

addition, CCIC and CMC are paid management fees based on the tonnage of iron ore produced. A substantial portion of such fees is subject to escalation adjustments in a manner similar to the royalty adjustments.

With respect to the active mines in which CCIC and CMC have an equity interest, such interests range from 7.7% to 40.0% (see Table on page 5). Pursuant to certain opera

RAIL TRANSPORTATION. The Company, through a wholly-owned subsidiary,

cannot predict the collective adverse impact of the rapidly expanding body of laws and regulations.

EMPLOYEES. As of December 31, 1996n š...bHm

EXECUTIVE OFFICERS OF EXECU

F OFC C

Second Amendment to Trust Agreement No. 5 dated
as of April 9, 1991 by and between Cleveland-
Cliffs Inc and Key Trust Company of Ohio, N.A.
(successor trustee to Society National Bank) and

<TABLE>

<S>
10(w)

<C>
Trust Agreement No. 10, dated as of November 20,
1996, by and be

<C>

13(e)

Statement of Consolidated Cash Flows

Filed Herewith

(Page 44)

13(f)

Statement of Consolidated Shareholders'

<TABLE>
<CAPTION>

<S>

<C>

COMMON SHARES

TRANSFERABLE
NUMBER
CU

THIS CERTIFICATE IS

approved by a vote of at le

entitled immediately prior to the Change o

of Employment if the termination had not taken place (at the rate in effect immediately prior to the Change of Control or prior to the Termination Date, whichever is higher) an>t

Executive for reasonable expenses incurred for outplacement counseling (1) which are pre-approve

presently furnished to officers who retire after January 1, 1990 by
Cleveland-Cliffs, to the Execè

business in which Cleveland-Cliffs or any of its affiliates are engaged as of the date of the Change of Control. For this purpose, business is defined as the iron and steel industry.

RELEASE: Payment of the Severance Compensation set forth in Section 5 hereof is conditioned upon the Executive executing and delivering a re s

transfer to Trustee to be added to the principal of the Trust under
Trust Agreement No. 1 a sum equal to (A) the present value M

Agreement or any rights or obligations hereunder except as expressly provided in
this

(o) "Incentive Stocu

extraordinary or un

Change in Control or such Potential Change in Control is determined to have

agreed to commence serving in any such capacity.

"PERFORM*M

of the Option Rights shall be subject to the same risks of forfeiture or restrictions on transfer as those that applied to the consideration surrendered by the Optionee; provided, however, that such risks of forfeiture and restrictions on transfer shall apply only to the same number of Common Shares received by the Optionee as applied to the forfeitable or restricted Common Shares surrendered by the Optionee.

(e) Any grant may provide for deferred payment of the Option Price from the proceeds of sale through a bank or broker of some

that the amount payable, or the number of Common Shares issued, with respect thereto may not exceed maximums specified by the Committee on the Date of Grant.

(g) On or after the Date of Grant of Performance Shares, the Committee may provide for the payment to the Participant of dividend equivalents thereon in cash or additional Common Shares on a current, deferred or contingent basis.

(h) The Committee may adjust Management Objectives and the related minimum acceptableHcurrent,

or event, the Committee may provide in substitution for any or all outgi

the terms of this Plan, as then in effect, unless this Plan could have been amended to eliminate such in

shareholders of the Company shall be null and void if it is subsequently determined that such approval was required in order for Rule 16b-3 to remain applicable to this Plan.

(f) This Plan is intended to comply with and be subject to Rule 16b-3 as in effect prior to May 1, 1999M

[TRUST FOR NONE

Agreement.

(b) Within 10 days following the occurrence of a Potential Change in Control (as that term is defined in this Se

less than 70% of the combined voting power of the outstanding voting securities of such corporation or person is held in the aggregate by the former shareholders of the Company as the same shall have existed immediately prior to such sale or transfer;

(c) A person, within the meaning of Section 3(a)(9) or of Section 13(d)(3) (as in effect on the date hereof) of the Sec

government authority the amounts withheld.

III. THE TRUSTEE'S RESPONSIBILITY REGARDING PAYMENTS TO
A TRUST BENEFICIARY

investment periods, pen

Excesses. The Trustee shall allocate the aggregate amount of the Account Excesses to

8.6 The Trustee shall be reimbursed by the Company for its reasonable expenses incurred in connection with the performance of its duties (including

trustee shall be appoiM

12.4 This Agreement shallil'Ml

or waiver required or permitted to be given shall be in writing and, unless
otherwise pro.. Hi i is whesewt edde gh uhall be ii

John C. Morley
30195 Chagrin Boulevard
WHEREAS, the directors of the Company (the "Board of Directors") and
Pepper Pike, OH 44124

EXHIBIT B

CLEVELAND-CLIFFS INC
s 2FN1000EMPLOYEE BENEFIT PLAN

WHEREAS, the Board of Directors of Cleveland-Cliffs Inc (the "Board of Directors") has determined that the "Participants" (as defined in Section 2.1) have, individually and collectively, made and may continue to make an essential contribution to the profitability, growth, financial success and overall

(a) The Company shall merge into itself, or be merged or consolidated with, another corporation and as a rr

"Surviving Spouse" (as hereinafter defined) for the remainder of the Pay

its principal executive office and to a Participant at his principal residence,
or to such other address as any party may have

effective July 1, 1996 ("Effective Date") as the same have been or in the future may be amended or restated, or any successor thereto ("Plan"), a copy of which is appended to this Agreement as Exhibit B;

WHEREAS, the Plan provides for the payment of cash and/or common shares of the Company ("

individuals who at the beginning of any such period such perinun ninnninnedh ucwid s dpnd

8.2 In addition to and without limiting any other provision n .

shall, and any Trust Beneficiary may, promptly furnish the Trustee true and correct copies of any amendment, restatement or successor to the Plan. Upon written notification to the

Control that no Trust Beneficiary is or will be entitled to Méd

fees and expenses of such

23

T W

EXHIBIT I

Accounting Date.

(d) "Administrator": The Board Affairs Commig

attended or committee positions.

(z) "Required Retainer Shares": An amount, payable in Shares, constituting 50% of a Director's Retainer.

(aa) "Rule 16b-3": Rule 16b-3 promulgated under the Securities
E_

Participation Agreement with the Administrator, which shall be effective as of
the firstè

ARTICLE X. SHARES SUBJECT TO PLAN

10.1 Shares Subject to Plan. Subject to adjustment as provided in this Plan, the total M

Plan to comply with Rule 16b-3 that may

Severance Pay Plan for
Key Employees

(i) The failure to elect, reelect or otherwise maintain the Key Employee in the office or position in the Company which the Key Employee held immediately prior to the Change of Control;

(ii) A reduction in the Key Employee's Base Salary in effect immediately prior to the Change of Control, or a reduction in the Key Employee's opportunity for Incentive Pay (including, but not limited to, a reduction in the target

Memorandum of Understanding with the Company relating to the Change of Control; or a reduction in the target of the Key Employee's Incentive Pay (including, but not limited to, a reduction in the target of the Key Employee's Incentive Pay) relating to the Change of Control; or a reduction in the target of the Key Employee's Incentive Pay (including, but not limited to, a reduction in the target of the Key Employee's Incentive Pay) relating to the Change of Control;

(2) Receive from the Company a lump sum payment (the "SRP Payment") in an amount equal to the sum of the future pension benefits (converted to a lump sum of actuarial equivalence) which the Key Employee would have been entitled to receive under the SRP, as the same may be further amended prior to a ChannChā

1979 Restricted Stock Plan, the 1987 Incentive Equity Plan, the 1992 Incentive Equity Plan, or any successor plan or similar plan, shall be released.

e. Outplacement CouMock Plan,

b. Without limiting the generality of paragraph a. of this Section 7, if any Key Employee is a "disqualifHg

11. RELEASE. Payment of the severance pay and be'

otherwise illegal, the remainder of this Plan and the application of such provision to any other person or circumstances shall not be affected, and the

CLEVELAND-CLIFFS INC

VOLUNTARY NON-QUALIFIED
DEFERRED COMPENSATION PLAN
(AMENREDS)

earnings paid by an Employer to a Participant without regard to any increases or decreases in base earnings as a result of an election to defer base earnings under this Plan, or an election between benefits or cash provided under a plan of an Employer maintained pursuant to Section an

U>SW
the agreement filed by a Participant, in the form prescribed by the Committee, pursuant to Section 3.2.

2.30 PLAN. "Plan" means the Cleveland-Cliffs Inc Voluntary Non-Qualified Deferred Compensation Plan, as amended from time to time.

2.31 PLAN YEAR. "Plan Year" means a twelve-month period commencing January 1 and ending the following December 31.

5

2.32 SAVINGS PLAN. "Savings Plan" means, with respect to a Participant, one or more of the Cliffs and Associated Emati ^{owleady}gtic tow iledieoiontt iled s Plan" me

terminate his or her participation in the Plan by filing a written notice thereof with the Committee. The termination shall be effective at any time specified by the Participant in the notice but (i) with respect to deferral of Compensation not earlier than the first day of the Plan Year immediately succeeding the Plan Year in which such notice is filed with the Committee, and (ii) with respect to deferral of a Cash Award and/or a Share Award, only with respect to a Cash Award and/or a Share Award which becomes vested not earlier than the last day of the Plan Year which next follows the Plan Year in which
y

however, that the Participant may by written notice filed with the Committee at least one (1) year prior to the Participant's voluntary termination of employment with, or retirement from, the Company and any affiliate of the Company, whether or not such affiliate is a Selected Affiliate, elect to defer commencement of the payment of his or her Deferral Benefit until a date selected in such election. Any such election may be changed by the Participant at any Benennnft oe is o@n

after the date such deferred Cash Award otherwise would have been first payable. A Parti

discretion, waive such one (1) year period upon a reqe

ADMINISTRATION

8.1 COMMITTEE. The administrative committee for the Plan (the "Committee") shall be those members of the Compensation Committee of the Board who are not Participants, as long as there are at least three such members. If there are not at least three such non-participating persons on the Compensation Committee, the chief executive officer of the Company shall appoint other non-participating Directors or Company officerHBA

pursuant to any state, federal or local law, such amounts shall, to the extent possible, be withheld from the Participant's Compensation, Cash Award or Share Award before such amounts are credited under the Plan. Any additional withholding amount required shall be paid

by the Participant to the Employer as a condition to the crediting of deferred Compensation, deferred Cash Award or deferred Share Award to the Participant's Account and Deferred Share Award Account, respectively. The Employer may withhold any required state, federal or local taxes or other amounts from any benefits payable in cash or Shares ^{or Shares} ~~or Shares~~

ADMINISTRATION

-

may elect to satisfy all or any part of any such withholding obligation by surrendering to the Company a portion of the Common Shares that are issued or transferred or that become nontransferable by the Participant, and the CommonComm

Average shar

In 1996, Cleveland-Cliffs earned \$61.0 million, or \$5.26 a share, including a \$1.3 million after-tax property damage Mn

\$5.10 a share. Included in >'

The Company's subsidiary, Pickands Mather & Co. International ("PMI"), received notice from the Tasmanian government in 1996 asserting certain environmental obligations in connection with rehabilitating the Savage River Mine site. PMI has asserted that all obligations to rehabilitate the mine and plant sites are specified in the Rehabilitation Plan agreement between the State of Tasmania and PMI, which agreement was formalized in June, 1990 by an Act of Parliament and was a condition of PMI's acquisition of interests in the mine from Japanese steel companies. PMI has provided reserves for all environmental and other rehabilitation obligations specified in the Rehabilitation Plan.

On De9M

minimum of the range is accrued in accordance with generally accepted accounting principles. Estimates may change as additional informationH

1996. Our audits also included the financial statement schedule listed in the index at Item 14(a). These financial statements and schedule a

Long-term investments	10.8	16.3
Debt	8.3	8.3
Equity	8.3	8.3

<FN>

See notese se se se s è s see s s eè ee not

(In Millions)

Capital In
Excess of

Foreign
Currenc_

See notes to consolidated financial statements.

</TABLE>

equivalents.

INVESTMENTS: The Company determines the appropriate classification of debt and equity securities at the time of purchase and reevaluates such designation as of each financial statement date.

Securities are classified as held-to-maturity when the Company has the intent and ability to hold the securities to maturity. He

=====

=====

=====

Marketable Securities

- -----

Trading

Debt Securities

\$ 8.9
=====

\$ --
=====

\$ 8.9
=====

income tax purposes. For Plan Year 1996 (largely funded in calendar year 1997), the Company plans to contribute \$3.0 million, including

reorganized to cope with steel company bankruptcies and non-core businesses were divested. During that period, the Company had reserved the potei *

Allocated beginning of year	88,767	41,317	--
Allocated during the year	57,400	47,450	42,067
Fori 'M			

39.3
MW

35.2

42.4

30.2

92.7

70.5

16.8

Subsidiaries of Cleveland

CH

<TABL

