

CLEVELAND CLIFFS INC

Form DEF 14A

March 22, 2004

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**SCHEDULE 14A
(RULE 14a-101)**

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE SECURITIES

EXCHANGE ACT OF 1934

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to Section 240.14a-11c or Section 240.14a-12

CLEVELAND-CLIFFS INC

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

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

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

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(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

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March 22, 2004

To the Shareholders of

CLEVELAND-CLIFFS INC

The Annual Meeting of Shareholders of Cleveland-Cliffs Inc will be held at The Forum Conference Center, located in One Cleveland Center, 1375 East Ninth Street, Cleveland, Ohio 44114 on Tuesday, May 11, 2004 at 11:30 A.M. (Cleveland time).

At the Annual Meeting, shareholders will act upon the election of Directors. An explanation of this matter is contained in the attached Proxy Statement.

Whether or not you expect to be present at the Annual Meeting, we urge you to exercise your voting rights by signing and dating the enclosed proxy card and returning it in the accompanying envelope to ensure that your shares will be represented. In addition, record shareholders have the opportunity to appoint proxy holders to vote their shares through the Internet or via toll-free telephone if they wish. Instructions for appointing proxies through the Internet or by telephone are contained on your proxy card. Whichever of these methods you chose, the named proxies will vote your shares in accordance with your instructions. Please note that failure to vote surrenders voting power to those who exercise their voting right. If you attend the meeting, you will be entitled to vote in person.

We look forward to meeting with you at the Annual Meeting.

Sincerely,

/s/ John S. Brinzo

JOHN S. BRINZO

Chairman, President and Chief Executive Officer

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

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NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

March 22, 2004

Dear Shareholder:

The Annual Meeting of Shareholders of Cleveland-Cliffs Inc, an Ohio corporation (Company), will be held at The Forum Conference Center, located in One Cleveland Center, 1375 East Ninth Street, Cleveland, Ohio 44114 on Tuesday, May 11, 2004 at 11:30 A.M. (Cleveland time) for the purpose of considering and acting upon:

1. A proposal to elect 11 Directors to hold office until the next Annual Meeting of Shareholders and until their successors are elected; and
2. Such other matters as may properly come before the Annual Meeting and any adjournment or adjournments thereof.

Shareholders of record at the close of business on March 15, 2004, are entitled to notice of and to vote at such meeting and any adjournment or adjournments thereof.

Very truly yours,

/s/ John E. Lenhard

JOHN E. LENHARD

Vice President, Secretary and General Counsel

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

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PROXY STATEMENT

March 22, 2004

SOLICITATION, USE AND REVOCATION OF PROXIES

The accompanying proxy is solicited by the Board of Directors of Cleveland-Cliffs Inc, an Ohio corporation (Company), for use at the Annual Meeting of Shareholders to be held on May 11, 2004, and any adjournment or adjournments thereof (Meeting). Any proxy may be revoked by a later proxy, by notice to the Company in writing or in open meeting, without affecting any vote previously taken.

OUTSTANDING SHARES AND VOTING RIGHTS

As of March 15, 2004, the record date for the determination of persons entitled to vote at the Meeting, there were 10,681,148 of the Company s Common Shares, par value \$1.00 per share (Common Shares), outstanding and 172,500 shares of the Company s 3.25% Redeemable Cumulative Convertible Perpetual Preferred Stock with no par value (Preferred Shares) outstanding. Each Common Share and each Preferred Share is entitled to one vote. In connection with the election of Directors, holders of Common Shares and of Preferred Shares vote together as one class. This Proxy Statement and accompanying proxy card are being first mailed or otherwise distributed to shareholders on or about March 22, 2004.

ELECTION OF DIRECTORS

(Proposal No. 1)

It is intended that proxies received will be voted, unless contrary instructions are given, to elect the 11 nominees named in the following table to serve until the next Annual Meeting of Shareholders and until their successors shall be elected.

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

It is expected that all directors and nominees will attend the Annual Meeting of Shareholders unless there are extenuating circumstances for nonattendance. All 11 directors and nominees attended the Annual Meeting of Shareholders in 2003.

Table of Contents**INFORMATION CONCERNING DIRECTORS AND NOMINEES**

Based upon information received from the respective Directors and nominees as of March 15, 2004, the following information is furnished with respect to each person nominated for election as a Director.

Name, Age and Principal Occupation and Employment During Past Five Years	First Became Director
JOHN S. BRINZO , 62, Chairman, President and Chief Executive Officer of the Company since July 1, 2003. Mr. Brinzo served as Chairman and Chief Executive Officer of the Company from January 1, 2000 through June 30, 2003 and President and Chief Executive Officer of the Company from November 10, 1997 through December 31, 1999. Mr. Brinzo resigned as a Director of International Steel Group Inc., effective February 25, 2004.	1997
RONALD C. CAMBRE , 65, Former Chairman of the Board from January, 1995 through December, 2001 of Newmont Mining Corporation, an international mining company. Mr. Cambre served as Chief Executive Officer from November, 1993 to December, 2000 and as President from June, 1994 to July, 1999 of Newmont Mining Corporation. Mr. Cambre was previously with Freeport-McMoRan, a natural resources company, as Vice President and Senior Technical Advisor to the Office of the Chairman. Mr. Cambre is a Director of Inco Limited, W. R. Grace & Co. and McDermott International, Inc.	1996
RANKO CUCUZ , 60, Former Chairman of the Board from July, 1996 through October, 2001 and Chief Executive Officer from October, 1992 through August, 2001 of Hayes Lemmerz International, Inc., an international supplier of wheels to the auto industry. Hayes Lemmerz International filed for bankruptcy in December, 2001, and emerged from bankruptcy in 2003. Mr. Cucuz is a Director of Lincoln Electric Holdings, Inc.	1999
DAVID H. GUNNING , 61, Vice Chairman of the Company since April, 2001. Mr. Gunning engaged in consulting and private investing from December, 1997 until joining the Company. Mr. Gunning is a Director of Development Alternatives, Inc., Lincoln Electric Holdings, Inc., MFS Funds, and Southwest Gas Corporation.	2001
JAMES D. IRELAND III , 54, Managing Director since January, 1993 of Capital One Partners, Inc., a private equity investment firm, which through an affiliate, serves as the General Partner of Early Stage Partners LLC, a venture capital investment partnership.	1986
FRANCIS R. McALLISTER , 61, Chairman and Chief Executive Officer since February 12, 2001 of Stillwater Mining Company, a palladium and platinum producer. From January, 2000 through January, 2001, Mr. McAllister privately pursued ventures in the mining and metals industry. From April, 1999 through December, 1999, Mr. McAllister served as Chairman and Chief Executive Officer of ASARCO Incorporated, an international nonferrous metals mining company. He also served as President and Chief Operating Officer from January, 1998 through April, 1999 of ASARCO Incorporated. Mr. McAllister is a Director of Stillwater Mining Company.	1996
JOHN C. MORLEY , 72, Former Chairman of the Board of the Company from November 10, 1997 to December 31, 1999. Mr. Morley is President since August, 1995 of Evergreen Ventures, LTD., LLC, a family office. Mr. Morley is also retired as President and Chief Executive Officer and Director since before 1999 of Reliance Electric Company, a manufacturer of electrical, mechanical power transmission and telecommunications products and systems. At the request of the Board Affairs Committee, Mr. Morley agreed to stand for election as a Director of the Company for an additional one-year term beyond normal Director retirement age.	1995

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Name, Age and Principal Occupation and Employment During Past Five Years	First Became Director
STEPHEN B. ORESMAN , 71, Chief Executive Officer since June 23, 2003 of Technology Solutions Company, a systems integration and business consulting firm. He is President since January, 1991 of Saltash, Ltd., management consultants. Mr. Oresman was with Booz Allen & Hamilton, Inc., management consultants, for 19 years where he was Senior Vice President and Chairman of Booz Allen & Hamilton International, and previously held manufacturing positions at Bausch & Lomb and Acme Steel. Mr. Oresman is a Director of Technology Solutions Company.	1991
ROGER PHILLIPS , 64, Former President and Chief Executive Officer from February, 1982 through January, 2002 of IPSCO Inc., an international steel producing company. Mr. Phillips is a Director of Canadian Pacific Railway Limited, Fording Inc., Imperial Oil Limited, Inco Limited and Toronto Dominion Bank.	2002
RICHARD K. RIEDERER , 60, Former Chief Executive Officer from January, 1996 and President from January, 1995 through February, 2001 of Weirton Steel Corporation, a steel producing company. From January, 1989 through December, 1996 Mr. Riederer served as Chief Financial Officer of Weirton Steel Corporation. Mr. Riederer also served as Chairman of the American Iron and Steel Institute from January, 2000 through December, 2000. Mr. Riederer is a Director of First American Funds, Chairman and Director of Idea Foundry, and serves on the Board of Trustees of Franciscan University of Steubenville.	2002
ALAN SCHWARTZ , 64, Professor of Law at the Yale Law School and Professor at the Yale School of Management since 1987.	1991

The Directors recommend a vote **FOR** each of the nominees listed above.

DIRECTOR INDEPENDENCE

The Board of Directors has determined that each of the current non-management directors standing for re-election, including each of the current members of the Audit Committee, the Board Affairs Committee and the Compensation and Organization Committee, has no material relationship with the Company (either directly or as a partner, shareholder or officer of an organization that has a relationship with the Company) and is independent within the Company's director independence standards, which reflect exactly the New York Stock Exchange director independence standards as currently in effect and as they may be changed from time to time. John S. Brinzo and David H. Gunning do not meet the aforementioned independence standards because they are Chairman, President and Chief Executive Officer and Vice Chairman, respectively, and employees of the Company.

BOARD OF DIRECTORS AND BOARD COMMITTEES

The members of the Board of Directors have diversified professional experience in general management, steel manufacturing, mining, finance, law, education, and other fields. There is no family relationship among any of the nominees and executive officers of the Company. Nine of the eleven nominees have no present or former employment relationship with the Company. The average age of the nominees is 63, ranging from 54 to 72. The average service of the nominees is almost eight years, ranging from less than two years to 18 years.

The Company's governance process is based on its Corporate Governance Guidelines, which are available on the Company's website at <http://www.cleveland-cliffs.com>. During 2003, eight meetings of the Board of Directors were held and 25 meetings of all Board Committees were held. The Company's independent Directors held six meetings in executive session without the presence of Messrs. Brinzo and Gunning in the year 2003. Mr. Cambre, presently serving as Lead Director, chaired those meetings. Directors also discharge their responsibilities by review of Company reports to Directors, visits to Company facilities, correspondence with the

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Chairman, President and Chief Executive Officer, and telephone conferences with the Chairman, President and Chief Executive Officer and Directors regarding matters of interest and concern to the Company. The Directors have Audit, Board Affairs, Compensation and Organization, Finance, and Strategic Advisory Committees. All committees regularly report their activities, actions, and recommendations to the Board. Eight Directors attended 100 percent of the aggregate total of meetings of the Board of Directors and the Board Committees of which they were a member during 2003, one Director attended at least 96 percent of such meetings and two Directors attended at least 80 percent of such meetings.

The Audit Committee, consisting of Messrs. Ireland (chairman), Morley, Oresman and Riederer, reviews with the Company's management, the internal auditors and the independent auditors, the Company's policies and procedures with respect to internal control; reviews significant accounting matters; reviews quarterly unaudited financial information prior to public release; approves the audited financial statements prior to public distribution; reviews any significant changes in the Company's accounting principles or financial reporting practices; reviews independent auditor services; has the authority and responsibility to evaluate independent auditors; discusses with the auditors their independence and considers the compatibility of non-audit services with such independence; annually selects the Company's independent auditors to examine the Company's financial statements; approves management's appointment, termination, or replacement of the Chief Internal Auditor; and conducts a legal compliance review. Pursuant to the rules of the Securities and Exchange Commission, the members of the Company's Audit Committee are independent, as that term is defined in the listing standards of the New York Stock Exchange. The Board of Directors has determined that Messrs. Riederer and Ireland are the named audit committee financial experts. No member of the Audit Committee serves on the audit committees of more than three public companies. The Committee held eight meetings during 2003. The Charter of the Audit Committee is available at <http://www.cleveland-cliffs.com> and is also attached hereto as *Appendix A*.

The Board Affairs Committee, consisting of Messrs. McAllister (chairman), Cambre, Cucuz, Phillips, and Schwartz, administers the Company's compensation plans for Directors; monitors the Board governance process and provides counsel to the Chairman and Chief Executive Officer on Board governance and other matters; recommends changes in membership and responsibility of Board committees; and acts as the Board's Nominating Committee and Proxy Committee in the election of Directors. The Committee held four meetings during 2003. The Charter of the Board Affairs Committee is available at <http://www.cleveland-cliffs.com>.

The Compensation and Organization Committee, consisting of Messrs. Cambre (chairman), Ireland, McAllister, Oresman, and Riederer, recommends to the Board of Directors the election of officers and compensation of officers; administers the Company's compensation plans for officers; reviews organization and management development; evaluates the performance of the Chief Executive Officer; and obtains the advice of outside experts with regard to compensation matters. The Committee held five meetings during 2003. The Charter of the Compensation and Organization Committee is available at <http://www.cleveland-cliffs.com>.

The Finance Committee, consisting of Messrs. Schwartz (chairman), Cucuz, Morley and Phillips, reviews the Company's financial condition, financial policies, investment plans and benefit funds management. The Committee recommends dividend and other actions to the Board of Directors. The Committee held six meetings during 2003.

The Strategic Advisory Committee, consisting of Messrs. Morley (chairman), Brinzo, Cambre, Gunning, Ireland, McAllister and Oresman, reviews corporate strategy and related issues. The Committee held two meetings during 2003.

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CONSIDERATION OF DIRECTOR NOMINEES

Shareholder Nominees

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

Director Qualifications

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

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

Identifying and Evaluating Nominees for Directors

The Board Affairs Committee utilizes a variety of methods for identifying and evaluating nominees for director. The Board Affairs Committee regularly reviews the appropriate size of the Board and whether any vacancies on the Board are expected due to retirement or otherwise. In the event that vacancies are anticipated, or otherwise arise, the Board Affairs Committee considers various potential candidates for director. Candidates may come to the attention of the Board Affairs Committee through current Board members, professional search firms, shareholders or other persons. As described above, the Board Affairs Committee considers properly submitted nominations for candidates for the Board. Following verification of the recommending shareholder's status, recommendations are considered by the Board Affairs Committee at a meeting.

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COMMUNICATIONS WITH DIRECTORS

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

BUSINESS ETHICS POLICY

The Company has adopted a Code of Business Conduct and Ethics that applies to all Directors, officers and employees of the Company and its subsidiaries. The Code of Business Conduct and Ethics is available on the Company's website at <http://www.cleveland-cliffs.com>.

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AUDIT COMMITTEE REPORT

The Audit Committee of Cleveland-Cliffs Inc Board of Directors (Committee) is composed of four independent directors and operates under a written charter adopted by the Board of Directors. The charter is reviewed and reassessed for adequacy annually by the Committee and reviewed by the Committee with the Board of Directors. The Committee reviewed the existing charter in early 2004 and recommended changes that were approved by the Board of Directors on March 9, 2004. A copy of the amended charter, which the Board of Directors has adopted, is attached as *Appendix A* to this Proxy Statement.

The members of the Committee are James D. Ireland III (Chairman), John C. Morley, Stephen B. Oresman, and Richard K. Riederer, all of whom are independent of the Company in accordance with the listing standards of the New York Stock Exchange, and meet the financial literacy and accounting or financial management expertise necessary to effectively discharge their responsibilities. The Committee retains the Company's independent auditors.

Management is responsible for the Company's financial statements, systems of internal control and the financial reporting process. The independent auditors are responsible for performing an independent audit of the Company's consolidated financial statements in accordance with generally accepted auditing standards and to issue a report thereon. The Committee's responsibility is to monitor and oversee these financial reporting processes on behalf of the Board of Directors. In fulfilling its oversight responsibilities, the Committee reviewed the audited financial statements in the Annual Report with management, including a discussion of the quality, not just the acceptability, of the accounting principles; the reasonableness of significant judgments; and the clarity of disclosures in the financial statements.

In this context, the Committee met eight times in 2003 and held discussions with management and the independent auditors. The Committee has regularly met, in executive session, with the independent auditors. The Committee has also met, in executive session, with the Company's chief internal auditor, and separately in executive session with management, as appropriate. Furthermore, the Committee has reviewed the results of its executive sessions with the Chief Executive Officer, as appropriate.

Management represented to the Committee that the Company's consolidated financial statements were prepared in accordance with generally accepted accounting principles, and the Committee has reviewed and discussed the consolidated financial statements and critical accounting policies with management and the independent auditors. The Committee discussed with the independent auditors matters required to be discussed by Statement on Accounting Standards No. 61 (Communication with Audit Committees), and any other matters required to be discussed under generally accepted auditing standards.

The Company's independent auditors also provided to the Committee the written disclosures required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees), and the Committee discussed with the independent auditors that firm's independence, including consideration of the compatibility of non-audit services with the auditors' independence.

Based on the Committee's discussion with management and the independent auditors and the Committee's review of the representation of management and the report of the independent auditors to the Committee, the Committee recommended that the Board of Directors include the audited consolidated financial statements in the Company's Annual Report on Form 10-K for the year ended December 31, 2003 filed with the Securities and Exchange Commission.

J. D. Ireland III, Chairman
J. C. Morley
S. B. Oresman
R. K. Riederer

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DIRECTORS COMPENSATION

During 2003, Directors who are not employees of the Company (Nonemployee Directors) received an annual retainer of \$25,000 and fees of \$1,000 for each Board Committee meeting attended, and \$1,500 for each Board of Directors meeting attended. Nonemployee Directors, who are committee chairmen, each received an additional annual retainer of \$2,500. In January 2004, upon the recommendation of the Board Affairs Committee following its review of market data provided by an independent consultant, the Board approved an increase in Nonemployee Director compensation. Effective as of January 1, 2004, the annual retainer fee for Nonemployee Directors was increased to \$32,500, the committee chair retainer was increased to \$3,000 and a new Lead Director retainer of \$6,000 annually was approved. Committee meeting fees and Board meeting fees remain at \$1,000 and \$1,500, respectively. Employee Directors receive no compensation for their service as Directors.

The Board of Directors has a Nonemployee Directors Compensation Plan, which provides for a one-time award of 2,000 shares of Restricted Stock to new Nonemployee Directors and also provided through December 31, 2003, that all Directors must take 40% of their retainer in Common Shares and may elect to take up to 100% of their retainer and other fees in Common Shares. Effective January 1, 2004, the Plan was amended to eliminate the 40% share requirement, and instead require that at least \$15,000 of the \$32,500 annual retainer be paid in Common Shares, unless the Nonemployee Director has met stock ownership guidelines. The stock ownership guidelines provide that by the end of a four-year period, a Director should own either (i) 4,000 or more Common Shares or (ii) Common Shares having a market value of at least \$100,000. If a Nonemployee Director meets these stock ownership guidelines, the Director may elect to receive all or part of the \$15,000 in cash. In addition, the Plan gives Nonemployee Directors the opportunity to defer all or a portion of their annual retainer and other fees, whether payable in cash or Common Shares.

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

On January 14, 2003, the Board of Directors adopted respective amendments to the Plans to provide for a voluntary immediate lump sum cash-out election of the present value of the accrued pension and deferred benefits to all Nonemployee Directors participating under the Plans (Participants). Under the terms of the Plans, as amended, the lump-sum benefit was payable to the Participants on June 30, 2003. Of the 14 Participants, three elected not to participate in the lump sum benefit. The aggregate value for Participants electing a payout was approximately \$2,293,500. The payout election by the 11 Participants means those Participants have no further opportunity for a pension adjustment under the Plans for future changes in the Company s annual retainer.

The Company has trust agreements with KeyBank National Association relating to the Nonemployee Directors Compensation Plan, the Retirement Plan for Nonemployee Directors and the Nonemployee Directors Supplemental Compensation Plan, in order to establish arrangements for the funding and payment of the Company s obligations to the three remaining beneficiaries under such Plans.

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The following table sets forth the amount and percent of Common Shares which, as of March 15, 2004 (except as otherwise indicated), are deemed under the rules of the Securities and Exchange Commission (SEC) to be beneficially owned by each Director (excluding the Chairman, President and Chief Executive Officer and the Vice Chairman), by each nominee for Director, by the Company's Chief Executive Officer, the other four most highly compensated executive officers and two other individuals, as named in the Summary Compensation Table (named executive officers), by such persons and the other executive officers as a group, and by any person or group (as that term is used in the Securities Exchange Act of 1934) known to the Company as of that date to be a beneficial owner of more than five percent of the outstanding Common Shares. To the Company's knowledge, there are no holders of five percent or more of the Company's Preferred Shares outstanding. No Directors, executive officers, or officers hold any Preferred Shares.

Directors and Nominees (excluding Director, Chairman, President and Chief Executive Officer, John S. Brinzo and Director and Vice Chairman, David H. Gunning)	Amount and Nature of Beneficial Ownership (1)					Percent of Class(3)
	Beneficial Ownership(2)	Investment Power		Voting Power		
		Sole	Shared	Sole	Shared	
Ronald C. Cambre	8,279	8,279	-0-	8,279	-0-	
Ranko Cucuz	3,265	3,265	-0-	3,265	-0-	
James D. Ireland III	208,964	7,057	201,907(4)	7,057	201,907(4)	1.96%
Francis R. McAllister	13,779	13,779	-0-	13,779	-0-	
John C. Morley	26,057	26,057	-0-	26,057	-0-	
Stephen B. Oresman	4,408	4,408	-0-	4,408	-0-	
Roger Phillips	3,705	3,705	-0-	3,705	-0-	
Richard K. Riederer	2,705	2,705	-0-	2,705	-0-	
Alan Schwartz	3,908	3,908	-0-	3,908	-0-	
Named Executive Officers						
John S. Brinzo	158,545	158,545	-0-	158,545	-0-	1.48%
David H. Gunning	64,172	64,172	-0-	64,172	-0-	
William R. Calfee	65,553	65,553	-0-	65,553	-0-	
Edward C. Dowling	28,270	28,270	-0-	28,270	-0-	
Randy L. Kummer	1,720	1,720	-0-	1,720	-0-	
Thomas J. O Neil	60,763	60,763	-0-	60,763	-0-	
Cynthia B. Bezik	-0-	-0-	-0-	-0-	-0-	
All Directors and Executive Officers as a group, including the named executive officers (18 Persons)	702,099	500,192	201,907	500,192	201,907	6.57%

Other Persons	Amount and Nature of Beneficial Ownership (1)					Percent of Class(3)
	Beneficial Ownership(2)	Investment Power		Voting Power		
		Sole	Shared	Sole	Shared	
Appaloosa Partnership Inc. (5) 26 Main Street Chatham, NY 07928	750,000	-0-	750,000	-0-	750,000	7.30%
Jeffrey L. Gendell (6) 55 Railroad Avenue, 3rd Floor Greenwich, CT 06830	727,400	-0-	727,400	-0-	727,400	7.10%
Wellington Management Company, LLP (7) 75 State Street	723,800	-0-	723,800	-0-	490,500	7.01%

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Boston, MA 02109						
Barclays Global Investors NA (8)						
59/60 Grosvenor Street						
London WFX, 9DA England	698,367	569,228	-0-	569,228	-0-	6.78%
Ronald Gutfleish (9)						
c/o Elm Ridge Capital Management, LLC						
747 Third Avenue, 33rd Floor						
New York, NY 10017	655,500	-0-	655,500	-0-	655,500	6.20%

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Other Persons	Amount and Nature of Beneficial Ownership (1)					Percent of Class(3)
	Beneficial Ownership(2)	Investment Power		Voting Power		
		Sole	Shared	Sole	Shared	
FMR Corp. (10) 82 Devonshire Street Boston, MA 02109	611,500	611,500	-0-	153,600	-0-	5.92%
Daniel S. Loeb (11) Third Point Management Company L.L.C. 360 Madison Avenue, 24th Floor New York, NY 10017	585,000	-0-	585,000	-0-	585,000	5.50%
Capital Growth Management LP (12) One International Place Boston, MA 02110	548,600	-0-	548,600	548,600	-0-	5.32%
T. Rowe Price Associates, Inc. (13) 100 E. Pratt Street Baltimore, MD 21202	541,600	541,600	-0-	71,000	-0-	5.20%

- (1) Under the rules of the SEC, beneficial ownership includes having or sharing with others the power to vote or direct the investment of securities. Accordingly, a person having or sharing the power to vote or direct the investment of securities is deemed to beneficially own the securities even if he or she has no right to receive any part of the dividends on or the proceeds from the sale of the securities. Also, because beneficial ownership extends to persons, such as co-trustees under a trust, who share power to vote or control the disposition of the securities, the very same securities may be deemed beneficially owned by two or more persons shown in the table. Information with respect to beneficial ownership shown in the table above is based upon information supplied by the Directors, nominees and executive officers of the Company and filings made with the SEC or furnished to the Company by any shareholder.
- (2) Included in the shares shown are Common Shares subject to options granted by the Company which entitle the holder to acquire said shares within 60 days from March 15, 2004. Each of the Directors (excluding Messrs. Brinzo and Gunning) has such options as follows: Mr. Cambre, 500; Mr. Cucuz, -0-; Mr. Ireland, 1,500; Mr. McAllister, 500; Mr. Morley, -0-; Mr. Oresman, 1,500; Mr. Phillips, -0-; Mr. Riederer, -0-; and Mr. Schwartz, 1,000; and the Directors as a group have such options with respect to 5,000 shares. The named executive officers have such options as follows: Mr. Brinzo, 80,000; Mr. Gunning, 25,000; Mr. Calfee, 40,000; Mr. Dowling, 20,000; Mr. Kummer -0-; and Mr. O Neil, 40,000; and the executive officers as a group have such options with respect to 230,800 shares. Ms. Bezik, who terminated her employment with the Company on July 29, 2003, forfeited all her options.
- (3) Less than 1 percent, except as otherwise indicated.
- (4) Of the 208,964 shares deemed under the rules of the SEC to be beneficially owned by Mr. Ireland, he is a beneficial holder of 7,057 shares. The remaining 201,907 shares are held in trusts, substantially for the benefit of a charitable foundation, as to which Mr. Ireland is a co-trustee with shared voting and investment powers. Of such shares in trusts, Mr. Ireland has an interest in the income or corpus with respect to 13,735 shares.
- (5) The information shown above and in this footnote was taken from the Schedule 13G, dated December 4, 2003, and filed with the SEC on December 5, 2003 by and on behalf of Appaloosa Investment Limited Partnership I (AILP), Palomino Fund Ltd. (Palomino), Appaloosa Management L.P. (AMLP), Appaloosa Partners Inc. (API) and David A. Tepper (Mr. Tepper). Mr. Tepper is the sole stockholder and the President of API. API is the general partner of, and Mr. Tepper owns a majority of the limited partnership interests in, AMLP. AMLP is the general partner of AILP and acts as investment adviser to Palomino.
- (6) The information shown above and in this footnote was taken from the Schedule 13G, dated February 12, 2004, and filed with the SEC on February 12, 2004, as a group, by Tontine Partners, L.P., Tontine Management, L.L.C., Tontine Overseas Associates, L.L.C., which serves as the investment manager of Tontine Overseas Funds, Ltd. and certain managed accounts, and Jeffrey L. Gendell.
- (7) The information shown above was taken from the Schedule 13G, dated February 13, 2004, as filed with the SEC on February 12, 2004 by Wellington Management Company, LLP.

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- (8) The information shown above and in this footnote was taken from the Schedule 13G, dated February 13, 2004, as filed with the SEC on February 17, 2004 by Barclays Global Investors, N.A., Barclays Global Fund Advisors, Barclays Bank PLC and other Barclays entities.
- (9) The information shown above and in this footnote was taken from the Schedule 13G, dated March 2, 2004, as filed with the SEC on March 2, 2004. Mr. Gutfleish is the managing member of two limited liability companies, which each manage one or more private investment funds that hold the Common Shares.
- (10) The information shown above and in this footnote was taken from the Schedule 13G, dated February 16, 2004, as filed with the SEC on February 17, 2004 jointly by FMR Corp., Edward C. Johnson 3d, Abigail P. Johnson and Fidelity Management & Research Company (Fidelity).

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Fidelity, a wholly-owned subsidiary of FMR Corp. and an investment adviser registered under the Investment Advisers Act of 1940, is the beneficial owner of 457,900 shares or 4.43 percent of the Common Shares as a result of acting as investment adviser to various investment companies registered under Section 8 of the Investment Company Act of 1940. Edward C. Johnson 3d, FMR Corp., through its control of Fidelity, and the funds each has sole power to dispose of the 457,900 shares owned by the Funds.

Neither FMR Corp. nor Edward C. Johnson 3d, Chairman of FMR Corp., has the sole power to vote or direct the voting of the shares owned directly by the Fidelity Funds, which power resides with the Funds' Boards of Trustees. Fidelity carries out the voting of the shares under written guidelines established by the Funds' Boards of Trustees.

Fidelity Management Trust Company, a wholly-owned subsidiary of FMR Corp. and a bank as defined in Section 3(a)(6) of the Securities Exchange Act of 1934, is the beneficial owner of 88,500 shares or 0.858 percent of the Common Shares outstanding of the Company as a result of its serving as investment manager of the institutional account(s).

Edward C. Johnson 3d and FMR Corp., through its control of Fidelity Management Trust Company, each has sole dispositive power over 88,500 shares and sole power to vote or to direct the voting of 88,500 shares of Common Shares owned by the institutional account(s) as reported above.

Members of the Edward C. Johnson 3d family are the predominant owners of Class B shares of common stock of power of FMR Corp. Mr. Johnson 3d owns 12 percent and Abigail Johnson owns 24.5 percent of the aggregate outstanding voting stock of FMR Corp. Mr. Johnson 3d is Chairman of FMR Corp. and Abigail P. Johnson is a Director of FMR Corp. The Johnson family group and all other Class B shareholders have entered into a shareholders' voting agreement under which all Class B shares will be voted in accordance with the majority vote of Class B shares. Accordingly, through their ownership of voting common stock and the execution of the shareholders' voting agreement, members of the Johnson family may be deemed, under the Investment Company Act of 1940, to form a controlling group with respect to FMR Corp.

Fidelity International Limited, and various foreign-based subsidiaries provide investment advisory and management services to a number of non-U.S. investment companies and certain institutional investors. Fidelity International Limited is the beneficial owner of 65,100 shares or 0.631 percent of the Common Stock outstanding of the Company. Additional information with respect to the beneficial ownership of Fidelity International Limited is shown on Exhibit B to the Schedule 13G.

- (11) The information shown above and in this footnote was taken from the Schedule 13D, dated February 23, 2004, as filed with the SEC on February 23, 2004 by Third Point Management Company L.L.C., a Delaware limited liability company ("Management Company"), and Daniel S. Loeb, an individual ("Mr. Loeb") and, together with the Management Company, the "Reporting Persons"). The Management Company is the investment manager or adviser to a variety of hedge funds and managed accounts (such funds and accounts, collectively, "Funds"). The Funds directly own the Common Shares to which this Schedule 13D relates, and the Reporting Persons may be deemed to have beneficial ownership over such Common Shares by virtue of the authority granted to them by the Funds to vote and to dispose of the securities held by the Funds, including the Common Shares.
- (12) The information shown above was taken from the Schedule 13G, dated February 6, 2004, as filed with the SEC on February 6, 2004 by Capital Growth Management LP.
- (13) The information shown above and in this footnote was taken from the Schedule 13G, dated February 13, 2004, as filed with the SEC on February 4, 2004 by T. Rowe Price Associates, Inc. ("Price Associates"). Price Associates has advised the Company (a) that these securities are owned by various individual and institutional investors which Price Associates serves as investment adviser with power to direct investments and/or sole power to vote the securities and (b) that for purposes of the reporting requirements of the Securities and Exchange Act of 1934, Price Associates is deemed to be a beneficial owner of such securities; however, Price Associates expressly disclaims that it is, in fact, the beneficial owner of such securities.

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EXECUTIVE COMPENSATION

The following table sets forth all compensation earned by the Company's named executive officers with respect to the years shown for services rendered to the Company and its subsidiaries.

Summary Compensation Table

Name and Principal Position	Year	Annual Compensation		
		Salary (\$)	Bonus(1) (\$)	Other Annual Compensation(2) (\$)