of common shares authorized or issued or for stock splits of the common shares or for stock dividends on any class of stock payable solely in common shares, and none of the foregoing actions shall be deemed to affect adversely the preferences or voting or other rights of the holders of the Class A Preferred Stock.

Liquidation Preference

Upon any voluntary or involuntary liquidation, dissolution or winding up of our company resulting in a distribution of assets to the holders of any class or series of our capital stock, each holder of shares of preferred stock will be entitled to payment out of our assets available for distribution of an amount equal to:

the liquidation preference per share of preferred stock held by that holder, plus

all then accrued and unpaid dividends on those shares for all dividend payment dates on or prior to the date of payment of the amount due pursuant to such liquidation, dissolution or winding up, plus

if such date is not a dividend payment date, a proportionate dividend, based on the number of elapsed days, for the period from the day after the most recent dividend payment date through the date of payment of the amount due pursuant to such liquidation, dissolution or winding up, before any distribution to the holders of any junior stock, including our common shares, but after any distributions on any of our indebtedness or senior stock.

In case our net assets legally available therefor are insufficient to permit the payment on all outstanding shares of preferred stock and all outstanding shares of parity stock of the full preferential amount to which they are respectively entitled, then we will distribute such net assets ratably upon outstanding shares of preferred stock and all outstanding shares of parity stock in proportion to the full preferential amount to which each such share is entitled. After payment to holders of preferred stock of the full preferential amounts mentioned above, holders of preferred stock as such will have no right or claim to any of our remaining assets.

Our merger or consolidation into or with any other corporation, or the merger of any other corporation into us, or the sale, lease or conveyance of all or substantially all our property or business, will not be deemed to be a dissolution, liquidation or winding up for purposes of the rights described in the above paragraph.

We are not required to set aside any funds to protect the liquidation preference of the shares of preferred stock.

Exchange Right

General. We have the right, subject to certain restrictions, to require all holders of outstanding preferred stock to exchange their preferred stock for our convertible subordinated debentures having a principal amount equal to the liquidation preference of the preferred stock and having a conversion rate and interest rate equal to the conversion rate and dividend rate for the preferred stock. We refer to this right as the exchange right, although under Section 1701.35 of the Ohio Revised Code, this exchange is considered to be a redemption of the preferred stock. The convertible subordinated debentures will be issued under an indenture substantially in the form of Exhibit A to our amended articles of incorporation. The convertible subordinated debentures will be our subordinated debt securities, will be convertible into our common shares, will mature on the thirtieth anniversary of the exchange date (as defined below) and will otherwise have terms and conditions

Table of Contents

substantially similar to the preferred stock, except as described below under Description of the Convertible Subordinated Debentures.

We will only be able to exercise the exchange right if:

on the exchange date, the holders of preferred stock are not entitled to convert their preferred stock into common shares because none of the conditions described under Conversion Rights Events Triggering Conversion Rights have been satisfied;

the closing sale price of our common shares on the trading day immediately preceding the exchange date does not exceed the conversion price on such trading day;

we have legally available funds for such exchange;

we have paid or provided for the payment of all dividends on the preferred stock and all liquidated damages, if any, for all dividend periods ending on or prior to the exchange date;

we have entered into an indenture substantially in the form of Exhibit A to our amended articles of incorporation with a trustee that is a national association or other entity having corporate trust powers, that is organized and doing business under the laws of the United States of America or any state thereof or the District of Columbia and that has a combined capital and surplus of at least \$100 million; and

we deliver to the trustee a certificate of one of our executive officers and an opinion of legal counsel, subject to customary assumptions and exceptions, stating, among other things, that:

the convertible subordinated debentures have been authorized by all necessary corporate action and when executed, authenticated and delivered in exchange for the preferred stock, will constitute valid and binding obligations of ours, enforceable in accordance with their terms;

the execution and delivery by us of our obligations under the convertible subordinated debentures and the indenture will not contravene or cause a default under any provision of applicable law or our amended articles of incorporation or regulations or any agreement or other instrument binding upon us or any of our subsidiaries (including without limitation, our credit agreements) or any judgment, order or decree of any governmental body, agency or court having jurisdiction over us or any of our subsidiaries; and

no consent, approval, authorization or order of, or filing with, any governmental body or agency is required for the performance by us of our obligations under the indenture or the convertible subordinated debentures.

We may only exercise the exchange right in whole and not in part.

Unless (a) the exchange is in accordance with a stock purchase offer made to all holders of record of Class A Preferred Stock or (b) all applicable dividends on all Class A Preferred Stock have been declared and paid or funds therefor set apart and all accrued sinking fund obligations applicable thereto shall have been complied with, a partial redemption may only be effected with the consent of the holders of two-thirds of the Class A Preferred Stock then outstanding. See Voting Rights.

We will need to give you notice that we are exercising the exchange right before we can determine whether all of the conditions to exercise set forth above are satisfied. Accordingly, if any of the conditions to exercise are not satisfied as of the exchange date, we will be prohibited from making the exchange and will not consummate the exchange. In such case, we will issue a press release and publish such information on our website on the World Wide Web. Thereafter, we again will have the right to exercise the exchange right in accordance with the provisions of this section.

Table of Contents

Mechanics of Exchange Right. If we exercise the exchange right, we will provide notice to the trustee and each holder of record of the preferred stock not less than 30 nor more than 60 days preceding the date we desire the exchange to be effective (the exchange date), providing:

our election to exercise the exchange right;

a description of the type and amount of convertible subordinated debentures to be delivered in respect of the preferred stock, the place or places where certificates for shares of preferred stock are to be surrendered for exchange, including any procedures applicable to exchanges to be accomplished through book-entry transfers; and

the exchange date.

We will cause the convertible subordinated debentures to be delivered to the trustee in preparation for the exchange no later than five business days prior to the exchange date.

If we exercise the exchange right, delivery of the convertible subordinated debentures to the holders of the preferred stock to be exchanged will be conditioned upon delivery or book-entry transfer of such preferred stock (together with any necessary endorsements) to the trustee at any time (whether prior to, on or after the exchange date) after notice of the exercise of the exchange right is given to the trustee. In such event, such convertible subordinated debentures will be delivered to each holder of preferred stock to be exchanged no later than the later of:

the exchange date, or

the time of delivery or transfer of the certificates representing, or other indicia of ownership of, preferred stock to the trustee.

If, following any exercise of the exchange right, the trustee holds convertible subordinated debentures in respect of all the outstanding preferred stock, then at the close of business on such exchange date, whether or not the certificates representing, or other indicia of ownership of, preferred stock are delivered to the trustee:

we will become the owner and record holder of such preferred stock;

the holders of such preferred stock shall have no further rights with respect to the preferred stock other than the right to receive the convertible subordinated debentures upon delivery of the certificates representing, or other indicia of ownership of, preferred stock;

dividends on the preferred stock to be exchanged will cease to accrue whether or not certificates for shares of preferred stock are surrendered for exchange on the exchange date; and

the depository or its nominee, as the record holder of the preferred stock, will exchange the global certificate or certificates representing the preferred stock for a global certificate or certificates representing the convertible subordinated debentures to be delivered upon such exchange.

In the event that delivery of the convertible subordinated debentures due on the exchange date is improperly withheld or is refused and not paid by the trustee or by us, distributions on the preferred stock will continue to accrue from the exchange date to the actual date of delivery.

The aggregate principal amount of the convertible subordinated debentures will be limited to the aggregate liquidation preference of the preferred stock outstanding on the effective date of the exchange and the convertible subordinated debentures will be issued in denominations equal to integral multiples of the liquidation preference of one share of preferred stock.

Tax Consequences. For the tax consequences of our exercise of the exchange right, see Certain Federal Income Tax Consequences U.S. Holders Preferred Stock and Common Shares Exchange of Preferred Stock for Convertible Subordinated Debentures.

Table of Contents

Transfer Agent

The initial transfer agent, registrar, dividend disbursing agent, calculation agent and redemption agent for the preferred stock is EquiServe Trust Company, N.A.

Book-Entry System

The preferred stock has been issued in the form of a global security held in book-entry form. DTC's nominee, Cede & Co., is the sole registered holder of the preferred stock. Owners of beneficial interests in the preferred stock represented by the global security will hold their interests pursuant to the procedures and practices of DTC. As a result, beneficial interests in any such securities will be shown on, and transfers will be effected only through, records maintained by DTC and its direct and indirect participants and any such interest may not be exchanged for certificated securities, except in limited circumstances. Owners of beneficial interests must exercise any rights in respect of their interests, including any right to convert or require repurchase of their interests in the preferred stock, in accordance with the procedures and practices of DTC. Beneficial owners will not be holders and will not be entitled to any rights provided to the holders of the preferred stock under the global security or our amended articles of incorporation. Our company and any of our agents may treat DTC as the sole holder and registered owner of the global security.

DTC has advised us as follows: DTC is a limited-purpose trust company organized under the New York Banking Law, a banking organization within the meaning of the New York Uniform Commercial Code, and a clearing agency registered pursuant to the provisions of Section 17A of the Exchange Act. DTC facilitates the settlement of transactions among its participants through electronic computerized book-entry changes in participants' accounts, eliminating the need for physical movement of securities certificates. DTC's participants include securities brokers and dealers, including the underwriters, banks, trust companies, clearing corporations and other organizations, some of whom and/or their representatives own DTC. Access to DTC's book-entry system is also available to others, such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a participant, either directly or indirectly.

Exchange of Global Securities

The preferred stock, represented by the global security, will be exchangeable for certificated securities with the same terms only if:

DTC is unwilling or unable to continue as depository or if DTC ceases to be a clearing agency registered under the Exchange Act and a successor depository is not appointed by us within 90 days; or

we decide to discontinue use of the system of book-entry transfer through DTC (or any successor depository).

Registration Rights

We entered into a registration rights agreement with the initial purchaser pursuant to which we, at our expense, for the benefit of the holders, filed with the SEC on March 3, 2004 a shelf registration statement covering resale of the preferred stock and the common shares issuable upon conversion of the preferred stock. We will use our reasonable best efforts to cause the shelf registration statement to become effective by July 19, 2004 and to keep the shelf registration statement effective until the earlier of:

the sale pursuant to Rule 144 under the Securities Act or the shelf registration statement of all the securities registered thereunder, and

the expiration of the holding period (currently two years from the initial purchase date) applicable to such securities held by persons that are not affiliates of ours under Rule 144(k) under the Securities Act or any successor provision, subject to permitted exceptions.

Table of Contents

We may suspend the use of the prospectus under certain circumstances relating to pending corporate developments, public filings with the SEC and similar events. Any suspension period shall not:

exceed 30 days in any three-month period; or

exceed an aggregate of 90 days for all periods in any 12-month period.

We will pay predetermined liquidated damages as described herein to holders of transfer restricted preferred stock and to holders of transfer restricted common shares issued upon conversion of such preferred stock, if a shelf registration statement is not timely filed or declared effective or if the prospectus is unavailable for the periods in excess of those permitted above. Such liquidated damages payments shall accumulate until such failure to file or become effective or unavailability is cured:

on the preferred stock at an annual rate equal to 0.50% of the aggregate liquidation preference of preferred stock; and

on the common shares, if any, that have been issued on conversion of the preferred stock, at an annual rate equal to 0.50% of an amount equal to the conversion price.

So long as the failure to become effective or unavailability continues, we will make liquidated damages payments in cash on each dividend payment date for the preferred stock to the holder of record of such transfer restricted preferred stock or common shares on the record date immediately preceding the applicable dividend payment date. When such registration default is cured, accumulated and unpaid liquidated damages payments will be paid in cash to the record holder as of the date of such cure.

A holder who sells preferred stock or our common shares issued upon conversion of the preferred stock pursuant to the shelf registration statement generally will be required to:

be named as a selling securityholder in the related prospectus;

deliver a prospectus to purchasers; and

be bound by certain provisions of the registration rights agreement that are applicable to such holder, including certain indemnification provisions, and will be subject to certain civil liability provisions under the Securities Act.

Under the registration rights agreement we will:

pay all of our expenses of the shelf registration statement;

provide copies of such prospectus to each holder that has notified us of its acquisition of preferred stock or common shares issued upon conversion of the preferred stock;

notify each such holder when the shelf registration statement has become effective; and

take certain other actions as are required to permit, subject to the foregoing, unrestricted resales of the preferred stock and the common shares issued upon conversion of the preferred stock.

We agreed in the registration rights agreement to give notice to all holders of the filing and effectiveness of the shelf registration statement. Holders are required to complete and deliver a form of notice and questionnaire (the "questionnaire") to us at least three business days prior to any intended distribution of preferred stock or our common shares issuable upon conversion of the preferred stock pursuant to the shelf registration statement. Holders may request a copy of the questionnaire from us in the manner described above under "Where You Can Find More Information." Holders are required to complete and deliver the questionnaire at least ten business days prior to the effectiveness of the shelf registration statement in order to be named as a selling securityholder in the related prospectus at the time of effectiveness. Upon receipt of a completed questionnaire after that time, together with such other information as we may reasonably request from a holder, we will, within ten business days, file such amendments to the shelf registration statement or supplements to a related prospectus as are necessary to permit such holder to deliver such prospectus to purchasers of preferred stock or common shares issuable upon conversion of the preferred stock, subject to our right to suspend the use of the prospectus as described above. We will pay the liquidated damages payments

Table of Contents

described above to the holder if we fail to make the filing in the time required or, if such filing is a post-effective amendment to the shelf registration statement required to be declared effective under the Securities Act, if such amendment is not declared effective within 45 days of the filing. Any holder that does not complete and deliver a questionnaire or provide such other information will not be named as a selling securityholder in the prospectus and therefore will not be permitted to sell the preferred stock or common shares issuable upon conversion of the preferred stock pursuant to the shelf registration statement.

The summary herein of certain provisions of the registration rights agreement is subject to, and is qualified in its entirety by reference to, all the provisions of the registration rights agreement, a copy of which is available from us upon request.

Table of Contents

DESCRIPTION OF THE CONVERTIBLE SUBORDINATED DEBENTURES

The convertible subordinated debentures that the holders of the preferred stock would receive in exchange for their preferred stock if we exercise our exchange right, as described under **Description of Preferred Stock Exchange Right**, will be a separate series of securities issued pursuant to an indenture substantially in the form of Exhibit A to our amended articles of incorporation between us and a trustee to be selected by us in accordance with the conditions to our exercise of the exchange right as provided under **Description of Preferred Stock Exchange Right**. We will issue the convertible subordinated debentures in a transaction that is not subject to the registration requirements of the Securities Act.

The following section is a summary of the material provisions of the convertible subordinated debentures and does not restate the form of the indenture in its entirety. We urge you to read the form of the indenture and the form of convertible subordinated debenture attached to it, because those documents, and not this description, define your rights as holders of the convertible subordinated debentures. Copies of the form of the indenture and the form of convertible subordinated debenture are available as set forth under **Additional Information**.

General

The convertible subordinated debentures:

will be unsecured obligations of ours;

will be subordinated in right of payment to all of our existing and future senior debt, as described below;

will be limited to an aggregate principal amount equal to the aggregate liquidation preference of the preferred stock outstanding on the effective date of the exchange;

will be issued in denominations equal to integral multiples of the liquidation preference of one share of preferred stock;

will mature on the thirtieth anniversary of the exchange date; and

will accrue interest at an annual rate of 3.25% of the principal amount from the dividend payment date of the preferred stock immediately preceding the exchange date or, if the exchange date is a dividend payment date, from the exchange date.

The convertible subordinated debentures will not have the benefit of a sinking fund. Principal of and interest on the convertible subordinated debentures will be payable at the office of the paying agent, which initially will be an office or agency of the trustee, or an office or agency maintained for such purpose, in the Borough of Manhattan, The City of New York. The convertible subordinated debentures may be presented for exchange at the office of the exchange agent, and for registration of transfer or exchange at the office of the registrar, each such agent initially being the trustee. No service charge will be made for any registration of transfer or exchange of convertible subordinated debentures, but we may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

The convertible subordinated debentures will be issued only in registered form without coupons.

Subordination

The payment of the principal and interest on the convertible subordinated debentures will be subordinated in right of prior payment, as set forth in the indenture, to the prior payment in full of all our existing or future senior debt, whether outstanding on the date of the indenture or thereafter incurred. The term senior debt means:

the principal of, premium, if any, and accrued and unpaid interest on:

our indebtedness for money borrowed, whether outstanding on the date of execution of the indenture or thereafter created, incurred or assumed,

Table of Contents

guarantees by us of indebtedness for money borrowed by any other person, whether outstanding on the date of execution of the indenture or thereafter created, incurred or assumed,

indebtedness evidenced by notes, debentures, bonds or other instruments of indebtedness for the payment of which we are responsible or liable, by guarantees or otherwise, whether outstanding on the date of execution of the indenture or thereafter created, incurred or assumed,

obligations of ours under any agreement to lease, or lease of, any real personal property, whether outstanding on the date of execution of the indenture or thereafter created, incurred or assumed,

any other indebtedness, liability or obligation, contingent or otherwise, of ours and any guarantee, endorsement or other contingent obligation in respect thereof, whether outstanding on the date of execution of the indenture or thereafter created, incurred or assumed; and

modifications, renewals, extensions and refundings of any such indebtedness, liabilities or obligations; unless, in the instrument creating or evidencing the same or pursuant to which the same is outstanding, it is provided that such indebtedness, liabilities or obligations, or such modification, renewal, extension or refunding thereof, or our obligations pursuant to such a guarantee, are not senior in right of payment to the convertible subordinated debentures.

No payment on account of principal or interest on the convertible subordinated debentures may be made if at the time of such payment there exists a default with respect to any senior debt and the default is the subject of judicial proceedings or we receive notice from certain authorized persons that payments may not be made. Upon any distributions of our assets upon any dissolution, total or partial liquidation or reorganization of or similar proceeding relating to us, the holders of senior debt will be entitled to receive payment in full before the holders of the convertible subordinated debentures are entitled to receive any payment.

By reason of such subordination, in the event of our insolvency, our creditors who are holders of senior debt, as well as general creditors of ours, may recover more, ratably, than the holders of the convertible subordinated debentures. The indenture will contain no limitations on the incurrence of senior debt.

Interest

Interest on the convertible subordinated debentures will accrue at an annual rate of 3.25% of the principal amount from the earlier of the exchange date and the last date on which dividends were paid on the preferred stock.

Interest will be payable semi-annually in arrears on January 15 and July 15 of each year. If any of those dates is not a business day, then interest will be payable on the next succeeding business day. Interest will accrue from the most recent date as to which interest will have been paid or, if no interest has been paid, from the earlier of the exchange date and the last date as to which dividends were paid on the preferred stock. Interest will be payable to holders of record at the close of business on January 1 and July 1 of each year.

We will not have the right to defer interest payments or to accrete the principal amount of the convertible subordinated debentures, and we will not have the right to redeem the convertible subordinated debentures, except as described below.

Optional Redemption

Our rights to redeem the convertible subordinated debentures will be substantially identical to our rights to redeem the preferred stock.

Table of Contents

Maturity

The convertible subordinated debentures will mature on the thirtieth anniversary of the exchange date.

Conversion

The conversion rights of the convertible subordinated debentures will be substantially identical to the conversion rights of the preferred stock except that:

on the date of any conversion upon satisfaction of a trading price condition (as described under Description of Preferred Stock Conversion Rights Events Triggering Conversion Rights Conversion Upon Satisfaction of Trading Price Condition) that is on or after the twenty-fifth anniversary of the exchange date, holders may not convert their convertible subordinated debentures upon satisfaction of such condition if on any trading day during the relevant measurement period for determining whether such condition has been met, the closing sale price of our common shares was between 100% and 110% of the then-current conversion price of the convertible subordinated debentures, and

upon conversion, accrued but unpaid interest, if any, will be deemed paid by the common shares received by the holders upon conversion.

Payment of Additional Amounts

If we consolidate or merge with or into another person (other than a subsidiary), we sell, convey, transfer or lease all or substantially all of our properties and assets to any person (other than a subsidiary), or any person (other than a subsidiary) consolidates with or merges with or into our company and as a result of such transaction any payments made under or with respect to the convertible subordinated debentures (including any payment made in our common shares) will become subject to any deduction or withholding in respect of any tax, duty, levy, impost, assessment or governmental charge of whatever nature, which we refer to as the applicable taxes, imposed by or on behalf of any political subdivisions or taxing authorities outside of the United States, we will pay additional amounts to the holders so that the net amount received by each holder of convertible subordinated debentures will equal the amount that such holder would have received if any applicable taxes had not been required to be withheld or deducted. The amounts that we are required to pay to preserve the net amount receivable by the holders of convertible subordinated debentures are referred to as additional amounts.

Additional amounts will not be payable with respect to a payment made to a holder of the convertible subordinated debentures to the extent:

that any applicable taxes would not have been so imposed but for the existence of any present or former connection between the holder and the jurisdiction imposing such applicable taxes, other than the mere receipt of the payment, acquisition, ownership or disposition of the convertible subordinated debentures or the exercise or enforcement of rights under the convertible subordinated debentures or the indenture;

of any estate, inheritance, gift, sales, transfer or personal property taxes imposed with respect to the convertible subordinated debentures, except described below or as otherwise provided in the indenture; or

that any such applicable taxes would not have been imposed but for the presentation of the convertible subordinated debentures, where presentation is required, for payment on a date more than 15 days after the date on which the payment became due and payable or the date on which payment thereof is duly provided for, whichever is later, except to the extent that the beneficiary or holder thereof would have been entitled to additional amounts had the convertible subordinated debentures been presented for payment on any date during such 15-day period.

Table of Contents

We will also:

withhold or deduct such applicable taxes as required;

remit the full amount of taxes deducted or withheld to the relevant taxing authority in accordance with all applicable laws;

use our best efforts to obtain from each relevant taxing authority imposing the applicable taxes certified copies of tax receipts evidencing the payment of any taxes deducted or withheld; and

upon request, make available to the holders of the convertible subordinated debentures, within 60 days after the date the payment of any taxes deducted or withheld is due pursuant to applicable law, certified copies of tax receipts evidencing such payment by us and, notwithstanding our efforts to obtain the receipts, if the same are not obtainable, other evidence of such payments.

At least 30 days prior to each date on which any payment under or with respect to the convertible subordinated debentures is due and payable, if we will be obligated to pay additional amounts with respect to such payment, we will deliver to the trustee an officer's certificate stating the fact that such additional amounts will also be payable, the amounts so payable, and such other information as is necessary to enable the trustee to pay such additional amounts to holders of the convertible subordinated debentures on the payment date.

The foregoing provisions shall survive any termination or discharge of the indenture and will apply to any jurisdiction in which any successor to our company is organized or is engaged in business for tax purposes or any political subdivisions or taxing authority or agency thereof or therein.

Whenever in the indenture, the convertible subordinated debentures or in this prospectus there is mentioned, in any context, the payment of principal, redemption price, or any other amount payable under or with respect to any convertible subordinated debenture, such mention shall be deemed to include the payment of additional amounts to the extent payable in the particular context.

Voting Rights

The holders of convertible subordinated debentures will not have the right to vote in the election of our directors or any other voting rights as holders of our common shares prior to the holders' receipt of common shares upon conversion of their convertible subordinated debentures. If a record date for a meeting of shareholders to be held after you convert your debentures has been fixed and falls before your actual date of conversion, you will not have any voting rights at that meeting with respect to your common shares.

Designated Event

The designated event repurchase rights of holders of the convertible subordinated debentures will be substantially identical to the designated event repurchase rights of holders of the preferred stock.

We will comply with any applicable provisions of Rule 13e-4 and any other tender offer rules under the Exchange Act in connection with any offer by us to repurchase the convertible subordinated debentures.

Registration Rights

The holders of convertible subordinated debentures will have registration rights that are substantially identical to the registration rights of holders of the preferred stock.

Events of Default

Each of the following will constitute an event of default with respect to the convertible subordinated debentures (whatever the reason for such event of default and whether it shall be voluntary or involuntary or

Table of Contents

be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

default in payment of the principal of the convertible subordinated debentures at maturity or upon repurchase upon a designated event or redemption with respect to any convertible subordinated debenture when such amount becomes due and payable;

the failure to pay interest within 30 days of the due date;

our failure to deliver common shares, together with cash in lieu of any fractional shares, when such common shares and cash is required to be delivered upon conversion of convertible subordinated debentures and continuance of such default for ten business days;

our failure to provide timely notice of a designated event;

our failure to comply with any of our other agreements in the convertible subordinated debentures or the indenture upon receipt by us of notice of such default by the trustee or by holders of not less than 25% in aggregate principal amount of the convertible subordinated debentures then outstanding and our failure to cure (or obtain a waiver of) such default within 60 days after receipt by us of such notice; and

certain events of bankruptcy, insolvency or reorganization affecting us.

Acceleration

If any event of default with respect to the convertible subordinated debentures, other than an event of default relating to specific events of bankruptcy, insolvency or reorganization affecting us, has happened and is continuing, either the trustee or the holders of at least 25% in aggregate principal amount of the convertible subordinated debentures then outstanding may declare by written notice the principal of all the convertible subordinated debentures, plus interest on the convertible subordinated debentures accrued and unpaid to the date of such declaration, to be immediately due and payable. In the case of certain events of bankruptcy, insolvency or reorganization, the principal of all the convertible subordinated debentures plus interest on the convertible subordinated debentures accrued and unpaid to the occurrence of such event shall automatically become and be immediately due and payable. At any time after a declaration of acceleration has been made, but before a judgment or decree for payment of money has been obtained by the trustee, and subject to applicable law and certain other provisions of the indenture, the holders of a majority in aggregate principal amount of the convertible subordinated debentures may, under certain circumstances, rescind and annul such acceleration.

The indenture provides that, within 90 days after the occurrence of any event that is, or after notice or lapse of time or both would become, an event of default thereunder with respect to the convertible subordinated debentures, the trustee shall transmit, in the manner set forth in the indenture, notice of such default to the holders of the convertible subordinated debentures unless such default has been cured or waived; *provided, however*, that except in the case of a default in the payment of principal of, or premium, if any, or interest, if any, on any convertible subordinated debentures, the trustee may withhold such notice if and so long as the board of directors, the executive committee or a trust committee of directors or responsible officers of the trustee in good faith determine that the withholding of such notice is in the best interest of the holders of convertible subordinated debentures.

If an event of default occurs and is continuing with respect to the convertible subordinated debentures, the trustee may in its discretion proceed to protect and enforce its rights and the rights of the holders of convertible subordinated debentures by all appropriate judicial proceedings.

The indenture provides that, subject to the duty of the trustee during any default to act with the required standard of care, the trustee will be under no obligation to exercise any of its rights or powers under the indenture at the request or direction of any of the holders of convertible subordinated debentures unless such holders shall have offered to the trustee reasonable indemnity. Subject to such provisions for the indemnification of the trustee, and subject to applicable law and certain other provisions of the indenture, the holders of a

Table of Contents

majority in aggregate principal amount of the outstanding convertible subordinated debentures will have the right to direct the time, method and place of conducting any proceeding for any remedy available to the trustee, or exercising any trust or power conferred on the trustee, with respect to the convertible subordinated debentures.

Modification of the Indenture

Modification Without Consent of Holders. We and the trustee may enter into supplemental indentures without the consent of the holders of the convertible subordinated debentures to:

make provision with respect to the conversion rights of the holders upon the occurrence of a designated event involving the conversion of our common shares or the matters described in Covenants Restricting Mergers and Other Significant Corporate Actions;

secure the convertible subordinated debentures;

evidence the assumption by a successor corporation of our obligations;

add covenants for the protection of the holders of the convertible subordinated debentures;