CLIFFS NATURAL RESOURCES INC.
Form DEF 14A
March 26, 2010

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington D.C. 20549

SCHEDULE 14A

(RULE 14a-101)

SCHEDULE 14A INFORMATION

PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE

SECURITIES EXCHANGE ACT OF 1934

Filed by the Registrant þ 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))

þ Definitive Proxy Statement

¨ Definitive Additional Materials

¨ Soliciting Material Pursuant to Section 240.14a-12

CLIFFS NATURAL RESOURCES INC.

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

þ No fee required.

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

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

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

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

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

¨ Fee paid previously with preliminary materials.

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

(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

CLIFFS NATURAL RESOURCES INC.

200 Public Square, Suite 3300, Cleveland, OH 44114

P 216.694.5700 cliffsnaturalresources.com

March 26, 2010

To the Shareholders of

CLIFFS NATURAL RESOURCES INC.

Our Annual Meeting of Shareholders will be held on the 3rd floor of 200 Public Square, Cleveland, Ohio 44114-2315 on Tuesday, May 11, 2010 at 11:30 A.M. (Cleveland time), which we refer to as our 2010 Annual Meeting.

At the 2010 Annual Meeting, shareholders will act upon proposals to: (i) elect Directors; (ii) approve and adopt an amendment to our Amended Articles of Incorporation to change certain supermajority shareholder voting requirements contained in the Ohio Revised Code to majority shareholder voting requirements; (iii) approve the amendment and restatement of the 2007 Incentive Equity Plan to (a) increase the authorized number of shares available for issuance under the plan by a total of 7,000,000 common shares, and (b) provide an annual limitation on the number of shares available to grant to any one participant in any fiscal year of 500,000 common shares; and (iv) ratify the appointment of Deloitte & Touche LLP as our independent registered public accounting firm. An explanation of each of these matters is contained in the attached proxy statement and accompanying proxy card, first being mailed or otherwise distributed to shareholders on or about March 26, 2010.

The Board of Directors and management believe that the proposed actions are in the best interests of Cliffs Natural Resources Inc. We urge you to exercise your voting rights by signing and dating the enclosed proxy card and returning it in the accompanying envelope to ensure that your shares will be represented whether or not you expect to be present at the 2010 Annual Meeting. In addition, record shareholders have the opportunity to appoint proxies to vote their shares over the Internet or by toll-free telephone if they wish. Instructions for appointing proxies over the Internet or by telephone are contained on your proxy card. Whichever of these methods you choose, the named proxies will vote your shares in accordance with your instructions. Please note that failure to vote surrenders voting power to those who exercise their voting right. If you attend the meeting, you will be entitled to vote in person.

Finally, James D. Ireland III will not be standing for re-election at the 2010 Annual Meeting. Mr. Ireland has ably served as a director of the company since 1986. Mr. Ireland has made great contributions to our growth and success through his expertise and independent judgment. We thank Mr. Ireland for his important contributions and wish him well.

We look forward to meeting with you at the 2010 Annual Meeting.

Sincerely,

Joseph A. Carrabba

Chairman, President and

Chief Executive Officer

It is important that your shares be represented at the 2010 Annual Meeting. Whether or not you intend to be present, please sign and date the enclosed proxy card and return it in the postage-prepaid envelope provided, which requires no postage if mailed in the United States, or appoint your proxies over the Internet or by telephone as directed on your proxy card.

If your shares are not registered in your own name and you would like to attend the 2010 Annual Meeting, please bring evidence of your share ownership with you. You should be able to obtain evidence of your share ownership from the bank, broker, trustee or other nominee that holds the shares on your behalf.

CLIFFS NATURAL RESOURCES INC.

200 Public Square, Suite 3300, Cleveland, OH 44114

P 216.694.5700 cliffsnaturalresources.com

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

March 26, 2010

Dear Shareholder:

Our Annual Meeting of Shareholders will be held on the 3rd floor of 200 Public Square, Cleveland, Ohio 44114-2315 on Tuesday, May 11, 2010 at 11:30 A.M. (Cleveland time), which we refer to as our 2010 Annual Meeting, for the purpose of considering and acting upon the following proposals:

1. To elect eleven Directors to hold office until the next Annual Meeting of Shareholders or until their successors are elected;

2. To approve and adopt an amendment to our Amended Articles of Incorporation to change certain supermajority shareholder voting requirements contained in the Ohio Revised Code to majority shareholder voting requirements;

3. To approve the amendment and restatement of the 2007 Incentive Equity Plan to (a) increase the authorized number of shares available for issuance under the plan by a total of 7,000,000 common shares, and (b) provide an annual limitation on the number of shares available to grant to any one participant in any fiscal year of 500,000 common shares;

4. To ratify the appointment of Deloitte & Touche LLP as our independent registered public accounting firm to examine our consolidated financial statements for the 2010 fiscal year; and

5. Such other matters as may properly come before the 2010 Annual Meeting and any adjournments or postponements thereof.

Shareholders of record at the close of business on March 18, 2010 are entitled to notice of and to vote at such meeting and any adjournments or postponements thereof.

Very truly yours,

George W. Hawk, Jr.

General Counsel and Secretary

It is important that your shares be represented at the 2010 Annual 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 over the Internet or by telephone as directed on your proxy card.

If your shares are not registered in your own name and you would like to attend the 2010 Annual Meeting, please bring evidence of your share ownership with you. You should be able to obtain evidence of your share ownership from the bank, broker, trustee or other

nominee that holds the shares on your behalf.

CLIFFS NATURAL RESOURCES INC.

200 Public Square, Suite 3300, Cleveland, OH 44114

P 216.694.5700 cliffsnaturalresources.com

PROXY STATEMENT

March 26, 2010

SOLICITATION, USE AND REVOCATION OF PROXIES

The accompanying proxy is solicited by our Board of Directors, which we refer to as the Board of Directors or Cliffs Board, for use at the Annual Meeting of Shareholders to be held on May 11, 2010, which we refer to as our 2010 Annual Meeting, and any adjournments or postponements thereof. Any proxy may be revoked by a later proxy, by written notice to our Secretary or in open meeting, without affecting any vote previously taken.

OUTSTANDING SHARES AND VOTING RIGHTS

As of March 18, 2010, the record date for the determination of persons entitled to vote at the 2010 Annual Meeting, there were 135,427,136 common shares, par value $0.125 per share, of Cliffs Natural Resources Inc., outstanding, which we refer to as Common Shares. Each Common Share is entitled to one vote in connection with each item to be acted upon at the 2010 Annual Meeting. This proxy statement and accompanying proxy card are being first mailed or otherwise distributed to shareholders on or about March [26], 2010.

Registered Holders. If your shares are registered in your name, you may vote in person or by proxy. If you decide to vote by proxy, you may do so by telephone, over the Internet or by mail.

By telephone. After reading the proxy materials and with your proxy card in front of you, you may call the toll-free number appearing on the proxy card, using a touch-tone telephone. You will be prompted to enter your Control Number from your proxy card. This number will identify you as a shareholder of record. Follow the simple instructions that will be given to you to record your vote.

Over the Internet. After reading the proxy materials and with your proxy card in front of you, you may use a computer to access the website www.envisionreports.com/clf. You will be prompted to enter your Control Number from your proxy card. This number will identify you as a shareholder of record. Follow the simple instructions that will be given to you to record your vote.

By mail. After reading the proxy materials, you may mark, sign and date your proxy card and return it in the enclosed prepaid and addressed envelope.

The Internet and telephone voting procedures have been set up for your convenience and have been designed to authenticate your identity, allow you to submit voting instructions and confirm that those instructions have been recorded properly.

Nominee shares. If your shares are held by a bank, broker, trustee, or some other nominee, that entity will provide separate voting instructions. All nominee share interests may view the proxy materials using the link www.edocumentview.com/clf.

ELECTION OF DIRECTORS

(Proposal No. 1)

It is intended that proxies received will be voted, unless contrary instructions are given, to elect the eleven nominees named in the following table to serve until the next Annual Meeting of Shareholders or until their successors shall be elected. All of the nominees were elected by the shareholders at the Annual Meeting of Shareholders held on May 12, 2009, except for Ms. Henry and Mr. Kirsch. Ms. Henry and Mr. Kirsch were appointed as Directors by unanimous action of Cliffs Board on September 1, 2009 and March 9, 2010, respectively.

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

We do not have a formal policy regarding Director attendance at our Annual Meeting of Shareholders, however, it is expected that all Directors and nominees will attend the 2010 Annual Meeting unless there are extenuating circumstances for nonattendance. Seven of eleven Directors currently standing for re-election attended the 2009 Annual Meeting. Ms. Henry and Mr. Kirsch were not Directors or nominees at the time of our 2009 Annual Meeting and, accordingly, did not attend the 2009 Annual Meeting.

INFORMATION CONCERNING DIRECTORS AND NOMINEES

Based upon information received from the respective Director nominees as of March 18, 2010, the following information is furnished with respect to each person nominated for election as a Director.

Name, Age, Principal Occupation and Employment, and Experience During Past Five Years, Specific Qualifications to Serve as a Director and Committee Member	First Became Director
RONALD C. CAMBRE, 71, Former Chairman of the Board of Newmont Mining Corporation, or Newmont, an international mining company, from January 1995 through December 2001. Mr. Cambre also served as Chief Executive Officer of Newmont, from November 1993 to December 2000. Mr. Cambre was formerly a Director of Inco Limited from April 2002 through October 2006. Mr. Cambre has served as a Director of W. R. Grace & Co., which is currently in Chapter 11 bankruptcy, since April 2001. Mr. Cambre has also served as Chairman and a Director of McDermott International, Inc., whose subsidiary, Babcox & Wilcox, was in Chapter 11 bankruptcy from February 2000 until January 2006.	1996
As a former Chairman and Chief Executive Officer of Newmont, Mr. Cambre brings years of mining experience as well as an extensive background in management as a chief executive officer and Chairman of Newmont. Mr. Cambre s continued service over the past 13 years on our Board, as well as the boards of other public companies, allows Mr. Cambre to provide experienced guidance and a depth of understanding of the changing corporate governance climate affecting public companies today. Mr. Cambre s international business acumen and forward-looking attitude continue to be a strong force on our Board as we look toward current and future mineral exploration projects and increase our international presence.	

Name, Age, Principal Occupation and Employment, and Experience During Past Five Years, Specific Qualifications to Serve as a Director and Committee Member	**First Became Director**
Committee Assignments: Strategy and Compensation and Organization	
Mr. Cambre has extensive experience with corporate strategy and M&A transactions based on his long history as an executive and director, which allows him to serve effectively on the Strategy Committee. His leadership experience and business acumen also provides a strong knowledge base in understanding executive compensation, an asset to the Compensation Committee.	
JOSEPH A. CARRABBA, 57, Chairman, President and Chief Executive Officer since May 2007 of Cliffs Natural Resources Inc. Mr. Carrabba served as our President and Chief Executive Officer from September 2006 through May 2007 and as our President and Chief Operating Officer from May 2005 to September 2006. Mr. Carrabba has served as a Director of Keycorp since November 2009 and Newmont since June 2007, as well as a Director of Great Lakes Science Center, and University Hospitals in Cleveland.	2006
Mr. Carrabba is an experienced mining executive who came to Cliffs with over 20 years experience with Rio Tinto plc, a global mining company. While with Rio Tinto, he served in a variety of capacities in mining operations internationally, including locations in Asia, Australia, Canada and Europe. He brings a global mining and exploration perspective with experience in a variety of minerals, including bauxite, coal, and diamonds to the Board.	
SUSAN M. CUNNINGHAM, 54, Senior Vice President of Exploration of Noble Energy Inc., an international oil and gas exploration and production company, since May 2007. Ms. Cunningham served as Senior Vice President of Exploration and Corporate Reserves from 2005 to May 2007 of Noble Energy Inc.	2005
Ms. Cunningham brings to the Board years of global exploration, geology and energy experience from her various roles with Noble Energy Inc. As we have grown internationally and expanded into mineral exploration and mining acquisitions (metallurgical coal and chromite, as examples), her guidance has been a valuable asset to our Board in assessing the value of acquisition projects as well as providing guidance when we address energy usage and carbon-related issues.	
Committee Assignments: Audit and Strategy	
Ms. Cunningham s global exploration experiences and knowledge and understanding of global mining and exploration industries and reserve calculations strengthen our Audit Committee. Her experience with evaluating potential mining exploration opportunities is an asset to our Strategy Committee.	
BARRY J. ELDRIDGE, 64, Former Managing Director and Chief Executive Officer of Portman Limited, an international iron ore mining company in Australia, from October 2002 through April 2005. Mr. Eldridge formerly served as Chairman of Vulcan Resources Ltd., Chairman of Millennium Mining Pty. Ltd. and as a Director of Wedgetail Mining Limited through 2008, and is Chairman of Mundo Minerals Limited. All of the companies are or were companies listed on the Australian Stock Exchange.	2005
As a former executive of an international mining company and former and acting Chairman of various Australian mining companies, Mr. Eldridge brings to the Board a wealth of international management experience as well as business perspectives specific to the Australian coal and iron mining industry, which is one of the strategic focuses of our company.	

Name, Age, Principal Occupation and Employment, and Experience During Past Five Years, Specific Qualifications to Serve as a Director and Committee Member	First Became Director
Committee Assignments: Strategy and Compensation and Organization	
Mr. Eldridge s extensive international mining and exploration expertise is an asset to our Strategy Committee when evaluating new strategic opportunities. His management experience both on boards of other companies and as a former executive strengthens the Compensation and Organization Committee through his understanding of compensation strategies necessary to retain and attract international exploration and mining talent.	
SUSAN M. GREEN, 50, Deputy General Counsel, U.S. Congressional Office of Compliance since November 2007. Ms. Green served as Aide to Councilmember Nancy Floreen, Montgomery County, Maryland from December 2002 to August 2005. Ms. Green was originally proposed as a nominee for the Board by the United Steelworkers, or USW, pursuant to the terms of our 2004 labor agreement.	2007
Ms. Green has served as both a labor organizer and as an attorney representing organized labor. She also has worked in government both as a member of former Massachusetts Senator Edward M. Kennedy s staff and as a member of the U.S. Department of Labor during the Clinton administration. She brings her diverse experiences as labor attorney and an alternative point of view to our Board. As someone who has represented organized labor, she is able to advocate the views of the majority of our North American workforce.	
Committee Assignments: Audit and Board Affairs	
Ms. Green s labor and governmental background brings a real world outlook to both committees.	
JANICE K. HENRY, 58, Former Senior Vice President from 1998 through June 2006, Chief Financial Officer from 1994 to June 2005 and Treasurer from 2002 to March 2006 of Martin Marietta Materials, Inc., or Martin Marietta, a producer of construction aggregates serving the public infrastructure, commercial and residential construction markets in the United States. Ms. Henry served in a consulting capacity for Martin Marietta from July 2006 through June 2009. Ms. Henry was a Director of Inco Limited from June 2004 through October 2006. Ms. Henry has served as a Director of North American Galvanizing & Coatings, Inc. since February 2008.	2009
Ms. Henry s background with Martin Marietta brings significant accounting, financial, SEC reporting, risk analysis, and audit experiences to our Board. As a former and current director on the boards of Inco Limited and North American Galvanizing & Coatings, Inc., Ms. Henry contributes her board level experience and background in mining and basic materials.	
Committee Assignments: Audit	
Ms. Henry s extensive financial reporting and accounting background provides the additional expertise required of audit committees of public companies. The Board has determined that she is one of the two audit committee financial experts (as that term is defined in SEC regulations).	

Name, Age, Principal Occupation and Employment, and Experience During Past Five Years, Specific Qualifications to Serve as a Director and Committee Member	**First Became Director**
JAMES F. KIRSCH, 52, Chairman, President and Chief Executive Officer of Ferro Corporation, or Ferro. Mr. Kirsch was elected Chairman of Ferro s Board of Directors in December 2006 and appointed Chief Executive Officer and a director of Ferro in November 2005. Mr. Kirsch joined Ferro in October 2004 as its President and Chief Operating Officer. Prior to joining Ferro, Mr. Kirsch served as President of Premix Inc. and Quantum Composites, Inc., manufacturers of thermoset molding compounds, parts and subassemblies for the automotive, aerospace, electrical and HVAC industries. Prior to that, from 2002 through 2004, he served as President of Quantum Composites, Inc. From 2000 through 2002, he served as President and director of Ballard Generation Systems and Vice President for Ballard Power Systems in Burnaby, British Columbia, Canada. Mr. Kirsch started his career with The Dow Chemical Company, where he spent 19 years and held various positions of increasing responsibility, including global business director of Propylene Oxide and Derivatives and Global Vice President of Electrochemicals.	2010
Mr. Kirsch brings a wealth of senior management experience with major organizations with international operations. As a Chairman, President and Chief Executive Officer of a NYSE company, he brings additional chairmanship and CEO experience to our Board.	
Committee Assignments: None	
Due to Mr. Kirsch s recent appointment to Cliffs Board he has not yet been assigned to any committees.	
FRANCIS R. McALLISTER, 67, Chairman and Chief Executive Officer of Stillwater Mining Company, a palladium and platinum producer, since February 2001. Mr. McAllister has served as a Director of Stillwater Mining Company since January 2001.	1996
As a sitting chief executive officer and chairman of a North American mining company for eight years, Mr. McAllister brings mining and leadership expertise to the Board. As a sitting Chairman, Mr. McAllister s experience in fostering good communication between Directors and management is invaluable in his capacity as Lead Director.	
Committee Assignments: Strategy and Compensation and Organization	
A strong mining background provides Mr. McAllister with special insight into mineral exploration and reserve strategies to help direct our Strategy Committee towards new diverse steel industry related mineral opportunities. Mr. McAllister s leadership experience and perspective helps the Compensation and Organization Committee define what qualities our current and future management talent should possess.	
ROGER PHILLIPS, 70, Former President and Chief Executive Officer of IPSCO Inc., a North American steel producing company, from 1982 through 2002. Mr. Phillips served as Director of Inco Limited from April 2003 through October 2006. Mr. Phillips is currently a Director of Canadian Pacific Railway Company, Canadian Pacific Railway Limited, Imperial Oil Limited and Toronto Dominion Bank.	2002

Name, Age, Principal Occupation and Employment, and Experience During Past Five Years, Specific Qualifications to Serve as a Director and Committee Member	First Became Director
As a former chief executive officer of a North American steel producer, Mr. Phillips brings not only his management experience but knowledge of the North American steel market to our Board. His perspective is invaluable given the importance of the North American iron ore segment to our company. With experience as a director in a number of diverse industries, Mr. Phillips brings extensive board experience and leadership skills as well as a working knowledge of transportation, banking, and energy businesses, rounding out our Board s knowledge base.	
Committee Assignments: Board Affairs and Compensation and Organization	
Service on diverse boards of various industries provides Mr. Phillips with a strong understanding and knowledge of today s corporate governance procedures and business ethics issues. Our Board Affairs Committee relies on his knowledge and guidance as Chairman of the committee. Mr. Phillips long history working in executive management and his understanding the importance of developing talent for our future success is integral to our Compensation Committee s success.	
RICHARD K. RIEDERER, 66, Chief Executive Officer of RKR Asset Management, a consulting organization since June 2006. Mr. Riederer served as President and Chief Executive Officer from January 1996 through February 2001 of Weirton Steel Corporation, a steel producing company. Mr. Riederer is a Director of First American Funds since September 2001, the Boler Company, NFS International, and Chairman and Director of Idea Foundry. He also serves on the Board of Trustees of Franciscan University of Steubenville.	2002
Mr. Riederer s long career in the steel industry as well as his experience as Chief Executive Officer and Chief Financial Officer of Weirton Steel Corporation, a North American steel producer, brings executive management, accounting and finance and financial reporting expertise to our Board as well as an in depth knowledge of the North American steel industry. His insight as past Chairman of North American Iron & Steel Institute is invaluable.	
Committee Assignments: Audit and Board Affairs	
Mr. Riederer is one of two audit committee financial experts (as that term is defined in SEC regulations) based on years of financial and accounting experience and leadership as a member, as well as Chairman, of the Audit Committee. Mr. Riederer s strong sense of leadership and ethical behavior supports the purpose of our Board Affairs Committee.	
ALAN SCHWARTZ, 70, Professor of Law at the Yale Law School and Professor at the Yale School of Management since 1987. Mr. Schwartz has served as a Director of Furniture Brands International since 2007.	1991
Mr. Schwartz is an expert in corporate governance and compliance. Mr. Schwartz s distinguished tenure as an academic brings a unique perspective to our Board.	
Committee Assignments: Audit and Board Affairs	
As an educator at both the Yale Law School and the School of Management, Mr. Schwartz is knowledgeable as to current market and business trends, and corporate governance standards. This provides a perspective on current legal and business trends to both our Audit and Board Affairs Committees.	

Mr. James D. Ireland, III is not standing for re-election.

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

6

DIRECTOR INDEPENDENCE

Our Board of Directors has determined that each of the current Directors standing for re-election, other than Mr. Carrabba, which includes all of the current members of the Audit, Board Affairs, and the Compensation and Organization Committees, has no material relationship with us (either directly or as a partner, shareholder or officer of an organization that has a relationship with us) and is independent within our director independence standards, which reflect exactly the New York Stock Exchange, or NYSE, director independence standards. Mr. Carrabba is our Chairman, President and Chief Executive Officer, or CEO, and as such, is not considered independent. He does not serve as a member of any of Cliffs Board committees.

Since January 1, 2009, there have been no transactions between Cliffs and any of its independent Directors other than compensation for service as a director as disclosed below.

BOARD LEADERSHIP STRUCTURE AND BOARD COMMITTEES

The members and nominees for Cliffs Board have diversified professional experience in general management, steel manufacturing, construction aggregates, mining, finance, labor, law, education, natural resource exploration, and other fields. There is no family relationship among any of our nominees and executive officers. Ten of the eleven nominees have no present or former employment relationship with Cliffs. The average age of the nominees currently serving on Cliffs Board is 62, ranging from 50 to 71. The average years of service of the nominees currently serving on Cliffs Board is seven years, ranging from less than one year to 19 years.

Board Leadership Structure. The Chairman of our Board is Joseph A. Carrabba, who is also our CEO and President. Pursuant to our Corporate Governance Guidelines, when the positions of Chairman and CEO are held by one individual, then the Chairman of our Compensation and Organization Committee is designated as our Lead Director. Accordingly, Francis R. McAllister, the Chairman of our Compensation and Organization Committee, serves as our Lead Director. The Board has determined that this leadership structure is appropriate for our company.

Under this leadership structure, Mr. Carrabba is responsible for overseeing and facilitating communications between our management and the Board, for setting the meeting schedules and agendas, and leading Board discussions during Board meetings. In his combined role, Mr. Carrabba has the benefit of company personnel to help with extensive meeting preparation, responsibility for the process of recordkeeping of all Board deliberations, and the benefit of direct daily contact with management and internal audit departments. The Chairman works closely with the Lead Director in setting meeting agendas and in ensuring that essential information is effectively communicated to the Board. This leadership structure provides our Chairman with the readily available resources to manage the affairs of the Board while allowing our Lead Director to provide effective and timely advice and guidance as needed.

Corporate Governance Guidelines. Our governance process is based on our Corporate Governance Guidelines, which are available on our website at http://www.cliffsnaturalresources.com. During 2009, seven meetings of Cliffs Board and 29 meetings of all Cliffs Board committees were held. Our independent Directors held seven meetings in executive session without the presence of Mr. Carrabba in 2009. The Corporate Governance Guidelines were amended in November 2009 and March 2010 in order to (i) reflect the change in our committee structure following the merger of the Finance and Strategic Advisory Committees to form the Strategy Committee and (ii) to provide for annual one-on-one reviews by our Lead Director with each Board member and for an annual review of the Lead Director by the Board Affairs Committee. Mr. McAllister has served as Lead Director since

May 2004. He chaired all of the executive session meetings in 2009. Directors also discharge their responsibilities by reviewing reports to Directors, visiting our facilities, corresponding with the CEO, and conducting telephone conferences with the CEO and Directors regarding matters of interest and concern to Cliffs. The Directors have Audit, Board Affairs, Compensation and Organization and Strategy Committees as well as ad hoc committees when needed. In 2009 the Board reviewed its committee structure and determined that it was prudent to merge the Finance and the ad hoc Strategic Advisory Committees into one committee in order to adequately oversee our growth and increased pace of mergers and acquisitions. The Strategy Committee was formalized into a standing committee on May 12, 2009.

All committees regularly report their activities, actions, and recommendations to Cliffs Board. During 2009, two independent Directors attended at least 81 percent of all meetings, while the remaining independent Directors attended at least 92 percent of the aggregate total of Cliffs Board and committee meetings. No Director attended less than 75 percent of Cliffs Board committee meetings of which they were members.

Audit Committee. The members of the Audit Committee from January 1, 2009 through May 11, 2009 consisted of Messrs. Riederer (Chairman), Eldridge and Ireland, and Ms. Cunningham. Since May 12, 2009, the Audit Committee membership consists of Messrs. Riederer (Chairman) and Schwartz, and Mses. Cunningham and Green. On September 1, 2009, when Ms. Henry joined the Board of Directors, Ms. Henry was assigned to the Audit Committee.

The Audit Committee reviews with our management, the internal auditors and the independent registered public accounting firm, the adequacy and effectiveness of our system of internal control over financial reporting; reviews significant accounting matters; reviews quarterly unaudited financial information prior to public release; approves the audited financial statements prior to public distribution; approves our assertions related to internal controls prior to public distribution; reviews any significant changes in our accounting principles or financial reporting practices; reviews, approves and retains the services performed by our independent registered public accounting firm; has the authority and responsibility to evaluate our independent registered public accounting firm; discusses with the independent registered public accounting firm their independence and considers the compatibility of non-audit services with such independence; annually selects and retains our independent registered accounting firm to examine our financial statements; approves management s appointment, termination, or replacement of the Chief Risk Officer; and conducts a legal compliance review. Pursuant to the rules of the SEC, the members of the Audit Committee are independent, as that term is defined in the NYSE listing standards. Cliffs Board identified Mr. Riederer and Ms. Henry as audit committee financial experts (as defined in Item 407(d)(5)(ii) of Regulation S-K). No member of the Audit Committee serves on the audit committees of more than three public companies. The Audit Committee held nine meetings during 2009. The charter of the Audit Committee is available at http://www.cliffsnaturalresources.com.

Board Affairs Committee. From January 1, 2009 through May 11, 2009, the members of the Board Affairs Committee, consisted of Messrs. Cambre (Chairman), McAllister, Phillips and Schwartz, and Ms. Green. As of May 12, 2009, the members of the Board Affairs Committee are Messrs. Phillips (Chairman), Riederer and Schwartz, and Ms. Green. The Board Affairs Committee administers our compensation plans for Directors; monitors the Board governance process and provides counsel to the CEO on Board governance and other matters; recommends changes in membership and responsibility of Board committees; and acts as the Board s Nominating Committee and Proxy Committee in the election of Directors. The Board Affairs Committee held four meetings during 2009. The charter of the Board Affairs Committee is available at http://www.cliffsnaturalresources.com.

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

Compensation and Organization Committee. The Compensation and Organization Committee, which we refer to as the Compensation Committee, consisted of Messrs. McAllister (Chairman), Ireland, Phillips and Riederer from January 1, 2009 through May 11, 2009. Since May 12, 2009, the Compensation Committee members are Messrs. McAllister (Chairman), Cambre, Eldridge, Ireland and Phillips. The Compensation Committee recommends to Cliffs Board the election and compensation of officers; administers our compensation plans for officers; reviews organization and management development; evaluates the performance of the CEO and the other named executives; and obtains the advice of outside experts with regard to compensation matters. The Compensation Committee may, in its discretion, delegate all or a portion of its duties and responsibilities to a subcommittee or, in the case of non-officers, to the CEO or the Executive Vice President, Human and Technical Resources.

The Compensation Committee obtains analysis and advice from an external compensation consultant to assist with the performance of its duties under its charter. For 2009 the Compensation Committee retained Farient Advisors, or Farient. Farient was retained directly by the Compensation Committee and has helped the Compensation Committee develop an appropriate agenda for performing the Compensation Committee s responsibilities. In this regard, Farient advised and assisted the Compensation Committee in determining the appropriate objectives and goals of our executive compensation programs; in designing compensation programs that fulfill those objectives and goals; ensuring that compensation programs align executives with shareholder interests; in monitoring the external and internal equity of our executive officers total compensation and the primary components of that compensation; in evaluating the effectiveness of our compensation programs; in identifying appropriate pay positioning strategies and pay levels in our executive compensation programs; in selecting performance peers and setting performance targets used to evaluate performance for incentive compensation plans; and in identifying mining industry, general industry and Cleveland area pay practices and identifying compensation surveys for the Compensation Committee to use to benchmark the appropriateness and competitiveness of our executive compensation program.

The Compensation Committee makes all decisions regarding the CEO s compensation after consulting with its advisors in executive session where no management employees are present. For the other executive officers, the CEO is asked by the Compensation Committee to conduct and present an assessment in partnership with the Executive Vice President, Human and Technical Resources on the achievement of specific goals established for those officers and on the performance of Cliffs taking into account external market forces and other considerations. While the CEO and Executive Vice President, Human and Technical Resources attend Compensation Committee meetings regularly by invitation, the Compensation Committee is the final decision maker for the compensation of the executive officers. For additional information regarding the operation of the Compensation Committee, see Executive Compensation Compensation Discussion and Analysis beginning on page 17 of this proxy statement. The Compensation Committee held seven meetings during 2009. The charter of the Compensation Committee is available at http://www.cliffsnaturalresources.com.

Strategy Committee. The Strategy Committee was formed as a standing committee on May 12, 2009. The members of the Strategy Committee are Messrs. Ireland (Chairman), Cambre, Eldridge and McAllister, and Ms. Cunningham. The purpose of the Strategy Committee is to oversee our business strategy including organic growth, mergers and acquisitions, and monitoring the three to ten year corporate objectives. Specifically, the Strategy Committee provides advice and assistance with developing our company s growth strategy, determining the resources necessary to implement the growth, monitoring the progress and implementation of the growth strategy and communicating issues and progress reports to the full Board, communicating the risks and opportunities facing the company to the full Board, overseeing management s development plans on implementing the strategy and reviewing and providing feedback to management on the annual financial plan, dividend recommendations, financing plans, major investment proposals, cost of capital and capital structure, comparison of actual results with estimates for major projects, and reviewing capital spending for projects in excess of express Board delegations to the CEO.

The Strategy Committee held seven meetings from May 12 through December 31, 2009. The charter of the Strategy Committee is available at http://www.cliffsnaturalresources.com.

The predecessor committees to the Strategy Committee were the Finance Committee and the Strategic Advisory Committee. Each operated through May 11, 2009. The Finance Committee consisted of Messrs. Schwartz (Chairman), Cambre and Eldridge, and Mses. Cunningham and Green. The Finance Committee met once in 2009. The Strategic Advisory Committee consisted of Messrs. Ireland (Chairman), Cambre, McAllister and Schwartz. The Strategic Advisory Committee also met once during 2009.

THE BOARD S ROLE IN RISK OVERSIGHT

Our Board oversees our enterprise risk management, or ERM, processes, which we designed to identify risks to our strategy and strategic objectives, determine appropriate risk management responses and monitor identified risks. The involvement of the Board in setting our business strategy and strategic objectives plays a key role in this process.

We have implemented an ERM process that identifies and ranks risks, identifies senior executive risk owners and develops risk mitigation activities. The risk analysis process defines key risks, determines contributing factors for each risk, identifies and evaluates our current risk mitigation practices, and assesses risk ranking based on an analysis of the identified risks. Identified risks are reviewed both quarterly and annually.

Our Audit Committee, pursuant to the Audit Committee charter, periodically reviews our ERM process. The Audit Committee periodically discusses risk management guidelines and policies with management and assesses our company s exposure to risk. The Audit Committee also reviews our major financial risk exposures and the steps management has taken to monitor and control these exposures. The Audit Committee reports on these activities to the full Board.

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 nominations, the Board Affairs Committee seeks to achieve a balance of knowledge, experience and capability on Cliffs Board and to address the membership criteria set forth below under Board Diversity and Director Qualifications. Any shareholder nominations proposed for consideration by the Board Affairs Committee should include: (i) complete information as to the identity and qualifications of the proposed nominee, including name, address, present and prior business and/or professional affiliations, education and experience, and particular fields of expertise; (ii) an indication of the nominee s consent to serve as a Director if elected; and (iii) the reasons why, in the opinion of the recommending shareholder, the proposed nominee is qualified and suited to be a Director. Shareholder nominations should be addressed to Cliffs Natural Resources Inc., 200 Public Square, Suite 3300, Cleveland, Ohio 44114-2315, Attention: Secretary. Our Regulations provide that at any meeting of shareholders at which directors are to be elected, only persons nominated as candidates will be eligible for election.

Board Diversity and Director Qualifications

Although there is no specific board diversity policy in place presently, the Board Affairs Committee does consider such factors as it deems appropriate and consistent with our Corporate Governance Guidelines, the charter of the Board Affairs Committee and other criteria established by Cliffs Board, which includes diversity. The Board Affairs Committee s goal in selecting directors for nomination to Cliffs Board is generally to seek to create a well-balanced team that combines diverse experience, skill and intellect of seasoned directors in order to enable us to pursue our strategic objectives. The Board Affairs Committee has not reduced the qualifications for service on Cliffs Board to a checklist of specific standards or specific, minimum qualifications, skills or qualities. Rather, we seek, consistent with the vacancies existing on Cliffs Board 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 of thought and integrity would be considered a desirable addition to our Board 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 Cliffs Board.

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: 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 Cliffs Board; whether the current composition of Cliffs Board is consistent with the criteria described in our Corporate Governance Guidelines; whether the candidate submitted possesses the qualifications that are generally the basis for selection of candidates to Cliffs Board; and whether the candidate would be considered independent under the rules of the NYSE and our standards with respect to Director independence. Final approval of any candidate will be determined by the full Cliffs Board.

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 Cliffs Board and whether any vacancies on Cliffs 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 Cliffs   Board. Following verification of the recommending shareholder   s status, recommendations are considered by the Board Affairs Committee at its next regularly scheduled meeting.

MEETINGS OF NON-MANAGEMENT DIRECTORS; COMMUNICATIONS WITH DIRECTORS

In accordance with the NYSE   s corporate governance listing standards, our non-management directors meet at regularly scheduled executive sessions without management present. The Chairman of the Compensation Committee has been designated as our lead independent director. Shareholders and interested parties may communicate with the chair of the Compensation Committee, or with our non-management directors as a group or with Cliffs   Board, by writing to the Lead Director at Cliffs Natural Resources Inc., 200 Public Square, Suite 3300, Cleveland, Ohio 44114-2315, Attn: Lead Director. Our independent Directors have approved the process for determining which communications are forwarded to various members of Cliffs   Board.

BUSINESS ETHICS POLICY

We have adopted a Code of Business Conduct and Ethics, or Code, which applies to all of our Directors, officers and employees. The Code is available on our website at http://www.cliffsnaturalresources.com in the Corporate Governance section under   For Investors.   We intend to post amendments to or waivers from our Code (to the extent applicable to our principal executive officer, principal financial officer or principal accounting officer) on our website.

DIRECTORS COMPENSATION

Effective January 1, 2009, Cliffs Directors who are not Cliffs employees, received an annual retainer fee of $50,000 and an annual equity award of $75,000. Effective July 1, 2009, the Board s annual retainer fee was reduced by ten percent to $45,000 in conjunction with compensation reductions across the organization in response to the global recession. The annual retainer fee reduction was reinstated to the previous level effective January 1, 2010. Board and committee meeting fees are $1,500 and $1,000, respectively. From January 1, 2009 through March 9, 2009, the Lead Director s annual retainer fee was $10,000. Effective March 10, 2009, the Lead Director annual retainer was increased to $30,000. Annual committee chair retainers are as follows: Audit Committee, $10,000, and Board Affairs, Compensation, and Strategy Committees are $5,000. The Finance and Strategic Advisory Committees received retainers of $2,500 for the first two quarters until their discontinuation. Employee directors receive no compensation for their service as directors.

The Nonemployee Directors Compensation Plan (as Amended and Restated as of December 31, 2008), which we refer to as the Directors Plan, implements the annual equity grant program referenced above. Directors who are under age 69 on the date of the Annual Meeting receive an automatic annual grant of $75,000 worth of restricted shares with a three-year vesting requirement. Nonemployee Directors who are 69 years of age or older on the date of the Annual Meeting receive an automatic annual grant of $75,000 worth of Common Shares (with no restrictions). In May 2009, three Directors received an annual grant of Common Shares.

Our Director Share Ownership Guidelines provide that a Director should hold or acquire by the end of a four-year period the lesser of 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 guidelines in December of each year, the Director may elect to receive all or a portion of his or her annual retainer of $50,000 for the following year in cash. If the Director does not meet these guidelines, the Director is required to receive an equivalent value of $20,000 in Common Shares until he or she meets one of the two guidelines. Nonemployee Directors may elect to receive up to 100 percent of their retainer and other fees in Common Shares. In addition, the Directors Plan gives nonemployee Directors the opportunity to defer all or a portion of their annual retainer and other fees, whether payable in cash or Common Shares. Nonemployee Directors may elect to receive deferred shares in lieu of their annual equity award with the same three-year vesting requirements. A Director may also elect that all cash dividends with respect to restricted shares be deferred and reinvested in additional Common Shares. Those additional Common Shares are subject to the same restrictions as the underlying award. Cash dividends not subject to a deferral election will be paid to the Director without restriction.

Nonemployee Directors who joined the Board before January 1, 1999 were able to participate in either the Retirement Plan for Non-Employee Directors (as Amended and Restated July 1, 2005) first adopted in 1984, which we refer to as the 1984 Plan, or the Nonemployee Directors Supplemental Compensation Plan established in 1995, which we refer to as the 1995 Plan. The 1984 Plan currently has one active Director, Mr. Ireland, as a participant. The 1984 Plan provides that a nonemployee Director elected before July 1, 1995, with at least five years of service, receives during his lifetime after retirement an amount equal to the annual retainer currently paid to a nonemployee Director. The 1995 Plan no longer has any active Director participants. Directors who have joined the Board on or after January 1, 1999 are not eligible to participate in either plan.

In 2003, Cliffs Board adopted respective amendments to both the 1984 and 1995 Plans offering a one-time voluntary election for an immediate lump sum cash-out of the present value of the accrued pension and deferred benefits to all active and retired participating nonemployee Directors. Pursuant to the terms of both plans, as amended, the lump-sum benefit was made to 11 of 14 participants on June 30, 2003. Any election for a lump sum payout in 2003 terminated the opportunity for a future pension adjustment under either plan. Currently, only two retired Directors receive retirement benefits pursuant to the 1984 and 1995 Plans.

Cliffs has trust agreements with KeyBank National Association relating to the Directors Plan, the 1984 Plan and the 1995 Plan in order to fund and pay our retirement obligations under these plans.

Director Compensation Table

The following table, supported by the accompanying footnotes and narrative, sets forth for fiscal year 2009 all compensation earned by the individuals who served as our nonemployee Directors at any time during 2009.

Name	Fees Earned or Paid in Cash ($)(1)	Stock Awards ($)(2)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)(3)	Other Compensation ($)(4)	Total ($)
R. C. Cambre	75,500	74,998		500	150,998
S. M. Cunningham	73,000	74,998			147,998
B. J. Eldridge	72,000	74,998			146,998
S. M. Green	68,000	74,998			142,998
J. K. Henry	22,418	51,975			74,393
J. D. Ireland III	75,250	74,998	25,507		175,755
F. R. McAllister	107,222	74,998	186		182,407
R. Phillips	71,500	74,998			146,498
R. K. Riederer	83,000	74,998		4,000	161,998
A. Schwartz	68,000	74,998			142,998

(1) The amounts listed in this column reflect the aggregate cash dollar value of all earnings in 2009 for annual retainer fees, chairman retainers and meeting fees, whether received in required retainer shares, voluntary shares, cash, or a combination thereof. Unless otherwise noted below, the amounts indicated were elected to be paid in cash.

Messrs. Eldridge and Schwartz and Mses. Cunningham and Green elected to continue to receive $19,000 each, in Common Shares. Ms. Henry had not met the established Director Share Ownership Guidelines and was required to receive $5,967 in Common Shares. Mr. Riederer elected to defer $19,000 in Common Shares pursuant to the Directors Plan.

(2) The amounts reported in this column reflect the aggregate grant date fair value computed in accordance with FASB ASC Topic 718 for the nonemployee Directors annual equity award of either restricted shares or unrestricted shares granted during 2009, as further described above. The grant date fair value of the nonemployee Directors annual equity award was $28.89. Among the nonemployee Directors, only Messrs. Cambre, Phillips, and Schwartz (who were 69 years of age or older on the Annual Meeting date in May 2009) received 2,596 unrestricted Common Shares each as his or her annual equity award for 2009 under the Directors Plan. Mr. Riederer elected to receive his 2,596 deferred shares in lieu of restricted shares under the Directors Plan. Ms. Henry joined the Board on September 1, 2009 and received a prorated automatic annual equity award of 2,138 restricted shares. The grant date fair value of Ms. Henry s prorated annual equity award was $24.31. As of December 31, 2009, the aggregate number of restricted shares subject to forfeiture held by each nonemployee Director was as follows: Mr. Cambre 936; Ms. Cunningham 4,336; Mr. Eldridge 4,336; Ms. Green 4,336; Ms. Henry 2,138; Mr. Ireland 4,336; Mr. McAllister 4,336; Mr. Phillips 1,740; Mr. Riederer 0; and Mr. Schwartz 1,740.

As of December 31, 2009, the aggregate number of unvested deferred shares credited to Mr. Riederer under the Directors Plan was 5,730.

(3) Mr. Ireland is the only independent Director eligible for retirement benefits under the 1984 Plan. The aggregate change in the actuarial present value of Mr. Ireland s benefit under the 1984 Plan is $24,500. Messrs. Ireland and McAllister recognized above-market earnings in their deferred cash accounts of $1,007 and $186, respectively.

(4) The amounts in this column reflect matching contributions made to educational institutions from the Cleveland-Cliffs Foundation on behalf of the Director.

SECURITIES OWNERSHIP OF MANAGEMENT AND CERTAIN OTHER PERSONS

The following table sets forth the amount and percent of Common Shares that, as of March 18, 2010 (except as otherwise indicated), are deemed under the rules of the SEC to be beneficially owned by each Director (excluding Mr. Carrabba), by each nominee for Director, by our CEO, Chief Financial Officer, or CFO, and the other named executive officers as identified in the Summary Compensation Table below by such persons, individually and collectively with the Directors, nominees for Director and the other executive officers as a group, and by any person or group (as the term is used in the Securities Exchange Act of 1934, which we refer to as the Exchange Act) known to us as of that date to be a beneficial owner of more than five percent or more of the outstanding Common Shares. No Directors, executive officers, or officers hold any outstanding stock options as of March 18, 2010.

		Amount and Nature of Beneficial Ownership (1)				
Directors and Nominees		**Investment Power**		**Voting Power**		
(excluding those who are also Named Executive Officers)	**Beneficial Ownership**	**Sole**	**Shared**	**Sole**	**Shared**	**Percent of Class(2)**
Ronald C. Cambre	23,028	23,028		23,028		
Susan M. Cunningham	9,334	9,334		9,334		
Barry J. Eldridge	12,731	12,731		12,731		
Susan M. Green	5,584	5,584		5,584		
Janice K. Henry	2,345	2,345		2,345		
James D. Ireland III	1,147,407	48,951	1,098,456(3)	48,951	1,098,456(3)	
James F. Kirsch	222	222		222		
Francis R. McAllister	19,397	19,397		19,397		
Roger Phillips	37,413	37,413		37,413		
Richard K. Riederer	16,504	16,504		16,504		
Alan Schwartz	23,794	23,794		23,794		
Named Executive Officers						
Joseph A. Carrabba	169,395	169,395		169,395		
Laurie Brlas	32,411	32,411		32,411		
William A. Brake	15,630	15,630		15,630		
Donald J. Gallagher	142,997	142,997		142,997		
William R. Calfee	71,964	71,964		71,964		
All Directors, Nominees, and Executive Officers as a group, including the named executive officers (23 Persons)	1,821,622	723,166	1,098,456	723,166	1,098,456	1.35%
Other Persons						
Wellington Management Company, LLP(4) 75 State Street Boston, MA 02109	7,755,563		7,755,563		6,761,716	5.92%
Capital World Investors 333 South Hope Street Los Angeles, CA 90071(5)	7,760,000	7,760,000		1,760,000		5.90%
BlackRock Inc. 40 East 52nd Street New York, NY 10022(6)	7,518,787	7,518,787		7,518,787		5.74%

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

(2) Less than one percent, except as otherwise indicated.

(3) Of the 1,147,407 shares deemed under the rules of the SEC to be beneficially owned by Mr. Ireland, he is a beneficial holder of 48,951 shares. The remaining 1,098,456 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 87,880 shares.

(4) The information shown above and in this footnote was taken from the Amendment No. 5 to Schedule 13G, dated February 12, 2010 and filed with the SEC on February 12, 2010, by Wellington Management Company, LLP, an investment advisor.

(5) The information shown above and in this footnote was taken from the Schedule 13G, dated February 8, 2010 and filed with the SEC on February 11, 2010, by Capital World Investors, an investment advisor.

(6) The information shown above and in this footnote was taken from the Schedule 13G, dated January 20, 2010, as filed with the SEC on January 29, 2010, by BlackRock, Inc. This filing amends any Schedule 13G filing made by Barclays Global Investors, NA. BlackRock, Inc. acquired Barclays Global Investors from Barclays Bank PLC on December 1, 2009.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Executive Compensation Philosophy and Core Principles

The Compensation Committee has continually sought to strike a balance in program design and execution among several competing objectives. Specifically, the Compensation Committee has designed the compensation structure to attract, motivate, reward and retain high-level performing executives. The goal is to align pay with Cliffs performance in the short-term through compensation based on measures of profitability and operational and strategic excellence, and over the long-term through stock-based incentives. Cliffs compensation philosophy is to place a significant portion of compensation at risk based on Cliffs performance, increasing the portion at risk in sync with the responsibility level of the individual, consistent with market practices. Cliffs also seeks to balance this performance focus with sufficient retention incentives and a focus on controllable results to limit the risk of losing key executives during periods of unfavorable industry conditions, all in a manner that the Compensation Committee, in its judgment, considers balanced between the interests of the executives and the shareholders given the potential volatility of business results in the mining industry.

More specifically, Cliffs guiding principles are as follows:

- Target total pay opportunity for executive officers should be at the 62 1/2 percentile of market levels or a target total pay opportunity positioned between the median and 75th percentile. Cliffs targets pay at the 62 1/2 percentile in order to attract and retain superior talent within the highly competitive mining environment.

- Align pay with results delivered to shareholders, while recognizing the potentially cyclical nature of the industry in which Cliffs operates. The goal is to avoid undue windfalls to executives in years of strong industry performance and in the case of down cycles, to avoid loss of all compensation opportunities while still motivating performance.

- Focus performance measures on a combination of absolute performance objectives tied to Cliffs business plan (profitability and cost control), achievement of key initiatives that reflect the business strategy (for example, sales initiatives, cost control activities, growth and diversification of mineral resources, etc.) and relative objectives reflecting market conditions (relative total shareholder return, which reflects share price appreciation plus dividends, if any).

- Provide competitive fixed compensation elements over the short-term (salary) and long-term (restricted share units and retirement benefits) to encourage long-term retention of Cliffs executives.

- Design pay programs to be as simple and transparent as possible to facilitate executives focus and understanding.

This discussion focuses primarily on compensation actions taken and decisions made during Cliffs 2009 fiscal year, but also contains information regarding compensation actions taken and decisions made both before and after fiscal year 2009 to the extent that information enhances the understanding of Cliffs executive compensation program.

Oversight of Executive Compensation

The Compensation Committee administers the Cliffs executive compensation program, including compensation for Cliffs CEO, Joseph A. Carrabba, its CFO, Laurie Brlas and the other three highest paid employees as of December 31, 2009, Donald J. Gallagher, William A. Brake and William R. Calfee. We collectively refer to these individuals as our named executive officers.

The specific responsibilities of the Compensation Committee related to executive compensation include:

- Overseeing development and implementation of Cliffs compensation policies and programs for executive officers;
- Reviewing and approving CEO and other elected officer compensation, including setting goals, evaluating performance, and determining results;
- Overseeing Cliffs equity-based employee incentive compensation plans and approving grants (except grants or awards under plans relating to Director compensation, which are administered by the Board Affairs Committee);
- Ensuring that the criteria for awards under Cliffs incentive and equity plans are appropriately related to its operating performance objectives;
- Overseeing regulatory compliance with respect to certain other compensation matters; and
- Reviewing and approving any proposed severance or retention plans or agreements.

When making individual compensation decisions for executives, the Compensation Committee takes many factors into account, including the individual s performance, tenure and experience, Cliffs performance overall, any retention considerations, the individual s historical compensation and internal equity considerations. These factors are considered by the Compensation Committee in a subjective manner without any specific formula or weighting.

The Compensation Committee relies significantly on the CEO s input and recommendations when evaluating these factors relative to the executive officers other than the CEO. The Compensation Committee also reviews a pay history for each executive and considers the progression of salary increases over time compared to the individual s development and performance, the unvested and vested value inherent in outstanding equity awards, and the cumulative impact of all previous compensation decisions. The CEO in partnership with Human Resources conducts an assessment of each executive at the end of each year against a spectrum of behaviors and strategic goals established for each executive at the beginning of the year. The CEO then provides the Compensation Committee with his assessment of the performance of the executive and his perspective on the factors described above in developing his recommendations for each executive s compensation, including salary adjustments, annual incentive payouts, and equity grants. The Compensation Committee discusses the CEO s recommendations, including how the recommendations compare against the external market data and how the compensation levels of the executives compare to each other, to the CEO s compensation level, and to the historic pay for each executive. Based on this discussion, the Compensation Committee then approves or modifies the recommendations in collaboration with the CEO.

Decisions relating to the CEO s pay are made by the Compensation Committee in executive session, without management present. In assessing the CEO s pay, the Compensation Committee considers company performance, the CEO s contribution to that performance, and other factors as described above in the same manner as for any other executive. The Compensation Committee approves the CEO s salary, incentive plan payment (consistent with the terms of the plan as described below) and long-term incentive awards each year. The Compensation Committee uses the same factors in evaluating the CEO s performance and compensation as it uses with the other executive officers.

The Compensation Committee uses an executive compensation consultant to assess the competitiveness of the executive compensation program, to make recommendations regarding the program design based on prevailing market practices and business conditions, to advise the

Compensation Committee on the level of each executive officer s compensation, and to conduct research as directed by the Compensation Committee. Consultants attend portions of all Committee meetings at the request of the Compensation Committee. The Compensation Committee s intent is to ensure the objectivity of its compensation consultant. The consultant is engaged by and reports directly to the Committee, frequently meets separately with the Committee with no members of management present and periodically works separately with the Committee Chairman between meetings.

For fiscal year 2009 compensation decisions, the Compensation Committee retained Farient Advisors. Farient Advisors is a consulting firm that advises in executive officer compensation. Farient was engaged directly by the Compensation Committee and worked under the Compensation Committee s direction. Farient performs no work for the company or management except as requested by the Compensation Committee. The Compensation Committee believes that Farient provides a proactive level of support and an in-depth understanding of the company and its needs from an executive compensation perspective. Additional services requested of Farient in 2009 included a review of the Board of Directors compensation practices. The additional services provided did not exceed a cost of $120,000.

Principal Compensation Elements. During 2009, Cliffs executive compensation and benefits consisted of the components listed in the table below, which provides a brief description of the principal types of compensation, how performance factors into each type of compensation, and the objectives served by each element. These elements are discussed in more detail in the following sections.

Fiscal Year 2009 Principal Compensation Elements

Element	**Description**	**Performance Considerations**	**Primary Objectives**
Base Salary	Fixed cash payment	Based on level of responsibility, experience, individual performance	Attraction and retention
Executive Management Performance Incentive Plan	Short-term incentive (annual cash payment)	Based on pre-tax earnings, cost reduction initiatives, and strategic performance objectives	Achievement of short-term strategic and financial objectives
Performance Shares	Long-term incentive equity payment	Based on total shareholder return relative to a peer group and free cash flow	Attraction, retention and promotion of long-term strategic and financial objectives
Restricted Share Units	Long-term retention equity payment	Share performance	Attraction, retention and promotion of long-term strategic and financial objectives
Retirement and Welfare Benefits	Health and welfare benefits, deferred compensation, 401(k) company contributions, defined benefit pension participation and supplemental executive retirement plans	Based on profit / ton for the 401(k) performance contribution and competitive market levels for the benefits	Attraction and long-term retention
Executive Perquisites	Financial services, paid parking and spousal plane travel		Appropriate tax and financial guidance to avoid distraction from Cliffs duties

In addition to the above, the Committee also approved a special Strategic Initiative Grant for the CEO in 2009, as discussed in more detail below.

Market Positioning. During 2009, the Compensation Committee continued the targeting of total compensation at the 62 1/2 percentile as compared to Cliffs past pay positioning strategy of market median. Cliffs believes that a 62 1/2 percentile pay positioning will allow it to remain competitive in attracting, retaining and motivating the needed level of talent for the organization while managing costs to an objectively reasonable level. The 62 1/2 percentile is achieved by targeting base salary at the median and short-term and long-term incentives near or at the 75th percentile. Actual pay may be higher or lower than this target positioning overall based on company and individual performance. The target compensation for each executive may also be higher or lower than this market positioning based on such factors as individual skills, experience, contribution and performance, internal equity, or other factors that the Compensation Committee may take into account that are relevant to the individual executive.

Market for Talent. The Compensation Committee conducts an annual review of market pay practices for executive officers with the assistance of its outside compensation advisor. Farient Advisors conducted a review of market pay practices for pay decisions in 2009. This review is based on several published compensation surveys as well as a detailed analysis of certain compensation comparison peers. For 2009, survey sources included companies in the general industry and manufacturing segments with revenues consistent with Cliffs size and complexity. The revenues for peer companies ranged from one-half to twice the approximate revenues of Cliffs. The compensation comparison peers consisted of data from a custom peer group of eleven public companies of similar size to Cliffs. These eleven companies were as follows:

AK Steel Holding Corp.	Massey Energy Co.
Alpha Natural Resources Inc.	Newmont Mining Corp.
Arch Coal Inc.	Peabody Energy Corp.
Century Aluminum Co.	Steel Dynamics Inc.
CONSOL Energy Inc.	Worthington Industries, Inc.
Foundation Coal Holdings Inc.	

Pay Mix. Because Cliffs executive officers are in a position to directly influence its overall performance, a significant portion of their compensation is variable through short- and long-term incentive programs. The variable pay component includes the annual incentive and long-term incentive grant values, but not benefits or retirement programs. The levels of performance-based variable pay are consistent with each executive s level of responsibility and impact and are consistent with market practices for fixed versus variable pay.

Elements of Compensation

As described in the compensation elements table above, Cliffs uses multiple components to provide a competitive overall compensation and benefits package that Cliffs believes is reasonable in relation to market and industry practices and appropriately tied to performance.

Base Salary. Cliffs philosophy is that base salaries should meet the objective of attracting and helping retain the executive talent needed to run the business. Therefore, Cliffs seeks to target base pay levels for executives at the 50th percentile of market survey data. The Committee believes that base salary positioning at the median is competitive against the peer group and sufficient to attract and retain high quality executives when combines with above market performance-based compensation opportunities. However, each executive may have a base salary above or below the median of the market because actual salaries reflect responsibility, performance, and experience, among other factors described above.

Salaries approved for the named executive officers in 2009 were as follows:

	2009
Carrabba	$ 790,000
Brlas	$ 421,000
Gallagher	$ 427,000
Brake	$ 415,000
Calfee	$ 377,000

In light of the global financial crisis that existed at the outset of 2009, no named executive officer received a salary adjustment for fiscal 2009. Additionally, for similar reasons, the company determined temporary salary reductions were appropriate for 2009. Each executive s base salary was temporarily decreased by 7% for the third and fourth quarters of 2009, with the exception of the CEO. The CEO s base salary was reduced by 10% for the same time period. These temporary salary reductions were subjectively determined by the Committee. Due to improvements in the global financial situation and Cliffs specific business conditions, regular salaries (at the approved levels indicated above) were reinstated effective January 1, 2010.

Annual Incentive Plan. Cliffs maintains an annual Executive Management Performance Incentive Plan or EMPI Plan, which provides an opportunity for the senior executive officers, including the named executive officers, to earn an annual cash incentive based on company financial performance relative to business plans and achievement against key corporate objectives. The objective of this plan is to provide executives with a competitive annual cash compensation opportunity while aligning actual pay results with Cliffs short-term financial and strategic performance.

2009 EMPI Award Opportunities. For each senior executive officer, the Compensation Committee establishes a maximum EMPI Plan opportunity at the beginning of each year, expressed as a percentage of base salary. Actual incentive payouts are determined under a weighted scoring system, with the scoring of each performance element expressed as a percentage of the overall maximum payout that is attributable to that element. The target level of overall performance produces a payout equal to 50% of the maximum award and an overall scoring at the minimum or threshold level produces a payout equal to 25% of the maximum award.

EMPI award opportunities (expressed as a percentage of base salary) approved for the named executive officers on March 9, 2009 were as follows:

	Min.	Target	Max.
Carrabba	70%	140%	280%
Brlas	40%	80%	160%
Gallagher	40%	80%	160%
Brake	40%	80%	160%
Calfee	40%	80%	160%

For the named executive officers other than Mr. Carrabba, an additional EMPI bonus opportunity was made available in conjunction with the other 2009 awards equaling a potential maximum payout of 8% of base salary (with a 4% opportunity at target performance and a 2% opportunity at the minimum or threshold performance level), subject not only to the application of the performance objectives, but also subject to further discretionary eligibility requirements, as determined by the Compensation Committee, based upon the CEO s recommendation.

The 2009 EMPI awards, expressed as dollar amounts, are shown in the 2009 Grants of Plan Based Awards Table , below.

2009 EMPI Plan Performance Measures. The EMPI Plan uses a performance scorecard with multiple performance standards that are related to Cliffs annual business plan and current strategic priorities in order to determine payouts under the plan. For 2009, the Compensation Committee developed a scorecard targeted at those areas that it believed would most directly impact financial results for shareholders in the near term, while maintaining incentives for long-term strategic improvements. The elements and their respective weightings for 2009 were as follows:

EMPI Elements	**Weighting**
Pre-Tax Earnings	50%
Cost Control	
North American Iron Ore	10%
Asia Pacific Iron Ore	10%
North American Coal	5%
Corporate Strategic Objectives	25%
Total	100%

For 2009, the Compensation Committee increased the weighting for Asia Pacific Iron Ore cost control from 5% to 10% and decreased the weighting for North American Iron Ore cost control element from 15% to 10%. This change reflects the increased contribution of Asia Pacific consolidated results.

Pre-tax earnings are a measure of Cliffs profitability and are measured on a consolidated basis. Cost control is a measure of the cost of production per ton sold and/or cash-collected, adjusted to hold energy prices at a fixed rate throughout the year in order to eliminate the (positive and negative) impact of the large and potentially volatile uncontrollable cost of energy on compensation. Also, the pre-tax earnings and cost control elements are subject to adjustment by the Compensation Committee for other extraordinary, unusual, or non-recurring items, accounting changes, currency fluctuations, non-operating items and similar items to prevent an undue windfall or loss. The other adjustments made to pre-tax earnings in 2009 included changes in fair value of foreign currency contracts, unplanned local tax incentives, non-operating gains, accounting reporting standards, environmental legislation and the timing of payments for stockpile sales. The Compensation Committee adjusted the 2009 EMPI Plan targets to take into account these factors and their impact on 2009 pre-tax earnings to ensure that management did not receive an undue windfall or loss in 2009 under the EMPI Plan. Although cost control is a component of pre-tax earnings, the Compensation Committee believes a more targeted focus on managing production cost per ton is essential to Cliffs long-term health. Cost control adjustments took into consideration the same pre-tax earnings adjustments and an adjustment for a year-end change in revenue recognition timing under a customer contract. Cost control is measured for North American Iron Ore operations, Asia Pacific Iron Ore operations and North American Coal operations. Finally, the Compensation Committee evaluates management against key strategic and operational goals to ensure that short-term profitability is balanced with the long-term success of the organization. For 2009, corporate objectives included goals in the areas of business development, workforce safety, specific cost initiatives, sales initiatives and growth and diversification of mineral resources.

2009 EMPI Plan Target Setting and 2009 Results. Performance targets for the financial objectives under the EMPI Plan are established at the beginning of each year. Each performance element is assigned a minimum threshold level, a target level, and a maximum level, representing attainment of 25%, 50% and 100%, respectively, of the maximum award opportunity associated with that element. At minimum threshold performance, each goal would be funded at 25 percent of the maximum award opportunity assigned to that element, with zero percent funding for performance below threshold. The percentages attained for each element (expressed as the percentage of the overall maximum award opportunity attributable to that element) are added together to produce the percentage of the overall award to be paid. If, for example, the target level of performance was achieved by each performance element, the overall EMPI performance bonus opportunity would be 50 percent of the maximum opportunity for 2009. If, on the other hand, the no threshold level attained by any of the financial performance elements, no EMPI performance bonus would be payable.

Each year, the Compensation Committee approves performance targets and ranges for each of the financial performance measures, taking into consideration management financial plans for the coming year, prior years performance, performance relative to other metals and mining companies, and the relative degree of difficulty of attaining performance goals under different product-pricing scenarios. Performance targets are approved each year by the Compensation Committee in the first quarter, with an adjustment as necessary for the specific impact of world price settlements for iron ore on price escalators in Cliffs contracts. This price adjustment is formulaic and objective, tied directly to Cliffs term supply agreements.

For 2009, the performance results under the EMPI Plan produced an overall payout level equal to no greater than 60.05 percent of the maximum bonus opportunities for the named executive officers. The Compensation Committee arrived at this funding level by taking the following factors into consideration:

- Pre-tax earnings were reviewed and compared to adjusted maximum performance levels set at the beginning of 2009 of $258 million with an adjusted minimum threshold and target performance levels of $164 million and $211 million, respectively. Actual performance for 2009 was determined to be $189 million, producing an attainment percentage of 38.1 percent of the maximum level. This factor was weighted 50 percent under the EMPI Plan, resulting in a funding level equal to 19.05 percent of overall maximum bonus.

- Adjusted cost for North American Iron Ore was better than the maximum. This factor was weighted 10 percent and resulted in a funding level of 10 percent of the overall maximum bonus.

- Asia Pacific Iron Ore cost was better than the maximum. This factor was weighted 10 percent and resulted in a funding level of 10 percent of the overall maximum bonus.

- Adjusted cost of North American Coal was worse than threshold and resulted in zero funding for 2009.

- The Compensation Committee evaluated corporate objectives established at the beginning of the year and rated those objectives at a performance attainment level of 84 percent. This factor was weighted 25 percent and resulted in a funding level of 21 percent of the overall maximum bonus. The maximum payout under the corporate objectives is 25 percent of the maximum bonus opportunity and is only earned based upon the threshold achievement of at least one financial performance metric. Upon the attainment of at least one financial performance metric, the Committee can exercise negative discretion so the payout under corporate objectives can be no greater than 25 percent and as little as 0 percent of the maximum bonus opportunity.

Bonuses for 2009 under the EMPI Plan were paid in the following amounts to the named executive officers:

Carrabba	$ 1,328,306	Brake	$ 418,669
Brlas	$ 424,722	Calfee	$ 367,349
Gallagher	$ 430,775		

The specific performance goals for the three cost control measures are not disclosed as Cliffs believes, and the Compensation Committee concurs, that providing detailed information about Cliffs cost structure would adversely affect Cliffs and could limit its ability to negotiate supply agreements or spot sales on terms that would be favorable to its shareholders, thereby resulting in meaningful competitive harm. Likewise, Cliffs and the Compensation Committee believe that disclosing specific, non-quantitative corporate objectives for the year would adversely affect Cliffs and provide detailed information on business operations and forward-looking strategic plans to its customers and competitors that could result in substantial competitive harm.

The Compensation Committee did test the cost control performance targets by comparing to business plans, past performance, and the impact of different volume scenarios on cost per ton. Based on these evaluations, the Compensation Committee believes that the range of performance objectives established for 2009 were appropriately difficult to attain. Corporate objectives are subjective in nature and therefore the degree of difficulty cannot be readily quantified; however, the bonus has not reached a maximum payout in past years and thus, the Committee believes that the degree of difficulty of corporate objectives is appropriate.

2010 Award Opportunities and 2010 EMPI Plan Performance Measures. There was no change to 2010 award opportunities for the named executive officers. For 2010, the EMPI Plan will continue to use a performance scorecard with multiple performance standards that are related to Cliffs annual business plan and current strategic priorities. For 2010, the Compensation Committee developed a scorecard targeted at those areas that it believed would most directly impact financial results for shareholders in the near term, while maintaining incentives for long-term strategic improvements. The company does not disclose forward-looking financial data or objectives as it believes this disclosure could result in substantial competitive harm. The elements and their respective weightings of the 2010 EMPI Plan remained essentially the same as those in effect for 2009.

Long-Term Incentives. The objectives of Cliffs long-term incentives are to reward executives for sustained performance over multiple years while recognizing the potential volatility of industry conditions and limiting the potential for undue windfalls or losses to executives for factors outside of management s control. In addition, Cliffs long-term incentive programs are designed to enhance retention of executives by delaying the vesting of compensation opportunities and to align the long-term interests of executives with shareholders through the use of equity to deliver compensation value.

For long-term incentives, Cliffs uses performance shares and restricted share units as the primary vehicles to reward and retain executives. The performance shares and restricted share units are denominated and payable in Cliffs Common Shares to align the interests of its executives with shareholders through direct ownership. Prior to 2008, Cliffs granted retention units, which were denominated in stock but payable in cash, but changed to restricted share units in 2008. Cliffs may also grant restricted shares, payable in Cliffs common shares, outside of the annual long-term incentive program from time to time, but no such grants were made to named executive officers in 2009.

Each year, Cliffs establishes a target long-term incentive award value for each executive based on market practices as a pre-determined percentage of base salary. The percent of base salary values were reviewed by Farient, the executive compensation consultant for 2009 compensation decisions. In an effort to target total compensation to the 62 $^{1}/2$ percentile, the Committee increased the target grant values in 2009 compared to 2008 grant levels. Actual awards to each executive may vary from this target based on the CEO s assessment of individual performance in the case of executives other than the CEO, and based on the Compensation Committee s assessment of the CEO s performance in the case of grants made to the CEO.

In 2009, the Compensation Committee awarded 25 percent of the long-term incentive opportunity for each Cliffs named executive officer in restricted share units payable in Common Shares based on the participant s continued employment throughout a three-year retention period ending December 31, 2011. The balance of each individual s long-term incentive award was in the form of performance shares, with actual payouts tied to Cliffs total shareholder return relative to industry peers over a three-year performance period and three-year cumulative free cash flow (see below for further detail).

The Committee also approved a special Strategic Initiative Grant for the CEO in 2009, as discussed below.

Administrative Process. Long-term incentive awards for executives are generally made annually. Actual grants are based on the methodology discussed above but can be adjusted based on the executive s position, experience, performance, prior equity-based compensation awards and competitive equity-based compensation levels. The grant date is the date of the Compensation Committee approval or a later date as set by the Compensation Committee. Grants for new hires or promotions are approved by the Compensation Committee at the next regularly scheduled Compensation Committee meeting following the hire or promotion date or in a special meeting, as needed. The grant date for new hire or promotional grants is the date of such approval or such later date as the Compensation Committee determines. Cliffs does not time grants to coordinate with the release of material non-public information.

Performance Share Program. Under the 2007 Incentive Equity Plan, performance shares continue to be the primary vehicle used by Cliffs to deliver long-term incentives. A performance share is the opportunity to earn a Common Share based on Cliffs performance over a three-year period, with potential funding between 0 percent and 150 percent of the target share grant depending on the level of performance against goals. Cliffs uses performance shares to reward for shareholder results relative to industry conditions, taking into consideration returns to shareholders as compared to other companies in the steel and mining industries and the company s free cash flow. Performance shares comprise 75 percent of the total annual long-term grant.

Specifically, each executive officer is granted a target number of performance shares at the beginning of each three-year period. For the 2009 grant, total shareholder return for Cliffs and its performance peers identified below is measured on a cumulative basis from the beginning of the performance period to the end of the performance period. At the end of three years, Cliffs is compared to the rankings of total shareholder return performance relative to peers to determine the total performance over the three-year period and the number of shares earned at the end of the period. Funding for performance below threshold is zero percent and funding at the maximum performance is capped at 150 percent. In addition to total shareholder return, or TSR, performance shares are also subject to three-year cumulative free cash flow performance metrics beginning in 2009. The second measure comprising the remaining 50% of the performance vesting is free cash flow and is defined as cash from operations less capital expenditures. Adjustments can be made to free cash flow for merger and acquisition activities, non-operational businesses, significant expansions and other unusual items. The calibration of the pay for performance relationship for 2009 grants is as follows and payout is interpolated for performance between threshold, target and maximum levels:

			Performance Level		
Performance Factor	**Weight**	**Below Threshold**	**Threshold**	**Target**	**Maximum**
Relative TSR	50%	Below 35th percentile	35th percentile	55th percentile	75th percentile
3-Year Cumulative Free Cash Flow	50%	More than 50% below budget	50% below budget	At budget	100% above budget
Payout		0%	50%	100%	150%

Restricted Share Units. Restricted share units are earned based on continued employment, are retention-based awards, vest in full at the end of the performance period used for the performance shares, and are payable in Common Shares**.** Restricted share units comprise 25 percent of the total annual long-term incentive grant.

2009-2011 Performance Share and Restricted Share Unit Awards. On March 9, 2009, the Compensation Committee approved performance share and restricted share unit awards under the 2007 Incentive Equity Plan for Cliffs executives, including its named executive officers. The number of shares granted to each executive was determined by dividing the total grant values by the 60-day average closing price of Cliffs Common Shares ending on the date of grant of $23.52. The use of the 60-day average price to calibrate the numbers of shares granted limits the potential to grant an unusually high or low number of shares due to an exceptionally low or high share price on the date of the grant. The following amounts of performance shares and restricted share units were awarded to Cliffs named executive officers for the 2009-2011 performance period:

	Performance Shares	**Restricted Share Units**
Carrabba	78,975	26,325
Brlas	29,025	9,675
Gallagher	25,575	8,525
Brake	28,200	9,400
Calfee	19,575	6,525

The performance peer group used for the relative performance share plan during the 2009-2011 performance period is as follows:

AK Steel Holding Corporation	Consol Energy, Inc.	Quanex Corp
Alcoa, Inc.	Foundation Coal Holdings Inc.	Reliance Steel & Aluminum Co.
Allegheny Technologies, Inc.	Freeport-McMoran Cooper & Gold, Inc.	Steel Dynamics, Inc.
Arch Coal, Inc.	Massey Energy Company	United States Steel Corporation
Carpenter Technology Corporation	Nucor Corporation	USEC Inc.
Commercial Metals Company	Peabody Energy Corporation	Worthington Industries, Inc.

The peer group currently focuses on steel, metals and commodity mineral mining companies that will be generally affected by the same long-term market conditions as those that affect Cliffs. The Compensation Committee evaluates this peer group for each new cycle of the performance share plan based on recommendations made by the executive compensation consultant and makes adjustments as needed based on changes in the industry makeup and relevance of Cliffs specific peers. During a cycle, any peer that is acquired, files for bankruptcy, or otherwise ceases to trade on a major stock exchange will be excluded from the calculation of relative performance and replaced by the S&P Metals and Mining ETF TSR would be substituted for the entire performance period. To date, Foundation Coal Holdings Inc. has been excluded from the performance peer group for the 2009 2011 long-term incentive awards.

The specific performance targets for the cumulative free cash flow performance metrics are not disclosed as Cliffs believes, and the Compensation Committee concurs, that providing detailed information about Cliffs expectations prior to the completion of the 2009-2011 performance period could result in meaningful competitive harm.

2009 Strategic Initiative Grant. On December 17, 2009, the Compensation Committee approved an award of 67,009 performance shares to Mr. Carrabba in order to further motivate and reward the CEO to grow the value of Cliffs shares through effective strategic initiatives. The Compensation Committee believes that the magnitude of the award is commensurate with the magnitude of business improvement included in the company s confidential strategic plans. The award was determined using the closing market price of Cliffs Common Shares on December 17, 2009 of $44.77 per share (producing a maximum value as of that date of approximately $3,000,000 and a target value at grant of approximately $2,000,000). The award expires on December 31, 2013.

Under the terms of the award, the first condition to earn the performance shares may be triggered anytime between the date of the award and December 31, 2013 if the company s aggregate value, defined as market capitalization, increases by 50% or more for a period of 60 consecutive days over the aggregate value as of the last 60 trading days of 2009 (the Performance Trigger). If the Performance Trigger occurs, then the award would be eligible to pay out at the end of the term of the award, assuming Mr. Carrabba is still employed by Cliffs at that time. If the Performance Trigger does not occur, or if Mr. Carrabba voluntarily terminates his employment before December 31, 2013, then there would be no payout under the award.

Assuming the Performance Trigger occurs, the number of shares paid out would be determined by the Compensation Committee based on Mr. Carrabba s achievement of certain performance factors evaluated in the Committee s discretion. Specifically:

- aggregate value of the company relative to its peers;
- increase in the company s equity trading multiples;
- degree of diversification of the company into minerals other than iron ore and metallurgical coal; and
- other factors to be determined by the Compensation Committee, such as timing of results relative to goals, sustainability of market values, and quality of new commodities and operations.

Pursuant to the terms of the award, the Compensation Committee may exercise negative discretion to reduce the size of the payout under the award based on Mr. Carrabba s performance relative to these performance factors. The target payout under the award is 44,673 Common Shares, with a maximum payout of 67,009 Common Shares. The total value of the shares recognized under Mr. Carrabba s 2009 compensation is reflected at the target value at grant of approximately $2,000,000. The number of shares actually paid out under this particular award will be determined by the Compensation Committee in 2013 based upon the achievement of certain performance factors noted above evaluated at the Committee s discretion and may be reduced below the maximum payout potential of 67,009 shares. Under applicable accounting guidance and as a result of this uncertainty of the final award amount, a grant date fair value has not yet been determined for this award for purposes of measuring and recognizing compensation cost.

2010-2012 Performance Share and Restricted Share Unit Awards. On March 8, 2010, the Compensation Committee approved performance share and restricted share unit awards under the 2007 Incentive Equity Plan for Cliffs executives, including its named executive officers. Grants were determined using a 60-day average closing price of Cliffs Common Shares ending on March 8, 2010 of $48.11 per share and the grant targets described above. The following amounts of performance shares and restricted share units were awarded to Cliffs named executive officers for the 2010-2012 performance period:

	Performance Shares	**Restricted Share Units**
Carrabba	40,110	13,370
Brlas	13,430	4,470
Gallagher	13,020	4,340
Brake	13,010	4,330
Calfee	9,870	3,280

The performance peer group used for the relative performance share plan during the 2010-2012 cycle is as follows:

AK Steel Holding Corporation	Consol Energy, Inc.	Quanex Corp
Alcoa, Inc.	Freeport-McMoran Cooper & Gold, Inc.	Reliance Steel & Aluminum Co.
Allegheny Technologies, Inc.	Massey Energy Company	Steel Dynamics, Inc.
Alpha Natural Resources, Inc.	Nucor Corporation	United States Steel Corporation
Arch Coal, Inc.	Patriot Coal Corporation	USEC Inc.
Carpenter Technology Corporation	Peabody Energy Corporation	Worthington Industries, Inc.
Commercial Metals Company		

2010 Strategic Initiative Grant. On March 8, 2010 the Compensation Committee approved an additional award of 18,720 performance shares to Mr. Carrabba. These performance shares have the same terms and conditions as the 2009 Strategic Initiative Grant with the exception that the actual grant itself is contingent upon shareholder approval in May 2010 of the 2007 Incentive Equity Plan amendment and restatement. The grant was determined using a 60-day average closing price ending on March 8, 2010 of $48.11 per share (producing a maximum value at grant of appr