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

FORM 10-Q

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2007
OR
☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from_____ to _____.

Commission File Number: 1-8944

CLEVELAND-CLIFFS INC

(Exact Name of Registrant as Specified in Its Charter)

Ohio	34-1464672
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

1100 Superior Avenue, Cleveland, Ohio 44114-2544
(Address of Principal Executive Offices) (Zip Code)

Registrant's Telephone Number, Including Area Code: (216) 694-5700

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES _X_ NO ___

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. (See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act).

Large accelerated filer _X_ Accelerated filer ___ Non-accelerated filer ___

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

YES ___ NO _X_

As of July 31, 2007, there were **41,018,451** Common Shares (par value $.25 per share) outstanding.

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Definitions

The following abbreviations or acronyms are used in the text. References in this report to the “Company”, “we”, “us”, “our” and “Cliffs” are to Cleveland-Cliffs Inc and subsidiaries, collectively. References to “A$” refer to Australian currency, “C$” to Canadian currency and “$” to United States currency.

Abbreviation or acronym	Term
Amapa	MMX Amapa Mineracao Limitada
APBO	Accumulated other postretirement benefit obligation
AEPA	Australian Environmental Protection Authority
Asia-Pacific	Cliffs Asia-Pacific Holdings Pty Limited
Centennial Amapa	Centennial Asset Participacoes S.A.
CEO	Chief Executive Officer
CERCLA	Comprehensive Environmental Response, Compensation and Liability Act
CFO	Chief Financial Officer
Cliffs Erie	Cliffs Erie L.L.C.
Cockatoo Island	Cockatoo Island Joint Venture
Consent Order	Administrative Order by Consent
Empire	Empire Iron Mining Partnership
EPA	United States Environmental Protection Agency
EPS	Earnings per share
ERISA	Employee Retirement Income Security Act
FASB	Financial Accounting Standards Board
FIN	FASB Interpretation
FSP	FASB Staff Position
Hibbing	Hibbing Taconite Company
ICE Plan	Incentive Equity Plan
LIBOR	London Interbank Offered Rate
LTVSMC	LTV Steel Mining Company
MMBTU	Million Million British Thermal Units
MMX	MMX Mineracao e Metalicos S.A.
NDEP	Nevada Department of Environmental Protection
Northshore	Northshore Mining Company
NRD	Natural Resource Damages
OPEB	Other postretirement benefits
PBO	Projected Benefit Obligation
PinnOak	PinnOak Resources, LLC
Portman	Portman Limited
PPI	Producers Price Indices
PRP	Potentially responsible party
RTWG	Rio Tinto Working Group
SEC	United States Securities and Exchange Commission
SFAS	Statement of Financial Accounting Standards
Stelco	Stelco Inc.
Sonoma	Sonoma Coal Project
Tilden	Tilden Mining Company L.C.
Tonne	Metric ton
TSX-Venture	Toronto Stock Exchange - Venture Exchange
United Taconite	United Taconite LLC
USW	United Steelworkers of America
VEBA	Voluntary Employee Benefit Association trusts
VNQDC Plan	Voluntary Non-Qualified Deferred Compensation Plan
Wabush	Wabush Mines Joint Venture

PART I - FINANCIAL INFORMATION

ITEM 1 - FINANCIAL STATEMENTS

CLEVELAND-CLIFFS INC AND CONSOLIDATED SUBSIDIARIES

STATEMENTS OF UNAUDITED CONDENSED CONSOLIDATED OPERATIONS

	(In Millions, Except Per Share Amounts)			
	Three Months Ended June 30		Six Months Ended June 30	
	2007	2006	2007	2006
REVENUES FROM PRODUCT SALES AND SERVICES				
Iron ore	$ 474.6	$ 420.2	$ 740.8	$ 664.7
Freight and venture partners' cost reimbursements	73.0	66.0	132.3	127.9
	547.6	486.2	873.1	792.6
COST OF GOODS SOLD AND OPERATING EXPENSES	(418.0)	(357.5)	(681.7)	(608.5)
SALES MARGIN	129.6	128.7	191.4	184.1
OTHER OPERATING INCOME (EXPENSE)				
Casualty recoveries	3.2		3.2	
Royalties and management fee revenue	4.0	3.0	6.2	5.6
Administrative, selling and general expenses	(18.7)	(13.3)	(32.9)	(23.1)
Miscellaneous - net	(2.2)	(2.0)	(7.1)	(4.0)
	(13.7)	(12.3)	(30.6)	(21.5)
OPERATING INCOME	115.9	116.4	160.8	162.6
OTHER INCOME (EXPENSE)				
Interest income	4.6	3.5	9.9	7.8
Interest expense	(2.1)	(.8)	(3.1)	(1.8)
Other - net	(1.2)	(1.3)	.1	(.8)
	1.3	1.4	6.9	5.2
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES AND MINORITY INTEREST	117.2	117.8	167.7	167.8
INCOME TAX EXPENSE	(25.8)	(29.6)	(39.3)	(39.5)
MINORITY INTEREST (net of tax)	(4.5)	(5.2)	(9.0)	(7.6)
INCOME FROM CONTINUING OPERATIONS	86.9	83.0	119.4	120.7
INCOME FROM DISCONTINUED OPERATIONS (net of tax)		.1		.3
NET INCOME	86.9	83.1	119.4	121.0
PREFERRED STOCK DIVIDENDS	(1.4)	(1.4)	(2.8)	(2.8)
INCOME APPLICABLE TO COMMON SHARES	$ 85.5	$ 81.7	$ 116.6	$ 118.2
EARNINGS PER COMMON SHARE - BASIC				
Continuing operations	$ 2.10	$ 1.91	$ 2.87	$ 2.73
Discontinued operations				.01
EARNINGS PER COMMON SHARE - BASIC	$ 2.10	$ 1.91	$ 2.87	$ 2.74
EARNINGS PER COMMON SHARE - DILUTED				
Continuing operations	$ 1.66	$ 1.53	$ 2.29	$ 2.19
Discontinued operations				.01
EARNINGS PER COMMON SHARE - DILUTED	$ 1.66	$ 1.53	$ 2.29	$ 2.20
WEIGHTED AVERAGE NUMBER OF SHARES (IN THOUSANDS)				
Basic	40,772	42,720	40,690	43,209
Diluted	52,332	54,445	52,254	54,899

See notes to unaudited condensed consolidated financial statements.

CLEVELAND-CLIFFS INC AND CONSOLIDATED SUBSIDIARIES
STATEMENTS OF CONDENSED CONSOLIDATED FINANCIAL POSITION

	(In Millions)	
	June 30 2007 (Unaudited)	December 31 2006
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 129.3	$ 351.7
Trade accounts receivable - net	45.3	28.3
Receivables from associated companies	26.1	4.0
Product inventories	309.3	150.3
Work in process inventories	61.5	50.6
Supplies and other inventories	73.4	77.5
Deferred and refundable taxes	16.0	9.7
Derivative assets	48.2	32.9
Other	65.6	77.3
TOTAL CURRENT ASSETS	774.7	782.3
PROPERTIES	1,191.2	1,107.3
Allowances for depreciation and depletion	(268.1)	(222.4)
NET PROPERTIES	923.1	884.9
OTHER ASSETS		
Long-term receivables	40.9	43.7
Prepaid pensions - salaried	2.1	2.2
Deferred income taxes	104.7	107.0
Deposits and miscellaneous	85.9	83.7
Investments in ventures	230.7	7.0
Marketable securities	58.9	28.9
TOTAL OTHER ASSETS	523.2	272.5
TOTAL ASSETS	$ 2,221.0	$ 1,939.7

See notes to unaudited condensed consolidated financial statements.

	(In Millions) June 30 2007 (Unaudited)	December 31 2006
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	$ 114.1	$ 139.0
Accrued employment costs	44.0	48.0
Other postretirement benefits	18.2	18.3
Accrued expenses	38.4	28.1
Income taxes payable	16.8	29.1
State and local taxes payable	25.7	25.6
Environmental and mine closure obligations	7.8	8.8
Payables to associated companies	1.8	3.4
Deferred revenue	37.0	62.6
Other	18.8	12.0
TOTAL CURRENT LIABILITIES	322.6	374.9
PENSION OBLIGATIONS	141.3	140.4
OTHER POSTRETIREMENT BENEFITS	128.7	139.0
ENVIRONMENTAL AND MINE CLOSURE OBLIGATIONS	98.7	95.1
DEFERRED INCOME TAXES	129.0	117.9
REVOLVING CREDIT FACILITY	125.0	
OTHER LIABILITIES	82.8	68.5
TOTAL LIABILITIES	1,028.1	935.8
MINORITY INTEREST	120.5	85.8
3.25% REDEEMABLE CUMULATIVE CONVERTIBLE PERPETUAL PREFERRED STOCK - ISSUED 172,500 SHARES	172.3	172.3
SHAREHOLDERS' EQUITY		
Common Shares - par value $.25 a share Authorized - 112,000,000 shares; Issued - 67,311,764 shares	16.8	16.8
Capital in excess of par value of shares	101.3	103.2
Retained earnings	1,177.1	1,078.5
Cost of 26,291,653 Common Shares in treasury (2006 - 26,406,414 shares)	(283.2)	(282.8)
Accumulated other comprehensive loss	(111.9)	(169.9)
TOTAL SHAREHOLDERS' EQUITY	900.1	745.8
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 2,221.0	$ 1,939.7

See notes to unaudited condensed consolidated financial statements.

CLEVELAND-CLIFFS INC AND CONSOLIDATED SUBSIDIARIES

STATEMENTS OF UNAUDITED CONDENSED CONSOLIDATED CASH FLOWS

	(In Millions, Brackets Indicate Cash Decrease) Six Months Ended June 30	
	2007	2006
CASH FLOW FROM CONTINUING OPERATIONS		
OPERATING ACTIVITIES		
Net income	$ 119.4	$ 121.0
Less: Income from discontinued operations		(.3)
Income from continuing operations	119.4	120.7
Deferred income taxes	(10.7)	1.2
Derivatives and currency hedging	(5.7)	(20.5)
Excess tax benefit from share-based compensation	(3.9)	(1.2)
Gain on sale of assets	(.3)	(.3)
Depreciation and amortization	42.4	30.3
Minority interest	9.0	7.6
Share-based compensation	3.2	(4.8)
Environmental and closure obligations	2.0	(1.0)
Pensions and other postretirement benefits	1.1	(.2)
Other	4.8	1.8
Changes in operating assets and liabilities:		
Sales of marketable securities		9.9
Purchases of marketable securities		(3.7)
Product inventories	(159.0)	(127.2)
Other	(40.0)	79.8
Net cash from (used by) operating activities	(37.7)	92.4
INVESTING ACTIVITIES		
Investment in ventures	(223.7)	(6.4)
Purchase of property, plant and equipment	(46.2)	(62.9)
Purchase of marketable securities	(36.0)	
Proceeds from sale of assets	1.8	1.6
Net cash used by investing activities	(304.1)	(67.7)
FINANCING ACTIVITIES		
Borrowings under revolving credit facility	165.0	
Excess tax benefit from share-based compensation	3.9	1.2
Contributions by minority interest	1.5	1.2
Proceeds from stock options exercised	.1	.6
Repayment under revolving credit facility	(40.0)	
Common Stock dividends	(10.2)	(9.9)
Preferred Stock dividends	(2.8)	(2.8)
Repurchases of Common Stock	(2.2)	(81.0)
Repayment of capital lease obligations	(1.6)	(2.2)
Repayment of other borrowings	(.8)	(.8)
Issuance costs of revolving credit		(1.0)
Net cash from (used by) financing activities	112.9	(94.7)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	6.5	.5
CASH USED BY CONTINUING OPERATIONS	(222.4)	(69.5)
CASH FROM DISCONTINUED OPERATIONS - OPERATING		.3
DECREASE IN CASH AND CASH EQUIVALENTS	(222.4)	(69.2)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	351.7	192.8
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 129.3	$ 123.6

See notes to unaudited condensed consolidated financial statements.

CLEVELAND-CLIFFS INC AND CONSOLIDATED SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2007

NOTE 1 – BASIS OF PRESENTATION

In the opinion of management, the accompanying unaudited condensed consolidated financial statements contain all adjustments (consisting of normal recurring adjustments) necessary to present fairly, the financial position, results of operations and cash flows for the periods presented. The interim results are not necessarily indicative of results for the full year. These unaudited condensed consolidated financial statements should be read in conjunction with the financial statements and notes included in Cleveland-Cliffs' Annual Report on Form 10-K for the year ended December 31, 2006.

The condensed consolidated financial statements include our accounts and the accounts of our majority-owned subsidiaries, including:

Name	Location	Ownership Interest
Empire	Michigan	79.0%
Tilden	Michigan	85.0
United Taconite	Minnesota	70.0
Northshore	Minnesota	100.0
Portman	Western Australia	80.4

Intercompany accounts are eliminated in consolidation.

Investments in ventures on the Statements of Condensed Consolidated Financial Position include our 30 percent equity interest in Amapa, a Limitada located in Brazil, our 26.83 percent equity interest in Wabush, an unincorporated joint venture located in Canada, our 45 percent effective interest in Sonoma, a joint venture located in Australia, and related entities that we do not control, which are carried at the lower of cost or market. Our 23 percent equity interest in Hibbing, an unincorporated joint venture in Minnesota, is recorded as a net liability and accordingly is classified as *Other liabilities*. Portman's 50 percent non-controlling interest in Cockatoo Island, which is also recorded as a net liability, is classified as *Other current liabilities*.

Investments in joint ventures in which our ownership is 50 percent or less, or in which we do not have control but have the ability to exercise significant influence over operating and financial policies, are accounted for under the equity method. Our share of equity income (if any) is eliminated against consolidated product inventory upon production, and against cost of goods sold and operating expenses when sold. This effectively reduces our cost for our share of the mining venture's production to its cost, reflecting the cost-based nature of our participation in unconsolidated ventures.

The following table presents the detail of our*Investments in ventures* on the Statements of Condensed Consolidated Financial Position.

	(In Millions)	
Location	June 30, 2007	December 31, 2006
Amapa	$ 160.1	$
Sonoma	56.7	
Wabush	10.1	5.3
Other	3.8	1.7
Total	$ 230.7	$ 7.0

On June 6, 2007, we entered into an agreement providing for the sale of our interest in Wabush. Under the agreement, Consolidated Thompson Iron Mines Ltd. (traded on the TSX—Venture Exchange under the symbol CLM) would acquire the 71.4 percent of Wabush owned directly or indirectly by the Company (26.8 percent) and Stelco (44.6 percent) for cash plus warrants for the purchase of CLM common shares and the assumption by CLM of employee and asset retirement obligations. Our share of the proceeds would be $24.1 million in cash and approximately 1.1 million warrants, entitling us to purchase CLM shares at C$5.10 per share for a two-year period.

As part of the transaction, we would enter into an agreement whereby CLM would sell approximately .7 million tons of pellets to us annually from 4.8 million tons of expected annual Wabush production from the date of the closing through December 31, 2009. In 2006, Wabush produced 4.1 million tons of pellets with our share totaling 1.1 million tons.

Dofasco, a subsidiary of ArcelorMittal, holds the remaining 28.6 percent of Wabush. The notification to Dofasco of the acceptance of CLM's offer by the Company and Stelco on June 8, 2007, triggered a 90-day right of first refusal option by Dofasco under terms of the Wabush joint venture agreement.

Completion of the transaction is subject to a number of other conditions, including receipt of requisite regulatory approval and the execution of definitive agreements. Closing would occur shortly after a Dofasco waiver is executed or expiration of its 90-day purchase option.

NOTE 2 – ACCOUNTING POLICIES

Revenue Recognition

Revenue is recognized on the sale of products when title to the product has transferred to the customer in accordance with the specified provisions of each term supply agreement and all applicable criteria for revenue recognition have been satisfied. Most of our North American term supply agreements provide that title transfers to the customer when payment is received. Under some term supply agreements, we ship the product to ports on the lower Great Lakes and/or to the customer's facilities prior to the transfer of title. Certain supply agreements with one customer include provisions for supplemental revenue or refunds based on the customer's annual steel pricing at the time the product is consumed in the customer's blast furnaces. We account for this provision as a derivative instrument at the time of sale and record this provision at fair value until the product is consumed and the amounts are settled as an adjustment to revenue. Revenue in the second quarter and first six months of 2007 included $.4 million and $1.7 million, respectively, of unfavorable mark-to-fair value adjustments on derivative instruments related to 2006 sales. Revenue in the second quarter and first six months of 2006 included $9.0 million and $14.3 million, respectively, of favorable mark-to-fair value adjustments on derivative instruments related to 2005 sales. Revenue from product sales in the second quarter included reimbursement for freight charges ($21.1 million in 2007 and $19.6 million in 2006) paid on behalf of customers and cost reimbursements ($51.9 million in 2007 and $46.4 million in 2006) from venture partners for their share of North American mine costs. Revenue from product sales in the first six months included reimbursement for freight charges ($33.3 million in 2007 and $37.1 million in 2006) paid on behalf of customers and cost reimbursements ($99.0 million in 2007 and $90.8 million in 2006) from venture partners for their share of the first half North American mine costs.

Deferred Revenue

Two of our North American customers purchased and paid for 1.2 million tons of pellets in December 2006 under terms of take-or-pay contracts. The inventory was stored at our facilities in upper lakes stockpiles as a result of the customers' limited on-site storage availability. At the request of the customers, the ore was not delivered until 2007. During the first half of 2007, the 1.2 million tons of stockpiled ore was delivered to the customers, resulting in the recognition of $62.6 million as *Revenues from product sales and services* on the Statements of Condensed Consolidated Operations.

Additionally, the terms of one of our North American pellet supply agreements require bi-monthly installments equaling 1/24th of the estimated total purchase value of the calendar-year nomination. Revenue from this supply agreement is recognized when title has transferred upon shipment of pellets. Installment amounts received in excess of shipments at June 30, 2007 totaled $36.6 million, which was recorded as *Deferred revenue* on the Statements of Condensed Consolidated Financial Position.

Derivative Financial Instruments

Portman receives funds in United States currency for its iron ore sales. Portman uses forward exchange contracts, call options, collar options and convertible collar options, designated as cash flow hedges, to hedge its foreign currency exposure for a portion of its sales receipts. United States currency is converted to Australian dollars at the currency exchange rate in effect at the time of the transaction. At June 30, 2007, Portman had $228.5 million of outstanding exchange rate contracts in the form of call options, collar options, convertible collars and forward exchange contracts with varying maturity dates ranging from July 2007 to September 2009, and a fair value gain of $20.9 million based on the June 30, 2007 exchange rate. We had $14.9 million and $6.3 million of hedge contracts recorded as *Derivative assets* on the June 30, 2007 and December 31, 2006 Statements of Condensed Consolidated Financial Position, respectively. We also had $6.0 million and $3.6 million of hedge contracts recorded as long-term assets as *Deposits and miscellaneous* on the Statements of Condensed Consolidated Financial Position at June 30, 2007 and December 31, 2006, respectively. Changes in fair value for highly effective hedges are recorded as a component of *Accumulated other comprehensive loss*on the Statements of Condensed Consolidated Financial Position. In the first six months of 2007 and 2006, ineffectiveness resulted in a loss of $2.3 million and a gain of $.4 million, respectively, which were recorded in *Miscellaneous-net* on the Statements of Condensed Consolidated Operations.

Certain supply agreements with one customer provide for supplemental revenue or refunds based on the customer's average annual steel pricing at the time the product is consumed in the customer's blast furnace. The supplemental pricing is characterized as an embedded derivative instrument and is required to be accounted for separately from the base contract price. The supplemental revenue is recognized at the point of

sale on an estimated basis. The derivative instrument, which is finalized based on a future price, is marked to fair value as a revenue adjustment each reporting period until the pellets are consumed and the amounts are settled. We recognized $20.0 million and $32.9 million in the second quarter of 2007 and 2006, respectively, and $29.6 million and $48.9 million in the first six months of 2007 and 2006, respectively, as *Iron Ore* revenues in the Statements of Condensed Consolidated Operations related to the supplemental payments. Derivative assets, representing the fair value of the pricing provision, were $33.3 million and $26.6 million, respectively, on the June 30, 2007 and December 31, 2006 Statements of Condensed Consolidated Financial Position.

Share-Based Compensation

On March 13, 2007, the Compensation and Organization Committee of the Board of Directors of the Company approved a grant of performance shares and retention units under our 2007 ICE Plan to key management employees including the named executive officers for the performance period 2007-2009. The 2007 ICE Plan was approved by the shareholders at our 2007 Annual Meeting on July 27, 2007.

Recent Accounting Pronouncements

In February 2007, the FASB issued Statement No. 159, *The Fair Value Option for Financial Assets and Liabilities Including an Amendment of FASB Statement No. 115,* (SFAS 159). This Statement permits entities to choose to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value. The Statement also establishes presentation and disclosure requirements designed to facilitate comparisons between entities that choose different

measurement attributes for similar types of assets and liabilities. The Statement is effective as of the beginning of an entity's first fiscal year that begins after November 15, 2007. Early adoption is permitted. We are evaluating the impact, if any, of the adoption of this Statement on our consolidated financial statements.

In June 2006, the FASB issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109* (FIN 48), which clarifies the accounting for uncertainty in tax positions. This Interpretation requires that we recognize the impact of a tax position in our financial statements, if that position will more likely than not be sustained on audit, based on the technical merits of the position. The provisions of FIN 48 are effective for fiscal years beginning after December 15, 2006, with the cumulative effect of the change in accounting principle recorded as an adjustment to opening retained earnings. The application of this Interpretation reduced our retained earnings on January 1, 2007 by $7.7 million to increase reserves for uncertain tax positions.

In September 2006, the FASB issued FSP No. AUG AIR-1, *Accounting for Planned Major Maintenance Activities,* which prohibits the use of the accrue-in-advance method of accounting for planned major maintenance activities in annual and interim periods. This FSP is effective for fiscal years beginning after December 15, 2006. Retrospective application is required unless it is impracticable. Adoption of this standard did not have a material impact on our consolidated financial statements.

NOTE 3 – DEBT AND REVOLVING CREDIT FACILITY

In June 2006, we entered into a five-year unsecured credit facility with a syndicate of 16 financial institutions. The facility provides $500 million in borrowing capacity under a revolving credit line, with no specific maturities; borrowings are drawn with a choice of interest rates and maturities, subject to the term of the agreement. The facility has financial covenants based on earnings, debt and fixed cost coverage. Interest rates are either, (1) a range from LIBOR plus .75 percent to LIBOR plus 1.50 percent based on debt and earnings or (2) the prime rate. Borrowings outstanding under the facility totaled $125 million as of June 30, 2007. As of June 30, 2007, we were in compliance with the covenants in the credit agreement.

On July 26, 2007, we entered into an unsecured, 364-day credit agreement to fund a portion of the purchase price for our acquisition of 100 percent of PinnOak. The facility provides $150 million in borrowing capacity under a revolving credit line with no specific maturities; borrowings are drawn with a choice of interest rates and maturities, subject to the terms of the agreement.

Portman is party to a A$40 million multi-option credit facility, which was finalized in April 2007. The facility has two covenants: (1) debt to earnings ratio and (2) interest coverage ratio. The floating interest rate is 20 basis points over the 90-day bank bill swap rate in Australia. At June 30, 2007, the outstanding commitments were A$12.4 million. As of June 30, 2007, Portman was in compliance with the covenants in the credit facility.

NOTE 4 – INVESTMENTS AND ACQUISITIONS

Amapa

On March 5, 2007, we acquired a 30 percent interest in Amapa, a Brazilian company developing an iron ore project (Amapa Project), through the acquisition of 100 percent of the shares of Centennial Amapa. The remaining 70 percent of the Amapa Project is owned by MMX, which is providing corporate and institutional support, while we will supply technical support for construction and operations. The purchase price for our 30 percent interest was $133.3 million, paid with cash on hand. Total capital expenditures are estimated to be $357 million, with approximately $268 million to be funded with project debt, which we guarantee our 30 percent share until the project meets certain performance criteria. Capital contributions of $89.3 million were paid by Cliffs and MMX in April 2007 to fund the project; Cliffs' 30 percent share was $26.8 million. We will be responsible for 30 percent of any future capital contributions.

The Amapa Project consists of a significant iron ore deposit, a 192-kilometer railway connecting the mine location to an existing port facility and 71 hectares of real estate on the banks of the Amazon River, reserved for a loading terminal. The Amapa Project is currently under construction and is expected to produce 6.5 million tonnes of iron ore concentrate and sinter feed annually once fully operational. Iron ore concentrate and sinter feed are expected to be sold by Amapa, pursuant to long-term supply agreements, to an owner-operator

of an iron oxide pelletizing plant in the Kingdom of Bahrain and MMX. Production is expected to begin in late 2007.

Sonoma

On April 18, 2007, we executed agreements to participate in Sonoma, a coking and thermal coal joint venture located in Queensland, Australia. As of June 30, 2007, we invested $56.7 million to acquire and develop mining tenements and related infrastructure including the construction of a washplant, which will produce coal to meet the growing Asian demand. Our total investment in Sonoma is estimated to be $109 million, of which $96 million is expected to occur in 2007. Pursuant to a combination of interrelated agreements, our non-controlling participation will result in a 45 percent economic interest in the collective operations of Sonoma.

Sonoma is expected to commence production of marketable coal in late-2007. Production from Sonoma will include an approximately equal mix of hard coking coal and thermal coal. Current plans call for Sonoma to produce 2.5 million tonnes in 2008 and to reach an ultimate annual production rate of between three million and four million tonnes. Sonoma has a current resource estimate of 107 million tonnes.

PinnOak

On July 31, 2007, we acquired 100 percent of PinnOak, a privately-owned United States producer of high-quality, low-volatile metallurgical coal. The acquisition furthers our growth strategy and expands our diversification of products for the integrated steel industry. Due to the acquisition date, the operating results of PinnOak after the acquisition will be included in the third quarter 2007 Statements of Condensed Consolidated Operations. The purchase price of PinnOak and its subsidiary operating companies was $450 million in cash, of which $108.4 million is deferred until December 31, 2009, plus the assumption of $160 million in debt, which was repaid at closing. The purchase agreement also includes a contingent earn-out, which ranges from $0 to approximately $300 million dependent upon PinnOak's performance in 2008 and 2009. The earn-out, if any, would be payable in 2010 and treated as additional purchase price. The assets acquired consist primarily of coal mining rights and mining equipment.

PinnOak's operations include two complexes comprising three underground mines – the Pinnacle and Green Ridge mines in southern West Virginia and the Oak Grove mine near Birmingham, Alabama. Combined, the mines have the capacity to produce in excess of seven million tons of premium-quality metallurgical coal annually.

NOTE 5 – SEGMENT REPORTING

We are organized into operating and reporting segments based upon geographic location: North America, Asia-Pacific and Latin America. The North America segment, which provides iron ore to the integrated steel industry, represented approximately 79 percent and 81 percent of our consolidated revenues for the second quarter of 2007 and 2006 respectively, and approximately 75 percent and 81 percent of our consolidated revenues for the six-month periods ended June 30, 2007 and June 30, 2006 respectively. The Asia-Pacific segment, comprised of Portman in Western Australia and the Sonoma Coal Project in Queensland, Australia, represented approximately 21 percent and 19 percent of our consolidated revenues for the respective quarter and approximately 25 percent and 19 percent of our consolidated revenues for the respective six month periods. The Latin America segment is comprised of our 30 percent Amapa interest in Brazil, which is in the development stage. There are no intersegment revenues.

We primarily evaluate performance based on segment operating income, defined as revenues less expenses identifiable to each segment. We have classified certain administrative expenses as unallocated corporate expenses.

The following table presents a summary of our segments for the three-month and six-month periods ended June 30, 2007 and 2006 based on the current reporting structure.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Revenues from product sales and services:				
North America	$ 432.8	$ 393.9	$ 658.0	$ 640.1
Asia-Pacific	114.8	92.3	215.1	152.5
Total revenues from product sales and services	$ 547.6	$ 486.2	$ 873.1	$ 792.6
Segment operating income:				
North America	$ 112.9	$ 100.2	$ 151.0	$ 147.9
Asia-Pacific	20.6	27.8	41.4	35.4
Latin America	(.9)	(.1)	(2.3)	(.4)
Segment operating income	132.6	127.9	190.1	182.9
Unallocated corporate expenses	(16.7)	(11.5)	(29.3)	(20.3)
Other income (expense)	1.3	1.4	6.9	5.2
Income from continuing operations before income taxes and minority interest	$ 117.2	$ 117.8	$ 167.7	$ 167.8
Depreciation, depletion and amortization:				
North America	$ 10.2	$ 7.8	$ 19.8	$ 14.2
Asia-Pacific	11.5	9.2	22.6	16.1
Total depreciation, depletion and amortization	$ 21.7	$ 17.0	$ 42.4	$ 30.3
Capital additions:				
North America	$ 11.6	$ 7.4	$ 41.2	$ 28.3
Asia-Pacific	1.9	7.6	3.0	22.4
Total capital additions	$ 13.5	$ 15.0	$ 44.2 *	$ 50.7 *

* There were $2.0 and $12.2 million of Australian non-cash capital additions at June 30, 2007 and 2006, respectively.

A summary of assets by segment is as follows:

	(In Millions)	
	June 30, 2007	December 31, 2006
Segment assets:		
North America	$ 1,131.8	$ 1,154.0
Asia-Pacific	929.1	785.7
Latin America	160.1	
Total assets	$ 2,221.0	$ 1,939.7

NOTE 6 – COMPREHENSIVE INCOME

Following are the components of comprehensive income for the three-month and six-month periods ended June 30, 2007 and 2006:

	(In Millions)			
	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Net Income	$ 86.9	$ 83.1	$ 119.4	$ 121.0
Other comprehensive income:				
Unrealized gain on securities - net of tax	4.1	2.3	3.3	7.8
Foreign currency translation	27.7	14.8	40.4	5.5
Amortization of net periodic benefit cost, net of tax	4.1		6.9	
Unrecognized gain on derivative financial instruments	4.7	3.2	7.4	2.9
Total other comprehensive income	40.6	20.3	58.0	16.2
Total comprehensive income	$ 127.5	$ 103.4	$ 177.4	$ 137.2

NOTE 7 – PENSIONS AND OTHER POSTRETIREMENT BENEFITS

The components of defined benefit pension and OPEB expense for the three-month and six-month periods ended June 30, 2007 and 2006 were as follows:

Defined Benefit Pension Expense

	(In Millions)			
	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Service cost	$ 2.6	$ 2.6	$ 5.3	$ 5.1
Interest cost	9.9	9.5	19.9	18.9
Expected return on plan assets	(11.7)	(10.7)	(23.5)	(21.3)
Amortization:				
Unrecognized prior service costs	1.0	.6	1.9	1.2
Net actuarial losses	3.4	3.7	6.8	7.4
Amortization of net obligation		(.6)		(1.1)
Net periodic benefit cost	$ 5.2	$ 5.1	$ 10.4	$ 10.2

OPEB_Expense

	(In Millions)			
	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Service cost	$ .5	$ .6	$ .9	$ 1.2
Interest cost	3.8	4.1	7.6	8.1
Expected return on plan assets	(2.6)	(2.1)	(5.1)	(4.1)
Amortization:				
Unrecognized prior service credits	(1.4)	(1.4)	(2.8)	(2.8)
Net actuarial losses	2.1	2.6	4.2	5.2
Net periodic benefit cost	$ 2.4	$ 3.8	$ 4.8	$ 7.6

NOTE 8 – ENVIRONMENTAL AND MINE CLOSURE OBLIGATIONS

We had environmental and mine closure liabilities of $106.5 million and $103.9 million at June 30, 2007 and December 31, 2006, respectively, of which $7.8 million and $8.8 million was classified as current. Payments in the first six months of 2007 were $2.6 million (2006—$7.9 million). Following is a summary of the obligations:

	(In Millions)	
	June 30, 2007	December 31 2006
Environmental	$ 12.5	$ 13.0
Mine closure		
LTVSMC	27.2	28.2
Operating mines	66.8	62.7
Total mine closure	94.0	90.9
Total environmental and mine closure obligations	$ 106.5	$ 103.9

Environmental

Our mining and exploration activities are subject to various laws and regulations governing the protection of the environment. We conduct our operations so as to protect the public health and environment and believe our operations are in compliance with applicable laws and regulations in all material respects. Our environmental liabilities of $12.5 million and $13.0 million at June 30, 2007 and December 31, 2006, respectively, including obligations for known environmental remediation exposures at active and closed mining operations and other sites, have been recognized based on the estimated cost of investigation and remediation at each site. If the cost can only be

estimated as a range of possible amounts with no specific amount being most likely, the minimum of the range is accrued in accordance with SFAS No. 5, *Accounting for Contingencies*. Future expenditures are not discounted unless the amount and timing of the cash disbursements are readily known. Potential insurance recoveries have not been reflected. Additional environmental obligations could be incurred, the extent of which cannot be assessed.

The environmental liability includes our obligations related to four sites that are independent of our iron mining operations, two former iron ore-related sites, two leased land sites where we are lessor and miscellaneous remediation obligations at our operating units. Three of these sites are Federal and State sites where we are named as a PRP: the Rio Tinto mine site in Nevada and the Kipling and Deer Lake sites in Michigan.

Rio Tinto

The Rio Tinto Mine site is a historic underground copper mine located near Mountain City, Nevada, where tailings were placed in Mill Creek, a tributary to the Owyhee River. Site investigation and remediation work is being conducted in accordance with a Consent Order between the NDEP and the RTWG composed of Cliffs, Atlantic Richfield Company, Teck Cominco American Incorporated, and E. I. du Pont de Nemours and Company.

During 2006, the focus of the RTWG was on development of alternatives for remediation of the mine site. A draft of an alternatives study was reviewed with NDEP, EPA and the Rio Tinto Trustees and as of December 31, 2006, the alternatives have essentially been reduced to two: (1) tailings stabilization and long-term water treatment; or (2) removal of the tailings. The estimated costs range from approximately $10 million to $27 million. In recognition of the potential for an NRD claim, the parties are actively pursuing a global settlement that would encompass both the remedial action and the NRD issues and thereby avoid the lengthy litigation typically associated with NRD and any settlement would include the EPA. Additional groundwater sampling is scheduled for the second half of 2007, and remedial covering of the hillside tailings and heap leach pad is planned. The mediation process to determine an equitable allocation of costs between the RTWG has been deferred until 2008.

Carl's Tire Retreading Superfund Site

In July 2006 we received a Request for Information pursuant to Section 104(e) of CERCLA relating to contamination of the Carl's Tire Retreading Superfund Site in Grawn, Grand Traverse County, Michigan resulting from a fire that began at the site in December 1995. The site was a tire recycling business to which the Tilden and Empire Mines shipped tires before the fire. In November 2006 we received a letter from the U.S. Department of Justice notifying us that the EPA is seeking about $3.1 million in response costs associated with releases of hazardous substances from the fire. EPA brought suit against PRPs that have not entered into tolling agreements with the EPA.

On November 13, 2006, The Cleveland-Cliffs Iron Company signed a tolling agreement with the EPA on behalf of itself and its corporate affiliates. On April 18, 2007, we, along with 25 other PRPs, received a group settlement demand for approximately $2.3 million. We, along with some of the other PRPs, are currently in the process of negotiating a settlement with the U.S. Department of Justice. If the matter does not settle, we (along with the other non-settling parties) would face joint and several liability if the EPA is successful in the lawsuit, meaning that we could be held responsible to the U.S. for the entire amount of any judgment.

Portman

On May 14, 2007, the AEPA published a study in which they recommended the establishment of "A class reserves" for the protection of certain allegedly environmentally sensitive areas of Western Australia. Some of the proposed A class reserves overlap with mining tenements granted to Portman (the "Overlapping Areas"). The AEPA study has been submitted to the Minister for the Environment and Heritage.

Portman originally received governmental approval to mine in the Overlapping Areas in June 2003. Since that time, Portman has met all applicable environmental requirements. Although we are currently reviewing the study and the effects of the designation of the Overlapping Areas as A class reserves, such categorization would be likely to have a material effect on Portman's operations. It is unknown at this time whether the Minister for the Environment and Heritage will accept the recommendations of the AEPA. If the recommendations of the AEPA are accepted, Portman will challenge any such decision.

Mine Closure

The mine closure obligation of $94.0 million and $90.9 million includes the accrued obligations at June 30, 2007 and December 31, 2006, respectively, for a closed operation formerly known as LTVSMC, for our four consolidated North American operating mines and for Portman. The LTVSMC closure obligation results from an October 2001 transaction where subsidiaries of the Company received a net payment of $50 million and certain other assets and assumed environmental and certain facility closure obligations of $50 million, which obligations have declined to $27.2 million at June 30, 2007.

The accrued closure obligation for our active mining operations of $66.8 million and $62.7 million at June 30, 2007 and December 31, 2006, respectively, provides for contractual and legal obligations associated with the eventual closure of the mining operations. The following summarizes our asset retirement obligation liability:

	(In Millions)	
	June 30, 2007	December 31, 2006
Asset retirement obligation at beginning of year	$ 62.7	$ 52.5
Accretion expense	4.1	5.8
Revision in estimated cash flows		4.4
Asset retirement obligation at end of period	$ 66.8	$ 62.7

NOTE 9 – INCOME TAXES

Our total tax provision from continuing operations for the first six months of 2007 of $39.3 million is comprised of $25.6 million related to our North American operations, primarily the United States, and $13.7 million related to our Asia-Pacific operations. Our expected effective tax rate for 2007 reflects United States benefits from deductions for percentage depletion in excess of cost depletion.

At June 30, 2007, cumulative undistributed earnings of our Australian subsidiaries included in consolidated retained earnings continue to be indefinitely reinvested in international operations. Accordingly, no provision has been made for deferred taxes related to a future repatriation of these earnings, nor is it practicable to determine the amount of this liability.

On January 1, 2007, we adopted the provisions of FIN 48. FIN 48 prescribes a more-likely-than-not threshold for financial statement recognition and measurement of a tax position taken (or expected to be taken in a tax return). This interpretation also provides guidance on derecognition of income tax assets and liabilities, classification of current and deferred income tax assets and liabilities, accounting for interest and penalties associated with tax positions, accounting for income taxes in interim periods and income tax disclosures.

The effects of applying this interpretation resulted in a decrease of $7.7 million to retained earnings as of January 1, 2007. At January 1, 2007, we had $15.6 million of unrecognized tax benefits recorded in *Other Liabilities* on the Statements of Condensed Consolidated Financial Position, of which $15.5 million, if recognized, would impact the effective tax rate. We recognize potential accrued interest and penalties related to unrecognized tax benefits in income tax expense. As of January 1, 2007, we had $7.2 million of accrued interest relating to the unrecognized tax benefits. During the six months ended June 30, 2007, there were no significant changes in unrecognized tax benefits, nor do we anticipate any significant changes within the next twelve months.

Tax years that remain subject to examination are years 2003 and forward for the United States, 1993 and forward for Canada and 1994 and forward for Australia.

In July 2007, the new Michigan Business Tax (MBT), which provides a comprehensive restructuring of Michigan's principal business tax regime, was signed into law. The MBT replaces the Michigan Single Business Tax that is scheduled to expire at the end of 2007. We are currently evaluating the impact of the MBT on our consolidated financial statements.

NOTE 10 – EARNINGS PER SHARE

A summary of the calculation of earnings per common share on a basic and diluted basis follows:

	(In Millions)			
	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Net income	$ 86.9	$ 83.1	$119.4	$121.0
Preferred stock dividends	1.4	1.4	2.8	2.8
Income applicable to common shares	$ 85.5	$ 81.7	$116.6	$118.2
Weighted average number of shares:				
Basic	40.8	42.7	40.7	43.2
Employee stock plans	.2	.4	.3	.4
Convertible preferred stock	11.3	11.3	11.3	11.3
Diluted	52.3	54.4	52.3	54.9
Earnings per common share - Basic	$ 2.10	$ 1.91	$ 2.87	$ 2.74
Earnings per common share - Diluted	$ 1.66	$ 1.53	$ 2.29	$ 2.20

NOTE 11 – LEASE OBLIGATIONS

We lease certain mining, production and other equipment under operating and capital leases. The leases are for varying lengths, generally at market interest rates and contain purchase and/or renewal options at the end of the terms. Future minimum payments under capital leases and non-cancellable operating leases at June 30, 2007, are expected to be:

	(In Millions)	
	Capital Leases	Operating Leases
2007 (July 1 - December 31)	$ 3.0	$ 6.2
2008	4.1	11.4
2009	3.9	10.9
2010	3.5	10.0
2011	3.5	6.4
2012 and thereafter	17.6	10.1
Total minimum lease payments	35.6	$ 55.0
Amounts representing interest	8.2	
Present value of net minimum lease payments	$ 27.4	

Total minimum lease payments of $90.6 million include $33.3 million for capital leases and $2.4 million for operating leases associated with our Asia-Pacific segment.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is designed to provide a reader of our financial statements with a narrative from the perspective of management on our financial condition, results of operations, liquidity and other factors that may affect our future results. We believe it is important to read our MD&A in conjunction with our Annual Report on SEC Form 10-K for the year ended December 31, 2006 as well as other publicly available information.

OVERVIEW

Cleveland-Cliffs Inc, headquartered in Cleveland, Ohio, is an international mining company and the largest producer of iron ore pellets in North America. We sell substantially all of our pellets to integrated steel companies in the United States and Canada. We operate a total of six iron ore mines located in Michigan, Minnesota and Eastern Canada. We own 80.4 percent of Portman, a large iron ore mining company in Australia, serving the Asian iron ore markets with direct-shipping fines and lump ore. We also have a 30 percent interest in the Amapa Project, a Brazilian iron ore project, and an effective 45 percent interest in the Sonoma Project, an Australian coking and thermal coal project. On July 31, 2007, we acquired 100 percent of PinnOak, a privately-owned United States producer of high-quality, low-volatile metallurgical coal. Through the investments in Sonoma and PinnOak, we look to provide additional products such as metallurgical coal to the integrated steel industry.

To support our expanding operations, we reorganized into a business-unit structure in 2006. We are organized into three primary business units based on geographic locations: North America, Asia-Pacific, and Latin America. Cliffs Asia-Pacific headquarters are located in Perth, Australia. Cliffs International Mineracao Brasil Ltda. headquarters in Rio de Janeiro, Brazil, provides technical and administrative support for Cliffs' assets in Latin America. Offices in Duluth, Minnesota, house shared services groups supporting the business units.

Growth Strategy

Portman represents an integral component of our international growth strategy; our 80.4 percent-ownership position serves not only to further diversify our existing customer base, but also with Portman's sales to Chinese and Japanese steel mills, provides us with a direct channel to the world's most rapidly growing steel markets.

Our efforts to play an ever-greater role in supplying international steel markets and diversify our product mix continue. Recent growth projects such as Amapa, which provides entry into Latin America, Sonoma in Australia and PinnOak in the United States, which mark our diversification into coking coal, are consistent with our international objective of leveraging our proprietary expertise in those markets with the greatest growth potential.

While the heart of our operations remains in North America, we continue to consider opportunities for expansion globally, which not only enhance existing strengths, but contribute ultimately to the profitability and overall health of the Company.

Amapa

On March 5, 2007, we acquired a 30 percent interest in Amapa, a Brazilian company developing an iron ore project (Amapa Project), through the acquisition of 100 percent of the shares of Centennial Amapa. The remaining 70 percent of the Amapa Project is owned by MMX, which is providing corporate and institutional support, while we will supply technical support for construction and operations. The purchase price for our 30 percent interest was $133.3 million, paid with cash on hand. Total capital expenditures are estimated to be $357 million, with approximately $268 million to be funded with project debt, which we guarantee our 30 percent share until the project meets certain performance criteria. Capital contributions of $89.3 million were paid by Cliffs and MMX in April 2007 to fund the project; Cliffs' 30 percent share was $26.8 million. We will be responsible for 30 percent of any future capital contributions.

The Amapa Project consists of a significant iron ore deposit, a 192-kilometer railway connecting the mine location to an existing port facility and 71 hectares of real estate on the banks of the Amazon River, reserved for a loading terminal. The Amapa

Project is currently under construction and is expected to produce 6.5 million tonnes of iron ore concentrate and sinter feed annually once fully operational. Iron ore concentrate and sinter feed are expected to be sold by Amapa, pursuant to long-term supply agreements, to an owner-operator of an iron oxide pelletizing plant in the Kingdom of Bahrain and MMX. Production is expected to begin in late 2007.

Sonoma

On April 18, 2007, we executed agreements to participate in Sonoma, a coking and thermal coal joint venture located in Queensland, Australia. As of June 30, 2007, we invested $56.7 million to acquire and develop mining tenements and related infrastructure including the construction of a washplant, which will produce coal to meet the growing Asian demand. Our total investment in Sonoma is estimated to be $109 million, of which $96 million is expected to occur in 2007. Pursuant to a combination of interrelated agreements, our non-controlling participation will result in a 45 percent economic interest in the collective operations of Sonoma.

Sonoma is expected to commence production of marketable coal in late-2007. Production from Sonoma will include an approximately equal mix of hard coking coal and thermal coal. Current plans call for Sonoma to produce 2.5 million tonnes in 2008 and to reach an ultimate annual production rate of between three million and four million tonnes. Sonoma has a current resource estimate of 107 million tonnes.

PinnOak

On July 31, 2007, we acquired 100 percent of PinnOak, a privately-owned United States producer of high-quality, low-volatile metallurgical coal. The acquisition furthers our growth strategy and expands our diversification of products for the integrated steel industry. Due to the acquisition date, the operating results of PinnOak after the acquisition will be included in the third quarter 2007 Statements of Condensed Consolidated Operations.

The purchase price of PinnOak and its subsidiary operating companies was for $450 million in cash, of which $108.4 million is deferred until December 31, 2009, plus the assumption of $160 million in debt, which was repaid at closing. The purchase agreement also includes a contingent earn-out, which ranges from $0 to approximately $300 million

dependent upon PinnOak's performance in 2008 and 2009. The earn-out, if any, would be payable in 2010 and treated as additional purchase price. The assets acquired consist primarily of coal mining rights and mining equipment.

PinnOak's operations include two complexes comprising three underground mines – the Pinnacle and Green Ridge mines in southern West Virginia and the Oak Grove mine near Birmingham, Alabama. Combined, the mines have the capacity to produce in excess of seven million tons of premium-quality metallurgical coal annually.

Metallics

On June 19, 2007, we entered into an alliance whereby Kobe Steel, Ltd. agreed to license its patented ITmk3® iron-making technology to us. The alliance, which has a 10-year term, covers use of the proprietary process in the United States and Canada, Australia and Brazil, and may be expanded to include other geographic regions.

Used for the production of high-purity iron nuggets containing more than 96 percent iron, the ITmk3 process provides the means to create high-quality raw materials for electric arc furnaces (EAFs). Steel producers utilizing EAFs currently account for nearly half of North America's steelmaking capacity. Kobe and Cliffs also agreed to participate on a joint-venture basis as strategic equity partners in a 500,000 ton-per-annum iron nugget facility to be constructed at one of our United States mining properties. The timing of this project and the site location will ultimately depend on mining and environmental permitting issues.

Sale of Wabush

On June 6, 2007, we entered into an agreement providing for the sale of our interest in Wabush. Under the agreement, Consolidated Thompson Iron Mines Ltd. (traded on the TSX-Venture Exchange under the symbol CLM) would acquire the 71.4 percent of Wabush owned directly or indirectly by the Company (26.8 percent) and Stelco (44.6 percent) for cash plus warrants for the purchase of CLM common shares and the assumption by CLM of employee and asset retirement obligations. Our share of the proceeds would be $24.1 million in cash and approximately 1.1 million warrants entitling us to purchase CLM shares at C$5.10 per share for a two-year period.

As part of the transaction, we would enter into an agreement whereby CLM would sell approximately ..7 million tons of pellets to us annually from 4.8 million tons of expected annual Wabush production from the date of the closing through December 31, 2009. In 2006, Wabush produced 4.1 million tons of pellets with our share totaling 1.1 million tons.

Dofasco, a subsidiary of ArcelorMittal, holds the remaining 28.6 percent of Wabush. The notification to Dofasco of the acceptance of CLM's offer by the Company and Stelco on June 8, 2007, triggered a 90-day right of first refusal option by Dofasco under terms of the joint venture agreement.

Completion of the transaction is subject to a number of other conditions, including receipt of requisite regulatory approval and the execution of definitive agreements. Closing would occur shortly after a Dofasco waiver is executed or expiration of its 90-day purchase option. We expect to record a gain upon completion of the transaction.

Sale of Cliffs Synfuel Corp.

On June 12, 2007, We entered into an agreement providing for the sale of all of the shares of Cliffs' wholly owned subsidiary, Cliffs Synfuel Corp. (Synfuel). Under the agreement Oil Shale Exploration Company-Skyline, LLC (OSEC) would acquire 100 percent of Synfuel for $24 million royalties initially equal to $.02 per barrel of shale oil and $.01 per barrel of shale oil produced from lands covered by existing State of Utah oil shale leases, plus 25 percent of royalties from conventional oil and gas operations. Completion of the transaction is subject to due diligence and execution of deeds. We expect to record a pre-tax gain in the range of $5 million to $10 million upon completion of the transaction.

Sale of Cliffs Erie Property

Effective July 31, 2007, our wholly owned subsidiary, Cliffs Erie entered into an agreement for the sale of portions of the former LTV Steel Mining Company site located in the vicinity of Hoyt Lakes, Minnesota. Under the agreement, Mesabi Nugget Delaware, LLC would purchase and acquire all of Cliffs Erie's ownership and leasehold interests (including mineral and surface rights) in certain real property, certain tangible personal property, and all of Cliffs Erie's rights, duties, obligations and liabilities under certain permits pertaining to the property to be sold for a cash payment of $17.9 million and the assumption of environmental and reclamation liabilities (other than certain excluded liabilities) associated with the property.

Completion of the transaction is subject to a number of closing conditions, including various consents and approvals of lessors and state agencies. Closing would occur 30 days after the satisfaction of all conditions precedent. We expect to record a gain upon completion of the transaction.

RESULTS OF OPERATIONS

Summary

Second-quarter revenues from product sales and services were $547.6 million, an increase of 13 percent, compared with $486.2 million in the same quarter last year. For the first half of 2007, revenues from iron ore product sales and services were $873.1 million, an increase of 10 percent, compared with $792.6 million last year.

Net income was $86.9 million, or $1.66 per diluted share, for 2007's second quarter and $119.4 million, or $2.29 per diluted share for the first half, compared with last year's second quarter earnings of $83.1 million, or $1.53 per diluted share, and $121.0 million, or $2.20 per diluted share, for the first half.

The increase in second-quarter net income of $3.8 million reflected lower income tax expense, $3.8 million, and a lower portion of income allocable to minority interest, $.7 million, partially offset by a $.6 million decrease in income from continuing operations before income taxes and minority interest. The decrease in income tax expense and income related to the Portman 19.6 percent minority interest were due to lower second-quarter earnings from Portman, which are subject to a higher effective tax rate than North America.

Pre-tax income was flat year over year but, because a higher proportion of pre-tax income was generated by Portman, there was a larger deduction for minority interest.

Sales Margin

North America

Sales margin of $104.4 million in the second quarter of 2007 exceeded the prior-year quarter of $101.7 million. For the first half of 2007, sales margin decreased to $141.7 million, compared with $147.3 million last year. A summary is as follows:

	Favorable (unfavorable) to last year (in millions)					
	Second quarter			First half		
	Sales price and rate	Sales volume	Total	Sales price and rate	Sales volume	Total
Sales revenue	$ (4.7)	$ 36.6	$ 31.9	$ 7.4	$ 6.1	$ 13.5
Cost of goods sold and operating expenses	(4.0)	(25.2)	(29.2)	(14.7)	(4.4)	(19.1)
Sales margin	$ (8.7)	$ 11.4	$ 2.7	$ (7.3)	$ 1.7	$ (5.6)

Sales revenue of $359.8 million in the second quarter and $525.7 million in the first half (excluding freight and venture partners' cost reimbursements) increased $31.9 million and $13.5 million from the comparable 2006 periods. The second-quarter revenue increase was due to a .5 million ton sales volume increase for the quarter, partially offset by lower sales price realization. The revenue increase in the first half was due to

higher sales price realization and slightly higher volume. A sales price decrease of one percent in the second quarter and a one percent increase in the first half primarily reflected changes in customer mix and the net impact from several contractual price-adjustment factors. Included in first half 2007 revenues were 2.4 million tons of 2007 sales at 2006 contract prices. We recorded $3.1 million of unfavorable revenue adjustments related to 2006 sales in the first half of 2007, including $1.7 million of mark-to-fair value adjustments of derivative instruments.

Cost of goods sold and operating expenses (excluding freight and venture partners' costs) of $255.4 million in the second quarter and $384.0 million in the first half of 2007, increased $29.2 million and $19.1 million from the comparable 2006 periods. The cost increase in the second quarter was primarily due to higher volume, $25.2 million. The first half cost increase of $19.1 million was primarily due to higher maintenance costs and higher energy and supply rates and usage. Second quarter and first half cost of goods sold and operating expenses benefited from a credit of $9.0 million related to our dispute settlement with WEPCO. See Wisconsin Electric Power Dispute for more information.

Asia-Pacific

Sales margin of $25.2 million in the second quarter of 2007 was lower than the prior-year quarter of $27.0 million. For the first half of 2007, sales margin increased to $49.7 million, compared with $36.8 million last year. A summary is as follows:

	Favorable (unfavorable) to last year (in millions)					
	Second quarter			First half		
	Sales price and rate	Sales volume	Total	Sales price and rate	Sales volume	Total
Sales revenue	$ 1.8	$ 20.7	$ 22.5	$ 22.1	$ 40.5	$ 62.6
Cost of goods sold and operating expenses	(9.6)	(14.7)	(24.3)	(19.0)	(30.7)	(49.7)
Sales margin	$ (7.8)	$ 6.0	$ (1.8)	$ 3.1	$ 9.8	$ 12.9

Sales revenue of $114.8 million in the second quarter and $215.1 million in the first half was $22.5 million and $62.6 million higher than the comparable 2006 periods. The revenue increases were primarily due to the effect of a .4 million tonne sales volume increase for the quarter, a .9 million tonne increase for the first half and higher sales

prices for both periods. Sales prices in the first half of 2007 increased 11.5 percent, primarily reflecting the impact of the 9.5 percent increase recognized on 2007 iron ore prices. Second quarter 2006 sales revenue benefited from the retroactive 19 percent price settlement which did not occur until the second quarter of 2006. The impact on a portion of first quarter 2006 sales was $7.3 million.

Cost of goods sold and operating expenses of $89.6 million in the second quarter and $165.4 million in the first half of 2007 increased $24.3 million and $49.7 million in the respective periods. The year-over-year cost increases in both the second quarter and the first-half, primarily reflected the effects of higher volume, higher contract labor and increased stripping costs.

Other operating income (expense)

The pre-tax earnings changes for the second quarter and first half of 2007 versus the comparable 2006 periods also included:

- Higher administrative, selling and general expense of $5.4 million in the quarter and $9.8 million in the first half primarily reflected increased outside professional service fees, higher legal fees and higher employment costs related to our expanding business.
- A casualty recovery of $3.2 million in the second quarter of 2007 reflected the recovery of a portion of our deductible related to a flood at the Tilden and Empire mines in 2003.
- Higher miscellaneous-net of $.2 million in the quarter and $3.1 million in the first half primarily reflected increased mark-to-fair value currency hedging losses at Portman and higher business development expenses, partially offset by last year's PCB spill costs at Tilden of $3.8 million recorded in the first half of 2006.

Other income (expense)

- Higher interest income of $1.1 million in the quarter and $2.1 million in the first half reflected average higher cash balances and higher average interest rates at Portman.

- Higher interest expense of $1.3 million in the quarter and first half reflected borrowings from the revolving credit facility.

Income Taxes

Our total tax provision from continuing operations for the first half of 2007 of $39.3 million is comprised of $25.6 million related to North American operations, primarily the United States, and $13.7 million related to Asia-Pacific operations. Our 2007 effective tax rate related to continuing operations is approximately 23 percent. The effective rate primarily reflected the combination of the statutory 30 percent rate on Australian earnings and reductions from the United States statutory rates primarily due to deductions for percentage depletion in excess of cost depletion.

PRODUCTION AND SALES VOLUME

Following is a summary of iron ore production tonnage for 2007 and 2006:

	(In Millions)					
	Second Quarter		First Half		Full Year	
	2007	2006	2007	2006	2007*	2006
North America (1)						
Empire	1.3	1.2	2.5	2.5	5.0	4.9
Tilden	2.3	1.7	3.7	3.4	7.7	6.9
Hibbing	2.1	2.1	3.3	4.1	7.5	8.3
Northshore	1.3	1.2	2.6	2.5	5.1	5.1
United Taconite	1.4	1.4	2.6	2.4	5.3	4.3
Wabush	1.1	1.0	2.2	1.8	4.8	4.1
Total	9.5	8.6	16.9	16.7	35.4	33.6
Cliffs' share of total	6.0	5.4	10.8	10.5	22.3	20.8
Asia-Pacific (2)						
Koolyanobbing	2.1	1.8	3.9	3.0	7.7	7.0
Cockatoo Island	.1	.2	.3	.3	.7	.7
Total	2.2	2.0	4.2	3.3	8.4	7.7

* Estimate
(1) Tons are long tons of pellets of 2,240 pounds.
(2) Metric tons of 2,205 pounds. Cockatoo production reflects our 50 percent share.

North America

The production increase at Tilden during the second quarter reflected business improvement developments in 2007 and unscheduled pellet plant downtime in 2006 due to mechanical issues.

In late February 2007, Hibbing was forced to shut down production operations due to severe weather conditions that caused significant buildup of ice in the basin supplying water to the processing facility. The operation resumed limited production in late March, with full production in early April. The production loss totaled approximately .8 million tons (Company share .2 million tons), requiring us to reduce our 2007 Hibbing production estimates. During the plant shutdown, numerous maintenance and plant clean-up activities were performed to minimize production interruptions for the balance of the year.

Production at Wabush was higher than the same period in 2006 as a result of pit design improvements to mitigate dewatering issues.

We reinitiated construction activity to restart an idled pellet furnace at the Northshore facility that will increase capacity by approximately ..8 million tons of pellets annually, beginning in 2008.

North American pellet sales in the second quarter were 5.4 million tons in 2007 compared with 4.9 million tons in 2006. First-half 2007 sales were 7.9 million tons compared with 7.8 million tons in the same period last year.

Asia-Pacific

Sales of fines and lump ore in the second quarter were 2.2 million tonnes in 2007 compared with 1.8 million tonnes in 2006 First-half sales were 4.1 million tonnes compared with 3.2 million tonnes in the same period last year. The increase in sales and production primarily reflected the completion of the two-million-tonne per annum expansion project at Koolyanobbing in late 2006. Production at Cockatoo Island is expected to continue into early 2008. The Cockatoo Island operation is scheduled to close in the first quarter of 2008.

In July 2007, Portman was notified that its exploration and mining rights under two leases originally granted by Polaris Metals NL (Polaris) in 1999 would not be extended beyond July 3, 2007. The mining leases with Polaris, a mineral exploration company in Western Australia, permit Portman to explore for and mine iron ore on mining tenements north of Portman's Koolyanobbing operations, including the rights to 4.5 million tonnes of iron ore reserves. Portman has advised Polaris that it does not agree that its rights have ceased or that Polaris is entitled to ownership of the two mining leases. At this point in time it is not possible to assess the impact of the potential loss of the reserves on Portman's operations.

CASH FLOW, LIQUIDITY AND CAPITAL RESOURCES

At June 30, 2007, we had cash and cash equivalents of $129.3 million, primarily consisting of $95.7 million at Portman. In addition, we had $375 million of availability under the $500 million unsecured credit agreement.

Following is a summary of cash flows for the first six months of 2007 and 2006:

	(In Millions)	
	2007	2006
Investment in ventures	$ (223.7)	$ (6.4)
Capital expenditures	(46.2)	(62.9)
Cash from (used by) operating activities	(37.7)	92.4
Purchase of marketable securities	(36.0)	
Dividends on common and preferred stock	(13.0)	(12.7)
Repurchases of common stock	(2.2)	(81.0)
Net borrowings under revolving credit facility	125.0	
Effect of exchange rate changes on cash	6.5	.5
Other	4.9	.6
Decrease in cash and cash equivalents from continuing operations	(222.4)	(69.5)
Cash provided by discontinued operations		.3
Decrease in cash and cash equivalents	$ (222.4)	$(69.2)

At June 30, 2007, we had 6.7 million tons of pellets in North American inventory, compared with 5.9 million tons at June 30, 2006. The increase from 2006 is the result of entering the year with higher inventories. At June 30, 2007, Portman had 1.1 million tonnes of finished product inventory, .4 million tonnes higher than the end of the 2006 second quarter.

Investment in ventures included $160.1 million for Amapa and $56.7 million for Sonoma. Other capital expenditures through June 30, 2007 were $46.2 million, of which $4.6 million related to Portman.

For the year 2007, we expect our investment in Sonoma to approximate $96 million. Capital expenditures at our North American and Portman operations are estimated to be $120 million. Our share of remaining Amapa construction expenditures will be financed with project debt, which we guarantee our share until the project meets certain performance criteria. The PinnOak transaction will require a cash outlay of approximately $500 million to cover the purchase price and repay exiting debt. To fund a portion of this transaction, we have entered into a 364-day, $150 million term loan.

On June 23, 2006, we entered into a five-year unsecured credit agreement with a syndicate of 16 financial institutions. The facility provides $500 million in borrowing capacity under a revolving credit line, with no specific maturities; borrowings are drawn with a choice of interest rates and maturities, subject to the term of the agreement. The facility has financial covenants based on earnings, debt and fixed cost coverage. Interest rates are either (1) a range from LIBOR plus .75 percent to LIBOR plus 1.50 percent based on debt and earnings, or (2) the prime rate. Borrowings outstanding under the facility totaled $125 million as of June 30, 2007. As of June 30, 2007, we were in compliance with the covenants in the credit agreement.

On July 26, 2007, we entered in to an unsecured, 364-day credit agreement to fund a portion of the purchase price for our acquisition of 100 percent of PinnOak. The facility provides $150 million in borrowing capacity under a revolving credit line with no specific maturities; borrowings are drawn with a choice of interest rates and maturities, subject to the terms of the agreement.

Portman is party to a A$40 million multi-option credit facility, which was finalized in April 2007. The facility has two covenants: (1) debt to earnings ratio and (2) interest coverage ratio. The floating interest rate is 20 basis points over the 90-day bank bill swap rate in Australia. At June 30, 2007, the outstanding commitments were A$12.4 million. As of June 30, 2007, Portman was in compliance with the covenants in the credit facility.

Following is a summary of our common shares outstanding:

	2007	2006
March 31	41,025,412	43,797,072
June 30	41,020,111	42,170,090
September 30		41,238,739
December 31		40,905,350

On July 11, 2006, the Board of Directors authorized a two million common share repurchase program. With the exception of $2.2 million of shares repurchased in December 2006 and subsequently settled in January 2007, there were no common stock repurchases in the first half of 2007.

WISCONSIN ELECTRIC POWER COMPANY DISPUTE

On May 3, 2007, Empire and Tilden (the “Mines”) and WEPCO settled their dispute over energy charges. Under the terms of the Settlement Agreement and Release (the “Settlement”), the Mines received $32.5 million from escrow and paid $9.0 million to WEPCO. Additionally, WEPCO paid the Mines a rebate for over-the-cap payments of $2.6 million. As a result of the settlement, we recognized a $9.0 million pre-tax gain in the second quarter of 2007. In addition, under the Settlement, the Mines will be billed for electric service from April 1, 2007 at the same rate as provided in the interim agreement. Upon termination of the special contracts on December 31, 2007, the Mines will be subject to the then applicable tariffs approved by the Michigan Public Service Commission.

Additionally, on April 30, 2007, the Mines and WEPCO entered into a Settlement Agreement for Final Rate Relief and Tariff Approvals (the “Tariff Agreement”). Under the Tariff Agreement, the Mines and WEPCO reached an agreement as to the tariff rate to be charged to the Mines under the industrial tariff. Any impact from the results of the combined proceeding will not occur until 2008, when the Power Supply Contracts terminate and it is anticipated that the Mines will be on an industrial tariff.

PENSIONS AND OTHER POSTRETIREMENT BENEFITS

Defined benefit pension expense totaled $5.2 million and $10.4 million for the second quarter and first half of 2007, respectively, compared with $5.1 million and

$10.2 million for the comparable 2006 periods. See NOTE 7 – PENSION AND OTHER POSTRETIREMENT BENEFITS for additional information.

OPEB expense totaled $2.4 million and $4.8 million for the second quarter and first half of 2007, respectively, compared with $3.8 million and $7.6 million for the comparable 2006 periods. The decrease in OPEB expense was due to lower loss amortization and higher expected asset returns. The decrease in loss amortization is due to longer amortization periods reflecting increased remaining service lives of employees. The higher expected asset returns are primarily due to additional VEBA contributions under the existing labor agreement with the USW.

NEW ACCOUNTING STANDARDS

Refer to Recent Accounting Pronouncements in NOTE 2 – ACCOUNTING POLICIES.

MARKET RISKS

We are subject to a variety of risks, including those caused by changes in the market value of equity investments, changes in commodity prices and foreign currency exchange rates. We have established policies and procedures to manage such risks; however, certain risks are beyond our control.

Our investment policy relating to our short-term investments (classified as cash equivalents) is to preserve principal and liquidity while maximizing the short-term return through investment of available funds. The carrying value of these investments approximates fair value on the reporting dates.

The rising cost of energy and supplies are important issues affecting our North American production costs. Energy costs represent approximately 24 percent of our North American production costs. Recent trends indicate that electric power, natural gas and oil costs can be expected to increase over time, although the direction and magnitude of short-term changes are difficult to predict. Our consolidated North American mining ventures consumed approximately 5.3 million MMBTU's and 8.1 million gallons of diesel fuel in the first half of 2007. As of June 30, 2007, we purchased or have forward

purchase contracts for 6.9 million MMBTU's of natural gas (representing approximately 50 percent of estimated 2007 consumption) at an average price of $8.53 per MMBTU and 10.0 million gallons of diesel fuel at $2.10 per gallon for our North American mining ventures.

Our strategy to address increasing energy rates includes improving efficiency in energy usage and utilizing the lowest cost alternative fuels. Our mining ventures enter into forward contracts for certain commodities, primarily natural gas and diesel fuel, as a hedge against price volatility. Such contracts are in quantities expected to be delivered and used in the production process. At June 30, 2007, the notional amount of our outstanding forward contracts was $70.6 million, with an unrecognized fair value net gain of $1.4 million based on June 30, 2007 forward rates. The contracts mature at various times through December 2009. If the forward rates were to change 10 percent from the month-end rate, the value and potential cash flow effect on the contracts would be approximately $7.2 million.

Our share of pellets produced at the Wabush Mines operation in Canada represents approximately six percent of our North American pellet production. This operation is subject to currency exchange fluctuations between the United States and Canadian currency; however, we do not hedge our exposure to this currency exchange fluctuation. Our 30 percent equity interest in the Amapa operation, located in Brazil, is subject to currency exchange fluctuations between the United States and Brazilian currency. Portman hedges a portion of its United States currency-denominated sales in accordance with a formal policy. The primary objective for using derivative financial instruments is to reduce the earnings volatility attributable to changes in Australian and United States currency fluctuations. The instruments are subject to formal documentation, intended to achieve qualifying hedge treatment, and are tested at inception and at each reporting period as to effectiveness. Changes in fair value for highly effective hedges are recorded as a component of other comprehensive income. Ineffective portions are charged to *Miscellaneous – net* on the Statements of Condensed Consolidated Operations. At June 30, 2007, Portman had $228.5 million of outstanding exchange rate contracts in the form of call options, collar options, convertible collars options and forward exchange contracts with varying maturity dates ranging from July 2007 to September 2009, and a fair value gain based on the June 30, 2007 exchange rate of $20.9 million. A one percent increase in the value of the

Australian dollar from the month-end rate would increase the fair value by approximately $2.2 million and a one percent decrease would reduce the fair value and cash flow by approximately $1.9 million.

OUTLOOK

Cliffs-managed 2007 North American pellet production is expected to approximate 35 million tons, with our share representing approximately 22 million tons. This estimate includes approximately 4.8 million tons of production at Wabush for the year. Portman's 2007 production volume is expected to be 8.4 million tonnes, which includes .7 million tonnes from Cockatoo Island.

Our North American sales for 2007 are expected to be approximately 22 million tons. This includes an assumption that revenue recognition criteria will be met for an estimated 1.0 million to 1.5 million tons of pellets which are expected to be purchased and paid for by customers at year-end under take or pay provisions of existing long-term supply agreements. North American revenue per ton (excluding freight and venture partners' cost reimbursements) for pellets is expected to increase approximately three percent for the full year 2007.

We expect total 2007 North American unit production costs to increase approximately one percent from the 2006 cost of goods sold and operating expenses (excluding freight and venture partners' cost reimbursements) of $48.17 per ton. The relatively lower projected unit production cost increase, compared with the most recent year's 13 percent increase is primarily the result of lower stripping and process fuel usage offset by higher energy and supply pricing and increased maintenance activity.

Portman full-year 2007 sales are expected to be 8.2 million tonnes. Revenue per tonne for 2007 is expected to increase approximately seven percent primarily reflecting benchmark price settlements.

Portman's unit production costs are expected to increase approximately 11 percent from the 2006 cost of goods sold and operating expenses of $36.93 per tonne, primarily due to higher contract labor and changes in exchange rate.

The acquisition of PinnOak is expected to have minimal impact to 2007 earnings as we will be covering acquisition and integration costs.

Approximately 80 percent of PinnOak's total 2007 production is slated for the international steel market, with the balance committed to integrated steelmakers in the United States.

As a result of development costs, both Sonoma and Amapa are expected to negatively impact full-year earnings.

Forward-Looking Statements

This report contains statements that constitute "forward-looking statements." These forward-looking statements may be identified by the use of predictive, future-tense or forward-looking terminology, such as "believes," "anticipates," "expects," "estimates," "intends," "may," "will" or similar terms. These statements speak only as of the date of this report, and we undertake no ongoing obligation, other than that imposed by law, to update these statements. These statements appear in a number of places in this report and include statements regarding our intent, belief or current expectations of our directors or our officers with respect to, among other things:

- trends affecting our financial condition, results of operations or future prospects;
- estimates of our economic iron ore reserves;
- our business and growth strategies;
- our financing plans and forecasts; and
- the potential existence of significant deficiencies or material weaknesses in internal controls over financial reporting that may be identified during the performance of testing required under Section 404 of the Sarbanes-Oxley Act of 2002.

You are cautioned that any such forward-looking statements are not guarantees of future performance and involve significant risks and uncertainties, and that actual results may differ materially from those contained in the forward-looking statements as a result of various factors, some of which are unknown. For a discussion of the factors, including but not limited to, those that could adversely affect our actual results and

performance, see “Risk Factors” in Part I – Item 1A in our Annual Report on Form 10-K for the year-ended December 31, 2006.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Information regarding Market Risk of the Company is presented under the caption “Market Risk” which is included in our Annual Report on Form 10-K for the year ended December 31, 2006 and in the Management’s Discussion and Analysis section of this report.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of disclosure controls and procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to our management, including our CEO and CFO, as appropriate, to allow timely decisions regarding required disclosure based closely on the definition of “disclosure controls and procedures” in Rule 13a-15(e) promulgated under the Exchange Act. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our management, including our CEO and our CFO, of the effectiveness of the design and operation of our disclosure controls and procedures. Based on the foregoing, our CEO and CFO concluded that our disclosure controls and procedures were not effective given the material weakness identified as of December 31, 2006 and discussed below as of the date of the evaluation conducted by our CEO and CFO.

We did not maintain a sufficient complement of personnel with an appropriate level of technical accounting knowledge, experience and training to consistently perform independent secondary reviews and to appropriately interpret and apply complex accounting standards. This material weakness, if not remediated, has the potential to cause a material misstatement in the future.

Changes in internal controls over financial reporting

There have been no changes in our internal control over financial reporting or in other factors that occurred during our last fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. See “Management Report on Internal Controls Over Financial Reporting” and “Report of Independent Registered Public Accounting Firm” in our Annual Report on Form 10-K for the year ended December 31, 2006.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

Northshore Administrative Permit Amendment Appeal and Related Litigation. On December 16, 2006, we submitted an administrative permit amendment application to the Minnesota Pollution Control Agency ("MPCA") with respect to Northshore's Title V operating permit. The proposed amendment requested the deletion of a 30 year old "control city" monitoring requirement. The MPCA denied our application on February 23, 2007. We have appealed the denial to the Minnesota Court of Appeals.

Subsequent to the filing of our appeal, the MPCA advised Northshore that the MPCA considered Northshore to be in violation of the control city standard. Without conceding MPCA's allegations, we have since entered into discussions with the MPCA with respect to the terms of a compliance schedule in which we would agree to take certain actions in settlement of the alleged violation. On July 18, 2007, MPCA issued a draft Administrative Order to become final on August 3, 2007 requiring various investigative and mitigation actions, as well as notifying Northshore of its opportunity to file a contested case hearing by August 2, 2007. On August 1, 2007, Northshore filed a petition for a contested case hearing. In addition, Northshore has filed a Motion for Briefing and Hearing Schedule Order in the United States District Court of Minnesota to help clarify the meaning of the "control city" language. If either our motion or appeal is unsuccessful or if we are unable to negotiate an acceptable compliance schedule, Northshore could be subject to future enforcement actions by the MPCA with respect to its Title V permit if we are unable to meet the control city requirement as interpreted by MPCA.

On May 18, 2007, the Minnesota Center for Environmental Advocacy ("MCEA") filed a motion with the Court of Appeals to intervene in our appeal of the denial of an administrative amendment to our Title V operating permit. The MCEA's motion was granted by the Court of Appeals on June 7, 2007. Although

we do not anticipate that the intervention by the MCEA will significantly impact the appeals process, we have opposed the MCEA's motion to intervene.

On May 29, 2007, we received a Notice of Intent to Sue from the Save Lake Superior Association and the Sierra Club (the "Notice"). Subsequently, on July 30, 2007, the Save Lake Superior Association and the Sierra Club filed a lawsuit in the U.S. District Court for the District of Minnesota under the Clean Air Act, which permits citizens to sue to enjoin violations of an emission standard or limitation or to seek penalties for violations. The lawsuit references Northshore's alleged violation of the control city standard. We intend to defend the litigation vigorously.

Sons of Gwalia. On June 6, 2007, Portman received a summons of examination from the Supreme Court of Western Australia. The summons of examination was issued on May 16, 2007, in an ex parte proceeding brought by the administrators for the Sons of Gwalia Ltd (the "Sons of Gwalia"). The summons of examination provides the administrators with the ability to perform certain pre-trial discovery. Portman has been in discussions with the Sons of Gwalia over their claims that the Sons of Gwalia are entitled to a royalty on certain mining tenements located in the Mt. Jackson mining area. Portman and the Sons of Gwalia have been unable to come to a negotiated agreement and it is anticipated that the Sons of Gwalia will eventually file a lawsuit. We intend to vigorously defend any litigation.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

(a) On April 30, 2007, pursuant to the Cleveland-Cliffs Inc VNQDC Plan the Company sold a total of 4 common shares, par value $.25 per share, of the Company ("Common Shares") for an aggregate consideration of $279.64 to the Trustee of the Trust maintained under the VNQDC Plan. These sales were made in reliance on Rule 506 of Regulation D under the Securities Act of 1933 pursuant to an election made by one mine manager under the VNQDC Plan.

(b) The table below sets forth information regarding repurchases by the Company of its Common Shares during the periods indicated.

ISSUER PURCHASES OF EQUITY SECURITIES

Period	Total Number of Shares (or Units) Purchased	Average Price Paid per Share (or Unit) $	Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs (1)	Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet be Purchased Under the Plans or Programs
April 1-30, 2007	-	-	-	1,247,700
May 1 - 31, 2007	4,399(2)	73.0735	-	1,247,700
June 1 - 30, 2007	10,399 (3)	84.8771	-	1,247,700
Total	14,798	81.3683	-	1,247,700

(1) On July 11, 2006, we received the approval by the Board of Directors to repurchase up to an aggregate of two million outstanding Common Shares. There were no repurchases in the second quarter under this program.

(2) On May 4, May 23, and May 29, 2007 the Company acquired 4,399 Common Shares from three employees in connection with the lapsing of restrictions on certain shares on the respective dates. The shares were repurchased to satisfy the tax withholding obligations of the employees.

(3) On June 1 and June 27, 2007, the Company acquired 10,399 Common Shares from two employees in connection with the lapsing of restrictions on certain shares on the respective dates. The shares were repurchased to satisfy the tax withholding obligations of the employees.

Item 4. Submission of Matters to a Vote of Security Holders

The Company's Annual Meeting of Shareholders was held on July 27, 2007. At the meeting, the Company's shareholders acted upon (i) the election of ten Directors, (ii) the adoption of the 2007 ICE Plan, (iii) the adoption of the Executive Management Performance Incentive Plan, and (iv) the ratification of Deloitte & Touche LLP as the Company's independent registered public accountants.

In the election of Directors, the ten nominees named in the Company's Proxy Statement, dated June 15, 2007, were elected to hold office until the next Annual Meeting of Shareholders and until their respective successors are elected. Each nominee received the number of votes set opposite his or her name:

NOMINEES	FOR	WITHHELD
Ronald C. Cambre	35,866,985	2,235,099
Joseph A. Carrabba	35,838,057	2,264,028
Susan M. Cunningham	35,991,486	2,110,599
Barry J. Eldridge	35,990,963	2,111,122
Susan M. Green	35,922,049	2,180,036
James D. Ireland III	35,770,787	2,331,298
Francis R. McAllister	35,817,484	2,284,601
Roger Phillips	35,898,584	2,203,501
Richard K. Riederer	35,331,881	2,770,203
Alan Schwartz	35,863,120	2,238,965

There were no broker non-votes with respect to the election of Directors.

For the approval of the 2007 ICE Plan, the voting was as follows:

For	28,822,210
Against	3,434,538
Abstain	63,698
Broker Non-votes	5,781,639

For the approval of the 2007 Executive Management Performance Incentive Plan, the voting was as follows:

For	29,677,797
Against	2,568,251
Abstain	74,397
Broker Non-votes	5,781,639

For the ratification of Deloitte & Touche LLP as independent registered public accountants, the voting was as follows:

For	37,842,994
Against	226,329
Abstain	32,762

There were no broker non-votes with respect to the election of the independent registered public accountants.

Item 6. Exhibits

(a) List of Exhibits-Refer to Exhibit Index on page 49.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CLEVELAND-CLIFFS INC

Date: August 3, 2007

By /s/ Laurie Brlas
Laurie Brlas
Senior Vice President and Chief
Financial Officer and Treasurer

Exhibit Index

Exhibit Number	Exhibit	
2(a)	# ** Unit Purchase Agreement by and among Cleveland-Cliffs Inc and PinnOak Resources, LLC, The Regent Investment Company, L.P., Questor Partners Fund II, L.P., Questor Side-by-Side Partners II, L.P., Questor Side-by-Side Partners II 3(c)1, L.P., Questor Partners Fund II AIV-1, LLC, Questor General Partner II, L.P. and PinnOak Resources Employee Equity Incentive Plan, LLC dated June 14, 2007	Filed Herewith
4(a)	Credit Agreement among Cleveland-Cliffs Inc and various lenders, and Bank of America, N.A. as administrative Agent and L/C Issuer dated July 27, 2007	Filed Herewith
10(a)	* Letter Agreement of Employment by and between Cleveland-Cliffs Inc and William Brake dated April 4, 2007 (filed as Exhibit 10(a) to Form 8-K of Cleveland-Cliffs Inc on April 10, 2007 and incorporated by reference)	Not Applicable
10(b)	* Cleveland-Cliffs Inc Executive Management Performance Incentive Plan effective January 1, 2007 (filed as Annex C to the Proxy Statement of Cleveland-Cliffs Inc on June 15, 2007 and incorporated by reference)	Not Applicable
10(c)	* Cleveland-Cliffs Inc 2007 Incentive Equity Plan effective January 1, 2007 (filed as Annex B to Proxy Statement of Cleveland-Cliffs Inc on June 15, 2007 and incorporated by reference)	Not Applicable
10(d)	* Form of 2007 Participant Grant and Agreement under the 2007 Incentive Equity Plan effective January 1, 2007	Filed Herewith

The Company agrees to furnish supplementally a copy of any omitted exhibits or schedules to the Securities and Exchange Commission upon request.
* Reflects management contract or other compensatory arrangement required to be filed as an exhibit pursuant to Item 6 of this Report.
** Confidential treatment requested as to certain portions, which portions have been omitted and filed separately with the Securities and Exchange Commission.

31(a)	Certification Pursuant to 15 U.S.C. Section 7241, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, signed and dated by Joseph A. Carrabba, Chief Executive Officer for Cleveland-Cliffs Inc, as of August 1, 2007	Filed Herewith
31(b)	Certification Pursuant to 15 U.S.C. Section 7241, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, signed and dated by Laurie Brlas, Senior Vice President and Chief Financial Officer and Treasurer for Cleveland-Cliffs Inc, as of August 1, 2007	Filed Herewith
32(a)	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, signed and dated by Joseph A. Carrabba, Chief Executive Officer for Cleveland-Cliffs Inc, as of August 1, 2007	Filed Herewith
32(b)	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, signed and dated by Laurie Brlas, Senior Vice President and Chief Financial Officer and Treasurer for Cleveland-Cliffs Inc, as of August 1, 2007	Filed Herewith

Exhibit 2(a)

CONFIDENTIAL MATERIAL HAS BEEN OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION. ASTERISKS DENOTE SUCH OMISSIONS.

EXECUTION VERSION

UNIT PURCHASE AGREEMENT

by and among

Cleveland-Cliffs Inc

and

PinnOak Resources, LLC,
The Regent Investment Company, L.P.,
Questor Partners Fund II, L.P.,
Questor Side-by-Side Partners II, L.P.,
Questor Side-by-Side Partners II 3(c)1, L.P.,
Questor Partners Fund II AIV-1, LLC,
Questor General Partner II, L.P.
and
PinnOak Resources Employee Equity Incentive Plan, LLC

June 14, 2007

CONFIDENTIAL MATERIAL HAS BEEN OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION. ASTERISKS DENOTE SUCH OMISSIONS.

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UNIT PURCHASE AGREEMENT

This UNIT PURCHASE AGREEMENT, dated as of June 14, 2007, is made and entered into by and among Cleveland-Cliffs Inc, an Ohio corporation ("Purchaser"), and PinnOak Resources, LLC, a Delaware limited liability company ("PinnOak"), The Regent Investment Company, L.P., a Delaware limited partnership ("Regent"), Questor Partners Fund II, L.P., a Delaware limited partnership ("QPII"), Questor Side-by-Side Partners II, L.P., a Delaware limited partnership ("SBSII"), Questor Side-by-Side Partners II 3(c)1, L.P. , a Delaware limited partnership ("SBSII3(c)1"), Questor Partners Fund II AIV-1, LLC, a Delaware limited liability company ("QPII-AIV"), Questor General Partner II, L.P., a Delaware limited partnership ("QGPII" and, together with QPII, SBSII, SBSII3(c)1, QPII-AIV, the "Questor Members"), PinnOak Resources Employee Equity Incentive Plan, LLC, a Delaware limited liability company ("Employee LLC" and, together with Regent, the Questor Members (other than QPII-AIV) and Employee LLC, the "Selling Unit Holders").

W I T N E S S E T H:

WHEREAS, the Selling Unit Holders and QPII-AIV are the record and beneficial owners of all of the outstanding units of PinnOak (the "Units"); and

WHEREAS, the Selling Unit Holders desire to sell, and Purchaser desires to purchase, the Units (other than the Units held by QPII-AIV) on the terms and subject to the conditions set forth in this Agreement; and

WHEREAS, concurrently herewith, CLF PinnOak LLC, a Delaware limited liability company and wholly-owned subsidiary of Purchaser ("Merger Sub"), and QPII-AIV are entering into an Agreement and Plan of Merger in the form attached hereto as Exhibit A (as such agreement may hereafter be amended from time to time, the "Merger Agreement"), pursuant to which, on the terms and subject to the conditions set forth in the Merger Agreement, Merger Sub will be merged (the "Merger") with and into QPII-AIV, with QPII-AIV surviving the Merger as a wholly-owned subsidiary of Purchaser.

NOW, THEREFORE, in consideration of the mutual covenants and agreements set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

ARTICLE I
DEFINITIONS

Section 1.1 Certain Defined Terms. As used in this Agreement, the following terms shall have the following meanings:

"Action" means any claim, action, suit, arbitration, inquiry, proceeding or investigation by or before any Governmental Authority.

"Affiliate" means, with respect to any specified Person, any other Person that, directly or indirectly, through one or more intermediaries, Controls, is Controlled by or is under common Control with, such specified Person.

"After-Tax Basis" means that, in determining the indemnity payment amount required to be paid to a party hereunder (including for the avoidance of doubt the amount to be setoff pursuant to Section 8.6(a) in the case of a indemnity payment to be paid by a Selling Unit Holder Indemnifying Party), the amount of any Loss of an Indemnified Party shall be reduced to take into account any net reduction in Taxes actually realized in cash by the Indemnified Party as the result of the incurrence of such Loss (including for the avoidance of doubt a net reduction in the Taxes that such Indemnified Party would be required to pay but for the incurrence of such Loss).

"Alternative Proposal" means (i) a merger, consolidation, sale of equity, exchange, plan of reorganization, plan of liquidation, recapitalization, business combination or other similar transaction involving PinnOak following which the Selling Unit Holders do not collectively own directly or indirectly 50% or more of the surviving entity's voting equity or (ii) any sale, transfer or other disposition of all or substantially all of PinnOak's assets or business in a single transaction or series of related transactions (other than to an entity of which the Selling Unit Holders collectively own directly or indirectly 50% or more of the voting equity).

"Agreement" means this Unit Purchase Agreement and all amendments hereto made in accordance withSection 10.8.

"Blocker Parties" means the Persons owning all of the outstanding equity interests in QPII-AIV and set forth on Exhibit 1 to the Merger Agreement.

"Business Day" means any day that is not a Saturday, a Sunday or other day on which banks are required or authorized by Law to be closed in the City of New York.

"Change In Control" means, as to any Person, the occurrence of any of the following events: (i) the acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 40% or more of the combined voting power of the then outstanding voting stock of such Person; or (ii) consummation of a reorganization, merger or consolidation involving such Person, a sale or other disposition of all or substantially all of the assets or business of such Person, or any other similar transaction involving such Person (each, a "Business Combination"), unless, in each case, immediately following such Business Combination, (A) all or substantially all of the

individuals and entities who were the beneficial owners of voting stock of such Person immediately prior to such Business Combination beneficially own, directly or indirectly, more than 50% of the combined voting power of the then outstanding shares of voting stock of the entity resulting from such Business Combination (including, without limitation, an entity which as a result of such transaction owns such Person or all or substantially all of such Person's assets either directly or through one or more subsidiaries) in substantially the same proportions relative to each other as their ownership, immediately prior to such Business Combination, of the voting stock of such Person, (B) no individual, entity or group (other than such Person, such entity resulting from such Business Combination, or any employee benefit plan (or related trust) sponsored or maintained by such Person, any subsidiary or such entity resulting from such Business Combination) beneficially owns, directly or indirectly, 40% or more of the combined voting power of the then outstanding shares of voting stock of the entity resulting from such Business Combination, and (C) at least a majority of the members of the board of directors of the entity resulting from such Business Combination were members of the board of directors of such Person at the time of the execution of the initial agreement or of the action of the board of directors of such Person providing for such Business Combination; or (iii) a complete liquidation or dissolution of such Person, except pursuant to a Business Combination that complies with clauses (A), (B) and (C) of clause (ii) above. For purposes of this definition, voting stock means securities entitled to vote generally in the election of directors.

"Cleanup" means all actions required to: (1) cleanup, remove, treat or remediate Hazardous Materials in the indoor or outdoor environment; (2) prevent the Release of Hazardous Materials so that they do not migrate, endanger or threaten to endanger public health or welfare or the indoor or outdoor environment; (3) perform pre-remedial studies and investigations and post-remedial monitoring and care; or (4) respond to any government requests for information or documents in any way relating to cleanup, removal, treatment or remediation or potential cleanup, removal, treatment or remediation of Hazardous Materials in the indoor or outdoor environment.

"Closing" means the closing of the transactions contemplated by Section 2.5.

"Closing Date" means (a) the fifth (5^{th}) Business Day after the day on which the last of the consents, approvals, actions, filings, notices or waiting periods described in or related to the filings described in Article VI and Article VII has been obtained, made or given or has expired, as applicable, but in no event earlier than July 31, 2007 without Purchaser's written consent or (b) such other date as the parties hereto mutually determine in writing.

"Closing Indebtedness" means the amount of Indebtedness outstanding under the Credit Facility as of the Closing.

"Code" means the Internal Revenue Code of 1986, as amended.

"Contract" means any oral or written note, bond, contract, lease or other agreement.

"Control" means, as to any Person, the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise. The term "Controlled" shall have a correlative meaning.

"Credit Facility" means that certain Credit Agreement, dated as of November 23, 2005, among PinnOak and the various lenders thereto, as amended.

"Disclosure Schedule" means the disclosure schedule delivered by PinnOak to Purchaser on the date hereof.

"Environmental Claim" means any claim, action, cause of action, investigation, request for information, notice of violation or other notice (written or oral) by any Person alleging potential liability (including, without limitation, potential liability for investigatory costs, Cleanup costs, governmental response costs, natural resources damages, property damages, personal injuries, or penalties) arising out of, based on or resulting from (a) the presence, manufacture, generation, processing, distribution, use, treatment, storage, disposal, transport, recycling, reclaiming, handling or Release into the indoor or outdoor environment, of any Hazardous Material in, on, beneath or from any property currently or formerly owned, operated or leased by PinnOak, any of the Subsidiaries or their respective subsidiaries or (b) circumstances forming the basis of any violation, or alleged violation, of any Environmental Law on or prior to the Closing Date by PinnOak, any Subsidiary or their respective predecessors.

"Environmental Law" means any Law or Governmental Order relating to the regulation or protection of human health, safety or the indoor or outdoor environment or to emissions, discharges, Releases or threatened Releases, or otherwise relating to the manufacture, generation, processing, distribution, use, treatment, storage, disposal, transport, recycling, reclaiming or other handling of Hazardous Materials.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended, and the rules and regulations promulgated thereunder.

"Existing Title Insurance Policies" means, collectively, (i) that certain Owner's Policy of Title Insurance No. A75-0517208 and issued by Lawyers Title Insurance Corporation to Pinnacle Land Company, LLC on July 1, 2003, (ii) that certain Owner's Policy of Title Insurance No. A75-0131778 and issued by Lawyers Title Insurance Corporation to Oak Grove Land Company, LLC on July 9, 2003, (iii) that certain Loan Policy of Title Insurance No. G47-3184292 and issued by Lawyers Title Insurance Corporation to UBS AG, Stamford Branch, as administrative agent, on November 23, 2005, and (iv) that certain Loan Policy of Title Insurance No. G47-

0243110 and issued by Lawyers Title Insurance Corporation to UBS AG, Stamford Branch, as administrative agent, on December 6, 2005.

"GAAP" means United States generally accepted accounting principles as applied by PinnOak consistent with past practice.

"Governmental Authority" means any United States Federal, state or local or any non-United States government, governmental, regulatory or administrative authority, agency or commission or any court, tribunal, or judicial or arbitral body.

"Governmental Order" means any order, writ, judgment, injunction, decree, stipulation, determination or award entered by or with any Governmental Authority.

"Hazardous Material" means (A) any petroleum or petroleum products, flammable explosives, radioactive materials, asbestos in any form that is or could become friable, urea formaldehyde foam insulation and transformers or other equipment that contain dielectric fluid containing levels of polychlorinated biphenyls (PCBs); (B) any chemicals or other materials or substances which are now defined as or included in the definition of "hazardous substance," "hazardous waste," "hazardous material," "extremely hazardous substance," "restricted hazardous waste," "toxic substance," "pollutant," "contaminant" or words of similar import under any Environmental Law; and (C) any other chemical or other material or substance, exposure to which is now prohibited, limited or regulated by any Governmental Authority under any Environmental Law.

"HSR Act" means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the rules and regulations promulgated thereunder.

"Indebtedness" of any Person means all obligations of such Person, without duplication, (i) for borrowed money, (ii) under capital leases (as defined by GAAP) and (iii) in the nature of guarantees of the obligations described in clauses (i) and (ii) of any other Person.

"Indemnified Party" means a Purchaser Indemnified Party or a Selling Unit Holder Indemnified Party.

"Indemnifying Party" means a Purchaser Indemnifying Party or a Selling Unit Holder Indemnifying Party.

"Independent Accounting Firm" means a mutually acceptable nationally or regionally recognized firm of independent certified public accountants that has not provided material services to either PinnOak or Purchaser or their respective Affiliates in the preceding three years, or if no such firm is available and willing to serve, then a

mutually acceptable expert in public accounting, in each case, upon which PinnOak and Purchaser shall have agreed.

"Intellectual Property" means (a) trademarks, service marks, trade names, Internet domain names, designs, logos, slogans and general intangibles of like nature, together with goodwill, registrations and applications relating to the foregoing; (b) patents, copyrights (including registrations and applications for any of the foregoing); and (c) software, confidential information, technology, know-how, inventions, processes, formulae, algorithms, models and methodologies.

"Knowledge of PinnOak" means the actual knowledge of the individuals set forth onExhibit B, in each case after reasonable inquiry of management of PinnOak and the Subsidiaries.

"Law" means any United States Federal, state, local or non-United States statute, law, ordinance, regulation, rule, code, Governmental Order or other requirement of law.

"Liabilities" means, as to any Person, all debts, liabilities and obligations, direct, indirect, absolute or contingent of such Person, whether accrued, vested or otherwise, whether in contract, tort, strict liability or otherwise.

"Lien" means any mortgage, deed or trust, pledge, hypothecation, security interest, encumbrance, charge, adverse claim, title defect or lien of any kind.

"Material Adverse Effect" means any fact, condition, change or event that would, individually or in the aggregate, materially and adversely affect the results of operations or financial condition of PinnOak and the Subsidiaries, taken as a whole; provided, however, that none of the following shall be deemed in themselves (either alone or in combination) to constitute, and none of the following shall be taken into account in determining whether there has been, a Material Adverse Effect: (a) any fact, condition, change or event that (i) arises out of or relates to a deterioration in general economic conditions or in the industry in which PinnOak and the Subsidiaries operate generally or (ii) is generally applicable to the United States economy or securities markets or the world economy or international securities markets, but in either case, that does not have a disproportionate effect on the business of PinnOak and its Subsidiaries; (b) any fact, condition, change or event that arises out of or relates to any act of terrorism or war (whether or not declared); (c) any fact, condition, change or event that arises out of or relates directly to (x) the fact that Purchaser is the prospective acquirer of the Units or (y) the consummation of the transactions contemplated hereby; (d) any fact, condition, change or event that arises out of or relates to any unilateral action taken by Purchaser or any of its Affiliates not contemplated by this Agreement or the transactions described herein; (e) any fact, condition, change or event that arises out of or relates to any change in accounting requirements or principles imposed upon PinnOak or the Subsidiaries by Law or GAAP or any change in applicable Laws or the interpretation thereof; (f) seasonal

fluctuations in the revenues, earnings or other financial performance of PinnOak and the Subsidiaries to the extent generally consistent with prior years; (g) any failure by PinnOak and the Subsidiaries to meet any projections, forecasts or revenue or earnings predictions, provided that this clause (g) will not exclude any underlying fact, condition, change or event that may have resulted in, or contributed to, any failure by PinnOak and the Subsidiaries to meet such projections, forecasts or revenue or earnings predictions; and (h) any fact, condition, change or event that arises out of or relates to normal variations in geological conditions.

"Permitted Liens" means the following: (a) Liens for Taxes, assessments or other governmental charges or levies that are not yet due or payable or that are being contested in good faith by appropriate proceedings; (b) statutory Liens of landlords and Liens of carriers, warehousemen, mechanics, materialmen, repairmen and other Liens imposed by Law and on a basis consistent with past practice for amounts not yet due; (c) Liens incurred or deposits made in the ordinary course of the business of PinnOak in connection with workers' compensation, unemployment insurance or other types of social security; (d) Liens incurred for current Taxes not yet due and payable; (e) Liens and other matters referenced in Schedule B of each of the Existing Title Insurance Policies, (f) defects of title, easements, rights-of-way, restrictions and other Liens that do not, individually or in the aggregate, materially interfere with the ordinary conduct of the business of PinnOak and its Subsidiaries as presently conducted; (g) Liens securing Indebtedness; and (h) Liens disclosed in paragraph 4 of Section 4.10 of the Disclosure Schedule.

"Person" means any natural person, general or limited partnership, corporation, limited liability company, firm, association or other legal entity.

"Purchaser Expenses" means the third party fees and expenses incurred by Purchaser in connection with the drafting, negotiation, execution and delivery of this Agreement and any other documents, agreements or certificates in connection with the transactions contemplated hereby, including the fees and expenses of investment bankers, accountants, lawyers and other advisors relating thereto, but excluding any fees and expenses incurred by PinnOak prior to Closing or any Selling Unit Holder.

"Release" means any release, spill, emission, discharge, leaking, pumping, injection, deposit, disposal, dispersal, leaching or migration into the indoor or outdoor environment (including, without limitation, ambient air, surface water, groundwater and surface or subsurface strata) or into or out of any property, including the movement of Hazardous Materials through or in the air, soil, surface water, groundwater or property.

"Representatives" means, as to any Person, its members, directors, officers, employees, affiliates, representatives (including, without limitation, financial advisors, attorneys and accountants) or agents or its potential sources of financing.

"Subsidiary" means any Person in which PinnOak, directly or indirectly through Subsidiaries or otherwise, beneficially owns more than fifty percent (50%) of either the equity interests in or the voting control of such Person.

"Tax" or "Taxes" means any and all income, excise, gross receipts, ad valorem, sales, use, employment, franchise, profits, gains, property, transfer, payroll, intangibles or other taxes (whether payable directly or by withholding), together with any interest, penalties, additions to tax and additional amounts imposed by any Tax authority or Governmental Authority with respect thereto.

"Tax Returns" means all returns and reports (including elections, declarations, amendments, schedules, information returns or attachments thereto) required to be supplied to a Tax authority relating to Taxes.

"Transaction Expenses" means the third party fees and expenses incurred by PinnOak prior to Closing and the Selling Unit Holders in connection with the drafting, negotiation, execution and delivery of this Agreement and any other documents, agreements or certificates in connection with the transactions contemplated hereby, including the fees and expenses of investment bankers, accountants, lawyers and other advisors relating thereto, and any fees payable by PinnOak pursuant to management agreements with any Selling Unit Holder (other than management fees owing and to be paid at Closing by PinnOak to Regent and Questor as contemplated by Section 4.6(e)(5) of the Disclosure Schedule), but excluding any fees and expenses incurred by Purchaser.

"Units Bill of Sale" means the Bill of Sale to be executed by Purchaser and the Selling Unit Holders on the Closing Date in a form reasonably acceptable to Purchaser and the Selling Unit Holders.

Section 1.2 Index of Defined Terms. Each of the terms set forth below shall have the meaning ascribed thereto in the following sections:

Term	Section
Applicable Rate	2.2(c)
Audited Financial Statements	4.6(a)
Bankruptcy Code	5.6
Basket	8.4(c)
Claim Notice	8.5(a)
Closing Notice	2.2(d)
Closing Payment	2.2(b)
Confidentiality Agreement	6.3
Covered Loss	8.4(b)
Cut-off Date	8.5(a)
Deferred Payment	2.2(c)
Delaware Courts	10.10

Dispute Notice	2.3(b)
DP Setoff Amount	8.6(a)
Earnout Due Date	2.3(f)
Earnout Payment	2.3(g)(i)
Earnout Period	2.3(g)(ii)
[********]	2.3(g)(iii)
Environmental Authorizations	4.13
Employee	6.5(d)
Employee LLC	Preamble
Employee Plan	4.14(a)
Employment and Labor Laws	4.15(b)
EO Setoff Amount	8.6(a)
ERISA Affiliate	4.14(a)
Existing Insurance	6.7(b)
Existing Purchaser Assets	6.4(b)
Farming and Residential Leases	4.10(b)
Final Earnout Payment Statement	2.3(e)
Indemnity Cap	8.4(d)
Initial Tax Allocation Statement	2.4
Interested Party	4.17
Interim Balance Sheet	4.6(b)
Interim Financial Statements	4.6(b)
Leased Real Property	4.10(a)
Leases	4.10(a)
Litigation Period	8.9(a)
Loss	8.2(a)
Merger	Recitals
Merger Agreement	Recitals
Operationally Autonomous	2.3(i)
Owned Real Property	4.10(b)
Ownership Percentage	2.2(f)
PCB	4.13(e)
Pending Matters	8.9(a)
PinnOak	Preamble
PinnOak Welfare Plans	6.5(a)
Pre-Closing Period	6.6(b)
Pre-Closing Straddle Period	6.6(c)
Preliminary Earnout Payment Statement	2.3(a)
Purchase Price	2.2(a)
Purchaser	Preamble
Purchaser Indemnified Party	8.2(a)
Purchaser Indemnifying Party	8.3(a)
Purchaser Welfare Plans	6.5(a)
QGPII	Preamble

QPII	Preamble
QPII-AIV	Recitals
Questor	2.3(i)
Questor Members	Preamble
Regent	Preamble
Regulatory Law	6.4(c)
SBSII	Preamble
SBSII3(c)1	Preamble
Selling Unit Holder Indemnified Party	8.3(a)
Selling Unit Holder Indemnifying Party	8.4(a)
Selling Unit Holders	Preamble
Sellers Representative	10.12(a)
Setoff Amount	8.6(a)
Straddle Period	6.6(b)
Tax Allocation Statement	2.4
Terminating Sellers Breach	9.1(c)
Terminating Purchaser Breach	9.1(b)
Termination Fee	9.4
Third Party Claim	8.5(a)
[********]	2.3(g)(iv)
Transaction Expense Amount	2.2(d)
Transfer Taxes	6.6(a)
Units	Recitals

Section 1.3 Interpretation. (a) Words in the singular shall be deemed to include the plural and vice versa and words of one gender shall be held to include the other genders as the context requires, (b) the terms "hereof", "herein" and "herewith" and words of similar import shall, unless otherwise stated, be construed to refer to this Agreement and not to any particular provision of this Agreement, and Article, Section, paragraph, and Exhibit references are to the Articles, Sections, paragraphs, and Exhibits to this Agreement unless otherwise specified, (c) the word "including" and words of similar import when used in this Agreement shall mean "including, without limitation," unless otherwise specified, (d) the word "or" shall not be exclusive, and (e) provisions shall apply, when appropriate, to successive events and transactions.

ARTICLE II
PURCHASE AND SALE; CLOSING

Section 2.1 Purchase and Sale. On the terms and subject to the conditions set forth in this Agreement, at the Closing, the Selling Unit Holders shall sell to Purchaser, and Purchaser shall purchase from the Selling Unit Holders, all of the right, title and interest of the Selling Unit Holders in and to the Units (other than the Units held by QPII-AIV).

Section 2.2 Purchase Price.

(a) The purchase price for the purchase and sale of the Units and the consideration to be paid in connection with the Merger (collectively, the "Purchase Price") shall in the aggregate equal the sum of (i) $337,500,000, (ii) the Closing Indebtedness, (iii) the Deferred Payment and (iv) the Earnout Payment, if any.

(b) At the Closing:

(i) Purchaser shall pay to or on behalf of PinnOak an amount in cash which is equal to the sum of the (A) Transaction Expenses Amount and the (B) Closing Indebtedness;

(ii) Purchaser shall pay an aggregate amount in cash equal to the difference between $337,500,000 minus the Transaction Expenses Amount (the "Closing Payment") to each Selling Unit Holder and Blocker Party in an amount equal to (A) the amount set forth opposite such Selling Unit Holder's or Blocker Party's name on Schedule 2.2(b) less (B) the amount of the Transaction Expenses Amount applicable to such Selling Unit Holder or Blocker Party as set forth opposite such Selling Unit Holder's or Blocker Party's name on the Closing Notice;

(iii) Purchaser shall, on behalf of PinnOak, pay in full the unpaid Transaction Expenses Amount set forth on the Closing Notice; and

(iv) Purchaser shall, on behalf of PinnOak, retire and satisfy in full the Closing Indebtedness.

(c) Deferred Payment.

(i) On or before December 31, 2009, Purchaser shall pay an aggregate amount in cash equal to $112,500,000 less the aggregate amount of DP Setoff Amounts, if any (the "Deferred Payment"), to each Selling Unit Holder and Blocker Party in an amount equal to (A) the amount set forth opposite such Selling Unit Holder's or Blocker Party's name on Schedule 2.2(c) less (ii) the aggregate amount of DP Setoff Amounts, if any, allocable to such Selling Unit Holder or Blocker Party in accordance with Section 8.6(a).

(ii) The Deferred Payment is subject to set-off as provided in Section 8.6(a). Except as explicitly provided in Section 8.6(a), the Deferred Payment will not be subject to any set-off or other contingencies.

(iii) The Deferred Payment will become due and payable in advance of December 31, 2009 in the event of a Change In Control of Purchaser, in which event the Deferred Payment shall be due and payable simultaneously with the closing of such Change In Control.

(iv) In the event that Purchaser fails for any reason to pay any amount of the Deferred Payment when due and payable (whether pursuant to Section 2.2(c)(i) or earlier pursuant to Section 2.2(c)(iii)), (A) interest will accrue on the unpaid amount at a per annum rate equal to the prime commercial lending rate of Citibank N.A. announced from time to time plus five percent (5%) (the "Applicable Rate") from the due date to the date of payment and (B) Purchaser will be required to reimburse the Selling Unit Holders and Blocker Parties for all expenses, including attorney fees, incurred by them in connection with seeking the collection of the Deferred Payment.

(v) If the Sellers Representative so designates, a portion of Employee LLC's pro rata share of the Deferred Payment allocable to members of PinnOak's management that will not be continuing with PinnOak after Closing (which amount, at the Sellers Representatives election, will not include such person's pro rata share of the Indemnity Cap subject to set-off as provided in Section 8.6(a)) will be paid out in one lump sum at Closing; provided that any such accelerated payment does not exceed a maximum of $3,700,000. In such event, the amount of such accelerated payment will be added to the amount set forth opposite Employee LLC's name on Schedule 2.2(b) and subtracted from the amount opposite Employee LLC's name on Schedule 2.2(c).

(d) No later than three (3) Business Days prior to the Closing Date, PinnOak shall prepare and deliver to Purchaser a notice (the "Closing Notice") setting forth or attaching, as applicable, (i) the amount of all Transaction Expenses to be paid at Closing pursuant to Section 2.2(b)(iii) (the "Transaction Expense Amount"); (ii) an estimate of the amount of Closing Indebtedness to be retired and satisfied at Closing pursuant to Section 2.2(b)(iv); and (iii) pay-off letters, in form and substance reasonably acceptable to Purchaser, from the lenders under the Credit Facility, certifying as to the amount outstanding pursuant to the terms of the Credit Facility as of the Closing Date and providing for the termination of any and all security interests in, and releases (including UCC Termination Statements and mortgage or similar releases) of any and all Liens on, any asset of PinnOak or any Subsidiary of PinnOak.

(e) All amounts required to be paid or deposited pursuant to this Section 2.2 shall be payable by wire transfer of immediately available funds to the account or accounts designated by the party entitled to receive such payment.

Section 2.3 Earnout Payment

(a) As soon as practicable, but in no event later than forty-five (45) days following the end of the Earnout Period, Purchaser shall deliver to the Sellers Representative a written computation statement prepared by Purchaser setting forth (i) [********], (ii) [********] and (iii) the Earnout Payment, if any, for the Earnout Period (the "Preliminary Earnout Payment Statement"). The Preliminary Earnout Payment Statement shall be prepared in accordance with this Section 2.3 and Schedule 2.3(a) hereto.

(b) The Sellers Representative shall have fifteen (15) Business Days following receipt of the Preliminary Earnout Payment Statement to review the Preliminary Earnout Payment Statement and to notify Purchaser in writing if it disputes any amount set forth on the Preliminary Earnout Payment Statement (the "Dispute Notice"), specifying in reasonable detail the reasons for such objection.

(c) In connection with the Sellers Representative's review and regardless of whether any Dispute Notice has been served, the Sellers Representative and its Representatives shall have reasonable access, during normal business hours and upon reasonable notice and in such a manner as to not unduly interfere with the operations of the business, to all relevant work papers, schedules, memoranda and other documents prepared by Purchaser or its Representatives in connection with the preparation of the Preliminary Earnout Payment Statement or the amounts or calculations set forth thereon and to personnel of Purchaser and its Representatives and any other information which the Sellers Representative reasonably requests, and Purchaser shall, and shall cause its Representatives to, cooperate with the Sellers Representative and its Representatives in connection therewith.

(d) In the event that the Sellers Representative shall deliver a Dispute Notice to Purchaser, Purchaser and the Sellers Representative shall cooperate in good faith to resolve such dispute as promptly as practicable and, upon such resolution, if any, any adjustments to the Preliminary Earnout Payment Statement shall be made in accordance with the written agreement of Purchaser and the Sellers Representative. If Purchaser and the Sellers Representative are unable to resolve any such dispute within ten (10) Business Days (or such longer period as Purchaser and the Sellers Representative shall agree in writing) of the delivery of such Dispute Notice, such dispute shall be resolved by the Independent Accounting Firm, and such determination shall be final and binding on the parties. The Independent Accounting Firm shall consider only those items and amounts as to which Purchaser and the Sellers Representative have disagreed within the time periods and on the terms specified above. The Independent Accounting Firm may rely only upon the terms of this Section 2.3 and Schedule 2.3(a) and information submitted to it by Purchaser or the Sellers Representative. The Independent Accounting Firm shall be instructed to use its best efforts to deliver to Purchaser and the Sellers Representative a written report setting forth the resolution of each disputed matter within thirty (30) days of submission of the Preliminary Earnout Payment Statement to it and, in any case, as promptly as practicable after such submission. All fees and expenses relating

to the work, if any, to be performed by the Independent Accounting Firm will be allocated between Purchaser, on the one hand, and the Selling Unit Holders and Blocker Parties, on the other hand, in the same proportion that the aggregate amount of the disputed items so submitted to the Independent Accounting Firm that is unsuccessfully disputed by each such party (as finally determined by the Independent Accounting Firm) bears to the total amount of such disputed items.

(e) The Preliminary Earnout Payment Statement, (i) if no Dispute Notice has been timely delivered as of the sixteenth (16th) Business Day following receipt of the Preliminary Earnout Payment Statement from Purchaser, or (ii) if a Dispute Notice has been timely delivered, as determined pursuant to the resolution of such dispute in accordance with Section 2.3(d), shall be, respectively, the "Final Earnout Payment Statement".

(f) Within five (5) Business Days after the date that the Final Earnout Payment Statement is determined pursuant to Section 2.3(e) (but in any event no later than April 5, 2010) (the applicable date being referred to as the "Earnout Due Date"), Purchaser shall pay an aggregate amount in cash equal to the Earnout Payment, if any, as reflected on the Final Earnout Payment Statement less the aggregate amount of EO Setoff Amounts, if any, to each Selling Unit Holder and Blocker Party in an amount equal to (i) the product of the Earnout Payment as reflected on the Final Earnout Payment Statement multiplied by such Selling Unit Holder's or Blocker Party's direct (or indirect in the case of the Blocker Parties) ownership percentage in PinnOak as set forth opposite such Selling Unit Holder's or Blocker Party's name on Schedule 2.3(f) (the percentage applicable to a Selling Unit Holder or Blocker Party being referred to as such Person's "Ownership Percentage") less (ii) the aggregate amount of EO Setoff Amounts, if any, allocable to such Selling Unit Holder or Blocker Party in accordance with Section 8.6(a).

(g) For purposes of this Section 2.3:

(i) The "Earnout Payment" for the Earnout Period shall be calculated as set forth on Schedule 2.3(a), but shall in no event exceed $326.0 million.

(ii) The period from January 1, 2008 through December 31, 2009 shall constitute the "Earnout Period."

(iii) [********]

(iv) [********]

(h) Purchaser and the Earnout Participants agree that any payments made pursuant to this Section 2.3 will be treated on their respective Tax Returns and for any other Tax purposes as additional Purchase Price payments, and agree that they shall not take any position inconsistent with such treatment.

(i) [********]

(j) As soon as practicable, but in no event later than thirty (30) days following the end of each month during the Earnout Period, Purchaser shall deliver to the Sellers Representative monthly consolidated financial statements of PinnOak substantially in the form prepared by PinnOak prior to the Closing (the "Monthly Statements") and provide Sellers Representative reasonable access, during normal business hours and upon reasonable notice, to all relevant work papers, schedules, memoranda and other documents prepared by Purchaser or its Representatives in connection with the preparation of each such Monthly Statement and to personnel of Purchaser and its Representatives and any other information which the Sellers Representative reasonably requests, and Purchaser shall, and shall cause its Representatives to, cooperate with the Sellers Representative and its Representatives in connection therewith. In addition, during the Earnout Period, Purchaser shall at the Sellers Representative's reasonable request, but not more frequently than quarterly, meet (telephonically or in person) with Purchaser to discuss the operation of the business of PinnOak, including, but not limited to, financial results or other issues relating to the Earnout Payment and Purchaser shall, and shall cause its Representatives to, cooperate with the Sellers Representative and its Representatives in connection therewith. No failure or delay by the Sellers Representative to raise any objection to or dispute any amount set forth on a Monthly Statement shall be deemed an acceptance of any such amount or operate as a waiver by the Sellers Representative of any right, power or privilege under this Agreement (including, for the avoidance of doubt, the right of the

Sellers Representative to dispute any amount set forth on the Preliminary Earnout Payment Statement pursuant to Section 2.3(b)).

(k) All amounts, if any, required to be paid pursuant to this Section 2.3 shall be payable by wire transfer of immediately available funds to the account or accounts designated by the party entitled to receive such payment.

(l) In the event that Purchaser fails for any reason to pay any amount of the Earnout Payment on or prior to the Earnout Due Date, (i) interest will accrue on the unpaid amount at the Applicable Rate from the Earnout Due Date to the date of payment and (ii) Purchaser will be required to reimburse the Selling Unit Holders for all reasonable expenses, including attorney fees, incurred by the Selling Unit Holders in connection with seeking the collection of the Earnout Payment.

(m) Each of the Selling Unit Holders, the Earnout Participants and the Sellers Representative acknowledges and agrees that (i) Purchaser makes no representations nor provides any assurances whatsoever as to the feasibility of achieving the Earnout Payment or any portion thereof and (ii) neither the Purchaser nor, from and after the Closing Date, PinnOak owe any fiduciary duty to the Selling Unit Holders, the Earnout Participants or the Seller Representative by virtue of the Earnout Payment.

Section 2.4 Allocation of Purchase Price. As promptly as practicable following the execution and delivery of this Agreement, and in any case prior to the Closing, Purchaser and Seller's Representative shall use reasonable efforts to jointly prepare an initial tax allocation statement (the "Initial Tax Allocation Statement") to reflect the Selling Unit Holders' allocation of the Purchase Price (and all other capitalizable costs) among the assets for purposes of Section 751 of the Code as of the date of the Closing. Within 120 days after the Closing in compliance with Section 751 of the Code and the regulations promulgated thereunder and consistent with the Initial Tax Allocation Statement, the Selling Unit Holders shall prepare or cause to be prepared a statement (the "Tax Allocation Statement") allocating the Purchase Price (and all other capitalized costs) among such assets. Each of Purchaser, PinnOak and the Selling Unit Holders shall (i) timely file all forms and Tax Returns required to be filed in connection with such allocation, (ii) be bound by such allocation for purposes of determining Taxes, (iii) prepare and file, and cause its Affiliates to prepare and file, its Tax Returns on a basis consistent with such allocation and (iv) take no position, and cause its Affiliates to take no position, inconsistent with such allocation on any applicable Tax Return, in any audit or proceeding before any Tax authority, in any report made for Tax, financial accounting or any other purposes, or otherwise. In the event that the allocation set forth on the Tax Allocation Statement is disputed by any Tax authority, the party receiving notice of such dispute shall promptly notify the other parties hereto concerning the existence and resolution of such dispute.

Section 2.5 Closing. The Closing will take place at the offices of Skadden, Arps, Slate, Meagher & Flom LLP, 333 West Wacker Drive, Chicago, Illinois

60606 or at such other place as Purchaser and the Selling Unit Holders shall agree, at 10:00 a.m. local time, on the Closing Date. At the Closing, (i) Purchaser shall make the payments described by Section 2.2(b)(i) and (ii); (ii) PinnOak shall make the payments described by Section 2.2(b)(iii); (iii) the Selling Unit Holders shall transfer to Purchaser all of their respective right, title and interest in and to all of the Units (other than the Units owned by QPII-AIV) by delivering to Purchaser the Units Bill of Sale; and (iv) there shall also be delivered to the Selling Unit Holders and Purchaser, as applicable, the certificates and other documents to be delivered pursuant to Article VII.

Section 2.6 Merger. Provided that all of the conditions precedent to the Merger set forth in the Merger Agreement have been satisfied, on the terms and subject to the conditions set forth in the Merger Agreement, Merger Sub and QPII-AIV shall effect the Merger concurrently with the Closing.

ARTICLE III
REPRESENTATIONS AND WARRANTIES OF THE SELLING UNIT HOLDERS

Each Selling Unit Holder, severally and not jointly, hereby represents and warrants to Purchaser as follows:

Section 3.1 Organization and Authority. Such Selling Unit Holder has the full legal right and power and all authority required by Law to enter into this Agreement, to carry out its respective obligations hereunder and to consummate the transactions contemplated hereby. This Agreement has been duly authorized, executed and delivered by or on behalf of such Selling Unit Holder, and (assuming due authorization, execution and delivery by Purchaser) this Agreement constitutes the legal, valid and binding obligation of such Selling Unit Holder, enforceable against such Selling Unit Holder in accordance with its terms, subject to the effect of any applicable bankruptcy, reorganization, insolvency, moratorium, fraudulent conveyance or similar Laws affecting creditors' rights generally and subject, as to enforceability, to the effect of general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

Section 3.2 No Conflict. Assuming all consents, approvals, authorizations and other actions described in Section 3.3 have been obtained, and except as may result from any facts or circumstances relating to Purchaser, the execution, delivery and performance of this Agreement by or on behalf of such Selling Unit Holder and the consummation by such Selling Unit Holder of the transactions contemplated hereby do not and will not violate or conflict with the organizational documents of such Selling Unit Holder or any Law or Governmental Order applicable to such Selling Unit Holder, except for any such violations or conflicts as would not materially delay the ability of such Selling Unit Holder to perform its material obligations under this Agreement or consummate the transactions contemplated hereby.

Section 3.3 Consents and Approvals. The execution and delivery of this Agreement by or behalf of such Selling Unit Holder do not, and the performance by such Selling Unit Holder of its respective obligations hereunder will not, require any consent, approval, authorization or other action by, or filing with or notification to, any Governmental Authority or Person, except (a) the notification requirements of the HSR Act and any foreign antitrust and competition law that may be applicable, (b) where failure to obtain such consent, approval, authorization or action, or to make such filing or notification, would not prevent such Selling Unit Holder from performing any of its material obligations under this Agreement or consummating the transaction contemplated hereby or (c) as may be necessary as a result of any facts or circumstances relating to Purchaser or its Affiliates.

Section 3.4 Ownership of Units. Such Selling Unit Holder is the lawful owner of the Units set forth opposite such Selling Unit Holder's name in Section 4.5 of the Disclosure Schedule, free and clear of all Liens. Upon the consummation of the transactions contemplated hereby, Purchaser will acquire title to the Units being sold by such Selling Unit Holder, free and clear of all Liens.

ARTICLE IV
REPRESENTATIONS AND WARRANTIES OF PINNOAK

PinnOak hereby represents and warrants to Purchaser, except as otherwise set forth in the Disclosure Schedule, as follows:

Section 4.1 Organization and Authority. PinnOak is a limited liability company duly formed, validly existing and in good standing under the laws of the State of Delaware and has full limited liability company power and authority to conducts its business as and to the extent now conducted and to own, use and lease its assets and properties. PinnOak has all necessary limited liability company power and authority to enter into this Agreement, to carry out its obligations hereunder and to consummate the transactions contemplated hereby. PinnOak is duly qualified, licensed or admitted to do business and is in good standing in those jurisdictions set forth in Section 4.1 of the Disclosure Schedule, which are the only jurisdictions in which the ownership, use or leasing of its assets and properties, or the conduct or nature of its business, makes such qualification, licensing or admission necessary, except for those jurisdictions in which the failure by PinnOak to be so qualified, licensed or admitted and in good standing would not have a Material Adverse Effect. The execution and delivery of this Agreement by PinnOak, the performance by PinnOak of its obligations hereunder and the consummation by PinnOak of the transactions contemplated hereby have been duly authorized by all of the members of PinnOak and all requisite limited liability company action on the part of PinnOak. This Agreement has been duly executed and delivered by PinnOak, and (assuming due authorization, execution and delivery by the Selling Unit Holders and Purchaser) this Agreement constitutes the legal, valid and binding obligation of PinnOak, enforceable against PinnOak in accordance with its terms, subject to the

effect of any applicable bankruptcy, reorganization, insolvency, moratorium, fraudulent conveyance or similar Laws affecting creditors' rights generally and subject, as to enforceability, to the effect of general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

Section 4.2 Subsidiaries. Each Subsidiary and its jurisdiction of formation is identified in Section 4.2 of the Disclosure Schedule. Each Subsidiary is a limited liability company duly formed, validly existing and in good standing under the laws of its jurisdiction of formation, and has full limited liability company power and authority to conduct its business as and to the extent now conducted and to own, use and lease its assets and properties. Each Subsidiary is duly qualified, licensed or admitted to do business and is in good standing in those jurisdictions specified in Section 4.2 of the Disclosure Schedule, which are the only jurisdictions in which the ownership, use or leasing of its assets and properties, or the conduct or nature of its business, makes such qualification, licensing or admission necessary, except for those jurisdictions in which the failure by such Subsidiary to be so qualified, licensed or admitted and in good standing would not have a Material Adverse Effect. All of the outstanding equity interests or other voting securities of each Subsidiary are owned directly by PinnOak free and clear of all Liens (other than Permitted Liens). Other than the Subsidiaries, PinnOak does not own, directly or indirectly, any equity interest in any Person, nor is it a partner or member of any partnership, limited liability company or joint venture.

Section 4.3 No Conflict. Assuming all consents, approvals, authorizations and other actions described in Section 4.4 have been obtained, and except as set forth in Section 4.3 of the Disclosure Schedule or as may result from any facts or circumstances relating to Purchaser, the execution, delivery and performance of this Agreement by PinnOak and the consummation by PinnOak of the transactions contemplated hereby do not and will not (a) violate or conflict with the certificate of formation or operating agreement of PinnOak or any Subsidiary, (b) conflict with or violate any Law or Governmental Order applicable to PinnOak or any Subsidiary, or (c) result in any material breach of, or constitute a material default (or event which with the giving of notice or lapse of time, or both, would become a material default) under, or give to any Person any rights of termination, amendment, acceleration or cancellation of, or result in the creation of any Lien (other than a Permitted Lien) on any of the assets or properties of PinnOak or any Subsidiary pursuant to, any Contract to which PinnOak or any Subsidiary is a party or by which any of their respective assets or properties are bound.

Section 4.4 Consents and Approvals. Except as set forth in Section 4.4 of the Disclosure Schedule, the execution and delivery of this Agreement by PinnOak do not, and the performance of this Agreement by PinnOak will not, require any consent, approval, authorization or other action by, or filing with or notification to, any Governmental Authority or Person, except (a) the notification requirements of the HSR Act and foreign antitrust and competition law requirements, (b) where failure to obtain

such consent, approval, authorization or action, or to make such filing or notification, would not prevent PinnOak from performing any of its material obligations under this Agreement, (c) as may be necessary as a result of any facts or circumstances relating solely to Purchaser or its Affiliates or (d) where the failure to obtain such consents, approvals or authorizations, to take such action, or to make such filing or notification (other than any of the foregoing addressed in clause (a) through (c) above) would not have a Material Adverse Effect.

Section 4.5 Capitalization. Section 4.5 of the Disclosure Schedule sets forth the entire authorized equity interests of PinnOak and the total number of issued and outstanding Units. All of the outstanding Units are validly issued, fully paid and nonassessable and owned, beneficially and of record, by the Selling Unit Holders in the classes, amounts and percentages set forth in Section 4.5 of the Disclosure Schedule, and no Units are subject to any preemptive rights. There are no outstanding options, warrants, calls, rights or other contracts or instruments of any character (including any member or operating agreement, buy-sell agreement or other similar agreement) requiring, and there are no securities of PinnOak outstanding which upon conversion or exchange would require, the issuance, sale or transfer of any additional membership interests, units or other equity securities of PinnOak or other securities convertible into, exchangeable for or evidencing the right to subscribe for or purchase membership interests, units or other equity securities of PinnOak. None of the Units were issued or, since issuance, has been transferred, in violation of Law or contract, including any pre-emptive right, right of first refusal or other similar right of any Person. There are no restrictions on the transfer of the Units as contemplated in this Agreement.

Section 4.6 Financial Statements and Condition; No Undisclosed Liabilities; Absence of Certain Facts or Events

(a) Prior to the execution of this Agreement, PinnOak has delivered to Purchaser copies of the audited consolidated balance sheets of PinnOak as of December 31, 2006 and 2005, and the related consolidated statements of operations, changes in members' equity and cash flows for the years then ended (the "Audited Financial Statements"). Except as set forth in the notes thereto, the Audited Financial Statements have been prepared in accordance with GAAP and fairly present, in all material respects, the consolidated financial position and the consolidated results of operations and cash flows (and changes in financial position, if any) of PinnOak as of the times and for the periods referred to therein.

(b) Prior to the execution of this Agreement, PinnOak has delivered to Purchaser copies of the unaudited consolidated balance sheet of PinnOak as of April 30, 2007 (the "Interim Balance Sheet") and the related consolidated statements of operations and cash flows for the four-month period then ended (the "Interim Financial Statements"). Subject to normal (as to type and amount) year-end adjustments and the absence of disclosure normally made in footnotes, the Interim Financial Statements have

been prepared in accordance with GAAP and fairly present, in all material respects, the consolidated financial position and the consolidated results of operations and cash flows (and changes in financial position, if any) of PinnOak as of the date and for the period indicated.

(c) Except for the execution and delivery of this Agreement and the transactions to take place pursuant hereto on or prior to the Closing Date, since the date of the Interim Balance Sheet, the business of PinnOak has been operated in all material respects in the ordinary course and there has not been any Material Adverse Effect.

(d) Except as set forth in Section 4.6(d) of the Disclosure Schedule or in the Interim Financial Statements, neither PinnOak nor any of the Subsidiaries had at the date of the Interim Financial Statements, or since that date has incurred, any Liabilities of any nature, whether absolute, accrued, contingent or otherwise and whether due or to become due, except Liabilities:

(i) that are accrued or reserved against in the Interim Financial Statements or reflected in the notes thereto;

(ii) that were incurred after the date of the Interim Financial Statements in the ordinary course of business;

(iii) that are included as unpaid Transaction Expenses pursuant to Section 2.2(b)(iii);

(iv) that have been fully discharged or paid before the date of this Agreement; or

(v) that, in the aggregate, would not have a Material Adverse Effect.

(e) Except as set forth in Section 4.6(e) of the Disclosure Schedule or as disclosed in the Interim Financial Statements, since the date of the Interim Financial Statements there has not been:

(i) any declaration or payment of dividends on, or other distributions in respect of, the Units;

(ii) any redemption, purchase or other acquisition by PinnOak of any Units;

(iii) capital expenditures outside of the ordinary course of business that are in excess of the current capital expenditure

forecast for PinnOak and the Subsidiaries, dated as of May 17, 2007, previously delivered to Purchaser;

(iv) increases in compensation of or entry into or amendment of any employment, severance, termination or similar agreement with any officers or directors of PinnOak, except for increases in the ordinary course of business and payment of amounts pursuant to and consistent with an existing Employee Plan;

(v) any sale, lease, encumbrance or disposition or commitment to sell, lease or dispose of any assets other than the sale of inventory in the ordinary course of business;

(vi) any increase or decrease in any Indebtedness other than ordinary course changes in the revolving credit line Indebtedness relating to the normal working capital needs of PinnOak and the Subsidiaries;

(vii) any agreement or commitment (absolute, contingent, accrued or otherwise) to guarantee or become a surety of any Indebtedness;

(viii) any change or modification to its accounting methods or practices;

(ix) any settlement, or agreement to settle, any litigation, arbitration or other litigation, whether pending or threatened, which require payment by PinnOak or any of the Subsidiaries of amounts in excess of $250,000;

(x) any amendments to or changes in PinnOak's certificate of organization or operating agreement (other than in connection with the termination of management fees payable following the Closing);

(xi) any transaction entered into with any Interested Party; or

(xii) any agreement or commitment, orally or in writing, to do any of the foregoing.

Section 4.7 Absence of Litigation. Except as set forth in Section 4.7 to the Disclosure Schedule, as of the date hereof, (a) there are no Actions pending, or to the Knowledge of PinnOak threatened, against PinnOak or any Subsidiary or any of their respective assets or properties that would have a Material Adverse Effect or would

prevent PinnOak from consummating the transactions contemplated hereby and (b) none of PinnOak, any Subsidiary or any of their respective assets or properties are subject to any outstanding Governmental Order. None of the Actions or Governmental Orders set forth in Section 4.7 to the Disclosure Schedule are reasonably likely to prevent PinnOak from consummating the transactions contemplated hereby.

Section 4.8 Compliance with Laws. Except as set forth in Section 4.8 of the Disclosure Schedule or for Environmental Laws (which are addressed in Section 4.13) or for Employment and Labor Laws (which are addressed in Section 4.15), PinnOak and the Subsidiaries are in compliance in all material respects with all currently applicable Laws and Governmental Orders that apply to the business of PinnOak and the Subsidiaries, and no written or oral notice, charge, claim, Action or assertion has been received by PinnOak or any Subsidiary or, to the Knowledge of PinnOak, has been filed, commenced or threatened against PinnOak or any Subsidiary alleging any violation of any of the foregoing, in each case except (a) for citations issued by the Mining Safety and Health Administration or any similar state regulatory agency that can be reasonably abated without material cost or expense to PinnOak or any of its Subsidiaries in the ordinary course of PinnOak's and the Subsidiaries' continuing operations or (b) for violations the existence of which would not have a Material Adverse Effect.

Section 4.9 Material Contracts.

(a) Section 4.9 of the Disclosure Schedule contains a list of each of the following Contracts (other than the Leases) to which PinnOak or a Subsidiary is a party:

(i) all Contracts (other than the Plans) providing for a commitment of employment or consultation services;

(ii) all Contracts with any Person containing any provision or covenant prohibiting or limiting the ability of PinnOak or a Subsidiary to engage in any business activity or compete with any Person or prohibiting or limiting the ability of any Person to compete with PinnOak or a Subsidiary (other than restrictions on other parties pursuant to agreements pertaining to business combinations or acquisitions);

(iii) all partnership, joint venture, shareholders' or other similar Contracts with any Person;

(iv) all Contracts relating to Indebtedness of PinnOak or a Subsidiary in excess of $500,000 (other than Indebtedness owing to PinnOak or a Subsidiary and Indebtedness to be extinguished or otherwise satisfied at Closing);

(v) all Contracts granting any right of first refusal or right of first offer or similar right or that materially limit or purport to materially limit the ability of PinnOak or any Subsidiary to own, operate, sell, transfer, pledge or otherwise dispose of the properties or assets of its business;

(vi) all material Contracts providing for the indemnification by PinnOak or any Subsidiary of any Person in connection with its business;

(vii) all Contracts providing for any payments by PinnOak or any Subsidiary that are conditioned, in whole or in part, on a change of control of PinnOak or transactions of the type contemplated hereby;

(viii) any collective bargaining agreement;

(ix) any employment agreement with, or any agreement or arrangement that contains any guaranteed compensation, equity commitments, commission or other production bonuses, severance pay or post-employment liabilities or obligations (other than as required by Law) to any current or former employees, non-employee directors or officers or other Persons that have performed or are performing consulting or other independent contractor services for PinnOak or any Subsidiary;

(x) any Contract with an Interested Party; and

(xi) all other Contracts (other than the Plans) that require the payment pursuant to the terms of any such Contract by or to PinnOak or a Subsidiary of more than $500,000 annually or on a one-time basis.

(b) Each Contract required to be disclosed in Section 4.9 of the Disclosure Schedule is in full force and effect and constitutes a legal, valid and binding agreement, enforceable, in all material respects, in accordance with its terms, of PinnOak or the applicable Subsidiary and, to the Knowledge of PinnOak, of each other party thereto other than Contracts that have expired by their terms. Neither PinnOak or the applicable Subsidiary nor, to the Knowledge of PinnOak, any other party to such Contract is in violation or breach of or default under any such Contract (or with notice or lapse of time or both, would be in violation or breach of or default under any such Contract), the effect of which would have a Material Adverse Effect.

Section 4.10 Real Property.

(a) Section 4.10(a) of the Disclosure Schedule contains a true and complete list of all of the leases, licenses, subleases and all other similar occupancy agreements, including all amendments or other modifications thereto (collectively, the "Leases"), pursuant to which PinnOak or any of the Subsidiaries leases, licenses, subleases or otherwise occupies real property (such real property, collectively, the "Leased Real Property"). The Leased Real Property is the only real property leased, subleased, licensed or otherwise occupied by PinnOak or any of the Subsidiaries that is used or useful in connection with the business of PinnOak, other than the Owned Real Property (as defined below) and any real property occupied or otherwise used by PinnOak or any of the Subsidiaries pursuant to appurtenant easements and similar rights that constitute Permitted Liens. Except as would not have a Material Adverse Effect: (i) PinnOak (or the applicable Subsidiary) has a good and valid leasehold interest in all of the Leased Real Property, free and clear of any Liens (other than Permitted Liens), (ii) the Leases are in full force and effect, (iii) neither PinnOak (or the applicable Subsidiary) nor, to the Knowledge of PinnOak, any other party to any Lease, is in material default under the Leases, and (iv) to the Knowledge of PinnOak, no event has occurred which, with notice or lapse of time, would constitute a material breach or default by PinnOak (or such Subsidiary) or any other party to any Lease under any of the Leases. PinnOak has made available to Purchaser or its Representatives prior to the date hereof copies of the Leases and all certificates of occupancy, title reports, title insurance policies, surveys and similar documents with respect to the Leased Real Property that are in the possession of PinnOak or any of the Subsidiaries and the copies of the Leases made available by PinnOak are true, correct and complete in all material respects. Neither the use of the Leased Real Property by PinnOak or the applicable Subsidiary nor, to the Knowledge of PinnOak, the Leased Real Property itself contravenes or violates any building, zoning, administrative, occupational safety and health or other applicable Law in any material respect, except for such contraventions or violations as would not have a Material Adverse Effect.

(b) Section 4.10(b) of the Disclosure Schedule contains a true and complete list of all real property owned by PinnOak or any of the Subsidiaries (the "Owned Real Property"). Except as set forth onSection 4.10(b) of the Disclosure Schedule, reasonable access to that portion the Owned Real Property on which PinnOak or any of the Subsidiaries are currently conducting mining, processing or reclamation operations is available through publicly dedicated streets or a validly existing easement, which access is consistent with past practice. Except as would not have a Material Adverse Effect, PinnOak (or the applicable Subsidiary) has a good and valid title to all of the Owned Real Property, free and clear of any Liens (other than Permitted Liens). None of the Owned Real Property, or the use thereof, contravenes or violates any building, zoning, administrative, occupational safety and health or other applicable Law in any material respect, except for such contraventions or violations as would not have a Material Adverse Effect. PinnOak has made available to Purchaser or its Representatives prior to the execution of this Agreement copies of all deeds, leases, mortgages, deeds of trust, certificates of occupancy, title insurance policies (including the Existing Title

Insurance Policies), title reports, surveys and documents evidencing recorded and unrecorded easements, rights-of-way and similar restrictions and rights (and all amendments thereto) with respect to the Owned Real Property, to the extent the same are in PinnOak's possession and the copies of the deeds and Existing Title Insurance Policies made available by PinnOak are true, correct and complete in all material respects. Other than the Farming and Residential Leases (as defined below) and other than as set forth in Schedule B of any of the Existing Title Insurance Policies or on Section 4.10(c) of the Disclosure Schedule, neither PinnOak nor any of the Subsidiaries is a party to any lease, license, sublease or similar occupancy agreement under which it leases, licenses, subleases or otherwise makes any of the Owned Real Property available for occupancy by any third party (other than an Affiliate). All of the Farming and Residential Leases are terminable by PinnOak or the applicable Subsidiary without cost to PinnOak or such Subsidiary upon not more than ninety (90) days' prior notice. As used herein, the term "Farming and Residential Leases" means leases and license agreements listed in the Existing Title Insurance Policies or entered into subsequent to the issuance of the Existing Title Insurance Policies and pursuant to which PinnOak or one of its Subsidiaries leases or licenses portions of the Owned Real Property to third parties for residential and/or farming purposes.

(c) PinnOak and the Subsidiaries, as applicable, have obtained all easements and rights of way required to use and operate the Owned Real Property and the Leased Real Property in all material respects in the manner in which it is currently being used and operated in connection with the business of PinnOak and to comply with applicable Law (other than any non-compliance which would not have a Material Adverse Effect); PinnOak (or the applicable Subsidiary) is not in material default under any document evidencing such easement or right of way; and, to the Knowledge of PinnOak, (i) all such documents are in full force and effect, (ii) the other party to each document is not in material default thereunder and (iii) to the Knowledge of PinnOak, no event has occurred which, with notice or lapse of time, would constitute a material breach or default by PinnOak (or such Subsidiary) or the other party under any such document.

(d) PinnOak has made available to Purchaser or its Representatives studies relating to the coal reserves associated with PinnOak's or the Subsidiaries' mines that were prepared by, or at the request of, and that are in the possession of, PinnOak or the Subsidiaries. PinnOak makes no representation or warranty with respect to the accuracy or completeness of any such study.

Section 4.11 Personal Property. Except as set forth in Section 4.11 to the Disclosure Schedule or as would not have a Material Adverse Effect, PinnOak or a Subsidiary owns, has a valid leasehold interest in or has the legal right to use all of the tangible personal property necessary to carry on the business of PinnOak as currently conducted, free and clear of all Liens (other than Permitted Liens).

Section 4.12 Intellectual Property. Section 4.12 of the Disclosure Schedule contains a true and complete list of all Intellectual Property owned by PinnOak or any of the Subsidiaries that is material to the business of PinnOak. Except for such claims which would not have a Material Adverse Effect, there are no pending or threatened claims of which PinnOak has been given written notice by any Person against its use of any Intellectual Property. PinnOak has such ownership of or such rights by license, lease or other agreement to the Intellectual Property as are necessary to conduct the business of PinnOak as currently conducted, except where the failure to have such rights would not have a Material Adverse Effect. PinnOak or its Subsidiaries owns and has good and exclusive title to each item of Intellectual Property owned by it, free and clear of any Liens, except for Permitted Liens. None of the Intellectual Property is subject to any Action or Governmental Order restricting in a material respect the use, transfer or licensing thereof by PinnOak or any of its Subsidiaries, or affecting in a material respect the validity, use or enforceability of such Intellectual Property.

Section 4.13 Environmental.

(a) Except as set forth in Section 4.13 to the Disclosure Schedule or for matters which have been fully resolved, each of PinnOak, the Subsidiaries and, to the Knowledge of PinnOak, their respective predecessors are, and at all times since July 1, 2003 have been, in compliance with all applicable Environmental Laws (which compliance includes, but is not limited to, the possession by PinnOak, each Subsidiary and their respective predecessors of all permits, approvals, consents, licenses, waivers and other governmental authorizations required under applicable Environmental Laws ("Environmental Authorizations") and compliance with the terms and conditions thereof), except where failure by such predecessors to be in compliance would not have a Material Adverse Effect. Neither PinnOak nor any Subsidiary has received any communication (written or oral), whether from a Governmental Authority, citizens group, employee or otherwise, alleging that PinnOak and each Subsidiary is or was not in such compliance.

(b) Except as set forth in Section 4.13 to the Disclosure Schedule, neither PinnOak nor any of the Subsidiaries, nor to the Knowledge of PinnOak, any of their respective predecessors, has received notice of an Environmental Claim that would have a Material Adverse Effect, other than any such Environmental Claim that has been fully resolved with no further liability to PinnOak or any of the Subsidiaries.

(c) Neither PinnOak nor any of the Subsidiaries, nor to the Knowledge of PinnOak, any of their respective predecessors, is subject to any pending or existing Governmental Order, settlement, schedule of compliance or other restriction arising under any Environmental Law.

(d) Except as set forth in Section 4.13 to the Disclosure Schedule, neither PinnOak, any Subsidiary, nor, to the Knowledge of PinnOak, any of their respective predecessors has placed, stored, deposited, discharged, Released, buried,

dumped or disposed of Hazardous Materials at, on, or beneath any property that is or has been owned or operated by PinnOak or any Subsidiary, except for inventories of such substances to be used, and wastes generated therefrom, in the ordinary course of the business of PinnOak and in accordance with applicable Environmental Laws or as would not be expected to require any reporting, assessment, Cleanup, response or any other remedial action under any Environmental Law, or to pay for the cost of any such action, pursuant to any Environmental Law.

(e) PinnOak has delivered or otherwise made available for inspection to the Purchaser (i) copies and results of any material reports, studies, analyses, tests or monitoring possessed or initiated by PinnOak or any Subsidiary pertaining to Hazardous Materials in, on, beneath or adjacent to any property currently or formerly owned, operated or leased by PinnOak, any of the Subsidiaries or, to the knowledge of PinnOak, their respective predecessors, or regarding compliance with applicable Environmental Laws by PinnOak, each Subsidiary or, to the knowledge of PinnOak, their respective predecessors and (ii) copies of all material Governmental Authorizations issued to PinnOak, any of the Subsidiaries or, to the knowledge of PinnOak, their respective predecessors within the past five (5) years.

(f) Except as set forth in Section 4.13 to the Disclosure Schedule, without in any way limiting the generality of the foregoing, except as would not have a Material Adverse Effect, any properties owned or operated by PinnOak, any of the Subsidiaries or, to the Knowledge of PinnOak, their respective predecessors do not contain any: underground storage tanks or related piping; asbestos or asbestos-containing material; polychlorinated biphenyls ("PCBs"); underground injection wells; radioactive materials; surface impoundments; landfills; sumps; or septic tanks or waste disposal pits in which any Hazardous Materials have been discharged, buried, incinerated, deposited, placed or disposed.

(g) Except as set forth in Section 4.13 to the Disclosure Schedule, neither PinnOak nor any of its Subsidiaries have sent any Hazardous Material to a site that, pursuant to any Environmental Law, has been placed or, to the Knowledge of PinnOak, proposed for placement on the National Priorities List or any similar state list or is subject to an Order from any Governmental Authority to take "removal," "response," "corrective" or other Cleanup action or to pay for the cost of any such action at the site under any Environmental Law.

Section 4.14 Employee Benefit Plans.

(a) Section 4.14(a) of the Disclosure Schedule sets forth a true and complete list of all the following: (i) each "employee benefit plan," as such term is defined in Section 3(3) of ERISA, which PinnOak, any Subsidiary, or any entity that is treated as a single employer under Section 414 of the Code or Section 4001 of ERISA with PinnOak or any Subsidiary (an "ERISA Affiliate") sponsors or maintains or in the preceding six (6) years has had any liability; and (ii) each other plan, program, policy,

contract or arrangement (not including any collective bargaining agreement) providing for bonuses, pensions, deferred pay, stock or stock related awards, severance pay, salary continuation or similar benefits, hospitalization, medical, dental or disability benefits, life insurance or other employee benefits, or compensation, whether or not insured or funded, which is sponsored or maintained by or pursuant to which PinnOak, any Subsidiary or ERISA Affiliate has any liability or which constitute an employment or severance agreement or arrangement currently in effect with any employee, officer or director of the PinnOak, any Subsidiary or any ERISA Affiliate, but not including any Multiemployer Pension Plan as defined below (each, an "Employee Plan").

(b) Each Employee Plan has been established, operated, funded and maintained in all material respects in accordance with its terms and the terms of any collective bargaining agreement, if applicable, and in compliance in all material respects with applicable laws and the rules and regulations thereunder, including, but not limited to, ERISA and the Code.

(c) Neither PinnOak, any Subsidiary, any ERISA Affiliate, nor any of their respective current or former directors, officers, Employee Plan fiduciaries, employees or any other persons, has engaged directly or indirectly in any "prohibited transaction," as such term is defined in Section 4975 of the Code or Section 406 of ERISA, with respect to which PinnOak, any Subsidiary, or any ERISA Affiliate, has or could have any liability. All contributions, insurance premiums and other payments required to be made to the Employee Plans (or to any person pursuant to the terms thereof) have been made or paid in a timely fashion. Neither PinnOak, nor any Subsidiary or ERISA Affiliate, has any liability with respect to any Employee Plan, or any other benefit or compensation plan, program, policy, contract or arrangement, other than for contributions, payments or benefits due in the ordinary course or other ordinary course expenses under the Employee Plans currently sponsored by the PinnOak, its Subsidiaries and ERISA Affiliates. Except for any collective bargaining agreements or employment contracts, PinnOak, its Subsidiaries and ERISA Affiliates have retained the right to unilaterally amend or terminate each Employee Plan currently sponsored by them to the fullest extent permitted by law.

(d) Except as set forth on Section 4.14(d) of the Disclosure Schedule, PinnOak, its Subsidiaries and ERISA Affiliates are not required, nor have they or any one of them ever been required, to contribute with regard to a "multiemployer plan" as defined under Sections 3(37)(A) or 4001(a)(3) of ERISA, or Section 414(f) of the Code. PinnOak, its Subsidiaries and ERISA Affiliates have timely made all contributions required under law or contract to any multiemployer plan.

(e) Except as set forth on Section 4.14(e) of the Disclosure Schedule, PinnOak, its Subsidiaries and ERISA Affiliates are not required, nor have they or any one of them ever been required, to contribute with regard to a "multiemployer pension plan" as defined under Section 3(37) of ERISA or is plan described in Section

4063(a) of ERISA (the "Multiemployer Pension Plans"). No surety bonds or escrow accounts were required to be posted by PinnOak, its Subsidiaries and ERISA Affiliates to meet the requirements of Section 4204(a)(1)(B) of ERISA or under the terms of any multiemployer pension plan in connection with any complete or partial withdrawal (as described in Sections 4204 and 4205 of ERISA) resulting from the transactions effectuated pursuant to that Asset Purchase Agreement by and among PinnOak Resources, LLC, U.S. Steel Mining Company, LLC, USS Coal Sales, LLC and United States Steel Corporation, dated as of May 23, 2003.

(f) Neither PinnOak, nor any Subsidiary nor ERISA Affiliate, has made or suffered a "complete withdrawal" or a "partial withdrawal," as defined respectively in Sections 4203 and 4205 of ERISA, and no event has occurred that presents a risk of such withdrawal.

(g) Except for the Multiemployer Pension Plans, no Employee Plan is subject to Title IV of ERISA.

(h) Each Employee Plan that is intended to meet the requirements of a qualified plan under Code Section 401(a) has received a favorable determination letter or opinion letter from the Internal Revenue Service that such Employee Plan is so qualified and nothing has occurred that would reasonably be expected to adversely affect the qualified status of the Employee Plan. All such Employee Plans have been timely amended to meet the requirements of the Code and applicable regulations and guidance issued thereunder. In all material respects, all of the Employee Plans and any related trusts currently satisfy, and for all prior periods have satisfied, in form and operation, all requirements for any Tax-favored treatment intended for such plan or trust or applicable to plans or trusts of its type, including, as applicable, Sections 105, 106, 125, 401(a), 401(k) and 501 of the Code.

(i) Except as set forth on Section 4.14(i) of the Disclosure Schedule, there are no actions, suits, hearings, audits, arbitrations, inquiries, investigations or other proceedings or any events for such (other than routine claims for benefits) pending or, to the Knowledge of PinnOak, threatened, with respect to any Employee Plan.

(j) Except as set forth on Section 4.14(j) of the Disclosure Schedule, none of the Employee Plans (i) provides for the payment of separation, severance, termination, change of control or similar benefits, (ii) promises or provides retiree medical or life insurance benefits to any current or former employee, officer or director of PinnOak, or any Subsidiary or ERISA Affiliate, or otherwise provides life insurance, medical or health benefits to persons who are not current employees or their dependents, except as required by Part 6 of Title I of ERISA or any similar state law; (iii) requires any payment or accelerated vesting as a result of the transactions contemplated by this Agreement; or (iv) is subject to Section 409A of the Code.

(k) With respect to each Employee Plan, PinnOak, its Subsidiaries and ERISA Affiliates, have provided or made available to Purchaser true and complete copies, where applicable, of (i) the current plan document and all amendments thereto, (ii) the annual report on Form 5500 for the most recent two years, (iii) the most recent summary plan description, (iv) the most recent Internal Revenue Service determination letter, (v) all material contracts, arrangements or agreements related to each Employee Plan, and (vi) all material correspondence received from any governmental agency with respect to an Employee Plan.

(l) Except as set forth in Section 4.14(l) to the Disclosure Schedule, the consummation of the transactions contemplated by this Agreement will not (i) entitle any Employee to severance pay, unemployment compensation or any other payment, except as expressly provided in this Agreement, or (ii) accelerate the time of payment or vesting, or increase the amount of compensation due any Employee.

(m) No prior payment of any amount, nor any payment due or to become due in connection with the transactions contemplated by this Agreement, by PinnOak or any Subsidiary or ERISA Affiliate is or shall be an "excess parachute payment" under Code Section 280G.

(n) PinnOak and each Subsidiary and ERISA Affiliate are in compliance in all material respects with the requirements of Parts 6 and 7, Subtitle B of Title I of ERISA.

(o) With respect to each Employee Plan which is (or but for an exemption could be) subject to Section 409A of the Code such plan has been maintained and administered in good faith compliance with the requirements of Section 409A of the Code and the guidance promulgated thereunder.

(p) To the Knowledge of PinnOak, the Memorandum of Understanding Regarding Eligibility for Retiree Health Care between U.S. Steel Mining Company, LLC and the United Mine Workers of America, International Union, dated as of May 6, 2003, and the related Agreement between the International Union, United Mine Workers of America, and United States Steel Corporation, dated May 6, 2003, each remain in full force and effect and the transactions contemplated by this Agreement will not alter their full force and effectiveness.

Section 4.15 Labor Matters.

(a) Except as set forth in Section 4.15(a) of the Disclosure Schedule, as of the date hereof: (i) PinnOak and each Subsidiary are neither party to, nor bound by, any collective bargaining or other labor union agreement applicable to the Employees and no collective bargaining agreement is presently being negotiated by PinnOak or any Subsidiary; (ii) from May 23, 2003, to the date hereof, there has been no actual or, to the Knowledge of PinnOak, threatened material labor dispute, material

grievance, material arbitration, strike, work stoppage, slowdown or lockout involving PinnOak; (iii) from May 23, 2003, to the date hereof, to the Knowledge of PinnOak, there has been no labor union organizing activities with respect to any employees of the Company and each Subsidiary; (iv) there is no material charge or complaint against PinnOak before the National Labor Relations Board or any comparable state agency currently pending or threatened in a writing addressed to PinnOak; (v) from May 23, 2003, to the date hereof, there has been no "mass layoff" or "plant closing" as defined by the WARN Act with respect to PinnOak and each Subsidiary.

(b) Except as set forth in Section 4.15(b) of the Disclosure Schedule, each of PinnOak and its Subsidiaries currently are in compliance, in all material respects, with all Laws relating to the employment of personnel, including all such Laws relating to wages, hours, the WARN Act, collective bargaining, discrimination, civil rights, safety and health, mine safety and workers' compensation (collectively, the "Employment and Labor Laws"), in each case except (i) for citations issued by the Mining Safety and Health Administration or any similar state regulatory agency that can be reasonably abated without material cost or expense to PinnOak or any of its Subsidiaries in the ordinary course of PinnOak's and the Subsidiaries' continuing operations or (ii) for violations the existence of which would not have a Material Adverse Effect.

Section 4.16 Taxes. Except as set forth in Section 4.16 to the Disclosure Schedule, PinnOak has timely filed all material Tax Returns required to be filed by it and all such Tax Returns are complete and correct in all material respects. Except as set forth in Section 4.16 to the Disclosure Schedule, all material Taxes of PinnOak and its Subsidiaries, including those relating to the operations of PinnOak and its Subsidiaries, have been paid (regardless of whether set forth on a Tax Return) other than Taxes which are not yet due or which, if due, are not delinquent or are being contested in good faith by appropriate proceedings or have not been finally determined, and for which, in each case, adequate reserves have been established in the books and records of PinnOak and the Interim Financial Statements. PinnOak has not received any written notice of deficiency from a Governmental Authority for any material Tax against PinnOak. Neither PinnOak nor any of the Selling Unit Holders is a "foreign person" within the meaning of Section 1445 of the Code. At all times since its date of formation, PinnOak has been properly classified as a partnership for U.S. federal and state Tax purposes and neither any Selling Unit Holder nor any other Person has elected to treat PinnOak as an association or corporation for U.S. federal or state Tax purposes. Except as set forth in Section 4.16 to the Disclosure Schedule, there are no Tax claims, audits or proceedings pending or, to the Knowledge of PinnOak, threatened in connection with PinnOak or with respect to which PinnOak could have any liability. There are not currently in force any waivers or agreements binding upon PinnOak for the extension of time for the assessment or payment of any Tax. PinnOak and each Subsidiary, as applicable, has properly withheld and paid all Taxes required to have been withheld and paid in connection with amounts paid or owing to any employee, creditor or other third party. PinnOak is not a party to or

bound by any Tax allocation or Tax sharing agreement with any other Person nor does it have any contractual obligation to indemnify any other Person with respect to Taxes. Neither the Units nor PinnOak's assets are subject to any Liens due to Taxes (other than Taxes not yet due and payable). No written claim has been received by, or communicated in writing to, PinnOak from a Taxing authority in a jurisdiction where PinnOak or any Subsidiary does not file Tax Returns contending that PinnOak or any such Subsidiary is or may be subject to Tax in such jurisdiction.

Section 4.17 Transactions with Affiliates. Except as set forth in Section 4.17 of the Disclosure Schedule, no Selling Unit Holder nor any Affiliate of any Selling Unit Holder nor any officer, director or employee of a Selling Unit Holder, any Affiliate of a Selling Unit Holder, PinnOak or any Subsidiary (an "Interested Party") is a party to any Contract or transaction with PinnOak or any Subsidiaries (except for employment arrangements of PinnOak or any Subsidiary for compensation or employee benefits for services performed), or has any interest in any property or asset of PinnOak or a Subsidiary.

Section 4.18 Brokers. Except for UBS Securities LLC and Morgan Stanley & Co. Incorporated and except as set forth in Section 4.18 to the Disclosure Schedule, no broker, finder or investment banker is entitled to any brokerage, finder's or other fee or commission in connection with the transactions contemplated by this Agreement based upon arrangements made by or on behalf of PinnOak or any of its Subsidiaries or any Selling Unit Holder. PinnOak is solely responsible for the fees and expenses of UBS Securities LLC and Morgan Stanley & Co. Incorporated and all such fees will be included by PinnOak as Transaction Expenses.

Section 4.19 Insurance. Section 4.19 of the Disclosure Schedule contains a true and complete list of all insurance policies carried by, or covering PinnOak and its Subsidiaries with respect to their businesses, assets and properties, together with, in respect of each such policy, the name of the insurer, the policy number, the type of policy, the amount of coverage and the deductible. True and complete copies of each such policy have previously been provided to Purchaser. All such policies are in full force and effect (except for policies which by their terms are expired and will be replaced in the ordinary course of business), and no notice of cancellation has been received by PinnOak with respect to any such policy.

Section 4.20 Inventories. Except as set forth in Section 4.20 to the Disclosure Schedule, all of the coal inventories of PinnOak and the Subsidiaries whether reflected in the Financial Statements or otherwise, consist, in all material respects, of a good quality and quantity usable and salable in the ordinary and usual course of business.

Section 4.21 EXCLUSIVITY OF REPRESENTATIONS. THE REPRESENTATIONS AND WARRANTIES OF PINNOAK SET FORTH HEREIN ARE EXCLUSIVE AND ARE IN LIEU OF ANY OTHER EXPRESS OR IMPLIED REPRESENTATIONS OR WARRANTIES, INCLUDING BUT NOT LIMITED TO,

ANY IMPLIED WARRANTY OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE OR OTHER IMPLIED WARRANTY OF QUALITY WITH RESPECT TO PINNOAK. WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, EXCEPT FOR THE REPRESENTATIONS AND WARRANTIES SET FORTH IN THIS AGREEMENT, PINNOAK MAKES NO, AND THEREFORE, EXCEPT AS EXPRESSLY PROVIDED HEREIN, EXPRESSLY DISCLAIMS ANY, REPRESENTATION OR WARRANTY WITH RESPECT TO (i) THE QUANTITY, QUALITY, MINEABILITY OR MERCHANTABILITY OF COAL RESERVES LOCATED IN OR ON (OR CONSTITUTING) THE OWNED REAL PROPERTY OR THE LEASED REAL PROPERTY, (ii) THE CONDITION OR STATE OF REPAIR OF ANY MINE, PREPARATION PLANT, FIXTURES, BUILDINGS, STRUCTURES OR OTHER IMPROVEMENTS LOCATED ON OR IN THE OWNED REAL PROPERTY OR THE LEASED REAL PROPERTY OR (iii) ANY OTHER MATTER.

ARTICLE V
REPRESENTATIONS AND WARRANTIES OF PURCHASER

Purchaser hereby represents and warrants to the Selling Unit Holders as follows:

Section 5.1 Organization and Authority. Purchaser is a corporation duly incorporated, validly existing and in good standing under the Laws of the State of Ohio. Purchaser has all necessary corporate power and authority to enter into this Agreement, to carry out its obligations hereunder and to consummate the transactions contemplated hereby, including to purchase, own and hold the Units and to pay the Purchase Price. The execution and delivery of this Agreement by Purchaser, the performance by Purchaser of its obligations hereunder and the consummation by Purchaser of the transactions contemplated hereby have been duly authorized by all requisite corporate action on the part of Purchaser. This Agreement has been duly executed and delivered by Purchaser, and (assuming due authorization, execution and delivery by the Selling Unit Holders and PinnOak) this Agreement constitutes the legal, valid and binding obligation of Purchaser, enforceable against Purchaser in accordance with its terms, subject to the effect of any applicable bankruptcy, reorganization, insolvency, moratorium, fraudulent conveyance or similar Laws affecting creditors' rights generally and subject, as to enforceability, to the effect of general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

Section 5.2 No Conflict. Assuming all consents, approvals, authorizations and other actions described in Section 5.3 have been obtained, and except as may result from any facts or circumstances relating solely to PinnOak or the Selling Unit Holders, the execution, delivery and performance of this Agreement by Purchaser and the consummation by Purchaser of the transactions contemplated hereby do not and will not (a) violate or conflict with the articles of incorporation or code of regulations of Purchaser, (b) conflict with or violate, in any material respect, any Law or Governmental

Order applicable to Purchaser, or (c) result in a material breach of, or constitute a material default (or event which with the giving of notice or lapse of time, or both, would become a material default) under, or give to any Person any rights of termination, amendment, acceleration or cancellation of, or result in the creation of any Lien (other than a Permitted Lien) on any of the assets or properties of Purchaser or pursuant to, any Contract to which Purchaser is a party or by which any of their respective assets or properties are bound.

Section 5.3 Consents and Approvals. The execution and delivery of this Agreement by Purchaser do not, and the performance of this Agreement by Purchaser will not, require any consent, approval, authorization or other action by, or filing with or notification to, any Governmental Authority or Person, except (a) the notification requirements of the HSR Act and foreign antitrust and competition law requirements, (b) where failure to obtain such consent, approval, authorization or action, or to make such filing or notification, would not prevent Purchaser from performing any of its material obligations under this Agreement, or (c) as may be necessary as a result of any facts or circumstances relating solely to PinnOak or its Affiliates.

Section 5.4 Legal Proceedings. As of the date hereof, there are no Actions pending or, to the Knowledge of Purchaser, threatened against, relating to or affecting Purchaser or any of its assets and properties which would reasonably be expected to result in the issuance of a Governmental Order restraining, enjoining or otherwise prohibiting or making illegal the consummation of any of the transactions contemplated hereby.

Section 5.5 Purchase for Investment; Ability to Evaluate Risk.

(a) The Units will be acquired by Purchaser (or, if applicable, its assignee pursuant to Section 10.6) for its own account for the purpose of investment, it being understood that the right to dispose of such Units shall be entirely within the discretion of Purchaser (or such assignee, as the case may be). Purchaser (or such assignee, as the case may be) will refrain from transferring or otherwise disposing of any of the Units, or any interest therein, in such manner as to cause PinnOak to be in violation of the registration requirements of the Securities Act of 1933, as amended, or the rules and regulations promulgated thereunder or applicable state securities or blue sky laws.

(b) Purchaser is able to bear the economic risk of holding the Units for an indefinite period, and has knowledge and experience in financial and business matters such that it is capable of evaluating the risks of the investment in the Units.

Section 5.6 Capital Adequacy; Solvency. Purchaser represents that immediately after the sale of the Units and the other transactions contemplated hereby, Purchaser (and any successor corporation) will have a positive net worth (calculated in accordance with GAAP) and will not be insolvent (as defined under the federal

Bankruptcy Code (the "Bankruptcy Code") and in equity) and that the purchase of the Units and any borrowing by Purchaser in connection with such transactions will not have the effect of hindering, delaying or defrauding any creditors of Purchaser (or any successor corporation). Purchaser further represents that, based on the information provided to it by PinnOak to date, the Purchase Price is a reasonably equivalent value in exchange for the Units.

Section 5.7 Brokers. Except for Hill Street Capital LLC, no broker, finder or investment banker is entitled to any brokerage, finder's or other fee or commission in connection with the transactions contemplated by this Agreement based upon arrangements made by or on behalf of Purchaser. Purchaser is solely responsible for the fees and expenses of Hill Street Capital LLC.

Section 5.8 Availability of Funds. Purchaser currently has sufficient immediately available funds in cash or cash equivalents and will at the Closing have sufficient immediately available funds, in cash, to pay the Purchase Price and to pay any other amounts payable pursuant to this Agreement and to effect the transactions contemplated hereby.

Section 5.9 Due Diligence; Reliance on Experts.

(a) Purchaser acknowledges and agrees that it has made its own inquiry and investigation into, and, based thereon, has formed an independent judgment concerning, PinnOak and the Subsidiaries and, in connection with such inquiries and investigations, Purchaser has relied on its own financial, legal and other experts and advisors in arriving at Purchaser's decision to execute, deliver and consummate this Agreement and the transactions contemplated hereby. Purchaser is not relying on any representations and warranties of PinnOak (including, without limitation, any reserve estimates, projections or information) except as expressly set forth in Article IV of this Agreement.

(b) In connection with Purchaser's investigation of PinnOak, Purchaser has received from PinnOak certain estimates, projections and other forecasts for the business of PinnOak, and certain plan and budget information. Purchaser acknowledges that there are uncertainties inherent in attempting to make such estimates, projections, forecasts, plans and budgets, that Purchaser is familiar with such uncertainties, that Purchaser is taking full responsibility for making its own evaluation of the adequacy and accuracy of all estimates, projections, forecasts, plans and budgets so furnished to it. For the avoidance of doubt, without limiting the generality of Section 4.21, except as provided herein, PinnOak makes no representation or warranty with respect to any estimates, projections, forecasts, plans or budgets referred to in this Section 5.9 other than to the capital expenditure budget to the extent referenced in Sections 4.6(e)(iii) and 6.1(f)(v) herein.

ARTICLE VI
ADDITIONAL AGREEMENTS

Section 6.1 Conduct of Business Prior to the Closing. PinnOak covenants and agrees that, except (i) as contemplated by this Agreement; (ii) as disclosed in Section 6.1 of the Disclosure Schedule; or (iii) with the prior written consent of Purchaser, which consent shall not be unreasonably withheld, conditioned or delayed, from and after the date hereof and prior to the Closing Date:

(a) the business of PinnOak and the Subsidiaries shall be conducted only in the ordinary and usual course of business;

(b) none of PinnOak or any of the Subsidiaries will amend their respective certificate of formation or operating agreement, except in connection with the termination of management fees payable after the Closing;

(c) none of PinnOak or any of the Subsidiaries shall (i) split, combine or reclassify the Units, (ii) issue or sell any additional shares of, or securities convertible into or exchangeable for Units, or options, warrants, calls, commitments or rights of any kind to acquire any Units, (iii) redeem, purchase or otherwise acquire directly or indirectly any Units or (iv) authorize, declare, set aside or pay any dividends on, or make any other distributions in respect of, any Units;

(d) none of PinnOak or any of the Subsidiaries shall (i) adopt any new Plan or amend any existing Plan in any material respect, except for changes which are no more favorable to participants in such Plans or as may be required by applicable Law or (ii) increase any compensation of or enter into or amend any employment, severance, termination or similar agreement with any of its officers or directors, except for increases in the ordinary course of business consistent with past practice and the payment of amounts pursuant to and consistent with an existing Employee Plan;

(e) none of PinnOak or any of the Subsidiaries shall, except as may be required or contemplated by this Agreement or in the ordinary course of business, acquire, sell, lease or dispose of any assets which, in the aggregate, are material to PinnOak and the Subsidiaries, taken as a whole;

(f) none of PinnOak or any of the Subsidiaries shall (i) incur, guarantee or assume any Indebtedness except for borrowings under lines of credit for the funding of working capital requirements in the ordinary course of business, (ii) assume, guarantee, endorse or otherwise become liable or responsible (whether directly, contingently or otherwise) for the material obligations of any other Person; (iii) make any loans, advances or capital contributions to, or investments in, any other Person (other than PinnOak or another Subsidiary) other than employee advances in the ordinary course of business, (iv) mortgage or pledge any of its material assets, tangible or intangible, or

create any material mortgage or Lien (other than Permitted Liens) with respect to any such asset or (v) make any capital expenditures other than those substantially consistent with the current capital expenditure forecast for PinnOak and the Subsidiaries, dated May 17, 2007, as provided in writing to Purchaser prior to the date hereof;

(g) none of PinnOak or any of the Subsidiaries shall acquire (by merger, consolidation or acquisition of stock or assets) any corporation, partnership or other business organization or division thereof or any equity interest therein (other than purchases of marketable securities in the ordinary course of business);

(h) none of PinnOak or any of the Subsidiaries shall adopt a plan of complete or partial liquidation or resolutions providing for or authorizing such liquidation or a dissolution, merger, consolidation, restructuring, recapitalization or other reorganization;

(i) none of PinnOak or any of the Subsidiaries shall materially change any of the accounting methods used by it unless required by GAAP or applicable Law; and

(j) none of PinnOak or any of the Subsidiaries will authorize or enter into an agreement to do any of the matters specified in the foregoingclauses (c) – (i) of this Section 6.1.

Section 6.2 Access to Information.

(a) From the date hereof until the Closing (upon reasonable notice to and approval of PinnOak, which approval shall not be unreasonably withheld, conditioned or delayed), during normal business hours, PinnOak shall, and shall cause its officers, directors, employees, auditors and agents to, (i) afford the officers, employees and authorized agents and Representatives of Purchaser reasonable access to the offices, properties, books and records PinnOak and the Subsidiaries to the extent related to the business of PinnOak, and (ii) furnish to the officers, employees and authorized agents and Representatives of Purchaser such additional financial and operating data and other information regarding the assets, properties and goodwill of PinnOak and the Subsidiaries as Purchaser may from time to time reasonably request in order to assist Purchaser in fulfilling its obligations under this Agreement and to facilitate the consummation of the transactions contemplated hereby; provided, however, that such investigation shall not unreasonably interfere with any of the businesses or operations of PinnOak or any Affiliate of PinnOak.

(b) For a period of seven years after the Closing, Purchaser shall (i) retain the books and records of PinnOak and the Subsidiaries relating to the business of PinnOak and the Subsidiaries which relate to periods ending on or prior to the Closing Date in a manner reasonably consistent with the practice of PinnOak and the Subsidiaries prior to Closing, and (ii) upon reasonable notice, afford the officers, employees and

authorized agents and Representatives of the Selling Unit Holders reasonable access (including the right to make, at the Selling Unit Holders' expense, photocopies) for reasonable and necessary business purposes, during normal business hours, to such books and records.

Section 6.3 Confidentiality. The terms of the letter agreement dated as of July 5, 2006 (the 'Confidentiality Agreement") between PinnOak and Purchaser are hereby incorporated herein by reference and shall continue in full force and effect until the Closing, at which time such Confidentiality Agreement and the obligations of the parties under this Section 6.3 shall terminate; provided, however, that the Confidentiality Agreement shall terminate only in respect of that portion of the Evaluation Material (as defined in the Confidentiality Agreement) exclusively relating to the transactions contemplated by this Agreement. If this Agreement is, for any reason, terminated prior to the Closing, the Confidentiality Agreement shall nonetheless continue in full force and effect in accordance with its terms.

Section 6.4 Regulatory and Other Authorizations; Consents.

(a) Each party hereto agrees to make an appropriate filing of a notification and report form pursuant to the HSR Act and any other Regulatory Law with respect to the transactions contemplated hereby within two (2) Business Days after the date hereof. Purchaser will be responsible for paying the filing fees incurred by PinnOak, the Selling Unit Holders and Purchaser in connection with the HSR Act filing and any other similar filings required pursuant to any other Regulatory Law.

(b) Upon the terms and subject to the conditions set forth in this Agreement, PinnOak and Purchaser shall each use their respective commercially reasonable efforts promptly (i) to take, or to cause to be taken, all actions, and to do, or to cause to be done, and to assist and cooperate with the other parties in doing all things necessary, proper or advisable under applicable Law or otherwise to consummate and make effective the transactions contemplated by this Agreement; (ii) to obtain from any Governmental Authority or third parties any actions, non-actions, clearances, waivers, consents, approvals, authorizations, permits or orders required to be obtained by PinnOak, Purchaser or any of their respective Affiliates in connection with the authorization, execution, delivery and performance of this Agreement and the consummation of the other transactions contemplated hereby; (iii) furnish all information required for any application or other filing to be made pursuant to any applicable Law or any applicable regulations of any Governmental Authority in connection with the transactions contemplated by this Agreement, including filings in connection with the HSR Act and any other Regulatory Law, and to supply promptly any additional information and documentary material that may be requested in connection with such filings or applications; and (iv) avoid the entry of, or have vacated or terminated, any Governmental Order that would restrain, prevent or delay the Closing, including defending against and opposing any lawsuits or other proceedings, whether judicial or

administrative, reviewing or challenging this Agreement or the consummation of the other transactions contemplated hereby. Without limiting this Section 6.4(b), the parties hereto will cooperate and use all commercially reasonable efforts to avoid or eliminate each and every impediment under any Regulatory Law that may be asserted by any Governmental Authority with respect to consummation of the transactions contemplated by this Agreement, in all events so as to enable the Closing to occur as soon as reasonably possible (and in any event, no later than August 31, 2007); provided, that, notwithstanding anything to the contrary contained in this Agreement, Purchaser shall not be required to (x) waive any substantial rights or accept any substantial limitations on its operations in respect of any assets or businesses owned by Purchaser or any of its Affiliates or PinnOak and its Subsidiaries, in each case as of the date of this Agreement (the "Existing Assets") or (y) sell, divest of, license or dispose of any Existing Assets or (z) otherwise limit the freedom of action with respect to any of the Existing Assets, in each case, in a manner that is materially adverse to its interests or is materially burdensome.

(c) As used in this Agreement, "Regulatory Law" means the Sherman Antitrust Act, as amended, the Clayton Act, as amended, the HSR Act, the Federal Trade Commission Act, as amended, and all other Laws, Governmental Orders or administrative or judicial doctrines that are designed or intended to prohibit, restrict or regulate actions having the purpose or effect of monopolization or restraint of trade or lessening of competition.

Section 6.5 Employee Matters.

(a) From and after the Closing Date, Purchaser shall cause each Employee (as defined below) as of the Closing Date to be given full credit for all service with PinnOak or any Subsidiary (and any predecessor entity, to the extent PinnOak or a Subsidiary gives service credit for service with such predecessor entity) before the Closing Date for purposes of eligibility and vesting under any employee benefit plans or arrangements of the Purchaser or any of its Affiliates in which the Employee participates on or after the Closing Date other than the Purchaser's retiree medical plans, to the same extent such service is recognized by PinnOak immediately prior to the Closing Date (except to the extent that the crediting of such service would result in duplication of benefits). In the event an Employee shall participate in any employee welfare benefit plans of Purchaser or its Affiliates (the "Purchaser Welfare Plans") in the calendar year containing the Closing Date, and such participation commences other than at the expiration of the plan year under the corresponding welfare benefit plan maintained for the Employee by PinnOak or any Subsidiary immediately prior to such participation (the "PinnOak Welfare Plans"), Purchaser shall, or shall cause its Affiliates to, (i) waive all limitations as to pre-existing condition exclusions and waiting periods with respect to the Employee under the Purchaser Welfare Plans, other than to the extent limitations or waiting periods that are already in effect with respect to the Employee under the PinnOak Welfare Plans have not been satisfied as of such participation date, and (ii) provide each

Employee with credit for any co-insurance and deductibles paid in the calendar year of the Closing prior to such participation date in satisfying any deductible or out-of-pocket requirements under the Purchaser Welfare Plans.

(b) For a period of six months immediately following the Closing Date, Purchaser shall provide, or to cause to be provided, to each Employee who is not covered by a collective bargaining agreement, employee benefit and compensation programs that are no less favorable than those provided to such Employees immediately prior to the Closing Date, other than with respect to the Purchaser's retiree medical plan. Except as specifically provided in this Section 6.5, nothing in this Agreement shall be construed to require Purchaser to retain any employees it hires for any period of time, in any particular position, at any particular compensation rate or with any particular rights or benefits. Nothing in this Agreement shall be construed as requiring Purchaser to make an offer of employment on any basis other than an employment-at-will basis.

(c) As of the Closing Date, Purchaser shall assume PinnOak's obligations under each of the agreements set forth inSection 6.5(c) of the Disclosure Schedule and shall execute such documents and take such actions as may be necessary to effectuate such assumption pursuant to the terms of such agreements.

(d) For purposes of this Agreement, "Employee" means all of the following: (i) all persons who are active employees on the Closing Date, including employees on vacation and employees on a regularly scheduled day off from work (Employees on temporary leave for purposes of jury or annual two-week national service/military duty shall be deemed to be active employees); (ii) employees who on the Closing Date are on non-medical leave of absence; provided, however, that no such employee shall be guaranteed reinstatement to active service if his return to employment is contrary to the terms of his leave, unless otherwise required by applicable Law (for purposes of the foregoing, non-medical leave of absence shall include maternity or paternity leave, leave under the Family and Medical Leave Act of 1993, educational leave, military leave with veteran's reemployment rights under federal Law, or personal leave, unless any of such is determined to be a medical leave); and (iii) employees who on the Closing Date are on disability or medical leave and for whom it has been one hundred eighty (180) calendar days or less since their last day of active employment; provided, however, that no such employee shall be guaranteed reinstatement to active service if he is incapable of working in accordance with the policies, practices and procedures of Purchaser.

Section 6.6 Tax Matters.

(a) Notwithstanding anything to the contrary contained herein, Purchaser shall be responsible for the timely payment of all sales (including bulk sales), use, value added, documentary, stamp, gross receipts, registration, transfer, conveyance, excise, recording, license and other similar taxes and fees arising out of or in connection with or attributable to the transactions effected pursuant to this Agreement ("Transfer

Taxes"). Purchaser shall prepare and in a timely manner file all Tax Returns in respect of Transfer Taxes. Purchaser and the Selling Unit Holders shall reasonably cooperate with each other in attempting to minimize Transfer Taxes.

(b) Purchaser shall prepare and file, or cause to be prepared and filed, all Tax Returns for each of PinnOak and the Subsidiaries for all periods ending after the Closing Date, which Tax Returns shall be consistent with past practice. In the case of Tax Returns for periods starting on or before the Closing Date and ending after the Closing Date (a "Straddle Period"), Purchaser shall provide the Sellers Representative with an opportunity to review and comment on such Tax Returns no less than thirty (30) days prior to the due date thereof. Purchaser shall make, or cause to be made, any changes to such Tax Returns reasonably requested by the Sellers Representative so long as none of such changes result in any additional material Taxes to Purchaser, PinnOak or any of their Subsidiaries or Affiliates. The Sellers Representative shall prepare and file, or cause to be prepared and filed, all Tax Returns required to be filed by PinnOak and the Subsidiaries for all periods ending on or before the Closing Date (a "Pre-Closing Period"). As soon as practicable, but in any event within fifteen (15) days after the Selling Representative's or Purchaser's request, as the case may be, Purchaser shall deliver to the Selling Representative or the Selling Representative shall deliver to Purchaser, as the case may be, such information and other data relating to the Tax Returns and Taxes of PinnOak and the Subsidiaries and shall provide such other assistance as may reasonably be requested, to cause the completion and filing of all Tax Returns or to respond to audits by any taxing authorities with respect to any Tax Returns or taxable periods or to otherwise enable the Selling Representative, Purchaser or PinnOak, or their respective subsidiaries to satisfy their accounting or Tax requirements.

(c) Purchaser shall prepare and file, or cause to be prepared and filed, all Tax Returns for QPII-AIV for all periods ending after the Closing Date, which Tax Returns shall be consistent with past practice. In the case of Tax Returns for Straddle Periods, Purchaser shall provide Questor with an opportunity to review and comment on such Tax Returns no less than thirty (30) days prior to the due date thereof. Purchaser shall make, or cause to be made, any changes to such Tax Returns reasonably requested by Questor so long as none of such changes result in any additional material Taxes to Purchaser, PinnOak or any of their Subsidiaries or Affiliates. In order to apportion Taxes of QPII-AIV with respect to a Straddle Period, the parties shall, to the extent permitted under applicable Tax Law, elect to treat for all purposes the Closing Date as the last day of the taxable year of QPII-AIV. In any case where applicable Tax Law does not permit QPII-AIV to treat the Closing Date as the last day of the taxable year or period, the portion of any Taxes that are allocable to the portion of the Straddle Period ending on the Closing (the "Pre-Closing Straddle Period") shall be deemed: (i) in the case of Taxes that are imposed on a periodic basis (and not based on invoices, sales, receipts, income, payments or similar amounts), to be the amount of such Taxes for the entire period multiplied by a fraction the numerator of which is the number of days in the Straddle Period ending on the Closing Date and the denominator of which is the number of

calendar days in the entire relevant Straddle Year; and (ii) in the case of Taxes not described in clause (i) (such as taxes based upon or related to invoices, sales, receipts or income), an amount that would be payable if the taxable year or period ended at the Closing. Questor shall prepare and file, or cause to be prepared and filed, all Tax Returns required to be filed by QPII-AIV for all Pre-Closing Periods. As soon as practicable, but in any event within fifteen (15) days after Questor's or Purchaser's request, as the case may be, Purchaser shall deliver to Questor or Questor shall deliver to Purchaser, as the case may be, such information and other data relating to the Tax Returns and Taxes of QPII-AIV and shall provide such other assistance as may reasonably be requested, to cause the completion and filing of all Tax Returns or to respond to audits by any taxing authorities with respect to any Tax Returns or taxable periods or to otherwise enable the Blocker Parties, QPII-AIV, Purchaser or PinnOak, or their respective subsidiaries to satisfy their accounting or Tax requirements.

Section 6.7 Insurance and Indemnification.

(a) From and after the Closing, Purchaser shall cause PinnOak to continue to indemnify and hold harmless each of PinnOak's and the Subsidiaries' present and former directors, officers, Employees and agents, in their capacities as such, from and against all damages, costs and expenses actually incurred or suffered in connection with any threatened or pending Action at law or in equity relating to the business of PinnOak (including actions related to this Agreement or the transactions contemplated hereby) or the status of such individual as a director, officer, Employee or agent at or prior to the Closing, to the fullest extent permitted by applicable Law. Purchaser shall cause PinnOak to retain in the certificate of formation or operating agreement of PinnOak and each Subsidiary any indemnification provision or provisions in effect as of the date hereof for the benefit of PinnOak's and the Subsidiaries' officers, directors, Employees and agents that existed immediately prior to Closing and during the time period prior to Closing, and not thereafter amend the same with respect to such persons (except to the extent that such amendment preserves, increases or broadens the indemnification or other rights theretofore available to such officers, directors, Employees and agents).

(b) For six years from the Closing, Purchaser shall cause to be maintained in effect an officers' and directors' liability insurance and indemnification policy, with an insurer with a Standard & Poor's rating of at least A that provides coverage for acts or omissions occurring prior to the Closing covering each Person currently covered by such insurance policies held by or for the benefit of PinnOak and the Subsidiaries and their respective directors, officers, Employees and agents on terms with respect to coverage and in amounts no less favorable than those of such policies in effect on the date of this Agreement (the "Existing Insurance"). Purchaser shall satisfy its obligations under this Section 6.7(b) by purchasing a "tail" policy from an insurer with a Standard & Poor's rating of at least A, which (i) has an effective term of six years from the Closing, (ii) covers each Person currently covered by the Existing Insurance for

actions and omissions occurring on or prior to the Closing and (iii) contains terms that are no less favorable than those of the Existing Insurance. Notwithstanding the foregoing, Purchaser shall not be obligated to make annual premium payments for such insurance to the extent such premiums exceed 200% of the annual premiums paid as of the date hereof for such insurance (the "Current Premium"). If such premium for such insurance required to be maintained pursuant to this Section 6.7(b) would at any time exceed 200% of the Current Premium, then Purchaser shall cause to be maintained policies of insurance which, in its good faith determination, provide the maximum dollar loss coverage available at an annual premium equal to 200% of the Current Premium.

Section 6.8 Public Announcements. For the period from the date hereof until one year immediately following the Closing, the Selling Unit Holders and Purchaser shall consult with each other and will mutually agree upon any press release or public announcement pertaining to the transactions contemplated by this Agreement and shall not issue any such press release or make any such public announcement prior to such consultation and agreement, except as may be required by applicable Law, Governmental Authority or stock exchange rule in which case the party proposing to issue such press release or make such public announcement shall consult in good faith with the other party before issuing any such press release or making any such public announcement.

Section 6.9 Affiliate Transactions. Immediately prior to the Closing and except as set forth in Section 6.9 of the Disclosure Schedule, all Indebtedness and other amounts owing under Contracts between the Selling Unit Holders or any officer, Employee, director or Affiliate of the Selling Unit Holders (other than PinnOak and the Subsidiaries), on the one hand, and PinnOak or any Subsidiary, on the other hand, will be paid in full, and the Selling Unit Holders will terminate and will cause any such officer, Employee, director or Affiliate of the Selling Unit Holders to terminate each such Contract with PinnOak or such Subsidiary, as applicable (except for employment arrangements of PinnOak or any Subsidiary for compensation and employee benefits for services performed).

Section 6.10 Beard-Pinnacle Facilities. PinnOak and the Selling Unit Holders agree that, in the event the sale of the Beard-Pinnacle facilities is consummated prior to the Closing, the proceeds of the sale, including any repayment of Indebtedness owed by Beard-Pinnacle, LLC to PinnOak, will promptly be applied by PinnOak to reduce amounts outstanding under the Credit Facility. In the event the sale of the Beard-Pinnacle facilities is not consummated prior to the Closing, the Selling Unit Holders will cause all of the outstanding equity interests in Beard-Pinnacle, LLC (other than the equity interests held by QPII-AIV) to be contributed to PinnOak prior to the Closing.

Section 6.11 Further Action. For a period of twelve (12) months from and after the Closing Date, each of the parties hereto shall execute and deliver such documents and other papers and take such further actions as may be reasonably required

to carry out the provisions of this Agreement and give effect to the transactions contemplated hereby.

Section 6.12 No Solicitation. PinnOak agrees that neither it nor any of its Subsidiaries nor any of the officers and directors of it or its Subsidiaries shall, and that it shall use all reasonable efforts to cause its Representatives not to (and shall not authorize any of them to) directly or indirectly: (i) solicit, initiate, knowingly encourage or knowingly facilitate any inquiries with respect to, or the making, submission or announcement of, any offer or proposal for an Alternative Proposal; (ii) participate in any discussions or negotiations regarding, or furnish to any Person any nonpublic information with respect to, any Alternative Proposal; (iii) engage in discussions with any Person with respect to any Alternative Proposal, except as to the existence of these provisions; (iv) approve, endorse or recommend any Alternative Proposal; or (v) enter into any letter of intent or similar document or any contract agreement or commitment contemplating any Alternative Proposal or transaction contemplated thereby. PinnOak and its Subsidiaries will immediately cease any and all existing activities, discussions or negotiations with any third parties conducted heretofore with respect to any Alternative Proposal. As promptly as practicable after receipt of any Alternative Proposal or any request for nonpublic information or inquiry which it reasonably believes would lead to an Alternative Proposal, PinnOak shall provide Purchaser with oral and written notice of the material terms and conditions of such Alternative Proposal, request or inquiry, and the identity of the Person or group making any such Alternative Proposal, request or inquiry.

ARTICLE VII
CONDITIONS TO CLOSING

Section 7.1 Conditions to Obligations of Each Party. The respective obligation of each party hereto to consummate the transactions contemplated by this Agreement is subject to the satisfaction or (to the extent permitted by Law) waiver on or prior to the Closing Date of the following conditions:

(a) Any waiting period (and any extension thereof) under the HSR Act applicable to the consummation of the transactions contemplated by this Agreement shall have expired or been terminated; and

(b) No Law or Governmental Order shall be in effect which prohibits the consummation of the transactions contemplated by this Agreement.

Section 7.2 Conditions to Obligations of Purchaser. The obligation of Purchaser to consummate the transactions contemplated by this Agreement shall be subject to the satisfaction or (in Purchaser's sole discretion) waiver on or prior to the Closing Date of the following conditions:

(a) The representations and warranties of PinnOak contained herein shall be true and accurate as of the Closing Date as if made at and as of such time

(other than (i) those representations and warranties that address matters only as of a particular date or only with respect to a specific period of time which need only be true and accurate as of such date or with respect to such period of time and (ii) if the Pre-Closing Certificate has been delivered by the Selling Unit Holders in accordance with Section 7.4, those representations and warranties contained in Section 4.6(c)), except where the failure of such representations and warranties to be so true and accurate (without giving effect to any limitation as to "materiality" or "material adverse effect" set forth therein) would not have a Material Adverse Effect;

(b) PinnOak shall have performed and complied in all material respects with the covenants and agreements contained in this Agreement which are required to be performed and complied with by PinnOak on or prior to the Closing Date;

(c) Purchaser shall have received a certificate from an authorized officer of PinnOak, dated the Closing Date, to the effect that the conditions set forth in Section 7.2(a) and Section 7.2(b) have been satisfied by PinnOak;

(d) The representations and warranties of each Selling Unit Holder contained herein shall be true and accurate as of the Closing Date as if made at and as of such time (other than those representations and warranties that address matters only as of a particular date or only with respect to a specific period of time which need only be true and accurate as of such date or with respect to such period of time), except where the failure of such representations and warranties to be so true and accurate (without giving effect to any limitation as to "materiality" or "material adverse effect" set forth therein) would not materially delay the ability of the applicable Selling Unit Holder to perform its material obligations under this Agreement or consummate the transactions contemplated by this Agreement;

(e) The Selling Unit Holders shall have each performed and complied in all material respects with the covenants and agreements contained in this Agreement which are required to be performed and complied with by the Selling Unit Holders on or prior to the Closing Date;

(f) Purchaser shall have received a certificate duly executed by or on behalf of each Selling Unit Holder, dated the Closing Date, to the effect that the conditions set forth in Section 7.2(d) and Section 7.2(e) have been satisfied by such Selling Unit Holder;

(g) Purchaser shall have received the Closing Notice;

(h) Purchaser shall have received evidence reasonably satisfactory to Purchaser, that the notices, consents and approvals set forth on Schedule 7.2(h) have been secured;

(i) There shall not have occurred any change in the condition of PinnOak and the Subsidiaries, taken as a whole, that has resulted or can reasonably be expected to result in a Material Adverse Effect between the date of this Agreement and the Closing Date; provided, however, that if the Pre-Closing Certificate has been delivered by the Selling Unit Holders in accordance with Section 7.4, the condition set forth in this Section 7.2(i) shall be deemed satisfied as of the Pre-Closing Date and from the Pre-Closing Date shall not be a condition to Purchaser's obligation to consummate the transactions contemplated by this Agreement.

(j) PinnOak shall have delivered to Purchaser resignations of each of the directors of PinnOak; and

(k) The Closing Indebtedness outstanding under the Credit Facility shall not exceed $123,440,000 of outstanding term loan Indebtedness and $50,000,000 of outstanding revolving credit line Indebtedness (less, in the case of the revolving credit line, the amount of any repayment of debt of Beard-Pinnacle, LLC held by PinnOak made pursuant to the sale of the Beard-Pinnacle facility as provided in Section 6.10 above).

Section 7.3 Conditions to Obligations of the Selling Unit Holders and PinnOak. The respective obligations of the Selling Unit Holders and PinnOak to consummate the transactions contemplated by this Agreement shall be subject to the satisfaction or (in the sole discretion of the Selling Unit Holders and PinnOak) waiver on or prior to the Closing Date of the following conditions:

(a) The representations and warranties of Purchaser contained herein shall be true and accurate as of the Closing Date as if made at and as of such time (other than those representations and warranties that address matters only as of a particular date or only with respect to a specific period of time which need only be true and accurate as of such date or with respect to such period of time), except where the failure of such representations and warranties to be so true and accurate (without giving effect to any limitation as to "materiality" or "material adverse effect" set forth therein) would not have a material adverse effect on Purchaser's ability to consummate the transactions contemplated by this Agreement;

(b) Purchaser shall have performed and complied with in all material respects the covenants and agreements contained in this Agreement which are required to be performed and complied with by Purchaser on or prior to the Closing Date; and

(c) The Selling Unit Holders and PinnOak shall have received certificates from an authorized officer of Purchaser, dated the Closing Date, to the effect that the conditions set forth in Sections 7.3(a) and Section 7.3(b) have been satisfied by Purchaser.

Section 7.4 Pre-Closing Certificate. If the Closing has not occurred by the date that is five (5) Business Days (the "Pre-Closing Date") after the day on which the last of the consents, approvals, actions, filings, notices or waiting periods described in or related to the filings described in Section 7.1 and Section 7.2 has been obtained, made or given or has expired, as applicable, PinnOak may provide to Purchaser a certificate (the "Pre-Closing Certificate") duly executed by or on behalf of PinnOak to the effect that, as of the date of the Pre-Closing Certificate (the "Pre-Closing Date"), the conditions set forth in (i) Section 7.2(a) have been satisfied with respect to the representations and warranties contained in Section 4.6(c) and (ii) Section 7.2(i). If Purchaser delivers a Pre-Closing Certificate, the conditions set forth in (i) Section 7.2(a) with respect to the representations and warranties contained in Section 4.6(c) and (ii) Section 7.2(i) shall be deemed satisfied as of the Pre-Closing Date and from the Pre-Closing Date shall not be conditions to Purchaser's obligation to consummate the transactions contemplated by this Agreement.

ARTICLE VIII
SURVIVAL AND INDEMNIFICATION

Section 8.1 Survival. The representations and warranties contained in Article IV and Article V of this Agreement shall survive until eighteen months after the Closing; provided, however, that the representations and warranties contained in Section 4.13, Section 4.14 and Section 4.16 shall survive until the Earnout Due Date; provided further, however, that if written notice of a claim has been given before the expiration of the applicable representations and warranties, then the relevant representations and warranties shall survive as to such claim, until such claim has been finally resolved. Subject to the limitations set forth in this Article VIII, the representations and warranties contained in Article III of this Agreement shall survive until the Earnout Due Date. No covenant or agreement contained in this Agreement shall survive the Closing, except that any covenant or agreement that contemplates or may involve actions to be taken or obligations in effect after the Closing shall survive in accordance with its respective terms.

Section 8.2 Indemnification by Selling Unit Holders.

(a) Purchaser and its Affiliates, successors and assigns (each, a "Purchaser Indemnified Party") shall, solely to the extent provided herein, be indemnified and held harmless by each Selling Unit Holder severally (and not jointly and severally) for and against any and all losses, damages, claims and judgments (including reasonable attorneys fees) actually suffered or incurred by them (each, a "Loss"), arising out of or resulting from, in each case on or prior to the Earnout Due Date:

(i) the breach of any representation or warranty made by PinnOak contained in this Agreement;

(ii) the breach of any covenant or agreement of PinnOak contained in this Agreement to be performed prior to Closing;

(iii) the breach of any representation or warranty made by such Selling Unit Holder contained in this Agreement;

(iv) the breach of any covenant or agreement contained in this Agreement to be performed by such Selling Unit Holder after the Closing;

(v) management or similar fees owing by PinnOak to such Selling Unit Holder or any Affiliate of such Selling Unit Holder in excess of the amounts set forth in Section 4.6(e)(6) of the Disclosure Schedule;

(vi) any Taxes payable by PinnOak or a Subsidiary as a result of the adjustment to PinnOak's 2003 partnership Tax Return proposed by the Internal Revenue Service and which relates to the allocation of the purchase price in connection with acquisition of the business of PinnOak and the Subsidiaries from USS Mining Company, LLC in 2003; and

(vii) the item listed in paragraph (d)1 of Section 4.6 of the Disclosure Schedule relating to any excise Taxes paid by PinnOak or a Subsidiary on coal sold prior to the Closing Date by PinnOak or its Subsidiaries into the export market after it was subject to the synthetic fuel process that are in excess of the reserve for such Taxes included in the Interim Balance Sheet;

(viii) any foreign, federal, state or local income Taxes imposed on or payable by PinnOak or any of its Subsidiaries for any Pre-Closing Period or Pre-Closing Straddle Period; and

(ix) any of the Pending Matters in accordance with Section 8.9(a), which shall be the sole provision for which indemnification shall be sought for the Pending Matters.

(b) Each Purchaser Indemnified Party shall, solely to the extent provided herein, be indemnified and held harmless from and against any and all Losses arising out of or resulting from the Action pending in the Supreme Court of the State of New York, New York County, captioned *Nemelka, et al. v. Questor Management Company, LLC, et al.*, Index No. 100384/06:

(i) by each Selling Unit Holder severally (and not jointly and severally) to the extent PinnOak is determined by the court to be liable for such Loss;

(ii) by the Questor Members (and only the Questor Members) to the extent Questor or a Questor Member is determined by the court to be liable for such Loss; and

(iii) by Regent (and only Regent) to the extent Regent or Benjamin Statler is determined by the court to be liable for such Loss.

(c) Each Purchaser Indemnified Party shall, solely to the extent provided herein, be indemnified and held harmless by the Blocker Parties (and only the Blocker Parties) severally (and not jointly and severally) from and against any and all Losses arising out of or resulting from (i) Taxes imposed on or payable by QPII-AIV for any Pre-Closing Period or Pre-Closing Straddle Period in excess of current Tax refunds due QPII-AIV, (ii) the business of QPII-AIV as conducted on or prior to the Closing Date, (iii) the breach of any representation or warranty made by QPII-AIV contained in the Merger Agreement or (iv) the breach of any covenant or agreement of QPII-AIV contained in the Merger Agreement to be performed prior to Closing.

(d) Whether a claim arises under contract, Law or otherwise that is not otherwise prohibited by this Agreement, except for claims based on fraud, this Article VIII shall be the sole and exclusive recourse of the Purchaser Indemnified Parties against the Selling Unit Holders for Losses arising out of or resulting from any breach of any representation, warranty, covenant or agreement of or by the Selling Unit Holders or PinnOak contained in this Agreement, any breach of any representation, warranty, covenant or agreement of or by QPII-AIV contained in the Merger Agreement or otherwise arising out of, resulting from or related to the transactions contemplated by this Agreement and the Merger Agreement, and any payments required to be made by a Selling Unit Holder pursuant to this Article VIII, except payments for claims based on fraud, shall be, with respect to claims made solely under clauses (i) and (ii) of Section 8.2(a), solely and exclusively funded by the Purchaser's right to set-off the Deferred Payment pursuant to and in accordance with Section 8.6(a) and, with respect to any other claim made under Section 8.2(a), (b) or (c), exclusively funded by the Purchaser's right first to set-off the Deferred Payment with any balance to be funded by Purchaser's right to set-off the Earnout Payment pursuant to and in accordance with Section 8.6(a). For the avoidance of doubt, in the event the aggregate amount of Losses the Purchaser Indemnified Parties would be entitled to set-off in accordance with the terms of the Selling Unit Holders' indemnification obligations under this Article VIII exceeds the amount of the Deferred Payment plus the amount of the Earnout Payment that is earned by the Selling Unit Holders, the Purchaser Indemnified Parties will have no recourse against the Selling Unit Holders other than to set-off against the aggregate amount of the

Deferred Payment and Earnout Payment that is otherwise due and payable. Except as provided for herein and for equitable remedies available to a Purchaser Indemnified Party, to the extent that any Purchaser Indemnified Party suffers or incurs any Losses arising out of the execution, delivery, performance (or nonperformance) or breach (including any inaccuracy in any representation or warranty) by a Selling Unit Holder or PinnOak of this Agreement or the Disclosure Schedule or any other document referenced herein for which any Purchaser Indemnified Party may assert any other right to indemnification, hold harmless, reimbursement, defense, contribution, payment or recovery from a Selling Unit Holder, PinnOak or any of their respective Affiliates (whether under this Agreement or under any Law or otherwise) other than as provided in this Article VIII, Purchaser hereby waives, releases and agrees not to assert such right, and Purchaser agrees to cause each other Purchaser Indemnified Party to waive, release and agree not to assert such right.

(e) For purposes of this Article VIII, the term "Selling Unit Holder" shall be deemed to include the Blocker Parties.

Section 8.3 Indemnification by Purchaser. The Selling Unit Holders and their respective Affiliates, successors and assigns (each, a "Selling Unit Holder Indemnified Party") shall, solely to the extent provided herein, be indemnified and held harmless by Purchaser (a "Purchaser Indemnifying Party") for and against any and all Losses, arising out of or resulting from:

(i) the breach of any representation or warranty made by Purchaser contained in this Agreement;

(ii) the breach of any covenant or agreement to be performed by Purchaser contained in this Agreement;

(iii) any breach of any covenant or agreement of PinnOak contained in this Agreement that is to be performed after the Closing; or

(iv) any breach of any covenant or agreement of QPII-AIV contained in the Merger Agreement that is to be performed after the Closing.

Section 8.4 Limits on Indemnification by Selling Unit Holder Indemnifying Parties

(a) Notwithstanding anything to the contrary contained in this Agreement, no amount of indemnity shall be payable as a result of any claim in respect of a Loss arising under clauses (i) and (ii) of Section 8.2(a):

(i) unless the Purchaser Indemnified Party has given the Selling Unit Holder from whom indemnification is sought (each, a "Selling Unit Holder Indemnifying Party") a Claim Notice with respect to such claim (x) prior to the applicable Cut-Off Date and (y) in any event prior to the Earnout Due Date;

(ii) if any Loss suffered or arising in connection with such claim is less than $100,000 from any single claim or aggregated claims arising out of the same facts, events or circumstances (a "Covered Loss");

(iii) or arising under clause (ix) of Section 8.2(a), unless and until the aggregate amount of all Covered Losses for which the Purchaser Indemnified Parties are otherwise entitled to indemnification pursuant to clauses (i) and (ii) of Section 8.2(a) plus the amount of Losses (including the fees and expenses incurred in connection with the Pending Matters as provided in Section 8.9(a)) for which the Purchaser Indemnified Parties are otherwise entitled to indemnification pursuant to clause (ix) of Section 8.2(a) exceeds an aggregate amount equal to ten million dollars ($10,000,000) (the 'Basket"), in which event the Selling Unit Holder Indemnifying Parties shall be liable solely for the amount of the Covered Losses and such indemnifiable Losses pursuant to clause (ix) of Section 8.2(a) that are in excess of the Basket and, solely in the case of Covered Losses, less than the Indemnity Cap; and

(iv) to the extent that the total of all such Losses (subject to the threshold requirements set forth in Sections 8.4(a)(i), (ii) and (iii)) shall exceed twenty-five million dollars ($25,000,000) (the "Indemnity Cap"); provided that the limitations contained in Sections 8.4(a)(i), (ii) and (iii) shall not apply to Losses arising from any breach of the representations and warranties contained in Section 4.6(e)(i)-(ii) or the covenants contained in Section 6.1(c)(iii)-(iv), Section 6.3 or Section 6.8;

(b) Except for claims based on fraud, the liability of each Selling Unit Holder for claims under this Article VIII shall be, with respect to claims made solely under clauses (i) and (ii) of Section 8.2(a), solely and exclusively funded by the Purchaser's right to set-off the Deferred Payment pursuant to and in accordance with Section 8.6(a) and, with respect to any other claim made under Section 8.2(a), (b) or (c), exclusively funded by the Purchaser's right first to set-off the Deferred Payment with any balance to be funded by Purchaser's right to set-off the Earnout Payment pursuant to and in accordance with Section 8.6(a).

(c) The parties acknowledge and agree that the indemnity obligations of each Selling Unit Holder pursuant to Section 8.2(a)(iii) and (iv) and of each Blocker Party pursuant to Section 8.2(c) are several (and not joint and several) and,

except for claims based on fraud, in each case will be funded solely and exclusively by the Purchaser's right first to set-off the Deferred Payment payable to such Selling Unit Holder with any balance to be funded by Purchaser's right to set-off the Earnout Payment payable to such Selling Unit Holder pursuant to and in accordance with Section 8.6(a).

(d) Notwithstanding anything contained herein to the contrary, for purposes of this Article VIII, in determining the amount of Losses resulting from a breach of any representation or warranty in Article IV hereof, any and all "Material Adverse Effect," "materiality" or similar exceptions and qualifications set forth in any such representation and warranties shall be disregarded; provided, however, that the foregoing shall not apply with respect to Sections 4.6(a), (c) and (d)(v) above.

Section 8.5 Notice of Loss; Third Party Claims.

(a) An Indemnified Party shall promptly, and in any event within thirty (30) calendar days, or, in the case of any Third Party Claim, within ten (10) calendar days, after the Indemnified Party has in good faith determined that an event has occurred that would be reasonably expected to give rise to a right of indemnification under this Article VIII, notify the Indemnifying Party in writing of the matter that the Indemnified Party has in good faith determined gives rise or is reasonably expected to give rise to such right of indemnification under this Agreement (including a pending or threatened claim or demand asserted by a third party against the Indemnified Party, such claim being a "Third Party Claim"), stating the amount of the Loss, if known, and method of computation thereof, describing in reasonable detail the facts and circumstances with respect to such matter and containing a reference to the provisions of this Agreement in respect of which such right of indemnification is claimed or arises (a "Claim Notice"); provided, however, that the failure to provide such notice shall not release the Indemnifying Party from any of its obligations under this Article VIII with respect to Third Party Claims except to the extent that the Indemnifying Party is prejudiced by such failure. Anything in this Article VIII to the contrary notwithstanding, notices for claims in respect of a breach of a representation, warranty, covenant or agreement must be delivered before the expiration of the survival period, if any, for such representation, warranty, covenant or agreement as specified in Section 8.1 (the "Cut-off Date") or, in any event, on or prior to Earnout Due Date.

(b) At any time after the receipt of a Claim Notice from an Indemnified Party pursuant to Section 8.5(a) regarding a Third Party Claim, the Indemnifying Party shall be entitled to assume and control the defense of such Third Party Claim with all expenses to be paid by the Indemnifying Party (solely, in the case of indemnification by the Selling Unit Holders, through the Purchaser's right to set-off the Deferred Payment and Earnout Payment pursuant to and in accordance with the terms of this Article VIII) and through counsel of its choice (after consultation with the Indemnified Party) if it gives notice of its intention to do so to the Indemnified Party and the proceeding or claim involves money damages and not an injunction or other equitable

relief that could have an adverse effect on PinnOak or the Subsidiaries and the Indemnifying Party irrevocably acknowledges in writing its liability to the Indemnified Party under this Article VIII and agrees to indemnify the Indemnified Party in accordance with the terms ofArticle VIII; provided, however, that if the Indemnifying Party does not assume the defense of such Third Party Claim promptly but in no event later than twenty (20) days after its receipt of a Claim Notice with respect to such Third Party Claim, then the Indemnifying Party shall reimburse (solely, in the case of indemnification by the Selling Unit Holders, through the Purchaser's right to set-off the Deferred Payment and Earnout Payment pursuant to and in accordance with the terms of this Article VIII) the Indemnified Party's reasonable expenses incurred in the defense of such Third Party Claim prior to the date the Indemnifying Party ultimately does assume such defense; and provided, further, that if there exists or is reasonably likely to exist a conflict of interest that would make it inappropriate in the reasonable judgment of the Indemnified Party for the same counsel to represent both the Indemnified Party and the Indemnifying Party, then the Indemnified Party shall be entitled to retain its own counsel, at the expense of the Indemnifying Party (solely, in the case of indemnification by the Selling Unit Holders, through the Purchaser's right to set-off the Deferred Payment and Earnout Payment pursuant to and in accordance with the terms of this Article VIII). If the Indemnifying Party exercises the right to undertake any such defense against any such Third Party Claim as provided above, the Indemnified Party shall cooperate with the Indemnifying Party in such defense. Whether or not the Indemnifying Party has exercised such right, the Indemnified Party shall make available to the Indemnifying Party, at the Indemnifying Party's expense (solely, in the case of indemnification by the Selling Unit Holders, through the Purchaser's right to set-off the Deferred Payment and Earnout Payment pursuant to and in accordance with the terms of this Article VIII), all witnesses, pertinent records, materials, and information in the Indemnified Party's possession or under the Indemnified Party's control relating thereto as is reasonably requested by the Indemnifying Party. Similarly, in the event the Indemnified Party is, directly or indirectly, conducting the defense against any such Third Party Claim, the Indemnifying Party shall cooperate with the Indemnified Party in such defense and make available to the Indemnified Party, at the Indemnifying Party's expense (solely, in the case of indemnification by the Selling Unit Holders, through the Purchaser's right to set-off the Deferred Payment and Earnout Payment pursuant to and in accordance with the terms of this Article VIII), all such witnesses, records, materials and information in the Indemnifying Party's possession or under the Indemnifying Party's control relating thereto as is reasonably required by the Indemnified Party; and in such event, the Indemnified Party shall consult with, and give due consideration to the advice of, the Indemnifying Party as may be reasonably requested by the Indemnifying Party regarding the defense of such Third Party Claim. Notwithstanding any other provision in this Article VIII, the Indemnifying Party shall not have the obligation to indemnify any Loss with respect to a Third Party Claim for which the Indemnified Party is conducting the defense if the Indemnified Party has failed to consult with the Indemnifying Party after the Indemnifying Party has requested, in writing, such consultation regarding such Third Party Claim. No such Third Party Claim may be settled by the Indemnified Party without

the prior written consent of the Indemnifying Party (which consent shall not be unreasonably withheld, conditioned, or delayed);provided, that, if the Indemnifying Party has not assumed the defense of a Third Party Claim, the Indemnifying Party may provide such consent under reservation of rights with respect to any obligation to indemnify the Indemnified Party for any Losses resulting from such Third Party Claim.

Section 8.6 Set-Off Rights.

(a) Any payments required to be made to Purchaser or a Purchaser Indemnified Party pursuant to thisArticle VIII, except payments for claims based on fraud, shall be, with respect to claims made solely under clauses (i) and (ii) of Section 8.2(a), solely and exclusively funded by the Purchaser's right to set-off the Deferred Payment and, with respect to any other claim made under Section 8.2(a), (b) or (c), exclusively funded by the Purchaser's right first to set-off the Deferred Payment with any balance to be funded by Purchaser's right to set-off the Earnout Payment. If (i) the Selling Unit Holder Indemnifying Party shall not have objected to the amount claimed by a Purchaser Indemnified Party for indemnification with respect to any Loss or (ii) the Selling Unit Holder Indemnifying Party shall have delivered notice of its disagreement as to the amount of any indemnification requested by such Purchaser Indemnified Party and either (A) the Selling Unit Holder Indemnifying Party, on the one hand, and, Purchaser, on the other hand, shall have, subsequent to the giving of such notice, mutually agreed that the Selling Unit Holder Indemnifying Party is obligated to indemnify such Purchaser Indemnified Party, as the case may be, for a specified amount or (B) a final nonappealable award shall have been issued by the court having jurisdiction over the matters relating to such claim by a Purchaser Indemnified Party for indemnification from the Selling Unit Holder Indemnifying Party, Purchaser shall, subject to the limitations contained in this Article VIII, have the right to set-off against Purchaser's payment obligations with respect to the Deferred Payment the amount determined to be owed to the Purchaser Indemnified Party under this Article VIII (any such amount, a "DP Setoff Amount") and, in the event that the aggregate amount determined to be owed to all Purchaser Indemnified Parties under this Article VIII exceeds $112,500,000, Purchaser shall have the right, for claims other than underclauses (i) and (ii) of Section 8.2(a) and subject to the other limitations contained in this Article VIII, to set-off against Purchaser's payment obligations with respect to the Earnout Payment such excess amount determined to be owed to the Purchaser Indemnified Parties under this Article VIII (any such excess amount, a "EO Setoff Amount" and collectively with the DP Setoff Amount, the "Setoff Amount"), in each case pursuant to and in accordance with the terms and conditions of thisArticle VIII. With respect to any claim for indemnification requested by a Purchaser Indemnified Party prior to the applicable Cut-Off Date or, in any event, the Earnout Due Date which is not finally resolved pursuant to clause (i) or (ii) of the immediately proceeding sentence as of the due date of the Deferred Payment or Earnout Payment, as applicable, Purchaser shall have the right to withhold from the amount of the Deferred Payment or Earnout Payment, as applicable, an amount equal to the aggregate amount of such disputed claims; provided, however, that any amounts

withheld shall accrue interest pursuant to and in accordance with the terms of Section 2.2(c)(iv) (with respect to amounts withheld from the Deferred Payment) or Section 2.3(l) (with respect to amounts withheld from the Earnout Payment), as applicable.

(i) In the case of any amount of indemnity determined to be payable as a result of any claim in respect of a Loss arising under clause (i), (ii), (v), (vi), (vii), (viii) or (ix) of Section 8.2(a) or clause (i) of Section 8.2(b), the Setoff Amount shall be setoff against the Deferred Payment and Earnout Payment, if applicable, payable to all of the Selling Unit Holders pro rata based on each Selling Unit Holder's Ownership Percentage (subject, in case of claims in respect of a Loss arising under clauses (i) and (ii) and (ix) of Section 8.2(a), to the limitations contained in Section 8.4(a)).

(ii) In the case of any amount of indemnity determined to be payable as a result of any claim in respect of a Loss arising under clause (iii) or (iv) of Section 8.2(a), the Setoff Amount shall be setoff solely against the Deferred Payment and Earnout Payment, if applicable, payable to the breaching Selling Unit Holder responsible for such claim.

(iii) In the case of any amount of indemnity determined to be payable as a result of any claim in respect of a Loss arising under clause (ii) of Section 8.2(b), the Setoff Amount shall be setoff solely against the amount of the Deferred Payment and Earnout Payment, if applicable, payable to the Questor Members and the Blocker Parties pro rata amongst the Questor Members and the Blocker Parties based on their Ownership Percentage.

(iv) In the case of any amount of indemnity determined to be payable as a result of any claim in respect of a Loss arising under clause (iii) of Section 8.2(b), the Setoff Amount shall be setoff solely against the amount of the Deferred Payment and Earnout Payment, if applicable, payable to Regent.

(v) In the case of any amount of indemnity determined to be payable as a result of any claim in respect of a Loss arising under Section 8.2(c), the Setoff Amount shall be setoff solely against the amount of the Deferred Payment and Earnout Payment, if applicable, payable to the Blocker Parties.

(b) For the avoidance of doubt, notwithstanding anything to the contrary contained in this Agreement, the parties agree that the right of the Purchaser Indemnified Parties to indemnification pursuant to this Article VIII shall expire on the

Earnout Due Date and, other than with respect to claims validly pending as of such date in accordance with Section 8.6(a), no amounts shall be owed by the Selling Unit Holders after the Earnout Due Date (whether by setoff or otherwise).

Section 8.7 Additional Indemnification Provisions. With respect to Losses for which indemnification is provided under this Article VIII, (a) each Loss shall be calculated on an After-Tax Basis, (b) all Losses shall be net of any third-party insurance proceeds that have been or are subsequently recovered by the Indemnified Party in connection with the facts giving rise to the right of indemnification (and if subsequently recovered shall be promptly delivered to the Indemnifying Party), and (c) in no event shall the Indemnifying Party have liability to the Indemnified Party for any consequential, special, incidental, indirect, or punitive damages, lost revenue, profits or income, diminution in value of securities, loss of business reputation, or opportunity or similar items (except, in each case, to the extent awarded or assessed against the Indemnified Party in connection with a Third Party Claim pursuant to a final and non-appealable Governmental Order or award of an arbitrator, arbitration panel, or similar adjudicative body). In any case where an Indemnified Party recovers from a third Person any amount in respect of a matter for which an Indemnifying Party has indemnified it pursuant to this Article VIII, the Indemnified Party shall promptly pay over to the Indemnifying Party the amount so recovered (after deducting therefrom the amount of expenses incurred by it in procuring such recovery), but not in excess of the sum of (i) any amount previously paid by the Indemnifying Party to or on behalf of the Indemnified Party in respect of such claim and (ii) any amount expended by the Indemnifying Party in pursuing or defending any claim arising out of such matter. The obligations of the Selling Unit Holder Indemnifying Parties to indemnify and hold harmless any Purchaser Indemnified Party under this Article VIII, to the extent applicable, shall terminate as of the Cut-Off Date of the representation, warranty or covenant pursuant to Section 8.1; provided, however, that such obligations to indemnify and hold harmless shall not terminate with respect to any item as to which any Purchaser Indemnified Party shall have, before such Cut-Off Date, previously made a claim by delivering a Claim Notice with respect to such claim pursuant to Section 8.5 to the Selling Unit Holders.

Section 8.8 Mitigation of Damages. Purchaser shall take and shall cause its Affiliates (including PinnOak after the Closing) to take commercially reasonable steps, excluding the payment of any material fees, costs or expenses, to mitigate any Losses upon becoming aware of any event that would reasonably be expected to, or does, give rise to Losses. The Indemnified Parties shall take commercially reasonable steps, excluding the payment of any material fees, costs or expenses, to mitigate any Losses upon becoming aware of any event that would reasonably be expected to, or does, give rise Losses. If any amounts recovered or recoverable under insurance policies or other collateral sources (including the Asset Purchase Agreement, dated as of May 23, 2003, by and among PinnOak, Pinnacle Mining Company, LLC, Pinnacle Land Company, LLC, U.S. Steel Mining Company, LLC and United States Steel Corporation, which the Purchaser and PinnOak, after the Closing, agree to use

commercially reasonable efforts to enforce) are not received before any claim for indemnification is paid pursuant to this Article VIII, then the Indemnified Parties shall use reasonable commercial efforts to pursue such insurance policies or collateral sources, and if the Indemnified Parties receive any recovery, the amount of such recovery shall be applied first, to reimburse the Indemnified Parties for their out-of-pocket expenses (including reasonable attorneys fees and expenses) expended in pursuing such recovery, second, to refund any payments made by the Indemnifying Parties which would not have been so paid had such recovery been obtained before such payment to the extent that such recovery, together with any indemnification payment by the Indemnifying Party, exceeds the applicable Losses related to such claim, and third, any excess to the Indemnified Parties. The Indemnified Parties shall assign or otherwise reasonably cooperate with the Indemnifying Parties to pursue any claims against, or otherwise recover amounts from, any Person liable or responsible for any Losses for which indemnification has been received pursuant to this Agreement.

Section 8.9 Pending Matters. Notwithstanding anything to the contrary contained in this Agreement:

(a) During the period commencing as of the Closing Date and expiring on the Earnout Due Date (or earlier with respect to a given Pending Matter if such Pending Matter is resolved earlier in accordance with the terms hereof) (the "Litigation Period"), the Selling Unit Holders shall control the proceedings involving the current subject matter of the Actions described in paragraphs 1 and 3 of Section 4.7 of the Disclosure Schedule (the "Pending Matters") by all appropriate proceedings, which proceedings will be handled with due care by the Selling Unit Holders to a final judgment or will be settled at the discretion of the Selling Unit Holders (but only with the prior written consent of Purchaser, which consent will not be unreasonably withheld, in the case of any settlement that provides for (a) an injunction or other equitable relief that would have an adverse effect on PinnOak or the Subsidiaries or (b) the payment of monetary damages in excess of the aggregate amount of the Deferred Payment and Earnout Payment). The Selling Unit Holders will have full control of such proceedings, including (except as provided in the immediately preceding sentence) any settlement thereof. For the avoidance of doubt, PinnOak shall bear the costs and expenses incurred by it in connection with the Pending Matters, including the costs and expenses of PinnOak's current counsel (or any replacement counsel) which represents PinnOak in the Pending Matters, subject to the control of the Selling Unit Holders as provided in this Section 8.9(a); provided that such costs and expenses will be counted towards the Basket under Section 8.4(a)(iii) and the Selling Unit Holders shall indemnify Purchaser, by way of a set-off right under Section 8.6(a), for any such fees incurred after the aggregate amount of Covered Losses (including such fees) exceed the amount of the Basket. Purchaser may retain separate counsel to represent it in, but not control, any defense or settlement of a Pending Matter pursuant to this Section 8.9(a), and Purchaser will bear its own costs and expenses with respect to such separate counsel; provided that such fees will be counted towards the Basket under Section 8.4(a)(iii) and the Selling Unit Holders

shall indemnify Purchaser, by way of a set-off right under Section 8.6(a), for any such fees incurred after the aggregate amount of Covered Losses (including such fees) exceeds the amount of the Basket.

(b) During the Litigation Period, Purchaser will cooperate, and will cause PinnOak, the Subsidiaries and each of their respective Representatives to cooperate, with the reasonable requests of the Selling Unit Holders and their counsel to assist in the defense of the Pending Matters, including, without limitation, by providing reasonable access to the books, records and other data relating to the business of PinnOak and the Subsidiaries and the right to make copies and extracts, at the Selling Unit Holders' expense, therefrom and to make available (including for purposes of meetings, interviews, depositions or hearings regarding the Pending Matters) all personnel reasonably necessary (and to schedule any such meetings, interviews, depositions or hearings, if possible, at such times as are reasonably convenient for such personnel and to minimize interference with the ongoing business of PinnOak and the Subsidiaries) and any other information in order to fulfill the Selling Unit Holders' obligations under this Section 8.9. During the Litigation Period, Purchaser, PinnOak and the Subsidiaries shall execute any reasonably necessary documentation in order to evidence the authority of the Selling Unit Holders pursuant to the terms hereof, including any required limited powers-of-attorney.

Section 8.10 Nature of Payments. Any indemnity payments made under this Article VIII shall be treated for Tax purposes as an adjustment of the Purchase Price.

ARTICLE IX
TERMINATION, AMENDMENT AND WAIVER

Section 9.1 Termination. This Agreement may be terminated at any time prior to the Closing:

(a) by the written consent of each of the Selling Unit Holders, PinnOak and Purchaser;

(b) by PinnOak, if Purchaser (i) breaches or fails in any material respect to perform or comply with any of its material covenants or agreements contained herein, or (ii) breaches its representations or warranties in any material respect and such breach would materially delay or prevent the consummation of the transactions contemplated hereby, in each case such that the condition set forth in Sections 7.3(a) or (b) would not be satisfied (a "Terminating Purchaser Breach"); provided, that if such Terminating Purchaser Breach is curable by Purchaser through the exercise of its best efforts, and Purchaser continues to exercise such best efforts, PinnOak may not terminate this Agreement under this Section 9.1(b);

(c) by Purchaser, if the Selling Unit Holders or PinnOak (i) breach or fail in any material respect to perform or comply with any of their material

covenants or agreements contained herein, or (ii) breaches their representations or warranties in any material respect and such breach would have a Material Adverse Effect, in each case such that the condition set forth in Section 7.2(a), (b), (d) or (e) would not be satisfied (a "Terminating Sellers Breach"); provided that, if such Terminating Sellers Breach is curable by the Selling Unit Holders and PinnOak through the exercise of their best efforts, and the Selling Unit Holders and PinnOak continue to exercise such best efforts, Purchaser may not terminate this Agreement under this Section 9.1(c);

(d) by any party hereto, if the Closing shall not have occurred prior to August 31, 2007; provided, however, that in the event that, as of August 31, 2007, all conditions to Closing set forth in Article VII have been satisfied or waived (other than such conditions that say their terms are satisfied at the Closing) other than the condition set forth in Section 7.1(a), the termination date may be extended from time to time at the option of the Sellers Representative by up to an aggregate of sixty (60) days; provided further, however, that the right to terminate this Agreement under this Section 9.1(d) shall not be available to any party whose failure to fulfill any obligation under this Agreement shall have been the cause of, or shall have resulted in, the failure of the Closing to occur prior to such date; or

(e) by any party hereto, in the event of the issuance of a Governmental Order (which Governmental Order the parties hereto shall use commercially reasonable efforts to lift) restraining, enjoining or otherwise prohibiting the transactions contemplated herein and such Governmental Order having been made final and non-appealable.

Section 9.2 Effect of Termination. In the event of the termination of this Agreement as provided in Section 9.1, this Agreement shall forthwith become void and there shall be no liability on the part of any party hereto, except as set forth in Section 6.3; provided, however, that no such termination shall relieve any party hereto from liability for any breach by such party of any covenant set forth in this Agreement; provided, further, that the obligations of the parties set forth in Article X hereof shall survive any such termination.

Section 9.3 Waiver. At any time prior to the Closing, any party may (a) extend the time for the performance of any of the obligations or other acts of any other party hereto, (b) waive any inaccuracies in the representations and warranties contained herein or in any document delivered pursuant hereto or (c) waive compliance with any of the agreements or conditions contained herein. Any such extension or waiver shall be valid only if set forth in an instrument in writing signed by the party to be bound thereby. The waiver by any party hereto of a breach of any term or provision of the Agreement shall not be construed as a waiver of any subsequent breach.

Section 9.4 Reimbursement of Purchaser Expenses. In the event that this Agreement is terminated by Purchaser pursuant to Section 9.1(c) and the Selling Unit Holders enter into an agreement in respect of and consummate within twelve (12) months

of the date of such termination an Alternative Proposal, the Selling Unit Holders will cause PinnOak to reimburse Purchaser for up to one million dollars ($1,000,000) of its Purchaser Expenses (the "Termination Fee").

ARTICLE X
MISCELLANEOUS

Section 10.1 Expenses. Except as may be otherwise specified herein, all costs and expenses, including fees and disbursements of counsel, financial advisors and accountants, incurred in connection with this Agreement and the transactions contemplated hereby shall be paid by the party incurring such costs and expenses, whether or not the Closing shall have occurred.

Section 10.2 Notices. All notices, requests, claims, demands and other communications hereunder shall be in writing and shall be given or made (and shall be deemed to have been duly given or made upon receipt) by delivery in person, by overnight courier service, by facsimile (followed by delivery of a copy via overnight courier service) to the respective parties at the following addresses (or at such other address for a party as shall be specified in a notice given in accordance with this Section 10.2):

(a) if to Regent:

The Regent Investment Company
113 Bremen Way
McMurray, Pennsylvania 15317
Attention: Benjamin M. Statler
Facsimile: (724) 942-5366

with a copy to:

Skadden, Arps, Slate, Meagher & Flom LLP
333 West Wacker Drive
Chicago, Illinois 60606
Attention: Peter C. Krupp
Facsimile: (312) 407-0411

(b) if to the Questor Members:

Questor Members
c/o Questor Management Company, LLC
2000 Town Center, Suite 2450
Southfield, Michigan 48075
Attention: President
Facsimile: (248) 213-2215

with a copy to:

Skadden, Arps, Slate, Meagher & Flom LLP
333 West Wacker Drive
Chicago, Illinois 60606
Attention: Peter C. Krupp
Facsimile: (312) 407-0411

(c) if to Employee LLC:

PinnOak Resources Employee Equity Incentive Plan, LLC
49 Sunset Beach Rd.
Morgantown, WV 26508
Attention: Ronald Stovash
Facsimile: (724) 743-3241

with a copy to:

Skadden, Arps, Slate, Meagher & Flom LLP
333 West Wacker Drive
Chicago, Illinois 60606
Attention: Peter C. Krupp
Facsimile: (312) 407-0411

(d) if to Purchaser:

Cleveland-Cliffs Inc
1100 Superior Avenue
Cleveland, Ohio 44114-2589
Attention: George W. Hawk, General Counsel
Facsimile: 216-694-5389

with a copy to:

Calfee, Halter & Griswold LLP
1400 KeyBank Center
800 Superior Avenue
Cleveland, Ohio 44114-2688
Attention: Robert A. Ross
Facsimile: 216-241-0816

Section 10.3 Headings. The headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

Section 10.4 Severability. If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced by any Law or public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner adverse to any party. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in a mutually acceptable manner in order that the transactions contemplated hereby be consummated as originally contemplated to the greatest extent possible.

Section 10.5 Entire Agreement. This Agreement, the Disclosure Schedule and the Confidentiality Agreement constitute the entire agreement of the parties hereto with respect to the subject matter hereof and supersede all prior agreements and undertakings, both written and oral, between the Selling Unit Holders, PinnOak and Purchaser with respect to the subject matter hereof.

Section 10.6 Assignment. Neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned by any of the parties hereto (whether by operation of law or otherwise) without the prior written consent of the other party, except that Purchaser may, without such prior written consent, at any time, transfer or assign its rights, interests and obligations under this Agreement (i) to one or more of its Affiliates, provided that any such Affiliate agrees in writing to be bound by all of the terms, conditions and provisions herein, but no such assignment referred to in clause (i) shall relieve Purchaser of its obligations hereunder or (ii) as part of a collateral assignment to any lender of Purchaser. Subject to the preceding sentence, this Agreement will be binding upon, inure to the benefit of and be enforceable by the parties and their respective permitted successors and assigns.

Section 10.7 No Third-Party Beneficiaries. Except as expressly provided herein, this Agreement is for the sole benefit of the parties hereto and their permitted assigns and nothing herein, express or implied, is intended to or shall confer upon any other Person or entity any legal or equitable right, benefit or remedy of any nature whatsoever under or by reason of this Agreement.

Section 10.8 Amendment. This Agreement may not be amended or modified except by an instrument in writing signed by each of the Selling Unit Holders, PinnOak and Purchaser specifically referencing this Agreement.

Section 10.9 Specific Performance. The parties hereto agree that irreparable damage would occur in the event any provision of this Agreement was not

performed in accordance with the terms hereof and that the parties shall be entitled to specific performance of the terms hereof, in addition to any other remedy at law or equity, without the necessity of demonstrating the inadequacy of money damages.

Section 10.10 Governing Law; Submission to Jurisdiction. This Agreement shall be governed and construed in accordance with the laws of the State of Delaware applicable to contracts to be made and performed entirely therein without giving effect to the principles of conflicts of law thereof or of any other jurisdiction. Each of the parties hereto hereby expressly and irrevocably submits to the exclusive personal jurisdiction of the United States District Court for the District of Delaware and to the jurisdiction of any other competent court of the State of Delaware located in New Castle County (collectively, the "Delaware Courts"), preserving, however, all rights of removal to such federal court under 28 U.S.C. Section 1441, in connection with all disputes arising out of or in connection with this Agreement or the transactions contemplated hereby and agrees not to commence any litigation relating thereto except in such courts. If the aforementioned courts do not have subject matter jurisdiction, then the proceeding shall be brought in any other state or federal court located in the State of Delaware, preserving, however, all rights of removal to such federal court under 28 U.S.C. Section 1441. Each party hereby waives the right to any other jurisdiction or venue for any litigation arising out of or in connection with this Agreement or the transactions contemplated hereby to which any of them may be entitled by reason of its present or future domicile. Notwithstanding the foregoing, each of the parties hereto agrees that each of the other parties shall have the right to bring any action or proceeding for enforcement of a judgment entered by the Delaware Courts in any other court or jurisdiction.

Section 10.11 Waiver of Jury Trial. THE SELLING UNIT HOLDERS, PINNOAK AND PURCHASER HEREBY IRREVOCABLY WAIVE ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM (WHETHER BASED IN CONTRACT, TORT OR OTHERWISE) ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE ACTIONS OF ANY OF THE SELLING UNIT HOLDERS, PINNOAK OR PURCHASER IN THE NEGOTIATION, ADMINISTRATION, PERFORMANCE AND ENFORCEMENT THEREOF.

Section 10.12 Appointment of Sellers Representative.

(a) By virtue of approval and adoption of this Agreement, each Selling Unit Holder hereby constitutes and appoints Regent (the "Sellers Representative") as the sole, exclusive, true and lawful agent, representative and attorney-in-fact, in such Selling Unit Holder's name, place and stead, and on its behalf, with respect to any and all matters relating to, arising out of, or in connection with, Section 2.3 or Section 6.6(a)-(b) of this Agreement.

(b) The Sellers Representative agrees to consult with and consider the comments and suggestions of the Selling Unit Holders in connection with

any actions to be taken by the Sellers Representative in its capacity as Sellers Representative. The Sellers Representative acknowledges and agrees to deliver to the Selling Unit Holders a copy of the Preliminary Earnings Payment Statement promptly upon receipt from Purchaser and to afford the Selling Unit Holders a reasonable opportunity to review, comment on and consult with the Sellers Representative regarding such Preliminary Earnings Payment Statement and any Dispute Notice before any disclosure or delivery thereof to Purchaser.

(c) The Sellers Representative will not be liable to any Selling Unit Holder for any action taken by it in good faith pursuant to this Agreement, and the Selling Unit Holders will severally indemnify the Sellers Representative against, and agree to hold the Sellers Representative harmless from, any and all Losses. The Sellers Representative is serving in that capacity solely for purposes of administrative convenience, and is not personally liable in such capacity for any of the obligations of the Selling Unit Holders hereunder, and the Purchaser Indemnified Parties agree that they will not look to the personal assets of the Sellers Representative, acting in such capacity, for the satisfaction of any obligations to be performed by the Selling Unit Holders hereunder.

Section 10.13 Counterparts. This Agreement may be executed in one or more counterparts, and by the different parties hereto in separate counterparts, each of which when executed shall be deemed to be an original but all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Agreement by telecopier shall be effective as delivery of a manually executed counterpart of this Agreement.

Section 10.14 No Presumption. This Agreement shall be construed without regard to any presumption or rule requiring construction or interpretation against the party drafting or causing any instrument to be drafted.

[Signature Page Follows]

CONFIDENTIAL MATERIAL HAS BEEN OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION. ASTERISKS DENOTE SUCH OMISSIONS.

IN WITNESS WHEREOF, the Selling Unit Holders and Purchaser have caused this Agreement to be executed as of the date first written above by their respective officers thereunto duly authorized.

CLEVELAND-CLIFFS INC

By: /s/ Joseph A. Carrabba
Name: Joseph A. Carrabba
Title: Chairman, President and
Chief Executive Officer

PINNOAK RESOURCES, LLC

By: /s/ Benjamin M. Statler
Name: Benjamin M. Statler
Title: Chairman

THE REGENT INVESTMENT COMPANY, L.P.

By: /s/ Benjamin M. Statler
Name: Benjamin M. Statler
Title: President

QUESTOR PARTNERS FUND II, L.P.

By: Questor General Partner II, L.P.
Its: General Partner

By: Questor Principals II, Inc.
Its: General Partner

By: /s/ Robert D. Denious
Name: Robert D. Denious
Title: Authorized Signatory

QUESTOR SIDE-BY-SIDE PARTNERS II. L.P.

By: Questor Principals II, Inc.
Its: General Partner

By: /s/ Robert D. Denious
Name: Robert D. Denious
Title: Authorized Signatory

QUESTOR SIDE-BY-SIDE PARTNERS II 3(c)1, L.P.

By: Questor Principals II, Inc.
Its: General Partner

By:/s/ Robert D. Denious
Name: Robert D. Denious
Title: Authorized Signatory

QUESTOR PARTNERS FUND II AIV-1, LLC

By: Questor General Partner II, L.P.
Its: Managing Member

By: Questor Principals II, Inc.
Its: General Partner

By: /s/ Robert D. Denious
Name: Robert D. Denious
Title: Managing Director

QUESTOR GENERAL PARTNER II, L.P.

By: Questor Principals II, Inc.
Its: General Partner

By: /s/ Robert D. Denious
Name: Robert D. Denious
Title: Managing Director

PINNOAK RESOURCES EMPLOYEE EQUITY INCENTIVE PLAN, LLC

By: /s/ Ronald Stovash
Name: Ronald Stovash
Title: Authorized Signatory

Exhibit 4(a)

EXECUTION COPY

CREDIT AGREEMENT

Among

CLEVELAND-CLIFFS INC

VARIOUS LENDERS
FROM TIME TO TIME PARTY HERETO

and

BANK OF AMERICA, N.A.,
as Administrative Agent and L/C Issuer

DATED AS OF JULY 26, 2007

TABLE OF CONTENTS

CREDIT AGREEMENT

This Credit Agreement is entered into as of July 26, 2007, by and among Cleveland-Cliffs Inc, an Ohio corporation (the *"Borrower"*), the various institutions from time to time party to this Agreement as Lenders and Bank of America, N.A., as Administrative Agent and L/C Issuer.

The Borrower has requested, and the Lenders have agreed to extend, certain credit facilities on the terms and conditions of this Agreement. In consideration of the mutual agreements set forth in this Agreement, the parties to this Agreement agree as follows:

SECTION 1. DEFINITIONS; INTERPRETATION.

Section 1.1 Definitions. The following terms when used herein shall have the following meanings:

"Acquisition" means any transaction or series of related transactions for the purpose of or resulting, directly or indirectly, in (a) the acquisition of all or substantially all of the assets of a Person, or of any business or division of a Person, (b) the acquisition of in excess of 50% of the capital stock, partnership interests, membership interests or equity of any Person (other than a Person that is a Subsidiary), or (c) a merger or consolidation or any other combination with another Person (other than a Person that is a Subsidiary), provided that the Borrower or the Subsidiary is the surviving entity.

"Adjusted LIBOR" means, for any Borrowing of Eurocurrency Loans, a rate per annum equal to the quotient of (i) LIBOR, divided by (ii) one minus the Reserve Percentage.

"Administrative Agent" means Bank of America, N.A., as contractual representative for itself and the other Lenders and any successor pursuant to Section 9.7 hereof.

"Administrative Agent's Office" means the Administrative Agent's address and, as appropriate, account as set forth on the signature page of the Administrative Agent hereof, or such other address or account as the Administrative Agent may from time to time notify in writing to the Borrower and the Lenders.

"Administrative Agent's Quoted Rate" is defined in Section 2.10(c) hereof.

"Administrative Questionnaire" means an Administrative Questionnaire in a form supplied by the Administrative Agent.

"Affiliate" means any Person directly or indirectly controlling or controlled by, or under direct or indirect common control with, another Person. A Person shall be deemed to control another Person for purposes of this definition if such Person possesses, directly or indirectly, the power to direct, or cause the direction of, the management and policies of the other Person, whether through the ownership of voting securities, common directors, trustees or officers, by contract or otherwise*;* provided that, in any event for purposes of this definition, any Person that owns, directly or indirectly, 30% or more of the securities having the ordinary voting power for the election of directors or governing body of a corporation or 30% or more of the partnership or

other ownership interests of any other Person (other than as a limited partner of such other Person) will be deemed to control such corporation or other Person.

"Agreement" means this Credit Agreement, as the same may be amended, modified, restated or supplemented from time to time pursuant to the terms hereof.

"Alternative Currency" means any of Australian dollars and Canadian dollars, and any other currency approved by the Administrative Agent, in each case for so long as such currency is readily available to all the Lenders and is freely transferable and freely convertible to U.S. Dollars and the Dow Jones Telerate Service or Reuters Monitor Money Rates Service (or any successor to either) reports a LIBOR for such currency for interest periods of one, two, three, six and twelve calendar months*; provided* that if any Lender provides written notice to the Borrower (with a copy to the Administrative Agent) that any currency control or other exchange regulations are imposed in the country in which any such Alternative Currency is issued and that in the reasonable opinion of such Lender funding a Loan in such currency is unlawful or subject to unreasonably burdensome legal restrictions, then such currency shall cease to be an Alternative Currency hereunder until such time as all the Lenders reinstate such country's currency as an Alternative Currency.

"Amapa" means MMX Amapá Mineração Ltda., a company organized under the laws of Brazil.

"Amapa Investment" means, collectively, all Investments by the Borrower and its Subsidiaries in Amapa.

"Applicable Margin" means, with respect to Loans, Reimbursement Obligations, and the commitment fees and letter of credit fees payable under Section 2.12 hereof, (a) from the closing date until September 30, 2007, the rates per annum shown below:

APPLICABLE MARGIN FOR BASE RATE LOANS AND REIMBURSEMENT OBLIGATIONS SHALL BE:	APPLICABLE MARGIN FOR EUROCURRENCY LOANS AND LETTER OF CREDIT FEE SHALL BE:	APPLICABLE MARGIN FOR COMMITMENT FEE SHALL BE:
0%	0.50%	0.10%

(b) from October 1, 2007 until the first Pricing Date, the rates per annum shown opposite Level I below, and (c) thereafter, from one Pricing Date to the next, the rates per annum determined in accordance with the following schedule:

LEVEL	TOTAL FUNDED DEBT TO EBITDA RATIO FOR SUCH PRICING DATE	APPLICABLE MARGIN FOR BASE RATE LOANS AND REIMBURSEMENT OBLIGATIONS SHALL BE:	APPLICABLE MARGIN FOR EUROCURRENCY LOANS AND LETTER OF CREDIT FEE SHALL BE:	APPLICABLE MARGIN FOR COMMITMENT FEE SHALL BE:
I	Less than or equal to 1.0 to 1.0	0.0%	0.75%	0.175%

LEVEL	TOTAL FUNDED DEBT TO EBITDA RATIO FOR SUCH PRICING DATE	APPLICABLE MARGIN FOR BASE RATE LOANS AND REIMBURSEMENT OBLIGATIONS SHALL BE:	APPLICABLE MARGIN FOR EUROCURRENCY LOANS AND LETTER OF CREDIT FEE SHALL BE:	APPLICABLE MARGIN FOR COMMITMENT FEE SHALL BE:
II	Less than or equal to 1.5 to 1.0, but greater than 1.0 to 1.0	0.0%	1.00%	0.20%
III	Less than or equal to 2.0 to 1.0, but greater than 1.5 to 1.0	0.0%	1.25%	0.225%
IV	Greater than 2.0 to 1.0	0.0%	1.50%	0.25%

For purposes hereof, the term *"Pricing Date"* means, for any fiscal quarter of the Borrower ending on or after September 30, 2007, the date on which the Administrative Agent is in receipt of the Borrower's most recent financial statements (and, in the case of the year-end financial statements, audit report) for the fiscal quarter then ended, pursuant to Section 6.1 hereof. The Applicable Margin shall be established based on the Total Funded Debt to EBITDA ratio for the most recently completed fiscal quarter and the Applicable Margin established on a Pricing Date shall remain in effect until the next Pricing Date. If the Borrower has not delivered its financial statements by the date such financial statements (and, in the case of the year-end financial statements, audit report) are required to be delivered under Section 6.1 hereof, until such financial statements and audit report are delivered, the Applicable Margin shall be the highest Applicable Margin (*i.e.,* the Total Funded Debt to EBITDA ratio shall be deemed to be greater than 2.00 to 1.0). If the Borrower subsequently delivers such financial statements before the next Pricing Date, the Applicable Margin established by such late delivered financial statements shall take effect from the date of delivery until the next Pricing Date. In all other circumstances, the Applicable Margin established by such financial statements shall be in effect from the Pricing Date that occurs immediately after the end of the fiscal quarter covered by such financial statements until the next Pricing Date. Each determination of the Applicable Margin made by the Administrative Agent in accordance with the foregoing shall be conclusive and binding on the Borrower and the Lenders absent manifest error.

"Application" is defined in Section 2.2(b) hereof.

"Approved Fund" means any Fund that is administered or managed by (a) a Lender, (b) an Affiliate of a Lender or (c) an entity or an Affiliate of an entity that administers or manages a Lender.

"Assignment and Assumption" means an assignment and assumption entered into by a Lender and an Eligible Assignee (with the consent of any party whose consent is required by Section 10.10), and accepted by the Administrative Agent, in substantially the form of Exhibit F or any other form approved by the Administrative Agent.

"Authorized Representative" means those persons shown on the list of officers provided by the Borrower pursuant to Section 3.2 hereof or on any update of any such list provided by the

Borrower to the Administrative Agent, or any further or different officers of the Borrower so named by any Authorized Representative of the Borrower in a written notice to the Administrative Agent.

"Base Rate" means for any day the greater of: (i) the rate of interest announced by the Administrative Agent from time to time as its "prime rate" as in effect on such day, with any change in the Base Rate resulting from a change in said prime rate to be effective as of the date of the relevant change in said prime rate (it being acknowledged that such rate may not be the Administrative Agent's best or lowest rate) and (ii) the sum of (x) the Federal Funds Rate, *plus* (y) 1/2 of 1%.

"Base Rate Loan" means a Loan bearing interest at a rate specified in Section 2.3(a) hereof.

"Borrower" is defined in the introductory paragraph of this Agreement.

"Borrowing" means the total of Loans of a single type advanced, continued for an additional Interest Period, or converted from a different type into such type by the Lenders on a single date and, in the case of Eurocurrency Loans, for a single Interest Period. Borrowings of Loans are made and maintained ratably from each of the Lenders according to their Percentages. A Borrowing is *"advanced"* on the day Lenders advance funds comprising such Borrowing to the Borrower, is *"continued"* on the date a new Interest Period for the same type of Loans commences for such Borrowing, and is *"converted"* when such Borrowing is changed from one type of Loans to the other, all as requested by the Borrower pursuant to Section 2.4(a) hereof.

"Business Day" means any day (other than a Saturday or Sunday) on which banks are not authorized or required to close in New York, New York and, if the applicable Business Day relates to the advance or continuation of, or conversion into, or payment of a Eurocurrency Loan, on which banks are dealing in U.S. Dollar deposits in the interbank Eurocurrency market in London, England and New York, New York and, if the applicable Business Day relates to the borrowing or payment of a Eurocurrency Loan denominated in an Alternative Currency, on which banks and foreign exchange markets are open for business in the city where disbursements of or payments on such Loan are to be made and, if such Alternative Currency is the euro or any national currency of a nation that is a member of the European Economic and Monetary Union, which is a TARGET Settlement Day.

"Capital Expenditures" means, with respect to any Person for any period, the aggregate amount of all expenditures (whether paid in cash or accrued as a liability) by such Person during that period for the acquisition or leasing (pursuant to a Capital Lease) of fixed or capital assets or additions to property, plant, or equipment (including replacements and improvements) which should be capitalized on the balance sheet of such Person in accordance with GAAP.

"Capital Lease" means any lease of Property which in accordance with GAAP is required to be capitalized on the balance sheet of the lessee.

"Capitalized Lease Obligation" means, for any Person, the amount of the liability shown on the balance sheet of such Person in respect of a Capital Lease determined in accordance with GAAP.

"Cash Equivalents" shall mean, as to any Person: (a) investments in direct obligations of the United States of America or of any agency or instrumentality thereof whose obligations constitute full faith and credit obligations of the United States of America and securities that are the direct obligations of any member state of the European Union or any other sovereign nation, which at the time of acquisition thereof, was not targeted for sanctions by the Office of Foreign Assets Control of the United States Department of the Treasury so long as the full faith of and credit of such nation is pledged in support thereof, provided that in each case any such obligations shall mature within one year of the date of issuance thereof; (b) investments in commercial paper rated at least P-1 by Moody's or at least A-1 by S&P or the highest rating available by any other credit agency of national standing or an equivalent rating from a comparable foreign rating agency, in each case maturing within one year of the date of issuance thereof; (c) investments in certificates of deposit or banker's acceptances issued by any Lender or by any commercial bank having capital and surplus of not less than U.S. $100,000,000 which have a maturity of one year or less; (d) investments in repurchase obligations with a term of not more than 7 days for underlying securities of the types described in clause (a) above entered into with any bank meeting the qualifications specified in clause (c) above, provided all such agreements require physical delivery of the securities securing such repurchase agreement, except those delivered through the Federal Reserve Book Entry System; (e) investments in auction reset securities, which are variable rate securities with interest rates that reset no less frequently than quarterly in each case rated "AA" or better by S&P, "Aa2" or better by Moody's or an equivalent rating by any other credit rating agency of recognized national standing; (f) investments in variable rate demand notes and bonds that are credit enhanced by any commercial bank having capital and surplus of not less than U.S. $100,000,000; and (g) investments in money market funds that invest solely, and which are restricted by their respective charters to invest solely, in investments of the type described in the immediately preceding subsections (a), (b), (c), (d), (e) and (f) above.

"CERCLA" means the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended by the Superfund Amendments and Reauthorization Act of 1986, 42 U.S.C. §§9601 *et seq.,* and any future amendments.

"Change of Control" shall mean and include any Person or related Persons constituting a "group" for the purposes of Section 13(d) of the Securities Exchange Act of 1934, as amended, becoming the beneficial owner or owners, directly or indirectly, of a majority of the Voting Stock (determined by number of votes) of the Borrower (the *"Beneficial Owners"*); *provided* that a Change of Control shall not have occurred if the Beneficial Owners include, and are under the general direction and control of, a member or members of the Current Management Group. As used herein, the term *"Voting Stock"* shall mean Securities of any class or classes, the holders of which are ordinarily, in the absence of contingencies, entitled to elect a majority of the corporate directors (or Persons performing similar functions). As used herein, the term *"Current Management Group"* shall mean Joseph A. Carrabba, William R. Calfee, John S. Brinzo, David H. Gunning and Donald J. Gallagher and any successors thereto who are appointed by a majority of the Continuing Directors. As used herein, this term *"Continuing Director"* shall mean any

director of the Borrower who either (x) is a director of the Borrower on the date hereof or (y) becomes a director of the Borrower subsequent to the date hereof but prior to the date of the Change of Control and whose election or nomination for election by the shareholders of the Borrower was duly approved by at least two-thirds of the Continuing Directors who were such immediately prior to that time of election or nomination, either by a specific vote of such Continuing Directors or by approval of the proxy statement issued by the Borrower in which such individual was named as a nominee for director of the Borrower.

"*Cliffs Sonoma Entities*" means, collectively, Cliffs Australia Washplant Operations Pty Ltd CAN 123 748 032 and Cliffs Australia Coal Pty Ltd CAN 123 583 326.

"Closing Date" means the date of this Agreement or such later Business Day upon which each condition described in Section 3.2 shall be satisfied in a manner acceptable to the Administrative Agent in its discretion.

"Code" means the Internal Revenue Code of 1986, as amended, and any successor statute thereto.

"Collateral Account" is defined in Section 7.4 hereof.

"Commitment" means, as to any Lender, the obligation of such Lender to make Revolving Loans and to participate in Swing Loans and Letters of Credit issued for the account of the Borrower hereunder in an aggregate principal or face amount at any one time outstanding not to exceed the amount set forth opposite such Lender's name on Schedule 1 attached hereto and made a part hereof, as the same may be reduced or modified at any time or from time to time pursuant to the terms hereof.

"Contingent Obligation" shall mean as to any Person, any obligation of such Person guaranteeing or intended to guarantee any Indebtedness (*"primary obligations"*) of any other Person (the *"primary obligor"*) in any manner, whether directly or indirectly, including, without limitation, any obligation of such Person, whether or not contingent, (i) to purchase any such primary obligation or any Property constituting direct or indirect security therefor, (ii) to advance or supply funds (x) for the purchase or payment of any such primary obligation or (y) to maintain working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor, (iii) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation or (iv) otherwise to assure or hold harmless the holder of such primary obligation against loss in respect thereof; *provided, however,* that the term Contingent Obligation shall not include endorsements of instruments for deposit or collection in the ordinary course of business. The amount of any Contingent Obligation shall be deemed to be an amount equal to the stated or determinable principal amount of the primary obligation in respect of which such Contingent Obligation is made or, if not stated or determinable, the maximum reasonably anticipated liability in respect thereof (assuming such Person is required to perform thereunder) as determined by such Person in good faith.

"Controlled Group" means all members of a controlled group of corporations and all trades or businesses (whether or not incorporated) under common control which, together with the Borrower, are treated as a single employer under Section 414 of the Code.

"Credit Event" means the advancing of any Loan, the continuation of or conversion into a Eurocurrency Loan, or the issuance of, or extension of the expiration date or increase in the amount of, any Letter of Credit.

"Damages" means all damages including, without limitation, punitive damages, liabilities, costs, expenses, losses, judgments, fines, penalties, demands, claims, cost recovery actions, lawsuits, administrative proceedings, orders, response action, removal and remedial costs, compliance costs, reasonable investigation expenses, reasonable consultant fees, reasonable attorneys' and paralegals' fees and reasonable litigation expenses.

"Default" means any event or condition the occurrence of which would, with the passage of time or the giving of notice, or both, constitute an Event of Default.

"Domestic Subsidiary" means each Subsidiary that is not a Foreign Subsidiary.

"EBITDA" means, with reference to any period, Net Income for such period *plus* all amounts deducted in arriving at such Net Income amount in respect of (a) Interest Expense for such period, *plus* (b) federal, state and local income taxes paid for such period, *plus* (c) depreciation of fixed assets and amortization of intangible assets for such period; *provided, however,* that EBITDA for any period shall (y) include the EBITDA for any Person or business unit that has been acquired by the Borrower or any of its Subsidiaries for any portion of such period prior to the date of acquisition, and (z) exclude the EBITDA for any Person or business unit that has been disposed of by the Borrower or any of its Subsidiaries for the portion of such period prior to the date of disposition.

"Eligible Assignee" means (a) a Lender, (b) an Affiliate of a Lender, (c) an Approved Fund, and (d) any other Person (other than a natural person) approved by (i) the Administrative Agent and the L/C Issuer, and (ii) unless an Event of Default has occurred and is continuing, the Borrower (each such approval not to be unreasonably withheld or delayed); *provided* that notwithstanding the foregoing, "Eligible Assignee" shall not include the Borrower or any of the Borrower's Affiliates or Subsidiaries.

"Environmental Claim" means any investigation, notice, violation, demand, allegation, action, suit, injunction, judgment, order, consent decree, penalty, fine, lien, proceeding or claim (whether administrative, judicial or private in nature) arising (a) pursuant to, or in connection with an actual or alleged violation of, any Environmental Law, (b) in connection with any Hazardous Material, (c) from any abatement, removal, remedial, corrective or response action in connection with a Hazardous Material, Environmental Law or order of a governmental authority or (d) from any actual or alleged damage, injury, threat or harm to health, safety, natural resources or the environment.

"Environmental Law" means any current or future Legal Requirement pertaining to (a) the protection of the indoor or outdoor environment, (b) the conservation, management or use of

natural resources and wildlife, (c) the protection or use of surface water or groundwater, (d) the management, manufacture, possession, presence, use, generation, transportation, treatment, storage, disposal, Release, threatened Release, abatement, removal, remediation or handling of, or exposure to, any Hazardous Material or (e) pollution (including any Release to air, land, surface water or groundwater), and any amendment, rule, regulation, order or directive issued thereunder.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended, or any successor statute thereto.

"Eurocurrency Loan" means a Loan bearing interest at the rate specified in Section 2.3(b) hereof.

"Event of Default" means any event or condition identified as such in Section 7.1 hereof.

"Existing Credit Agreement" is defined in Section 6.11(e).

"Federal Funds Rate" means for any day the rate determined by the Administrative Agent to be the average (rounded upward, if necessary, to the next higher 1/100 of 1%) of the rates per annum quoted to the Administrative Agent at approximately 11:00 a.m. (New York time) (or as soon thereafter as is practicable) on such day (or, if such day is not a Business Day, on the immediately preceding Business Day) by two or more Federal funds brokers selected by the Administrative Agent for sale to the Administrative Agent at face value of Federal funds in the secondary market in an amount equal or comparable to the principal amount owed to the Administrative Agent for which such rate is being determined.

"Fixed Charge Coverage Ratio" means, at any time the same is to be determined, the ratio of (a) EBITDA for the four fiscal quarters of the Borrower then ended less the sum of Capital Expenditures of the Borrower and its Subsidiaries during such period and Joint Venture Equity Investments during such period *less* federal, state, and local income taxes paid by the Borrower and its Subsidiaries during such period less all dividends and other distributions paid or payable on or in respect of any class or series of Borrower's capital stock during such period to (b) Fixed Charges for the same four fiscal quarters then ended.

"Fixed Charges" means, with reference to any period, the sum of (a) the aggregate amount of payments required to be made by the Borrower and its Subsidiaries during such period in respect of all Indebtedness (whether at maturity, as a result of sinking fund redemption, mandatory prepayment, acceleration or otherwise) *plus* (b) Interest Expense for such period.

"Foreign Subsidiary" means each Subsidiary which is organized under the laws of a jurisdiction other than the United States of America or any state thereof or the District of Columbia.

"Fund" means any Person (other than a natural person) that is (or will be) engaged in making, purchasing, holding or otherwise investing in commercial loans and similar extensions of credit in the ordinary course of its business.

"Funds Transfer and Deposit Account Liability" means the liability of the Borrower or any of its Subsidiaries owing to any of the Lenders, or any Affiliates of such Lenders, arising out of (a) the execution or processing of electronic transfers of funds by automatic clearing house transfer, wire transfer or otherwise to or from the deposit accounts of the Borrower and/or any Subsidiary now or hereafter maintained with any of the Lenders or their Affiliates, (b) the acceptance for deposit or the honoring for payment of any check, draft or other item with respect to any such deposit accounts, and (c) any other deposit, disbursement, and cash management services afforded to the Borrower or any such Subsidiary by any of such Lenders or their Affiliates.

"GAAP" means generally accepted accounting principles as in effect in the United States as set forth from time to time in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board (or agencies with similar functions of comparable stature and authority within the U.S. accounting profession), which are applicable to the circumstances as of the date of determination.

"Guarantor" means each Material Subsidiary (other than Cleveland Cliffs International Holding Company) from time to time party to a Guaranty in accordance with the provisions of Section 4 hereof. As of the Closing Date, the Guarantors are The Cleveland-Cliffs Iron Company, Cliffs Mining Company, Cliffs Sales Company, Northshore Mining Company, Cliffs Minnesota Mining Company, Silver Bay Power Company, Cliffs Empire, Inc. and Cliffs TIOP, Inc.

"Guaranty" and *"Guaranties"* each is defined in Section 4.2 hereof.

"Hazardous Material" means (a) any "hazardous chemical" as defined in CERCLA and (b) any material classified or regulated as "hazardous" or "toxic" or words of like import pursuant to an Environmental Law.

"Hedge Agreement" means any interest rate, currency or commodity swap agreements, cap agreements, collar agreements, floor agreements, exchange agreements, forward contracts, option contracts or similar interest rate or currency or commodity hedging arrangements.

"Hedging Liability" means the liability of the Borrower or any Subsidiary to any of the Lenders, or any Affiliates of such Lenders, in respect of any Hedge Agreement as the Borrower or such Subsidiary, as the case may be, may from time to time enter into with any one or more of the Lenders party to this Agreement or their Affiliates.

"Indebtedness" means for any Person (without duplication) (a) all indebtedness of such Person for borrowed money, whether current or funded, or secured or unsecured, (b) all indebtedness for the deferred purchase price of Property or services, (c) all indebtedness created or arising under any conditional sale or other title retention agreement with respect to Property acquired by such Person (even though the rights and remedies of the seller or lender under such agreement in the event of a default are limited to repossession or sale of such Property), (d) all indebtedness secured by a purchase money mortgage or other Lien to secure all or part of the purchase price of Property subject to such mortgage or Lien, (e) all obligations under leases

which shall have been or must be, in accordance with GAAP, recorded as Capital Leases in respect of which such Person is liable as lessee, (f) any reimbursement liability in respect of banker's acceptances or letters of credit, (g) any indebtedness, whether or not assumed, secured by Liens on Property acquired by such Person at the time of acquisition thereof, (h) all obligations under any so-called "synthetic lease" transaction entered into by such Person, (i) all obligations under any so-called "asset securitization" transaction entered into by such Person, and (j) all Contingent Obligations; *provided, however* that the term "Indebtedness" shall not include (i) trade payables arising in the ordinary course of business, (ii) any letter of credit secured by cash or Cash Equivalents, and (iii) up to U.S. $500,000 in obligations under the Agreement for Loan of Minnesota Investment Fund dated August 24, 2004 between United Taconite LLC and the Township of McDavitt.

"Interest Expense" means, with reference to any period, the sum of all interest charges (including imputed interest charges with respect to Capitalized Lease Obligations and all amortization of debt discount and expense) of the Borrower and its Subsidiaries for such period determined on a consolidated basis in accordance with GAAP.

"Interest Period" means, with respect to Eurocurrency Loans and Swing Loans, the period commencing on the date a Borrowing of Loans is advanced, continued or created by conversion and ending: (a) in the case of a Eurocurrency Loan, seven (7) days or 1, 2, 3, 6 or 12 months thereafter and (b) in the case of a Swing Loan, on the date 1 to 5 days thereafter as mutually agreed to by the Borrower and the Administrative Agent; *provided, however,* that:

(i) no Interest Period with respect to any of the Revolving Loans or Swing Loans shall extend beyond the Termination Date;

(ii) whenever the last day of any Interest Period would otherwise be a day that is not a Business Day, the last day of such Interest Period shall be extended to the next succeeding Business Day, provided that, if such extension would cause the last day of an Interest Period for a Borrowing of Eurocurrency Loans to occur in the following calendar week, in respect of any seven (7) day Interest Period, or into another calendar month, in respect of any other Interest Period, the last day of such Interest Period shall be the immediately preceding Business Day; and

(iii) for purposes of determining an Interest Period for a Borrowing of Eurocurrency Loans, a month means a period starting on one day in a calendar month and ending on the numerically corresponding day in the next calendar month; *provided, however,* that if there is no numerically corresponding day in the month in which such an Interest Period is to end or if such an Interest Period begins on the last Business Day of a calendar month, then such Interest Period shall end on the last Business Day of the calendar month in which such Interest Period is to end.

"*Investment*" means any investment, made in cash or by delivery of property, by the Borrower or any of its Subsidiaries (i) in any Person, whether by acquisition of stock, Indebtedness or other obligation or Security, or by loan, guaranty, advance, capital contribution or otherwise, or (ii) in Property.

"Joint Venture" means any corporation, partnership, limited liability company or other entity or organization that has Voting Stock directly or indirectly owned by the Borrower; *provided* however that, notwithstanding this definition, none of the following shall be a Joint Venture hereunder: (i) any Wholly- Owned Subsidiary, (ii) any trade creditor or customer in which the Borrower or any of its Subsidiaries has made an Investment pursuant to clause (I) of the definition of Restricted Investments, (iii) any entity or organization set forth on Schedule 6.15(A), (iv) Amapa, and (v) any entity or organization in which the Borrower or any of its Subsidiaries has made an Investment (other than any Investment in an entity or organization that was a Joint Venture immediately prior to such Investment) pursuant to clause (o) of the definition of Restricted Investments.

"Joint Venture Equity Investments" means all Investments by the Borrower and its Subsidiaries in Joint Ventures that are not Subsidiaries of the Borrower, which Investments are made for the purpose of financing Capital Expenditures of a Joint Venture and other obligations of a Joint Venture, other than those Investments made for the purpose of funding operating expenses of such Joint Venture.

"L/C Issuer" means Bank of America, N.A.

"L/C Obligations" means the aggregate undrawn face amounts of all outstanding Letters of Credit and all unpaid Reimbursement Obligations.

"L/C Sublimit" means U.S. $0, as reduced pursuant to the terms hereof.

"Legal Requirement" means any treaty, convention, statute, law, regulation, ordinance, governmental approval, injunction, judgment, order, consent decree or other applicable binding requirement of any governmental authority, whether federal, state, or local.

"Lenders" means and includes Bank of America, N.A., and the other financial institutions from time to time party to this Agreement, including each assignee Lender pursuant to Section 10.10 hereof.

"Lending Office" is defined in Section 8.6 hereof.

"Letter of Credit" is defined in Section 2.2(a) hereof.

"LIBOR" means, for an Interest Period for a Borrowing of Eurocurrency Loans, (a) the LIBOR Index Rate for such Interest Period, if such rate is available, and (b) if the LIBOR Index Rate cannot be determined, the arithmetic average of the rates of interest per annum (rounded upwards, if necessary, to the nearest 1/100 of 1%) at which deposits in U.S. Dollars or the relevant Alternative Currency in immediately available funds are offered to the Administrative Agent at 11:00 a.m. (London, England time) 2 Business Days before the beginning of such Interest Period by 3 or more major banks in the interbank eurocurrency market selected by the Administrative Agent for delivery on the first day of and for a period equal to such Interest Period and in an amount equal or comparable to the principal amount of the Eurocurrency Loan scheduled to be made by the Administrative Agent as part of such Borrowing.

"LIBOR Index Rate" means, for any Interest Period, the rate per annum (rounded upwards, if necessary, to the next higher one hundred-thousandth of a percentage point) for deposits in U.S. Dollars or the relevant Alternative Currency for a period equal to such Interest Period, which appears on the appropriate Telerate Page as of 11:00 a.m. (London, England time) on the day 2 Business Days before the commencement of such Interest Period.

"Lien" means any mortgage, lien, security interest, pledge, charge or encumbrance of any kind in respect of any Property, including the interests of a vendor or lessor under any conditional sale, Capital Lease or other title retention arrangement.

"Loan" means any Revolving Loan or Swing Loan, whether outstanding as a Base Rate Loan or Eurocurrency Loan or otherwise as permitted hereunder, each of which is a *"type"* of Loan hereunder.

"Loan Documents" means this Agreement, the Notes, the Applications, the Guaranties and each other instrument or document to be executed or delivered by the Borrower or any Subsidiary hereunder or thereunder or otherwise in connection therewith, other than Hedge Agreements.

"Material Adverse Effect" means (a) a material adverse change in, or material adverse effect upon, the operations, business, Property, condition (financial or otherwise) of the Borrower and its Subsidiaries taken as a whole, (b) a material impairment of the ability of the Borrower or any Subsidiary to perform its material obligations under any Loan Document or (c) a material adverse effect upon the legality, validity, binding effect or enforceability against the Borrower or any Subsidiary of any Loan Document or the rights and remedies of the Administrative Agent and the Lenders thereunder.

"Material Subsidiary" shall mean and include (i) each Wholly-Owned Subsidiary that is a Domestic Subsidiary, except any Wholly-Owned Subsidiary that is a Domestic Subsidiary and does not have (together with its Subsidiaries) (a) at the time of determination thereof, consolidated total assets that constitute more than 10% of the consolidated total assets of the Borrower and its Subsidiaries at such time and (b) consolidated gross revenues for any fiscal year of the Borrower ending on or after December 31, 2006, that constitute more than 10% of the consolidated gross revenues of the Borrower and its Subsidiaries during such fiscal year and (ii) each Domestic Subsidiary that the Borrower has designated to the Administrative Agent in writing as a Material Subsidiary. As of the Closing Date, the Material Subsidiaries are The Cleveland-Cliffs Iron Company, Cliffs Mining Company, Cliffs Sales Company, Northshore Mining Company, Cliffs Minnesota Mining Company, Silver Bay Power Company, Cliffs Empire, Inc., Cliffs TIOP, Inc., and Cleveland-Cliffs International Holding Company.

"Mesabi Joint Ventures" is defined in Section 6.13 hereof.

"Moody's" means Moody's Investors Service, Inc.

"Net Income" means, with reference to any period, the net income (or net loss) of the Borrower and its Subsidiaries for such period computed on a consolidated basis in accordance with GAAP; *provided* that there shall be excluded from Net Income (a) the net income (or net

loss) of any Person accrued prior to the date it becomes a Subsidiary of, or has merged into or consolidated with, the Borrower or another Subsidiary, and (b) the net income (or net loss) of any Person (other than a Subsidiary) in which the Borrower or any of its Subsidiaries has an equity interest in, except to the extent of the amount of dividends or other distributions actually paid to the Borrower or any of its Subsidiaries during such period.

"Net Worth" means, at any time the same is to be determined, total shareholder's equity (including capital stock, additional paid-in capital, and retained earnings after deducting treasury stock) which would appear on the balance sheet of the Borrower and its Subsidiaries determined on a consolidated basis in accordance with GAAP.

"Notes" means and includes the Revolving Notes, the Swing Note, and the Letter of Credit Note.

"Obligations" means all obligations of the Borrower to pay principal and interest on the Loans, all Reimbursement Obligations owing under the Applications, all fees and charges payable hereunder, and all other payment obligations of the Borrower or any of its Subsidiaries arising under or in relation to any Loan Document, in each case whether now existing or hereafter arising, due or to become due, direct or indirect, absolute or contingent, and howsoever evidenced, held or acquired.

"Other Hedging Liability" means the liability (other than any Hedging Liability) of the Borrower or any Subsidiary under any Hedge Agreement.

"Original Dollar Amount" means the amount of any Obligation denominated in U.S. Dollars and, in relation to any Loan denominated in an Alternative Currency, the U.S. Dollar Equivalent of such Loan on the day it is advanced or continued for an Interest Period, and, if the applicable Interest Period is longer than three months, on each day occurring every three months after the commencement of such Interest Period.

"Participant" is defined in Section 10.10(d) hereof.

"Participating Interest" is defined in Section 2.2(d) hereof.

"Participating Lender" is defined in Section 2.2(d) hereof.

"Patriot Act" is defined in Section 5.24(b) hereof.

"PBGC" means the Pension Benefit Guaranty Corporation or any Person succeeding to any or all of its functions under ERISA.

"Percentage" means, for each Lender, the percentage of the aggregate Commitments represented by such Lender's Commitment or, if the Commitments have been terminated, the percentage held by such Lender (including through participation interests in the Swing Loans and Reimbursement Obligations) of the aggregate principal amount of all Revolving Loans, Swing Loans and L/C Obligations then outstanding.

"Permitted Acquisition" means any Acquisition with respect to which the following condition is satisfied: after giving effect to the Acquisition, no Default or Event of Default shall exist, including with respect to the covenants contained in Section 6.19 hereof on a pro forma basis.

"Permitted JV Lien" is defined in Section 6.13 hereof.

"Permitted Investment Amount" means an amount equal to (a) U.S. $150,000,000 *plus* (b) 20% of positive Consolidated Net Income for each fiscal year of the Borrower commencing with the Borrower's fiscal year ending December 31, 2006.

"Permitted Lien" is defined in Section 6.12 hereof.

"Person" means any natural person, partnership, corporation, limited liability company, association, trust, unincorporated organization or any other entity or organization, including a government or agency or political subdivision thereof.

"PinnOak Acquisition" means the acquisition by the Borrower of all equity interests of PinnOak Resources LLC in accordance with the Unit Purchase Agreement dated June 14, 2007.

"Portman Limited Facility" means the Facility Agreement dated October 24, 1997, between Portman Limited and Commonwealth Bank of Australia, as the same has been, and may further be, amended, modified, supplemented or restated from time to time, as well as any subsequent agreements between Portman Limited and any other lender(s) entered into to replace such Facility Agreement (or its replacements).

"Plan" means any employee pension benefit plan covered by Title IV of ERISA or subject to the minimum funding standards under Section 412 of the Code that either (a) is maintained by a member of the Controlled Group for employees of a member of the Controlled Group or (b) is maintained pursuant to a collective bargaining agreement or any other arrangement under which more than one employer makes contributions and to which a member of the Controlled Group is then making or accruing an obligation to make contributions or has within the preceding five plan years made contributions.

"Property" means, as to any Person, all types of real, personal, tangible, intangible or mixed property owned by such Person whether or not included in the most recent balance sheet of such Person and its Subsidiaries under GAAP.

"Project Indebtedness" is defined in Section 6.11(c) hereof.

"RCRA" means the Solid Waste Disposal Act, as amended by the Resource Conservation and Recovery Act of 1976 and Hazardous and Solid Waste Amendments of 1984, 42 U.S.C. §§6901 et seq., and any future amendments.

"Reimbursement Obligation" is defined in Section 2.2(c) hereof.

"Related Parties" means, with respect to any Person, such Person's Affiliates and the partners, directors, officers, employees and agents of such Person and of such Person's Affiliates.

"Release" shall mean any spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, dumping, disposing or migration into the environment.

"Required Lenders" means, as of the date of determination thereof, Lenders whose aggregate Commitments constitute more than 51% of the sum of the Total Commitments, *provided* that if the Commitments are terminated pursuant to the terms of this Agreement, *"Required Lenders"* means as of the date of determination thereof, Lenders whose outstanding Loans and interests in Swing Loans and Letters of Credit constitute more than 51% of the sum of the total outstanding Loans and interests in Letters of Credit.

"Reserve Percentage" means, for any Borrowing of Eurocurrency Loans, the daily average for the applicable Interest Period of the maximum rate, expressed as a decimal, at which reserves (including, without limitation, any supplemental, marginal, and emergency reserves) are imposed during such Interest Period by the Board of Governors of the Federal Reserve System (or any successor) on *"eurocurrency liabilities"*, as defined in such Board's Regulation D (or in respect of any other category of liabilities that includes deposits by reference to which the interest rate on Eurocurrency Loans is determined or any category of extensions of credit or other assets that include loans by non-United States offices of any Lender to United States residents), subject to any amendments of such reserve requirement by such Board or its successor, taking into account any transitional adjustments thereto. For purposes of this definition, the Eurocurrency Loans shall be deemed to be *"eurocurrency liabilities"* as defined in Regulation D without benefit or credit for any prorations, exemptions or offsets under Regulation D.

"Responsible Officer" shall mean any of the President, Chairman, Chief Executive Officer, Chief Operating Officer, Vice Chairman, any Executive Vice President, Chief Financial Officer or General Counsel, of the Borrower.

"Restricted Investments" means all Investments except the following:

(a) property, plant and equipment to be used in the ordinary course of business of the Borrower and its Subsidiaries;

(b) current assets arising from the sale of goods and services in the ordinary course of business of the Borrower and its Subsidiaries;

(c) existing Investments in Subsidiaries disclosed on Schedule 5.10 hereof;

(d) (i) Permitted Acquisitions; *provided* that the Borrower shall deliver to the Administrative Agent at least 10 Business Days prior to any such Acquisition a certificate confirming pro forma compliance with Section 6.19 hereof and (ii) the PinnOak Acquisition;

(e) Investments disclosed on Schedule 6.15, including without limitation, Schedule 6. 15(a), hereof;

(f) Investments in cash and Cash Equivalents;

(g) Pledging Liability and Other Hedging Liability to any other Person, in all cases incurred in the ordinary course of business and not for speculative purposes;

(h) Contingent Obligations permitted by Section 6.11 hereof;

(i) mergers and consolidations permitted by Section 6.14 hereof;

(j) loans and advances to directors, employees and officers of the Borrower and its Subsidiaries for *bona fide* business purposes in the ordinary course of business;

(k) Investments by the Borrower or any Wholly-Owned Subsidiary in or to any other Wholly-Owned Subsidiary and Investments by any Subsidiary in the Borrower or any Wholly-Owned Subsidiary;

(l) Investments in securities of trade creditors or customers in the ordinary course of business that are received (i) in settlement of *bona fide* disputes or pursuant to any plan of reorganization or liquidation or similar arrangement upon the bankruptcy or insolvency of such trade creditors or customers or (ii) in the settlement of debts created in the ordinary course of business;

(m) Investments in Joint Ventures (i) for the purpose of financing such entities' (X) operating expenses incurred in the ordinary course of business and (Y) reasonable Capital Expenditures and other reasonable obligations that are accounted for by the Borrower and its Subsidiaries as increases in equity in such Joint Ventures;

(n) the Amapa Investment; *provided* that, in no event shall the amount of such Investment exceed $170,000,000;

(o) Investments of the Borrower and its Subsidiaries to make acquisitions of additional mining interests or for other strategic or commercial purposes; *provided* that, (i) in no event shall the amount of such Investments exceed the Permitted Investment Amount and (ii) after giving effect to any such Investment, no Default or Event of Default shall exist, including with respect to the covenants contained in Section 6.19 hereof on a *pro forma* basis; provided further that, in the case of any such Investment in which the aggregate amount to be invested is greater than $20,000,000, the Borrower shall deliver to the Administrative Agent at least 10 Business Days (or such shorter period of time as is agreed to by the Administrative Agent) prior to such Investment a certificate confirming such pro forma compliance; and

(p) the Sonoma Investment; *provided* that, in no event shall the amount of such Investment exceed (i) $130,000,000 *plus* (ii) Investments permitted pursuant to clause (m) above.

"Revolving Credit" means the credit facility for making Revolving Loans and Swing Loans and issuing Letters of Credit described in Sections 2.1, 2.2 and 2.10 hereof.

"Revolving Loan" is defined in Section 2.1 hereof and, as so defined, includes a Base Rate Loan or a Eurocurrency Loan, each of which is a *"type"* of Revolving Loan hereunder.

"Revolving Note" is defined in Section 2.11 hereof.

"SEC" is defined in Section 6.1(f) hereof.

"Security" shall have the same meaning as in Section 2(1) of the Securities Act of 1933, as amended.

"Sonoma" means the unincorporated joint venture formed by QCoal Sonoma Pty Ltd, Watami (Qld) Pty .Ltd, CSC Sonoma Pty Ltd, JS Sonoma Pty Ltd and Cliffs Australia Coal Pty Ltd, a wholly owned subsidiary of the Borrower, for the purpose of mining and developing a coal mine in Queensland, Australia, including the construction of a washplant by Cliffs Australia Washplant Operations Pty Ltd, an indirectly held Wholly-Owned Subsidiary of the Borrower.

"Sonoma Investment" means, collectively, all Investments by the Borrower and its Subsidiaries in Sonoma.

"Standard Permitted Liens" means, with respect to any Person, any of the following:

(a) inchoate Liens for the payment of taxes which are not yet due and payable or, in the case of the Borrower or any of its Subsidiaries, the payment of which is not required by Section 6.7;

(b) Liens arising by statute in connection with worker's compensation, unemployment insurance, old age benefits, social security obligations, taxes, assessments, statutory obligations or other similar charges (other than Liens arising under ERISA);

(c) mechanics', workmen's, materialmen's, landlords', carriers' or other similar Liens arising in the ordinary course of business with respect to obligations which are not due or which are being contested in good faith by appropriate proceedings which prevent enforcement of the matter under contest;

(d) Liens created by or pursuant to this Agreement;

(e) any interest or title of a lessor under any operating lease;

(f) easements, rights-of-way, restrictions, and other similar encumbrances against real property incurred in the ordinary course of business which, in the aggregate, are not substantial in amount and which do not materially detract from the value of the Property subject thereto or materially interfere with the ordinary conduct of the business of such Person;

(g) Liens of or resulting from any judgment or award, the time for the appeal or petition for rehearing of which shall not have expired, or in respect of which such Person shall at any time in good faith be prosecuting an appeal or proceeding for a review and in respect of which a stay of execution pending such appeal or proceeding for review shall have been secured, *provided* that, the aggregate amount of such judgments or awards secured by Liens permitted under this subsection, including interest and penalties thereon, if any, shall not be in excess of $20,000,000 (except to the extent fully (excluding any deductibles or self-insured retention) covered by insurance pursuant to which the insurer has accepted liability therefor in writing) at any one time outstanding;

(h) Liens in the nature of royalties, dedications of reserves or similar rights or interests granted, taken subject to or otherwise imposed on properties consistent with normal practices in the iron ore mining industry;

(i) Liens incurred in the ordinary course of business to secure the performance of tenders, statutory obligations (other than excise taxes), surety, stay, customs and appeal bonds, statutory bonds, bids, leases, government contracts, trade contracts, performance and return of money bonds and other similar obligations (exclusive of obligations for Indebtedness) or arising by virtue of deposits made in the ordinary course of business to security liability for premiums to insurance carriers and/or benefit obligations to claimants;

(j) leases or subleases of properties, in each case entered into in the ordinary course of business so long as such leases or subleases do not, individually or in the aggregate, (i) interfere in any material respect with the ordinary conduct of the business of the Borrower and its Subsidiaries or (ii) materially impair the use (for its intended purposes) or the value of the Property subject thereto;

(k) Liens arising out of conditional sale, title retention, consignment or similar arrangements for the sale of goods entered into in the ordinary course of business in accordance with the past business practices of such Person, and any products or proceeds thereof to the extent covered by such Liens;

(l) bankers' Liens, rights of setoff and other similar Liens existing solely with respect to cash and Cash Equivalents on deposit in one or more accounts, in each case granted in the ordinary course of business in favor of the bank or banks with which such accounts are maintained, securing amounts owing to such bank with respect to cash management and operating account arrangements, including those involving pooled accounts and netting arrangements; *provided* that, unless such Liens are non-consensual and arise by operation of law, in no case shall any such Liens secure (either directly or indirectly) the repayment of any Indebtedness;

(m) the filing of UCC financing statements in connection with operating leases, consignment of goods or bailment agreements; and

(n) Liens securing reimbursement obligations with respect to trade or commercial letters of credit that encumber only the documents underlying such letters of credit and any products or proceeds thereof to the extent covered by such Liens.

"S&P" means Standard & Poor's Ratings Services Group, a division of The McGraw-Hill Companies, Inc.

"Subsidiary" means, as to any particular parent corporation or organization, any other corporation or organization more than 50% of the outstanding Voting Stock of which is at the time directly or indirectly owned by such parent corporation or organization or by any one or more other entities which are themselves subsidiaries of such parent corporation or organization. Unless otherwise expressly noted herein, the term *"Subsidiary"* means a Subsidiary of the Borrower or of any of its direct or indirect Subsidiaries.

"Swing Line" means the credit facility for making one or more Swing Loans described in Section 2.10 hereof.

"Swing Line Sublimit" means U.S. $0, as reduced pursuant to the terms hereof.

"Swing Loan" and *"Swing Loans"* each is defined in Section 2.10 hereof.

"Swing Note" is defined in Section 2.11 hereof.

"TARGET Settlement Day" means any day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) System is open.

"Telerate Page" means the display designated on the Telerate Service (or such other service as may be nominated by the British Bankers' Association as the information vendor for the purpose of displaying British Bankers' Association Interest Settlement Rates) for the applicable currency.

"Termination Date" means July 24, 2008, or such earlier date on which the Commitments are terminated in whole pursuant to Section 2.9, 7.2 or 7.3 hereof.

"Total Commitments" means the aggregate amount of Commitments, which shall be One Hundred Fifty Million Dollars ($150,000,000) on the Closing Date and which may be decreased pursuant to Section 2.9 or other applicable provisions hereof.

"Total Consideration" means, with respect to an Acquisition, the sum (but without duplication) of (a) cash paid in connection with any Acquisition, (b) indebtedness payable to the seller in connection with such Acquisition, (c) the fair market value of any equity securities, including any warrants or options therefor, delivered in connection with any Acquisition, (d) the present value of covenants not to compete entered into in connection with such Acquisition or other future payments which are required to be made over a period of time and are not contingent upon the Borrower or its Subsidiary meeting financial performance objectives (exclusive of salaries paid in the ordinary course of business) (discounted at the Base Rate), but only to the extent not included in clause (a), (b) or (c) above, and (e) the amount of Indebtedness assumed in connection with such Acquisition.

"Total Funded Debt" means, at any time the same is to be determined, the aggregate of all Indebtedness of the Borrower and its Subsidiaries at such time.

"Unfunded Vested Liabilities" means, for any Plan at any time, the amount (if any) by which the present value of all vested nonforfeitable accrued benefits under such Plan exceeds the fair market value of all Plan assets allocable to such benefits, all determined as of the then most recent valuation date for such Plan, but only to the extent that such excess represents a potential liability of a member of the Controlled Group to the PBGC or the Plan under Title IV of ERISA.

"Unused Commitments" means, at any time, the difference between the Commitments then in effect and the aggregate outstanding principal amount of Revolving Loans and L/C Obligations, *provided* that Swing Loans outstanding from time to time shall be deemed to reduce the Unused Commitment of the Administrative Agent for purposes of computing the commitment fee under Section 2.12(a) hereof.

"U.S. Dollar Equivalent" means (a) the amount of any Obligation denominated in U.S. Dollars, and (b) in relation to any Obligation denominated in an Alternative Currency, the amount of U.S. Dollars that would be realized by converting such Alternative Currency into U.S. Dollars at the exchange rate quoted to the Administrative Agent, at approximately 11:00 a.m. (London time) three Business Days prior to the date on which a computation thereof is required to be made.

"U.S. Dollars" and *"U.S. $"* each means the lawful currency of the United States of America.

"Voting Stock" of any Person means capital stock or other equity interests of any class or classes (however designated) having ordinary power for the election of directors or other similar governing body of such Person (including, without limitation, general partners of a partnership), other than stock or other equity interests having such power only by reason of the happening of a contingency.

"Welfare Plan" means a "welfare plan" as defined in Section 3(1) of ERISA.

"Wholly-Owned Subsidiary" means, at any time, any Subsidiary all of the Voting Stock (except directors' qualifying shares) of which are owned by any one or more of the Borrower and the Borrower's other Wholly-Owned Subsidiaries at such time.

Section 1.2 Interpretation. The foregoing definitions are equally applicable to both the singular and plural forms of the terms defined. The words *"hereof"*, *"herein"*, and *"hereunder"* and words of like import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement. All references to time of day herein are references to New York, New York time unless otherwise specifically provided. Where the character or amount of any asset or liability or item of income or expense is required to be determined or any consolidation or other accounting computation is required to be made for the purposes of this Agreement, it shall be done in accordance with GAAP except where such principles are inconsistent with the specific provisions of this Agreement. All terms that are used in this Agreement which are defined in the Uniform Commercial Code of the State of Ohio as in

effect from time to time (*"UCC"*) shall have the same meanings herein as such terms are defined in the UCC, unless this Agreement shall otherwise specifically provide.

Section 1.3 Change in Accounting Principles. If, after the date of this Agreement, there shall occur any change in GAAP from those used in the preparation of the financial statements referred to in Section 5.3 hereof and such change shall result in a change in the method of calculation of any financial covenant, standard or term found in this Agreement, either the Borrower or the Required Lenders may by notice to the Lenders and the Borrower, respectively, require that the Lenders and the Borrower negotiate in good faith to amend such covenants, standards, and term so as equitably to reflect such change in accounting principles, with the desired result being that the criteria for evaluating the financial condition of the Borrower and its Subsidiaries shall be the same as if such change had not been made. No delay by the Borrower or the Required Lenders in requiring such negotiation shall limit their right to so require such a negotiation at any time after such a change in accounting principles. Until any such covenant, standard, or term is amended in accordance with this Section 1.3, financial covenants shall be computed and determined in accordance with GAAP in effect prior to such change in accounting principles. Without limiting the generality of the foregoing, the Borrower shall neither be deemed to be in compliance with any financial covenant hereunder nor out of compliance with any financial covenant hereunder if such state of compliance or noncompliance, as the case may be, would not exist but for the occurrence of a change in accounting principles after the date hereof.

SECTION 2. THE CREDIT FACILITIES.

Section 2.1 Revolving Credit Commitments. Prior to the Termination Date, each Lender severally and not jointly agrees, subject to the terms and conditions hereof, to make revolving loans (each individually a *"Revolving Loan"* and, collectively, the *"Revolving Loans"*) in U.S. Dollars and Alternative Currencies to the Borrower from time to time in an aggregate outstanding Original Dollar Amount up to the amount of such Lender's Commitment; *provided, however,* the sum of the (i) aggregate Original Dollar Amount of Revolving Loans, (ii) the aggregate principal amount of Swing Loans and (iii) the aggregate principal amount of L/C Obligations at any time outstanding shall not exceed the sum of all Commitments in effect at such time. Each Borrowing of Revolving Loans shall be made ratably by the Lenders in proportion to their respective Percentages. As provided in Section 2.4(a), and subject to the terms hereof, the Borrower may elect that each Borrowing of Revolving Loans denominated in U.S. Dollars be either Base Rate Loans or Eurocurrency Loans. All Loans denominated in an Alternative Currency shall be Eurocurrency Loans. Revolving Loans may be repaid and reborrowed before the Termination Date, subject to the terms and conditions hereof. Notwithstanding anything to the contrary contained herein, no Revolving Loans or other extensions of credit hereunder shall be made available to the Borrower in Alternative Currencies.

Section 2.2 Letters of Credit. (a) *General Terms.* Subject to the terms and conditions hereof, as part of the Revolving Credit, the L/C Issuer shall issue standby letters of credit (each a *"Letter of Credit"*) for the Borrower's account, and for the benefit of the Borrower and each Material Subsidiary that has complied with Section 4.2 hereof, in an aggregate undrawn face amount up to the L/C Sublimit; *provided, however,* the sum of the (i) aggregate Original Dollar Amount of Revolving Loans, (ii) the aggregate principal amount of Swing Loans and (iii) the

aggregate principal amount of L/C Obligations at any time outstanding shall not exceed the sum of all Commitments in effect at such time. Each Lender shall be obligated to reimburse the L/C Issuer for such Lender's Percentage of the amount of each drawing under a Letter of Credit and, accordingly, each Letter of Credit shall constitute usage of the Commitment of each Lender pro rata in an amount equal to its Percentage of the L/C Obligations then outstanding.

(b) *Applications.* At any time before the Termination Date, the L/C Issuer shall, at the request of the Borrower, issue one or more Letters of Credit in U.S. Dollars, in form and substance acceptable to the L/C Issuer, with expiration dates no later than the earlier of 12 months from the date of issuance (or which are cancelable not later than 12 months from the date of issuance and each renewal) or 30 days prior to the Termination Date, in an aggregate face amount as set forth above, upon the receipt of a duly executed application for the relevant Letter of Credit in the form then customarily prescribed by the L/C Issuer for the Letter of Credit requested (each an *"Application"*). Notwithstanding anything contained in any Application to the contrary: (i) the Borrower shall pay fees in connection with each Letter of Credit as set forth in Section 2.12(b) hereof, and (ii) if the L/C Issuer is not timely reimbursed for the amount of any drawing under a Letter of Credit on the date such drawing is paid, the Borrower's obligation to reimburse the L/C Issuer for the amount of such drawing shall bear interest (which the Borrower hereby promises to pay) from and after the date such drawing is paid at a rate per annum equal to the sum of 2.0% *plus* the Applicable Margin *plus* the Base Rate from time to time in effect (computed on the basis of a year of 360 days and the actual number of days elapsed). Without limiting the foregoing, the L/C Issuer's obligation to issue, amend or extend the expiration date of a Letter of Credit is subject to the terms or conditions of this Agreement (including the conditions set forth in Section 3.1 and the other terms of this Section 2.2).

(c) *The Reimbursement Obligations.* Subject to Section 2.2(b) hereof, the obligation of the Borrower to reimburse the L/C Issuer for all drawings under a Letter of Credit (a *"Reimbursement Obligation"*) shall be governed by the Application related to such Letter of Credit and this Agreement, except that reimbursement shall be made by no later than 1:00 p.m. (New York time) on the date when each drawing is to be paid if the Borrower has been informed of such drawing by the L/C Issuer on or before 12:30 p.m. (New York time) on the date when such drawing is to be paid or, if notice of such drawing is given to the Borrower after 12:30 p.m. (New York time) on the date when such drawing is to be paid, by 1:00 p.m. on the following Business Day in immediately available funds at the Administrative Agent's Office, and the Administrative Agent shall thereafter cause to be distributed to the L/C Issuer such amount(s) in like funds; *provided* that, with respect to drawings for which notice is given after 12:30 p.m. (New York time), if the Borrower does not reimburse the L/C issuer on the date such drawing is paid, the Borrower shall pay to the L/C Issuer interest on such Reimbursement Obligation from the date such drawing is paid until the date such Reimbursement Obligation is due at a rate per annum (computed on the basis of 360 days and the actual days elapsed) equal to the Applicable Margin *plus* the Base Rate from time to time in effect. If the Borrower does not make any such reimbursement payment on the date due and the Participating Lenders fund their participations in the manner set forth in Section 2.2(d) below, then all payments thereafter received by the Administrative Agent in discharge of any of the relevant Reimbursement Obligations shall be distributed in accordance with Section 2.2(d) below.

The obligations of the Borrower under this Section 2.2 shall be absolute, irrevocable and unconditional under any and all circumstances and shall not be subject to any set-off, counterclaim or defense to payment that the Borrower may have or has had against the L/C Issuer, the Administrative Agent, any Lender or any other Person. Without limiting the generality of the foregoing, such obligations shall not be affected by any Default or Event of Default, and each payment by a Borrower under this Section 2.2 shall be made without any offset, abatement, withholding or reduction whatsoever.

(d) *The Participating Interests.* Each Lender (other than the Lender acting as L/C Issuer) severally and not jointly agrees to purchase from the L/C Issuer, and the L/C Issuer hereby agrees to sell to each such Lender (a *"Participating Lender"*), an undivided participating interest (a *"Participating Interest")* to the extent of its Percentage in each Letter of Credit issued by, and each Reimbursement Obligation owed to, the L/C Issuer. Upon Borrower's failure to pay any Reimbursement Obligation on the date and at the time required, or if the L/C Issuer is required at any time to return to the Borrower or to a trustee, receiver, liquidator, custodian or other Person any portion of any payment of any Reimbursement Obligation, each Participating Lender shall, not later than the Business Day it receives a certificate in the form of Exhibit A hereto from the L/C Issuer (with a copy to the Administrative Agent) to such effect, if such certificate is received before 2:00 p.m. (New York time), or not later than 2:00 p.m. (New York time) the following Business Day, if such certificate is received after such time, pay to the Administrative Agent for the account of the L/C Issuer an amount equal to such Participating Lender's Percentage of such unpaid Reimbursement Obligation together with interest on such amount accrued from the date the L/C Issuer made the related payment to the date of such payment by such Participating Lender at a rate per annum equal to: (i) from the date the L/C Issuer made the related payment to the date 2 Business Days after payment by such Participating Lender is due hereunder, the Federal Funds Rate for each such day and (ii) from the date 2 Business Days after the date such payment is due from such Participating Lender to the date such payment is made by such Participating Lender, the Base Rate in effect for each such day. Each such Participating Lender shall, after making its appropriate payment, be entitled to receive its Percentage of each payment received in respect of the relevant Reimbursement Obligation and of interest paid thereon, with the L/C Issuer retaining its Percentage thereof as a Lender hereunder.

The several obligations of the Participating Lenders to the L/C Issuer under this Section 2.2 shall be absolute, irrevocable and unconditional under any and all circumstances and shall not be subject to any set-off, counterclaim or defense to payment which any Participating Lender may have or has had against the Borrower, the L/C Issuer, the Administrative Agent, any Lender or any other Person. Without limiting the generality of the foregoing, such obligations shall not be affected by any Default or Event of Default or by any reduction or termination of the Commitment of any Lender, and each payment by a Participating Lender under this Section 2.2 shall be made without any offset, abatement, withholding or reduction whatsoever.

(e) *Indemnification.* The Participating Lenders shall, to the extent of their respective Percentages, indemnify the L/C Issuer (to the extent not reimbursed by the Borrower) against any cost, expense (including reasonable counsel fees and disbursements), claim, demand, action, loss or liability (except such as result from the L/C Issuer's gross negligence or willful misconduct) that the L/C Issuer may suffer or incur in connection with any Letter of Credit

issued by it. The obligations of the Participating Lenders under this Section 2.2(e) and all other parts of this Section 2.2 shall survive termination of this Agreement and of all Applications, Letters of Credit, and all drafts and other documents presented in connection with drawings thereunder.

(f) *Manner of Requesting a Letter of Credit.* The Borrower shall provide at least five (5) Business Days' advance written notice (or such shorter period of time as agreed to by the L/C Issuer) to the Administrative Agent of each request for the issuance of a Letter of Credit, each such notice to be accompanied by a properly completed and executed Application for the requested Letter of Credit and, in the case of an extension or an increase in the amount of a Letter of Credit, a written request therefor, in a form acceptable to the Administrative Agent and the L/C Issuer, in each case, together with the fees called for by this Agreement. The Administrative Agent shall promptly notify the L/C Issuer of the Administrative Agent's receipt of each such notice and the L/C Issuer shall promptly notify the Administrative Agent and the Lenders of the issuance of a Letter of Credit.

Section 2.3 Applicable Interest Rates. (a) *Base Rate Loans.* Each Base Rate Loan made or maintained by a Lender shall bear interest (computed on the basis of a year of 365 or 366 days, as applicable, and the actual days elapsed) under the Notes on the unpaid principal amount of such Loan from the date such Loan is advanced or created by conversion from a Eurocurrency Loan until maturity (whether by acceleration or otherwise) at a rate per annum equal to the sum of the Applicable Margin *plus* the Base Rate from time to time in effect, payable in arrears on the last Business Day of each month and at maturity (whether by acceleration or otherwise).

(b) *Eurocurrency Loans.* Each Eurocurrency Loan made or maintained by a Lender shall bear interest under the Notes during each Interest Period it is outstanding (computed on the basis of a year of 360 days and actual days elapsed) on the unpaid principal amount thereof from the date such Loan is advanced, continued or created by conversion from a Base Rate Loan until maturity (whether by acceleration or otherwise) at a rate per annum equal to the sum of the Applicable Margin *plus* the Adjusted LIBOR applicable for such Interest Period, payable in arrears on the last day of the Interest Period and at maturity (whether by acceleration or otherwise), and, if the applicable Interest Period is longer than three months, on each day occurring every three months after the commencement of such Interest Period.

(c) *Default Rate.* While any Event of Default exists or after acceleration, the Borrower shall pay interest under the Notes (after as well as before entry of judgment thereon to the extent permitted by law) on the principal amount of all Loans owing by it at a rate per annum equal to:

(i) for any Base Rate Loan or any Swing Loan bearing interest at the Base Rate, the sum of 2.0% per annum *plus* the Applicable Margin *plus* the Base Rate from time to time in effect;

(ii) for any Eurocurrency Loan denominated in U.S. Dollars, the sum of 2.0% *plus* the rate of interest in effect thereon at the time of such Event of Default until the end of the Interest Period applicable thereto and, thereafter, at a rate per annum equal to the

sum of 2.0% *plus* the Applicable Margin for Base Rate Loans *plus* the Base Rate from time to time in effect; and

(iii) for any Eurocurrency Loan denominated in an Alternative Currency, the sum of 2.0% *plus* the rate of interest in effect thereon at the time of such Event of Default until the end of the Interest Period applicable thereto and, thereafter, at a rate per annum equal to the sum of (A) the Applicable Margin for Eurocurrency Loans *plus* (B) two percent (2%) *plus* (C) the rate of interest per annum as determined in good faith by the Administrative Agent (rounded upwards, if necessary, to the next higher 1/100,000 of 1%) at which overnight or weekend deposits (or, if such amount due remains unpaid more than three Business Days, then for such other period of time not longer than one month as the Administrative Agent may elect in good faith) of the relevant Alternative Currency for delivery in immediately available and freely transferable funds would be offered by the Administrative Agent to major banks in the interbank market upon request of such major banks for the applicable period as determined above and in an amount comparable to the unpaid principal amount of any such Eurocurrency Loan (or, if the Administrative Agent is not placing deposits in such currency in the interbank market, then the Administrative Agent's cost of funds in such currency for such period); and

provided, however, prior to acceleration, any increase in interest rates pursuant to this Section shall be made at the election of the Administrative Agent, acting at the request or with the consent of the Required Lenders, with written notice to the Borrower. While any Event of Default exists or after acceleration, interest shall be paid on demand of the Administrative Agent at the request or with the consent of the Required Lenders and shall be payable under the Notes.

(d) *Rate Determinations.* The Administrative Agent shall determine each interest rate applicable to the Loans and the Reimbursement Obligations hereunder, and its determination thereof shall be conclusive and binding except in the case of manifest error. The Original Dollar Amount of each Eurocurrency Loan denominated in an Alternative Currency shall be determined or redetermined, as applicable, effective as of the first day of each Interest Period applicable to such Loan.

Section 2.4 Manner of Borrowing Loans and Designating Currency and Applicable Interest Rates. (a) *Notice to the Administrative Agent.* The Borrower shall give notice to the Administrative Agent by no later than 1:00 p.m. (New York time): (i) at least four (4) Business Days before the date on which the Borrower requests the Lenders to advance a Borrowing of Eurocurrency Loans denominated in an Alternative Currency, (ii) at least 3 Business Days before the date on which the Borrower requests the Lenders to advance a Borrowing of Eurocurrency Loans denominated in U.S. Dollars and (iii) on the date the Borrower requests the Lenders to advance a Borrowing of Base Rate Loans. The Loans included in each Borrowing shall bear interest initially at the type of rate specified in such notice. Thereafter, the Borrower may from time to time elect to change or continue the type of interest rate borne by each Borrowing or, subject to Section 2.5 hereof, a portion thereof, as follows: (i) if such Borrowing is of Eurocurrency Loans, on the last day of the Interest Period applicable thereto, the Borrower may continue part or all of such Borrowing as Eurocurrency Loans or, if such Eurocurrency Loan is denominated in U.S. Dollars convert part or all of such Borrowing into Base Rate Loans or (ii) if such Borrowing is of Base Rate Loans, on any Business Day, the Borrower may convert all or

part of such Borrowing into Eurocurrency Loans denominated in U.S. Dollars for an Interest Period or Interest Periods specified by the Borrower. The Borrower shall give all such notices requesting the advance, continuation or conversion of a Borrowing to the Administrative Agent by telephone or telecopy (which notice shall be irrevocable once given and, if by telephone, shall be promptly confirmed in writing), substantially in the form attached hereto as Exhibit B (Notice of Borrowing) or Exhibit C (Notice of Continuation/Conversion), as applicable, or in such other form acceptable to the Administrative Agent. Notice of the continuation of a Borrowing of Eurocurrency Loans denominated in U.S. Dollars for an additional Interest Period or of the conversion of part or all of a Borrowing of Base Rate Loans into Eurocurrency Loans denominated in U.S. Dollars must be given by no later than 11:00 a.m. (New York time) at least 3 Business Days before the date of the requested continuation or conversion. Notices of the continuation of a Borrowing of Eurocurrency Loans denominated in an Alternative Currency must be given no later than 1:00 p.m. (New York time) at least four (4) Business Days before the requested continuation. All notices concerning the advance, continuation or conversion of a Borrowing shall specify the date of the requested advance, continuation or conversion of a Borrowing (which shall be a Business Day), the amount of the requested Borrowing to be advanced, continued or converted, the type of Loans to comprise such new, continued or converted Borrowing and, if such Borrowing is to be comprised of Eurocurrency Loans, the currency and Interest Period applicable thereto. The Borrower agrees that the Administrative Agent may rely on any such telephonic or telecopy notice given by any person the Administrative Agent in good faith believes is an Authorized Representative without the necessity of independent investigation (the Borrower hereby indemnifying the Agent from any liability or loss ensuing from such reliance) and, in the event any such notice by telephone conflicts with any written confirmation, such telephonic notice shall govern if the Administrative Agent has acted in reliance thereon.

(b) *Notice to the Lenders*. The Administrative Agent shall give prompt telephonic or telecopy notice to each Lender of any notice from the Borrower received pursuant to Section 2.4(a) above and, if such notice requests the Lenders to make Eurocurrency Loans, the Administrative Agent shall give notice to the Borrower and each Lender of the interest rate applicable thereto promptly after the Administrative Agent has made such determination and, if such Borrowing is denominated in an Alternative Currency, shall give notice by such means to the Borrower and each Lender of the Original Dollar Amount thereof.

(c) *Borrower's Failure to Notify; Automatic Continuations and Conversions*. If the Borrower fails to give proper notice of the continuation or conversion of any outstanding Borrowing of Eurocurrency Loans denominated in U.S. Dollars before the last day of its then current Interest Period within the period required by Section 2.4(a) or, whether or not such notice has been given, one or more of the conditions set forth in Section 3.1 for the continuation or conversion of a Borrowing of Eurocurrency Loans would not be satisfied, and such Borrowing is not prepaid in accordance with Section 2.7(a), such Borrowing shall automatically be converted into a Borrowing of Base Rate Loans. If the Borrower fails to give proper notice of the continuation of any outstanding Borrowing of Eurocurrency Loans denominated in an Alternative Currency before the last day of its then current Interest Period within the period required by Section 2.4(a) and has not notified the Administrative Agent within the period required by Section 2.7(a) that it intends to prepay such Borrowing, such Borrowing shall automatically be continued as a Borrowing of Eurocurrency Loans in the same Alternative

Currency with an Interest Period of one month. In the event the Borrower fails to give notice pursuant to Section 2.4(a) of a Borrowing equal to the amount of a Reimbursement Obligation and has not notified the Administrative Agent by 2:00 p.m. (New York time) on the day such Reimbursement Obligation becomes due that it intends to repay such Reimbursement Obligation through funds not borrowed under this Agreement, the Borrower shall be deemed to have requested a Borrowing of Base Rate Loans under the Revolving Credit (or, at the option of the Administrative Agent, under the Swing Line) on such day in the amount of the Reimbursement Obligation then due, which Borrowing shall be applied to pay the Reimbursement Obligation then due.

(d) *Disbursement of Loans.* Not later than 2:00 p.m. (New York time) on the date of any requested advance of a new Borrowing, subject to Section 3 hereof, each Lender shall make available its Loan comprising part of such Borrowing in funds immediately available at the Administrative Agent Office. The Administrative Agent shall make the proceeds of each new Borrowing available to the Borrower at the Administrative Agent's Office, except that if such Borrowing is denominated in an Alternative Currency each Lender shall, subject to Section 3 hereof, make available its Loan comprising part of such Borrowing at such account with such financial institution as the Administrative Agent has previously specified in a notice to each Lender, in such funds as are then customary for the settlement of international transactions in such currency and no later than such local time as is necessary for such funds to be received and transferred to the Borrower for same day value on the date of the Borrowing. The Administrative Agent shall make the proceeds of each new Borrowing denominated in U.S. Dollars available to the Borrower at such account with such financial institution as the Administrative Agent has previously agreed to with the Borrower, and the Administrative Agent shall make the proceeds of each new Borrowing denominated in an Alternative Currency available at such account with such financial institution as the Administrative Agent has previously agreed to with the Borrower, in each case in the type of funds received by the Administrative Agent from the Lenders.

(e) *Administrative Agent Reliance on Lender Funding.* Unless the Administrative Agent shall have been notified by a Lender prior to (or, in the case of a Borrowing of Base Rate Loans, by 2:00 p.m. (New York time) on) the date on which such Lender is scheduled to make payment to the Administrative Agent of the proceeds of a Loan (which notice shall be effective upon receipt) that such Lender does not intend to make such payment, the Administrative Agent may assume that such Lender has made such payment when due and the Administrative Agent, in reliance upon such assumption may (but shall not be required to) make available to the Borrower the proceeds of the Loan to be made by such Lender and, if any Lender has not in fact made such payment to the Administrative Agent, such Lender shall, on demand, pay to the Administrative Agent the amount made available to the Borrower attributable to such Lender together with interest thereon in respect of each day during the period commencing on the date such amount was made available to the Borrower and ending on (but excluding) the date such Lender pays such amount to the Administrative Agent at a rate per annum equal to: (i) from the date the related advance was made by the Administrative Agent to the date 2 Business Days after payment by such Lender is due hereunder, the Federal Funds Rate for each such day, or, in the case of a Loan denominated in an Alternative Currency, the cost to the Administrative Agent of funding the amount it advanced to fund such Lender's Loan, as determined by the Administrative Agent and (ii) from the date 2 Business Days after the date such payment is due

from such Lender to the date such payment is made by such Lender, the Base Rate in effect for each such day or in the case of a Loan denominated in an Alternative Currency, the rate established by Section 2.3(c)(iii) for Eurocurrency Loans denominated in such currency. If such amount is not received from such Lender by the Administrative Agent immediately upon demand, the requesting Borrower will, on demand, repay to the Administrative Agent the proceeds of the Loan attributable to such Lender with interest thereon at a rate per annum equal to the interest rate applicable to the relevant Loan, but without such payment being considered a payment or prepayment of a Loan under Section 8.1 hereof so that such Borrower will have no liability under such Section with respect to such payment.

Section 2.5 Minimum Borrowing Amounts; Maximum Eurocurrency Loans. Each Borrowing of Base Rate Loans shall be in an amount not less than U.S. $250,000. Each Borrowing of Eurocurrency Loans advanced, continued or converted under the Revolving Credit shall be in an amount not less than an Original Dollar Amount of U.S. $1,000,000 or such greater amount in units of the relevant currency as would have the Original Dollar Amount most closely approximating $100,000 or an integral multiple thereof. Without the Administrative Agent's consent, there shall not be more than five (5) Borrowings of Eurocurrency Loans outstanding hereunder at any one time.

Section 2.6 Maturity of Revolving Loans. Each Revolving Loan and, without limiting the effect of Section 2.10 hereof, Swing Loan, both for principal and interest, shall mature and become due and payable by the Borrower on the Termination Date.

Section 2.7 Prepayments. (a) *Voluntary*. The Borrower may prepay without premium or penalty (except as set forth in Section 8.1 below) and in whole or in part any Borrowing of (x) Eurocurrency Loans denominated in U.S. Dollars at any time upon 3 Business Days prior notice by the Borrower to the Administrative Agent, (y) Eurocurrency Loans denominated in an Alternative Currency at any time upon 4 Business Days prior notice by the Borrower to the Administrative Agent, or (z) Base Rate Loans, notice delivered by the Borrower to the Administrative Agent no later than 11:00 a.m. (New York time) on the date of prepayment (or, in any case, such shorter period of time then agreed to by the Administrative Agent), such prepayment to be made by the payment of the principal amount to be prepaid and, in the case of any Eurocurrency Loans or Swing Loans, accrued interest thereon to the date fixed for prepayment *plus* any amounts due the Lenders under Section 8.1 hereof; *provided, however,* the Borrower may not partially repay a Borrowing (i) if such Borrowing is of Base Rate Loans, in a principal amount less than U.S. $250,000, (ii) if such Borrowing is of Eurocurrency Loans denominated in U.S. Dollars, in a principal amount less than U.S. $1,000,000, (iii) if such Borrowing is denominated in an Alternative Currency, an amount for which the U.S. Dollar Equivalent is less than $1,000,000 and (iv) in each case, unless it is in an amount such that the minimum amount required for a Borrowing pursuant to Section 2.5 remains outstanding.

(b) *Mandatory*. (i) The Borrower shall, on each date the Commitments are reduced pursuant to Section 2.9, prepay the Revolving Loans and Swing Loans and, if necessary, prefund the L/C Obligations by the amount, if any, necessary to reduce the sum of the aggregate principal amount of Revolving Loans, Swing Loans and L/C Obligations then outstanding to the amount to which the Commitments have been so reduced.

(ii) If at any time the sum of the aggregate Original Dollar Amount of the Revolving Loans, Swing Loans and the L/C Obligations then outstanding shall be in excess of the Commitments then in effect, the Borrower shall, within five days of such date and without notice or demand, pay over the amount of the excess to the Administrative Agent for the account of the Lenders as and for a mandatory prepayment on such Obligations, with each such prepayment first to be applied to the Swing Loans then outstanding until payment in full thereof, with any remaining balance to be applied to the Revolving Loans then outstanding until payment in full thereof, with any remaining balance to be held by the Administrative Agent in the Collateral Account as security for the Obligations owing with respect to the Letters of Credit.

(iii) Unless the Borrower otherwise directs, prepayments of Loans under this Section 2.7(b) in U.S. Dollars shall be applied first to Borrowings of Base Rate Loans until payment in full thereof with any balance applied to Borrowings of Eurocurrency Loans denominated in U.S. Dollars in the order in which their Interest Periods expire and prepayments made in Alternative Currencies under this Section 2.7(b) shall be applied to Borrowings in such Alternative Currency in the order in which their Interest Periods expire. Each prepayment of Loans under this Section 2.7(b) shall be made by the payment of the principal amount to be prepaid and, in the case of any Swing Loans or Eurocurrency Loans, accrued interest thereon to the date of prepayment together with any amounts due the Lenders under Section 8.1 hereof. Each prefunding of L/C Obligations shall be made in accordance with Section 7.4 hereof. The Administrative Agent will promptly advise each Lender of any notice of prepayment it receives from the Borrower.

Section 2.8 Place and Application of Payments. All payments of principal of and interest on the Loans and the Reimbursement Obligations, and of all other Obligations payable by the Borrower under this Agreement and the other Loan Documents, shall be made by the Borrower to the Administrative Agent by no later than 1:00 p.m. (New York time) on the due date thereof at the Administrative Agent office (or such other location as the Administrative Agent may designate to the Borrower) or, if such payment is to be made in an Alternative Currency, no later than 12:00 noon local time at the place of payment at such account with such financial institution as the Administrative Agent has previously specified in a notice to the Borrower for the benefit of the Lender or Lenders entitled thereto. Any payments received after such time shall be deemed to have been received by the Administrative Agent on the next Business Day. All such payments shall be made (i) in U.S. Dollars, in immediately available funds at the place of payment, or (ii) in the case of amounts payable hereunder in an Alternative Currency, in such Alternative Currency in such funds then customary for the settlement of international transactions in such currency, in each case without deduction, set-off or counterclaim. The Administrative Agent will promptly thereafter cause to be distributed like funds relating to the payment of principal or interest on Loans and on Reimbursement Obligations in which the Lenders have purchased Participating Interests ratably to the Lenders and like funds relating to the payment of any other amount payable to any Lender to such Lender, in each case to be applied in accordance with the terms of this Agreement. If the Administrative Agent causes amounts to be distributed to the Lenders in reliance upon the assumption that the Borrower will make a scheduled payment and such scheduled payment is not so made, each Lender shall, on demand, repay to the Administrative Agent the amount distributed to such Lender together with interest thereon in respect of each day during the period

commencing on the date such amount was distributed to such Lender and ending on (but excluding) the date such Lender repays such amount to the Administrative Agent, at a rate per annum equal to: (i) from the date the distribution was made to the date 2 Business Days after payment by such Lender is due hereunder, (x) if such scheduled payment was to be made in U.S. Dollars, the Federal Funds Rate for each such day and (y) if such scheduled payment was to be made in an Alternative Currency, the rate established by Section 2.3(c)(iii)(C) hereof for Eurocurrency Loans denominated in such currency and (ii) from the date 2 Business Days after the date such payment is due from such Lender to the date such payment is made by such Lender, (x) if such scheduled payment was to be made in U.S. Dollars, the Base Rate in effect for each such day and (y) if such scheduled payment was to be made in an Alternative Currency, the rate per annum established by Section 2.3(c)(iii) hereof for Eurocurrency Loans denominated in such currency.

Anything contained herein to the contrary notwithstanding, (x) pursuant to the exercise of remedies under Sections 7.2 and 7.3 hereof or (y) after written instruction by the Required Lenders after the occurrence and during the continuation of an Event of Default, all payments and collections received in respect of the Obligations by the Administrative Agent or any of the Lenders shall be remitted to the Administrative Agent and distributed as follows:

(a) *first,* to the payment of any outstanding costs and expenses incurred by the Administrative Agent, and any security trustee therefore in protecting, preserving or enforcing rights under the Loan Documents, and in any event all costs and expenses of a character which the Borrower has agreed to pay the Administrative Agent under Section 10.13 hereof (such funds to be retained by the Administrative Agent for its own account unless it has previously been reimbursed for such costs and expenses by the Lenders, in which event such amounts shall be remitted to the Lenders to reimburse them for payments theretofore made to the Administrative Agent);

(b) *second,* to the payment of principal and interest on the Swing Notes until paid in full;

(c) *third,* to the payment of any outstanding interest and fees due under the Loan Documents to be allocated pro rata in accordance with the aggregate unpaid amounts owing to each holder thereof;

(d) *fourth,* to the payment of principal on the Notes, unpaid Reimbursement Obligations, together with amounts to be held by the Administrative Agent as collateral security for any outstanding L/C Obligations pursuant to Section 7.4 hereof (until the Administrative Agent is holding an amount of cash equal to the then outstanding amount of all such L/C Obligations), and Hedging Liability, the aggregate amount paid to, or held as collateral security for, the Lenders and, in the case of Hedging Liability, their Affiliates to be allocated pro rata in accordance with the aggregate unpaid amounts owing to each holder thereof;

(e) *fifth,* to the payment of all other unpaid Obligations to be allocated pro rata in accordance with the aggregate unpaid amounts owing to each holder thereof; and

(f) *sixth,* to the Borrower or whoever else may be lawfully entitled thereto.

Section 2.9 Commitment Terminations. The Borrower shall have the right at any time and from time to time, upon 3 Business Days prior written notice to the Administrative Agent (or such shorter period of time agreed to by the Administrative Agent), to terminate the Commitments in whole or in part, any partial termination to be (i) in an amount equal to U.S. $1,000,000 or such greater amount that is an integral multiple of U.S. $100,000 and (ii) allocated ratably among the Lenders in proportion to their respective Percentages, provided that the Commitments may not be reduced to an amount less than the sum of the aggregate principal amount of Swing Loans and L/C Obligations and the Original Dollar Amount of Revolving Loans then outstanding. Any termination of the Commitments below the L/C Sublimit then in effect shall reduce the L/C Sublimit by a like amount. Any termination of the Commitments below the Swing Line Sublimit then in effect shall reduce the Swing Line Sublimit by a like amount. The Administrative Agent shall give prompt notice to each Lender of any such termination of the Commitments. Any termination of the Commitments pursuant to this Section 2.9 may not be reinstated.

Section 2.10 Swing Loans. (a) *Generally.* Subject to the terms and conditions hereof, as part of the Revolving Credit, the Administrative Agent agrees to make loans in U.S. Dollars to the Borrower under the Swing Line (individually a *"Swing Loan"* and collectively the *"Swing Loans"*) which shall not in the aggregate at any time outstanding exceed the Swing Line Sublimit; *provided, however,* the sum of the (i) aggregate Original Dollar Amount of Revolving Loans, (ii) the aggregate principal amount of Swing Loans and (iii) the aggregate principal amount of L/C Obligations at any time outstanding shall not exceed the sum of all Commitments in effect at such time. The Swing Loans may be availed of the Borrower from time to time and borrowings thereunder may be repaid and used again during the period ending on the Termination Date; *provided* that each Swing Loan must be repaid on the last day of the Interest Period applicable thereto. Each Swing Loan shall be in a minimum amount of U.S. $250,000 or such greater amount that is an integral multiple of U.S. $100,000.

(b) *Interest on Swing Loans.* Each Swing Loan shall bear interest until maturity (whether by acceleration or otherwise) at a rate per annum, as selected by the Borrower in accordance with subpart (c) below, equal to (i) the sum of the Base Rate *plus* the Applicable Margin for Base Rate Loans from time to time in effect (computed on the basis of a year of 360 days and the actual number of days elapsed) or (ii) the Administrative Agent's Quoted Rate (computed on the basis of a year of 360 days for the actual number of days elapsed). Interest on each Swing Loan shall be due and payable under the Swing Note prior to such maturity on the last day of each Interest Period applicable thereto.

(c) *Requests for Swing Loans*. The Borrower shall give the Administrative Agent prior notice (which may be written or oral) no later than 1:00 p.m. (New York time) on the date upon which the Borrower requests that any Swing Loan be made, of the amount and date of such Swing Loan, and the Interest Period requested therefor. Within 30 minutes after receiving such notice, the Administrative Agent shall in its discretion quote an interest rate to the Borrower at which the Administrative Agent would be willing to make such Swing Loan available to the Borrower for the Interest Period so requested (the rate so quoted for a given Interest Period being herein referred to as *"Administrative Agent's Quoted Rate"*). The Borrower acknowledges and agrees that the interest rate quote is given for immediate and irrevocable acceptance. If the Borrower does not so immediately accept the Administrative Agent's Quoted Rate for the full

amount requested by the Borrower for such Swing Loan, the Administrative Agent's Quoted Rate shall be deemed immediately withdrawn and such Swing Loan shall bear interest at the rate per annum determined by adding the Applicable Margin for Base Rate Loans to the Base Rate as from time to time in effect. Subject to the terms and conditions hereof, the proceeds of such Swing Loan shall be made available to the Borrower on the date so requested at such account with such financial institution as the Administrative Agent has previously agreed to with the Borrower. Anything contained in the foregoing to the contrary notwithstanding (i) the obligation of the Administrative Agent to make Swing Loans shall be subject to all of the terms and conditions of this Agreement and (ii) the Administrative Agent shall not be obligated to make more than one Swing Loan during any one day.

(d) *Refunding of Swing Loans*. In its sole and absolute discretion, the Administrative Agent may at any time, on behalf of the Borrower (which hereby irrevocably authorizes the Administrative Agent to act on its behalf for such purpose) and with notice to the Borrower, request each Lender to make a Revolving Loan in the form of a Base Rate Loan in an amount equal to such Lender's Percentage of the amount of the Swing Loans outstanding on the date such notice is given. Unless an Event of Default described in Section 7.1(j) or 7.1(k) exists with respect to the Borrower, regardless of the existence of any other Event of Default, each Lender shall make the proceeds of its requested Revolving Loan available to the Administrative Agent, in immediately available funds, at the Administrative Agent's Office, before 1:00 p.m. (New York time) on the Business Day following the day such notice is given. The proceeds of such Borrowing of Revolving Loans shall be immediately applied to repay the outstanding Swing Loans.

(e) *Participations.* If any Lender refuses or otherwise fails to make a Revolving Loan when requested by the Administrative Agent pursuant to Section 2.10(d) above (because an Event of Default described in Section 7.1(j) or 7.1(k) exists with respect to the Borrower or otherwise), such Lender will, by the time and in the manner such Revolving Loan was to have been funded to the Administrative Agent, purchase from the Administrative Agent an undivided participating interest in the outstanding Swing Loans in an amount equal to its Percentage of the aggregate principal amount of Swing Loans that were to have been repaid with such Revolving Loans; *provided* that the foregoing purchases shall be deemed made hereunder without any further action by such Lender or the Administrative Agent. Each Lender that so purchases a participation in a Swing Loan shall thereafter be entitled to receive its Percentage of each payment of principal received on the Swing Loan and of interest received thereon accruing from the date such Lender funded to the Administrative Agent its participation in such Loan. The several obligations of the Lenders under this Section shall be absolute, irrevocable and unconditional under any and all circumstances whatsoever and shall not be subject to any set-off, counterclaim or defense to payment that any Lender may have or have had against the Borrower, any other Lender or any other Person whatsoever. Without limiting the generality of the foregoing, such obligations shall not be affected by any Default or Event of Default or by any reduction or termination of the Commitments of any Lender, and each payment made by a Lender under this Section shall be made without any offset, abatement, withholding or reduction whatsoever.

Section 2.11 The Notes. (a) The Revolving Loans made to the Borrower by a Lender shall be evidenced by a single promissory note of that Borrower issued to such Lender in the

form of Exhibit D-1 hereto. Each such promissory note is hereinafter referred to as a *"Revolving Note"* and collectively such promissory notes are referred to as the *"Revolving Notes."*

(b) The Swing Loans made to the Borrower by the Administrative Agent shall be evidenced by a single promissory note of the Borrower issued to the Administrative Agent in the form of Exhibit D-2 hereto. Such promissory note is hereinafter referred to as a *"Swing Note"*.

(c) In respect of the Revolving Credit and Swing Line, each Lender shall record on its books and records or on a schedule to its appropriate Note the amount and currency and type of each Loan advanced, continued or converted by it, all payments of principal and interest and the principal balance from time to time outstanding thereon, and, for any Eurocurrency Loan, the Interest Period and the interest rate applicable thereto. The Lender's record thereof, whether shown on its books and records or on a schedule to the relevant Note, shall be *prima facie* evidence as to all such matters; *provided, however*, that the failure of any Lender to record any of the foregoing or any error in any such record shall not limit or otherwise affect the obligation of the Borrower to repay all Loans made to it together with accrued interest thereon. At the request of any Lender and upon such Lender tendering to the Borrower the appropriate Note to be replaced, the Borrower shall furnish a new Note to such Lender to replace any outstanding Note, and at such time the first notation appearing on a schedule on the reverse side of, or attached to, such new Note shall set forth the aggregate unpaid principal amount of all Loans, if any, then outstanding thereon.

(d) In respect of unpaid Reimbursement Obligations owing from the Borrower to the L/C Issuer, the L/C Issuer shall record on its books and records or on a schedule to its Letter of Credit Note the amount of each unpaid Reimbursement Obligation and all outstanding interest and fees applicable thereon. The L/C Issuer's record thereof, whether shown on its books and records or on a schedule to the Letter of Credit Note, shall be *prima facie* evidence as to all such matters; *provided, however*, that the failure of the L/C Issuer to record any of the foregoing or any error in any such record shall not limit or otherwise affect the obligation of the Borrower to pay all unpaid Reimbursement Obligations together with accrued interest and fees thereon. At the request of the L/C Issuer and upon the L/C Issuer tendering to the Borrower the appropriate Note to be replaced, the Borrower shall furnish a new Letter of Credit Note to the L/C Issuer to replace the outstanding Letter of Credit Note, and at such time the first notation appearing on a schedule on the reverse side of, or attached to, such new Note shall set forth the aggregate unpaid Reimbursement Obligations and interest and fees, if any, then outstanding thereon.

(e) The Borrower acknowledges that the Notes are intended to evidence its Indebtedness under this Agreement.

Section 2.12 Fees. (a) *Commitment Fee*. The Borrower shall pay to the Administrative Agent for the ratable account of the Lenders according to their Percentages a commitment fee at the rate per annum equal to the Applicable Margin (computed on the basis of a year of 360 days and the actual number of days elapsed) on the average daily Unused Commitments. Such commitment fee shall be payable quarterly in arrears on the last day of each March, June, September, and December in each year (commencing on the first such date occurring after the date hereof) and on the Termination Date, unless the Commitments are terminated in whole on

an earlier date, in which event the commitment fee for the period to the date of such termination in whole shall be paid on the date of such termination.

(b) *Letter of Credit Fees.* On the date of issuance or extension, or increase in the amount, of any Letter of Credit pursuant to Section 2.2 hereof, the Borrower shall pay to the L/C Issuer for its own account a fronting fee equal to 0.125% of the face amount of (or of the increase in the face amount of) such Letter of Credit. Quarterly in arrears, on the last day of each March, June, September, and December, commencing on the first such date occurring after the date hereof, the Borrower shall pay to the Administrative Agent, for the ratable benefit of the Lenders according to their Percentages, a letter of credit fee at a rate per annum equal to the Applicable Margin (computed on the basis of a year of 360 days and the actual number of days elapsed) in effect during each day of such quarter applied to the daily average face amount of Letters of Credit outstanding during such quarter; *provided* that, while any Event of Default exists or after acceleration, such rate shall increase by 2% over the rate otherwise payable and such fee shall be paid on demand of the Administrative Agent at the request or with the consent of the Required Lenders; *provided* however, that prior to acceleration, any rate increase pursuant to the foregoing proviso shall be made at the direction of the Administrative Agent, acting at the request or with the consent of the Required Lenders. In addition, the Borrower shall pay to the L/C Issuer for its own account the L/C Issuer's standard drawing, negotiation, amendment, transfer and other administrative fees for each Letter of Credit. Such standard fees referred to in the preceding sentence may be established by the L/C Issuer from time to time.

Section 2.13 Hedge Agreements. All Hedge Agreements, if any, between the Borrower and the Subsidiaries and the Lenders and their Affiliates are independent agreements governed by the written provisions of such Hedge Agreements, which will remain in full force and effect, unaffected by any repayment, prepayment, acceleration, reduction, increase or change in the terms of this Agreement, except as otherwise provided in such Hedge Agreements, and any payoff statement from Administrative Agent relating to this Agreement shall not apply to such Hedge Agreements, except as otherwise expressly provided in such payoff statement.

SECTION 3. CONDITIONS PRECEDENT.

The obligation of each Lender to advance, continue or convert any Loan (other than the conversion into a Base Rate Loan) or of the L/C Issuer to issue, extend the expiration date (including by not giving notice of non-renewal) of or increase the amount of any Letter of Credit under this Agreement, shall be subject to the following conditions precedent:

Section 3.1 All Credit Events. At the time of each Credit Event hereunder:

(a) each of the representations and warranties set forth herein and in the other Loan Documents shall be and remain true and correct in all material respects as of said time, except to the extent the same expressly relate to an earlier date with respect to which such representations and warranties shall be true and correct as of such earlier date;

(b) no Default or Event of Default shall have occurred and be continuing or would occur as a result of such Credit Event;

(c) in the case of any request for an extension of credit under the Revolving Credit, after giving effect to such extension of credit, the aggregate principal amount of all Revolving Loans, Swing Loans and L/C Obligations under this Agreement shall not exceed the aggregate Commitments;

(d) in the case of a Borrowing the Administrative Agent shall have received the notice required by Section 2.4 hereof, in the case of the issuance of any Letter of Credit the L/C Issuer shall have received a duly completed Application together with any fees called for by Section 2.12 hereof, and, in the case of an extension or increase in the amount of a Letter of Credit, a written request therefor in a form acceptable to the L/C Issuer together with fees called for by Section 2.12 hereof; and

(e) such Credit Event shall not violate any order, judgment or decree of any court or other authority or any provision of law or regulation applicable to the Administrative Agent or any Lender (including, without limitation, Regulation U of the Board of Governors of the Federal Reserve System) as then in effect.

Each request for a Borrowing hereunder and each request for the issuance of, increase in the amount of, or extension of the expiration date of, a Letter of Credit shall be deemed to be a representation and warranty by the Borrower on the date of such Credit Event as to the facts specified in subsections (a) through (d), both inclusive, of this Section.

Section 3.2 Initial Credit Event. Before or concurrently with the initial Credit Event:

(a) the Administrative Agent shall have received for each Lender such Lender's duly executed Notes of the Borrower dated the date hereof and otherwise in compliance with the provisions of Section 2.11 hereof;

(b) the Administrative Agent shall have received the Guaranties duly executed by each Guarantor;

(c) the Administrative Agent shall have received for each Lender copies of the Borrower's and each Guarantor's articles of incorporation and bylaws (or comparable organizational documents) and any amendments thereto, certified in each instance by its Secretary or Assistant Secretary;

(d) the Administrative Agent shall have received for each Lender copies of resolutions of the Borrower's and each Guarantor's Board of Directors (or similar governing body) authorizing the execution, delivery and performance of this Agreement and the other Loan Documents to which it is a party and the consummation of the transactions contemplated hereby and thereby, together with incumbency certificates and specimen signatures of the persons authorized to execute such documents on the Borrower's and each Guarantor's behalf, all certified in each instance by its Secretary or Assistant Secretary;

(e) the Administrative Agent shall have received for each Lender copies of the certificates of good standing, or the nearest equivalent in the relevant jurisdiction, for the Borrower and each Guarantor (dated no earlier than 30 days prior to the date hereof) from the office of the secretary of state or other appropriate governmental department or agency of the

state of its incorporation or organization and of each state in which it is qualified to do business as a foreign corporation or organization;

(f) the Administrative Agent shall have received for each Lender a list of the Authorized Representatives;

(g) the Administrative Agent shall have received for itself and for the Lenders the initial fees called for by Section 2.12 hereof;

(h) the Administrative Agent shall have received for itself the fees otherwise agreed to in writing among them and the Borrower;

(i) the Administrative Agent shall have received financing statement, tax, and judgment lien search results against the Property of the Borrower and each Guarantor evidencing the absence of Liens on its Property except for Permitted Liens;

(j) the Administrative Agent shall have received for each Lender the favorable written opinion of counsel to the Borrower and each Guarantor, in form and substance satisfactory to the Administrative Agent; and

(k) the Administrative Agent shall have received for the account of the Lenders such other agreements, instruments, documents, certificates, and opinions as the Administrative Agent may reasonably request.

SECTION 4. THE GUARANTIES.

Section 4.1 Guaranties. The payment and performance of the Obligations, Hedging Liability, and Funds Transfer and Deposit Account Liability shall at all times be guaranteed by each Material Subsidiary (other than Cleveland-Cliffs International Holding Company) pursuant to one or more guaranty agreements in form and substance reasonably acceptable to the Administrative Agent (as the same may be amended, modified or supplemented from time to time, individually a *"Guaranty"* and collectively the *"Guaranties"*); *provided*, however, notwithstanding the foregoing, no such guaranty will be required by a Material Subsidiary if doing so could have a material adverse effect on the Borrower's or the Material Subsidiary's income tax liability.

Section 4.2 Further Assurances. In the event the Borrower or any Subsidiary forms or acquires any other Subsidiary after the date hereof, the Borrower shall, in accordance with Section 4.2, promptly upon such formation or acquisition cause such newly formed or acquired Subsidiary to execute a Guaranty, as the Administrative Agent may then require, and the Borrower shall also deliver to the Administrative Agent, or cause such Subsidiary to deliver to the Administrative Agent, at the Borrower's cost and expense, such other instruments, documents, certificates, and opinions reasonably required by the Administrative Agent in connection therewith; *provided*, however, notwithstanding the foregoing, no such guaranty will be required by a Material Subsidiary if doing so could have a material adverse effect on the Borrower's or the Material Subsidiary's income tax liability.

SECTION 5. REPRESENTATIONS AND WARRANTIES.

The Borrower represents and warrants to each Lender and the Administrative Agent, and agrees, that:

Section 5.1 Organization and Qualification. The Borrower and each of its Subsidiaries (i) is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization, (ii) has the power and authority to own its property and to transact the business in which it is engaged and proposes to engage and (iii) is duly qualified and in good standing in each jurisdiction where the ownership, leasing or operation of property or the conduct of its business requires such qualification, except where the failure to be so qualified and in good standing could not reasonably be expected to have a Material Adverse Effect.

Section 5.2 Authority and Enforceability. The Borrower has full right and authority to enter into this Agreement and the other Loan Documents executed by it, to make the borrowings herein provided for, to issue its Notes in evidence thereof, and to perform all of its obligations hereunder and under the other Loan Documents executed by it. Each Guarantor has full right and authority to enter into the Loan Documents executed by it, to guarantee the Obligations, Hedging Liability, and Funds Transfer and Deposit Account Liability and to perform all of its obligations under the Loan Documents executed by it. The Loan Documents delivered by the Borrower and by each Guarantor have been duly authorized, executed, and delivered by such Person and constitute valid and binding obligations of such Person enforceable against it in accordance with their terms, except as enforceability may be limited by bankruptcy, insolvency, fraudulent conveyance or similar laws affecting creditors' rights generally and general principles of equity (regardless of whether the application of such principles is considered in a proceeding in equity or at law); and this Agreement and the other Loan Documents do not, nor does the performance or observance by the Borrower or any Subsidiary of any of the matters and things herein or therein provided for, (a) contravene or constitute a default under any provision of law or any judgment, injunction, order or decree binding upon the Borrower or any Subsidiary or any provision of the organizational documents (*e.g.,* charter, articles of incorporation or by-laws, articles of association or operating agreement, partnership agreement or other similar document) of the Borrower or any Subsidiary, (b) contravene or constitute a default under any covenant, indenture or agreement of or affecting the Borrower or any Subsidiary or any of its Property, in each case where such contravention or default, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect or (c) result in the creation or imposition of any Lien on any Property of the Borrower or any Subsidiary.

Section 5.3 Financial Reports. The audited consolidated financial statements of the Borrower and its Subsidiaries as at December 31, 2006, and the unaudited interim consolidated financial statements of the Borrower and its Subsidiaries as at March 31, 2007, for the 3 months then ended, heretofore furnished to the Administrative Agent, fairly and adequately present, in all material respects, the consolidated financial condition of the Borrower and its Subsidiaries as at said dates and the consolidated results of their operations and cash flows for the periods then ended in conformity with GAAP applied on a consistent basis. Neither the Borrower nor any Subsidiary has contingent liabilities or judgments, orders or injunctions against it that are material to it other than as indicated on such financial statements or, with respect to future periods, on the financial statements furnished pursuant to Section 6.1 hereof.

Section 5.4 No Material Adverse Change. Since December 31, 2006, there has been no change in the condition (financial or otherwise) the Borrower and its Subsidiaries except those occurring in the ordinary course of business, none of which individually or in the aggregate could reasonably be expected to have a Material Adverse Effect.

Section 5.5 Litigation and other Controversies. Except as set forth on Schedule 5.5, there is no litigation, arbitration or governmental proceeding pending or, to the knowledge of the Borrower and its Subsidiaries, threatened against the Borrower or any of its Subsidiaries that could reasonably be expected to have a Material Adverse Effect.

Section 5.6 True and Complete Disclosure. All information furnished by or on behalf of the Borrower or any of its Subsidiaries in writing to the Administrative Agent or any Lender for purposes of or in connection with this Agreement, or any transaction contemplated herein, is true and accurate in all material respects and not incomplete by omitting to state any fact necessary to make such information (taken as a whole) not misleading in light of the circumstances under which such information was provided; *provided* that to the extent any such information was based upon or constitutes a forecast or projection, the Borrower represents only that it acted in good faith and utilized assumptions reasonable at the time made and due care in the preparation of such information, report, financial statement, exhibit or schedule.

Section 5.7 Use of Proceeds; Margin Stock. (a) All proceeds of Loans shall be used by the Borrower for working capital purposes and other general corporate purposes (including the funding of Permitted Acquisitions) of the Borrower and its Subsidiaries. No part of the proceeds of any Loan or other extension of credit hereunder will be used by the Borrower or any Subsidiary thereof to purchase or carry any margin stock (within the meaning of Regulation U of the Board of Governors of the Federal Reserve System) or to extend credit to others for the purpose of purchasing or carrying any margin stock. Neither the making of any Loan or other extension of credit hereunder nor the use of the proceeds thereof will violate or be inconsistent with the provisions of Regulations T, U or X of the Board of Governors of the Federal Reserve System and any successor to all or any portion of such regulations. Margin Stock (as defined above) constitutes less than 25% of the value of those assets of the Borrower and its Subsidiaries that are subject to any limitation on sale, pledge or other restriction hereunder.

Section 5.8 Taxes. All material tax returns required to be filed by the Borrower or any Subsidiary in any jurisdiction have, in fact, been filed, and all material taxes, assessments, fees, and other governmental charges upon the Borrower or any Subsidiary or upon any of their Property, income or franchises, which are shown to be due and payable in such returns, have been paid except to the extent that the Borrower or any Subsidiary is contesting the same in good faith. The Borrower does not know of any proposed additional material tax assessment against it or its Subsidiaries for which adequate provisions in accordance with GAAP have not been made on their accounts. Adequate provisions in accordance with GAAP for taxes on the books of the Borrower and its Subsidiaries have been made for all open years, and for the current fiscal period.

Section 5.9 ERISA. The Borrower and each other member of its Controlled Group has fulfilled its obligations under the minimum funding standards of, and is in compliance in all material respects with, ERISA and the Code to the extent applicable to it and, other than a

liability for premiums under Section 4007 of ERISA, does not owe any liability to the PBGC or a Plan under Title IV of ERISA. Except with respect to the Welfare Plans identified on Schedule 5.9, as of the date hereof, neither the Borrower nor any Subsidiary has any contingent liabilities with respect to any post-retirement benefits under a Welfare Plan, other than liability for continuation coverage described in article 6 of Title I of ERISA.

Section 5.10 Subsidiaries. Schedule 5.10 correctly sets forth, as of the Closing Date, each Subsidiary of the Borrower, its respective jurisdiction of organization and the percentage ownership (direct and indirect) of the Borrower in each class of capital stock or other equity interests of each of its Subsidiaries and also identifies the direct owner thereof.

Section 5.11 Compliance with Laws. The Borrower and each of its Subsidiaries is in compliance with all applicable statutes, regulations and orders of, and all applicable restrictions imposed by, all governmental authority, or any subdivision thereof, in respect of the conduct of their businesses and the ownership of their property, except such noncompliances as could not reasonably be expected to have, either individually or in the aggregate, a Material Adverse Effect.

Section 5.12 Environmental Matters. The Borrower and each of its Subsidiaries is in compliance with all applicable Environmental Laws and the requirements of any permits issued under such Environmental Laws, except to the extent that the aggregate effect of all noncompliances could not reasonably be expected to have a Material Adverse Effect. Except as disclosed in the Borrower's most recent Form 10-K or Form 10-Q filed with the SEC, there are no pending or, to the best knowledge of the Borrower and its Subsidiaries after due inquiry, threatened Environmental Claims, including any such claims (regardless of materiality) for liabilities under CERCLA relating to the disposal of Hazardous Materials, against the Borrower or any of its Subsidiaries or any real property, including leaseholds, owned or operated by the Borrower or any of its Subsidiaries. There are no facts, circumstances, conditions or occurrences on any real property, including leaseholds, owned or operated by the Borrower or any of its Subsidiaries that, to the best knowledge of the Borrower and its Subsidiaries after due inquiry, could reasonably be expected (i) to form the basis of an Environmental Claim against the Borrower or any of its Subsidiaries or any such real property, or (ii) to cause any such real property to be subject to any restrictions on the ownership, occupancy, use or transferability of such real property by the Borrower or any of its Subsidiaries under any applicable Environmental Law. Hazardous Materials have not been Released on or from any real property, including leaseholds, owned or operated by the Borrower or any of its Subsidiaries where the costs of remediating such Release may reasonably be expected to have a Material Adverse Effect.

Section 5.13 Investment Company. Neither the Borrower nor any Subsidiary is an "investment company" or a company "controlled" by an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

Section 5.14 Intellectual Property. The Borrower and each of its Subsidiaries owns all the patents, trademarks, permits, service marks, trade names, copyrights, franchises and formulas, or rights with respect to the foregoing, or each has obtained licenses of all other rights of whatever nature necessary for the present conduct of its businesses, in each case without any

known conflict with the rights of others which, or the failure to obtain which, as the case may be, could reasonably be expected to result in a Material Adverse Effect.

Section 5.15 Good Title. The Borrower and its Subsidiaries have good and marketable title, or valid leasehold interests, to their assets as reflected on the Borrower's most recent consolidated balance sheet provided to the Administrative Agent, except for sales of assets in the ordinary course of business, subject to no Liens, other than Permitted Liens.

Section 5.16 Labor Relations. Neither the Borrower nor any of its Subsidiaries is engaged in any unfair labor practice that could reasonably be expected to have a Material Adverse Effect. There is no strike, labor dispute, slowdown or stoppage pending against the Borrower or any of its Subsidiaries or, to the best knowledge of the Borrower and its Subsidiaries, threatened against the Borrower or any of its Subsidiaries, except such as could not reasonably be expected to have a Material Adverse Effect.

Section 5.17 Capitalization. Except as disclosed on Schedule 5.17, as of the Closing Date, all outstanding equity interests of the Borrower and each Subsidiary have been duly authorized and validly issued, and are fully paid and nonassessable, and there are no outstanding commitments or other obligations of the Borrower or any Subsidiary to issue, and no rights of any Person to acquire, any equity interests in the Borrower or any Subsidiary.

Section 5.18 Other Agreements. Neither the Borrower nor any Subsidiary is in default under the terms of any covenant, indenture or agreement of or affecting the Borrower, any Subsidiary or any of their Property, which default if uncured could reasonably be expected to have a Material Adverse Effect.

Section 5.19 Governmental Authority and Licensing. The Borrower and its Subsidiaries have received all licenses, permits, and approvals of all federal, state, local, and foreign governmental authorities, if any, necessary to conduct their businesses, in each case where the failure to obtain or maintain the same could reasonably be expected to have a Material Adverse Effect. No investigation or proceeding with respect to any such licenses, permits and approvals that, if adversely determined, could reasonably be expected to result in a Material Adverse Effect is pending or, to the knowledge of the Borrower and its Subsidiaries, threatened.

Section 5.20 Approvals. No authorization, consent, license or exemption from, or filing or registration with, any court or governmental department, agency or instrumentality, nor any approval or consent of any other Person, is or will be necessary to the valid execution, delivery or performance by the Borrower or any Subsidiary of any Loan Document, except for such approvals which have been obtained prior to the date of this Agreement and remain in full force and effect.

Section 5.21 Affiliate Transactions. Neither the Borrower nor any Subsidiary is a party to any contract or agreement with any of its Affiliates (other than any contract or agreement between the Borrower and any Domestic Subsidiary or between any Domestic Subsidiary and any other Domestic Subsidiary) on terms and conditions which are less favorable to the Borrower or such Subsidiary than would be usual and customary in similar contracts or agreements between Persons not affiliated with each other.

Section 5.22 Solvency. The Borrower and its Subsidiaries are solvent, able to pay their debts as they become due, and have sufficient capital to carry on their business and all businesses in which they are about to engage.

Section 5.23 Foreign Assets Control Regulations and Anti-Money Laundering . (a) *OFAC*. Neither the Borrower nor any of its Subsidiaries is (i) a person whose property or interest in property is blocked or subject to blocking pursuant to Section 1 of Executive Order 13224 of September 23, 2001 Blocking Party and Prohibiting Transactions With Persons Who Commit, Threaten to Commit, or Support Terrorism (66 Fed. Reg. 49079 (2001)), (ii) a person who engages in any dealings or transactions prohibited by Section 2 of such executive order, or is otherwise associated with any such person in any manner violative of Section 2, or (iii) a person on the list of Specially Designated Nationals and Blocked Persons or subject to the limitations or prohibitions under any other U.S. Department of Treasury's Office of Foreign Assets Control regulation or executive order.

(b) *Patriot Act.* The Borrower and its Subsidiaries are in compliance, in all material respects, with the USA Patriot Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)) (the "*Patriot Act*"). No part of the proceeds of the Loans will be used, directly or indirectly, for any payments to any governmental official or employee, political party, official of a political party, candidate for political office, or anyone else acting in an official capacity, in order to obtain, retain or direct business or obtain any improper advantage, in violation of the United States Foreign Corrupt Practices Act of 1977, as Amended.

SECTION 6. COVENANTS.

The Borrower covenants and agrees that, so long as any Loans or Letters of Credit are available to the Borrower hereunder and until all Obligations are paid in full:

Section 6.1 Information Covenants. The Borrower will furnish to the Administrative Agent, with sufficient copies for each Lender:

(a) *Quarterly Statements*. Within 60 days after the close of each quarterly accounting period in each fiscal year of the Borrower, the Borrower's consolidated balance sheet as at the end of such quarterly accounting period and the related consolidated statements of income and retained earnings and of cash flows for such quarterly accounting period and for the elapsed portion of the fiscal year ended with the last day of such quarterly accounting period, in each case setting forth comparative figures for the related periods in the prior fiscal year, all of which shall be in reasonable detail, prepared by the Borrower in accordance with GAAP, and certified by the chief financial officer or other officer of the Borrower acceptable to the Administrative Agent that they fairly present in all material respects in accordance with GAAP the financial condition of the Borrower and its Subsidiaries as of the dates indicated and the results of their operations and changes in their cash flows for the periods indicated, subject to normal year-end audit adjustments and the absence of footnotes.

(b) *Annual Statements*. Within 90 days after the close of each fiscal year of the Borrower, a copy of the Borrower's consolidated balance sheet as of the last day of the fiscal year then ended and the Borrower's consolidated statements of income, retained earnings, and

cash flows for the fiscal year then ended, and accompanying notes thereto, each in reasonable detail showing in comparative form the figures for the previous fiscal year, accompanied by an unqualified opinion (as to scope and going concern) of a firm of independent public accountants of recognized national standing, selected by the Borrower and acceptable to the Administrative Agent, to the effect that the consolidated financial statements have been prepared in accordance with GAAP and present fairly in accordance with GAAP the consolidated financial condition of the Borrower and its Subsidiaries as of the close of such fiscal year and the results of their operations and cash flows for the fiscal year then ended and that an examination of such accounts in connection with such financial statements has been made in accordance with generally accepted auditing standards.

(c) *Officer's Certificates*. At the time of the delivery of the financial statements provided for in Section 6.1(a) and (b), except for financial statements delivered pursuant to Section 6.1(a) with respect to a fiscal quarter that ends on the same date as the end of the Borrower's fiscal year, a certificate of the chief financial officer or other officer of the Borrower acceptable to Administrative Agent in the form of Exhibit E (x) stating no Default or Event of Default has occurred during the period covered by such statements of, if a Default or Event of Default exists, a detailed description of the Default or Event of Default and all actions the Borrower is taking with respect to such Default or Event of Default, (y) confirming that the representations and warranties stated in Section 5 remain true and correct in all material respects (except to the extent such representations and warranties relate to an earlier date, in which case they are true and correct of such date) and (z) showing the Borrower's compliance with the covenants set forth in Section 6.19 hereof.

(d) *Notice of Default or Litigation*. Promptly, and in any event within five Business Days after any Responsible Officer obtains knowledge thereof, notice of (i) the occurrence of any event which constitutes a Default or an Event of Default or any other event which could reasonably be expected to have a Material Adverse Effect, which notice shall specify the nature thereof, the period of existence thereof and what action the Borrower proposes to take with respect thereto, (ii) the commencement of, or threat of, or any significant development in, any litigation, labor controversy, arbitration or governmental proceeding pending against the Borrower or any of its Subsidiaries which could reasonably be expected to have a Material Adverse Effect.

(e) *Other Reports and Filings*. Promptly, copies of all financial information, proxy materials and other material information, certificates, reports, statements and completed forms, if any, which the Borrower or any of its Subsidiaries (x) has filed with the Securities and Exchange Commission or any governmental agencies substituted therefor (the *"SEC"*) or any comparable agency outside of the United States or (y) has furnished to the shareholders of the Borrower.

(f) *Environmental Matters*. Promptly upon, and in any event within five Business Days after any Responsible Officer obtains knowledge thereof, notice of one or more of the following environmental matters which individually, or in the aggregate, may reasonably be expected to have a Material Adverse Effect: (i) any notice of Environmental Claim against the Borrower or any of its Subsidiaries or any real property owned or operated by the Borrower or any of its Subsidiaries; (ii) any condition or occurrence on or arising from any real property owned or operated by the Borrower or any of its Subsidiaries that (a) results in noncompliance

by the Borrower or any of its Subsidiaries with any applicable Environmental Law or (b) could reasonably be expected to form the basis of an Environmental Claim against the Borrower or any of its Subsidiaries or any such real property; (iii) any condition or occurrence on any real property owned or operated by the Borrower or any of its Subsidiaries that could reasonably be expected to cause such real property to be subject to any restrictions on the ownership, occupancy, use or transferability by the Borrower or any of its Subsidiaries of such real property under any Environmental Law; and (iv) any removal or remedial actions to be taken in response to the actual or alleged presence of any Hazardous Material on any real property owned or operated by the Borrower or any of its Subsidiaries as required by any Environmental Law or any governmental or other administrative agency. All such notices shall describe in reasonable detail the nature of the claim, investigation, condition, occurrence or removal or remedial action and the Borrower's or such Subsidiary's response thereto. In addition, the Borrower agrees to provide the Lenders with copies of all material written communications by the Borrower or any of its Subsidiaries with any Person, government or governmental agency relating to any of the matters set forth in clauses (i)-(iv) above, and such detailed reports relating to any of the matters set forth in clauses (i)-(iv) above as may reasonably be requested by the Administrative Agent or the Required Lenders.

(g) *Other Information.* From time to time, such other information or documents (financial or otherwise) relating to the Borrower or its Subsidiaries as the Administrative Agent or any Lender may reasonably request.

Any items required to be delivered under Section 6.1(a), (b) or (e) need not to be separately delivered to the Administrative Agent if such items are publicly available through the SEC; *provided* that such items are filed with the SEC within the time allotted in such Sections and, with respect to each such item other than a Form 10-K or a Form 10-Q, the Borrower furnishes to the Administrative Agent within the time allotted in such Sections a written or electronic notice of such filing.

Section 6.2 Inspections. The Borrower will, and will cause each of its Subsidiaries to, permit officers, representatives and agents of the Administrative Agent or any Lender, to visit and inspect any Property of the Borrower or such Subsidiary, and to examine the books of account of the Borrower or such Subsidiary and discuss the affairs, finances and accounts of the Borrower or such Subsidiary with its and their officers and independent accountants, all at such reasonable times upon reasonable advance notice as the Administrative Agent or any Lender may request; *provided, however,* that prior to the occurrence and continuance of an Event of Default, such visitations and inspections shall be no more frequent than once per fiscal year and shall be at the sole cost and expense of the Administrative Agent or such Lender.

Section 6.3 Maintenance of Property, Insurance, Environmental Matters, etc. (a) The Borrower will, and will cause each of its Subsidiaries to, (i) keep its operating property, plant and equipment in good repair, working order and condition, normal wear and tear excepted, and shall from time to time make to all needful and proper repairs, renewals, replacements, extensions, additions, betterments and improvements thereto so that at all times such property, plant and equipment are reasonably preserved and maintained and (ii) maintain in full force and effect with financially sound and reputable insurance companies insurance which provides substantially the same (or greater) coverage and against at least such risks as is in accordance

with industry practice for operating plant and equipment, and shall furnish to the Administrative Agent upon request full information as to the insurance so carried.

(b) Without limiting the generality of Section 6.3(a), the Borrower and its Subsidiaries: (i) shall comply with, and maintain all real property in compliance with, any applicable Environmental Laws, except to the extent that the aggregate affect of all noncompliance could not reasonably be expected to have a Material Adverse Effect; (ii) shall obtain and maintain in full force and effect all governmental approvals required for its operations at or on its properties by any applicable Environmental Laws; (iii) shall cure as soon as reasonably practicable any violation of applicable Environmental Laws with respect to any of its properties which individually or in the aggregate may reasonably be expected to have a Material Adverse Effect; (iv) shall not, and shall not permit any other Person to, own or operate on any of its properties any unauthorized landfill or dump or hazardous waste treatment, storage or disposal facility as defined pursuant to the RCRA, or any comparable state law, or any comparable law of any other jurisdiction; and (v) shall not use, generate, treat, store, release or dispose of Hazardous Materials at or on any of the real property except in the ordinary course of its business and in compliance with all Environmental Laws. With respect to any Release of Hazardous Materials, the Borrower and its Subsidiaries shall conduct any necessary or required investigation, study, sampling and testing, and undertake any cleanup, removal, remedial or other response action necessary to remove, cleanup or abate any material quantity of Hazardous Materials released at or on any of its properties as required by any applicable Environmental Law.

Section 6.4 Preservation of Existence. The Borrower will, and will cause each of its Subsidiaries to, do or cause to be done, all things necessary to preserve and keep in full force and effect its existence and, except where the failure to do so would not reasonably be expected to have a Material Adverse Effect, its franchises, authority to do business, licenses, patents, trademarks, copyrights and other proprietary rights; *provided, however,* that nothing in this Section 6.4 shall prevent, to the extent permitted by Section 6.15, sales of assets by the Borrower or any of its Subsidiaries, the dissolution or liquidation of any Subsidiary of the Borrower, or the merger or consolidation between or among the Subsidiaries of the Borrower or any other transaction not expressly prohibited hereunder.

Section 6.5 Compliance with Laws. The Borrower shall, and shall cause each Subsidiary to, comply in all respects with the requirements of all federal, state, local, and foreign laws, rules, regulations, ordinances and orders applicable to its property or business operations, where any such non-compliance, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect or result in a Lien upon any of its Property other than a Permitted Lien.

Section 6.6 ERISA. The Borrower shall, and shall cause each of its Subsidiaries to, promptly pay and discharge all obligations and liabilities arising under ERISA of a character which if unpaid or unperformed could reasonably be expected to have a Material Adverse Effect or result in a Lien upon any of its Property. The Borrower shall, and shall cause each of its Subsidiaries to, promptly notify the Administrative Agent and each Lender of: (a) the occurrence of any reportable event (as defined in ERISA) with respect to a Plan, (b) receipt of any notice from the PBGC of its intention to seek termination of any Plan or appointment of a

trustee therefor, (c) its intention to terminate or withdraw from any Plan for which the reporting requirements are not waived, and (d) the occurrence of any event with respect to any Plan which would result in the incurrence by the Borrower or any of its Subsidiaries of any material liability, fine or penalty, or any material increase in the contingent liability of the Borrower or any of its Subsidiaries with respect to any post-retirement Welfare Plan benefit.

Section 6.7 Payment of Taxes. The Borrower will, and will cause each of its Subsidiaries to, pay and discharge, all taxes, assessments, fees and other governmental charges imposed upon it or any of its Property, before becoming delinquent and before any penalties accrue thereon, unless and to the extent that the same are being contested in good faith and by proper proceedings and as to which appropriate reserves are provided therefor, unless and until any Lien resulting therefrom attaches to any of its Property.

Section 6.8 Contracts With Affiliates. The Borrower shall not, nor shall it permit any of its Subsidiaries to, enter into any contract, agreement or business arrangement with any of its Affiliates (other than any arrangement between the Borrower and any Domestic Subsidiary or between any Domestic Subsidiary and any other Domestic Subsidiary) on terms and conditions which are less favorable to the Borrower or such Subsidiary than would be usual and customary in similar contracts, agreements or business arrangements between Persons not affiliated with each other.

Section 6.9 No Changes in Fiscal Year. The Borrower shall not change its fiscal year from its present basis.

Section 6.10 Change in the Nature of Business. The Borrower shall not, nor shall it permit any of its Subsidiaries to, engage in any business or activity if as a result the general nature of the business of the Borrower or any Subsidiary would be changed in any material respect from the general nature of the business engaged in by it as of the Closing Date; *provided, however,* that the foregoing shall not prevent the acquisition by the Borrower or any of its Subsidiaries of, or the entry into, any line of business that is related or complementary to the business in which they are engaged on the Closing Date. Notwithstanding anything to the contrary herein, the Borrower shall not permit Cleveland-Cliffs International Holding Company to (a) own any assets other than equity interests in Foreign Subsidiaries, (b) construct, create, incur, assume or suffer to exist any Indebtedness (other than as permitted pursuant to Section 6.11(b)), and (c) create, incur or suffer to exist any Lien created for the purpose of securing Indebtedness.

Section 6.11 Indebtedness. The Borrower will not, nor will it permit any of its Subsidiaries to, contract, create, incur, assume or suffer to exist any Indebtedness, except;

(a) the Obligations, Hedging Liability, and Funds Transfer and Deposit Account Liability of the Borrower and its Subsidiaries owing to the Administrative Agent and the Lenders (and their Affiliates);

(b) intercompany Indebtedness among the Borrower and its Subsidiaries to the extent permitted by Section 6.15;

(c) (i) purchase money Indebtedness of the Borrower and its Subsidiaries, including any such Indebtedness assumed in connection with a Permitted Acquisition, (ii) Capitalized Lease Obligations of the Borrower and its Subsidiaries, including any such obligations assumed in connection with a Permitted Acquisition, and (iii) Indebtedness incurred to finance the acquisition, construction or improvement of any fixed or capital assets (*"Project Indebtedness"*), including any Indebtedness assumed in connection with the acquisition of any such assets or secured by a Lien on such assets before the acquisition thereof, and any refinancings of any such Project Indebtedness; *provided* that, with respect to Project Indebtedness permitted by clause (iii) of this Section, (w) such Project Indebtedness is initially incurred before or within 180 days after such acquisition or the completion of such construction or improvement, (x) such Project Indebtedness shall be secured only by the Property acquired, constructed or improved in connection with the incurrence of such Project Indebtedness, (y) with respect to such Project Indebtedness assumed in connection with a Permitted Acquisition, the amount of such Project Indebtedness shall not exceed 60% of the Total Consideration paid in connection with such Permitted Acquisition and (z) with respect to Project Indebtedness incurred to finance the acquisition of any fixed or capital assets, such Project Indebtedness shall constitute not less than 80% of the aggregate consideration paid with respect to such Property;

(d) customer advances for prepayment of ore sales;

(e) (i) Indebtedness outstanding on the Closing Date and listed on Schedule 6.11 and Indebtedness under the Multi-Currency Credit Agreement among the Borrower, the lenders party thereto and Fifth-Third Bank, as administrative agent, dated June 23, 2006 (as amended and as may be further amended, restated or otherwise modified from time to time (the "*Existing Credit Agreement*") and (ii) refinancings or renewal thereof; *provided* that any such refinancing or renewed Indebtedness is in an aggregate principal amount not greater than the aggregate principal amount of the Indebtedness being renewed or refinanced, *plus* the amount of any premiums required to be paid thereon and reasonable fees and expenses associated therewith;

(f) Other Hedging Liability to any Person, in all cases incurred in the ordinary course of business and not for speculative purposes;

(g) Indebtedness in respect of bid, performance, surety, reclamation or other similar bonds or guaranties in the ordinary course of business, or any similar financial assurance obligations under Environmental Laws or worker's compensation laws or with respect to self-insurance obligations, including guarantees or obligations with respect to letters of credit supporting such obligations (in each case other than for an obligation for money borrowed);

(h) Contingent Obligations in respect of (i) Indebtedness otherwise permitted under this Section 6.11 and under Section 6.13 and (ii) Indebtedness owed by Amapa in an amount not to exceed U.S. $275,000,000 incurred for the purpose of financing the development and construction of an iron ore mine and related facilities (the "*Amapa Project*") located in the municipality of Pedra Branca do Amapari, in the State of Amapa, in the northern region of Brazil, a dedicated railroad for the Amapa Project and a port terminal for the Amapa Project located in Santana, State of Amapa in Brazil, and for financing working capital related thereto; *provided* that such Contingent Obligations of Amapa Indebtedness shall be limited to U.S. $90,000,000;

(i) secured Indebtedness assumed in connection with a Permitted Acquisition; *provided* that, (i) such Indebtedness was not incurred in contemplation of such Permitted Acquisition, and (ii) after giving effect to the incurrence of such Indebtedness, the Borrower and its Subsidiaries would be in *pro forma* compliance with the covenants set forth in Section 6.19; *provided, further,* that the aggregate outstanding principal amount of all such secured Indebtedness shall not exceed U.S. $30,000,000 at any time outstanding;

(j) Indebtedness incurred in connection with any sale/leaseback transaction permitted pursuant to Section 6.14(e) hereof; and

(k) unsecured Indebtedness of the Borrower and its Subsidiaries not otherwise permitted by this Section, so long as, after giving effect to such Indebtedness, no Default or Event of Default shall exist, including with respect to the covenants contained in Section 6.19 hereof on a *pro forma* basis.

Section 6.12 Liens. The Borrower will not, nor will it permit any of its Subsidiaries to, create, incur or suffer to exist any Lien on any of its Property; *provided* that the foregoing shall not prevent the following (the Liens described below, the *"Permitted Liens"*):

(a) Standard Permitted Liens;

(b) Liens on Property of the Borrower or any Subsidiary created solely for the purpose of securing Indebtedness permitted by Section 6.11(c) hereof, representing or incurred to finance such Property, *provided* that, with respect to Indebtedness described in clauses (i) and (ii) of such Section, no such Lien shall extend to or cover other Property of the Borrower or such Subsidiary other than the respective Property so acquired, and the principal amount of Indebtedness secured by any such Lien shall at no time exceed the purchase price of such Property, as reduced by repayments of principal thereon;

(c) any Lien in existence on the Closing Date and set forth on Schedule 6.12, any continuation or extension thereof or any Lien granted as a replacement or substitute therefor; *provided* that any such continued, extended, replacement or substitute Lien (i) except as permitted by Section 6.11, does not secure an aggregate amount of Indebtedness, if any, greater than that secured on the Closing Date, and (ii) does not encumber any Property other than the Property subject thereto on the Closing Date and any products or proceeds thereof to the extent covered by such Lien;

(d) Liens on Property of the Borrower or any Subsidiary created solely for the purpose of securing Indebtedness permitted by Section 6.11(i); *provided* that any such Liens attach only to the Property acquired pursuant to such Permitted Acquisition and do not encumber any other Property (other than any products or proceeds thereof to the extent covered by such Liens);

(e) Liens on Property of the Borrower any Subsidiary created solely for the purpose of securing Indebtedness permitted by Section 6.11(j); *provided* that any such Liens attach only to the Property being leased or acquired pursuant to such Indebtedness and do not encumber any other Property (other than any products or proceeds thereof to the extent covered by such Liens);

(f) Liens solely on any cash earnest money deposits in connection with any letter of intent or purchase agreement entered into in connection with a Permitted Acquisition;

(g) Liens on cash or Cash Equivalents securing reimbursement obligations with respect to any standby letter of credit entered into in the ordinary course of business; *provided* that the aggregate stated amount of such letters of credit at any time outstanding shall not exceed U.S. $25,000,000;

(h) Liens solely on the assets of the Cliffs Sonoma Entities in favor of the Cliffs Sonoma Entities' joint venture partners in Sonoma; *provided*, that such Liens shall secure only amounts owed by Sonoma and the Cliffs Sonoma Entities to such joint venture partners;

(i) other Liens with respect to obligations that do not in the aggregate exceed U.S. $5,000,000 at any time outstanding, and

(j) the Liens granted pursuant to the Existing Credit Agreement and the documents executed in connection therewith.

Section 6.13 Restrictions on Joint Ventures. The Borrower will not (a) permit any Joint Venture that is not a Subsidiary to contract, create, incur, assume or suffer to exist any Contingent Obligations, (b) agree to the waiver of any provision existing as of the Closing Date that prohibits Liens on any of the capital stock or other equity interests of any Joint Venture, or (c) permit any Joint Venture that is not a Subsidiary to create, incur or suffer to exist any Lien on any of its Property; *provided* that the foregoing shall not prevent the following (the Liens described in clauses (i) through (v) below, the *"Permitted JV Liens"*):

(i) Standard Permitted Liens;

(ii) Liens on Property of such Joint Venture, which Liens are created solely for the purpose of securing purchase money Indebtedness and Capitalized Lease Obligations of such Joint Venture and which Liens represent or were incurred to finance the purchase price of such Property; *provided* that no such Lien shall extend to or cover other Property of such Joint Venture other than the respective Property so acquired, and the principal amount of Indebtedness secured by any such Lien shall at no time exceed the purchase price of such Property, as reduced by repayments of principal thereon;

(iii) any Lien on any Property of those Joint Ventures described on Schedule 6.13 hereof (the *"Mesabi Joint Ventures"*);

(iv) any Lien in existence on the Closing Date and set forth on Schedule 6.13, any continuation or extension thereof or any Lien granted as a replacement or substitute therefore; *provided* that any such continued, extended, replacement or substitute Lien (i) does not secure an aggregate amount of Indebtedness, if any, greater than that secured on the Closing Date, and (ii) does not encumber any Property other than the Property subject thereto on the Closing Date and any products or proceeds thereof to the extent covered by such Lien;

(v) Liens on cash or Cash Equivalents securing reimbursement obligations with respect to any standby letter of credit entered into in the ordinary course of business;

(vi) Contingent Obligations of Mesabi Joint Ventures; and

(vii) Indebtedness in respect of bid, performance, surety, reclamation or other similar bonds or guaranties in the ordinary course of business, or any similar financial assurance obligations under Environmental Laws or worker's compensation laws or with respect to self-insurance obligations, including guarantees or obligations with respect to letters of credit supporting such obligations (in each case other than for an obligation for money borrowed).

Section 6.14 Consolidation, Merger, Sale of Assets, etc. The Borrower will not, nor will it permit any of its Subsidiaries to, wind up, liquidate or dissolve its affairs or agree to any merger or consolidation, or convey, sell, lease or otherwise dispose of all or any part of its operating properties, including any disposition as part of any sale-leaseback transactions except that this Section shall not prevent:

(a) the sale and lease of inventory in the ordinary course of business;

(b) the sale, transfer or other disposition of any tangible personal property that, in the reasonable judgment of the Borrower or its Subsidiaries, has become uneconomic, obsolete or worn out;

(c) the sale, transfer, lease, or other disposition of Property of the Borrower and its Wholly-owned Subsidiaries to one another;

(d) the merger of any Wholly-owned Subsidiary with and into the Borrower or any other Wholly-owned Subsidiary, *provided* that, (i) in the case of any merger involving the Borrower, the Borrower is the legal entity surviving the merger and (ii) in the case of any merger involving a Domestic Subsidiary and a Foreign Subsidiary, the Domestic Subsidiary is the legal entity surviving the merger;

(e) the sale, transfer, lease, or other disposition of Property of the Borrower or any Subsidiary (including any disposition of Property as part of a sale and leaseback transaction) aggregating for the Borrower and its Subsidiaries not more than U.S. $10,000,000 during any fiscal year of the Borrower;

(f) the sale of Polymet Mining Corp. common stock by the Borrower;

(g) the sale of all of the stock of or all or substantially all of the assets of (i) Cliffs Synfuel Corp. and (ii) Lasco Development Corporation;

(h) any Subsidiary may dissolve, liquidate or wind up its affairs at any time; *provided* that such dissolution, liquidation or winding up, as applicable, would not reasonably be expected to result in a Material Adverse Effect;

(i) licenses or leases of real or personal property in the ordinary course of business so long as such licenses or leases do not individually or in the aggregate interfere in any material respect with the ordinary conduct of the business of the Borrower and its Subsidiaries;

(j) licenses, sublicenses or similar transactions of intellectual property in the ordinary course of business so long as such licenses or sublicenses or similar transactions do not individually or in the aggregate interfere in any material respect with the ordinary conduct of the business of the Borrower and its Subsidiaries;

(k) the sale or other disposition of those Investments permitted by clauses (f), (l) and (p) of the definition of Restricted Investments; and

(l) any merger or consolidation of the Borrower or any Subsidiary in connection with a Permitted Acquisition, *provided* that (i) subject to the following clause (ii), in the case of any merger involving any Wholly-owned Subsidiary, the Wholly-owned Subsidiary is the legal entity surviving the merger, (ii) in the case of any merger involving the Borrower, the Borrower is the legal entity surviving the merger, and (iii) in the case of any merger involving a Foreign Subsidiary and a Domestic Subsidiary, the Domestic Subsidiary is the legal entity surviving the merger.

Section 6.15 Restricted Investments Prohibited. The Borrower will not, nor will it permit any of its Subsidiaries to, have, make or authorize any Restricted Investments.

Section 6.16 Dividends and Certain Other Restricted Payments. After the occurrence and during the continuation of a Default or an Event of Default, the Borrower shall not, nor shall it permit any of its Subsidiaries to, (a) declare or pay any dividends on or make any other distributions in respect of any class or series of its capital stock or other equity interests (other than a dividend payable solely in stock or other equity interests) or (b) directly or indirectly purchase, redeem, or otherwise acquire or retire any of its capital stock or other equity interests or any warrants, options, or similar instruments to acquire the same; *provided, however,* that the foregoing shall not operate to prevent the making of dividends or distributions by any Subsidiary of the Borrower to its parent corporation.

Section 6.17 Limitation on Restrictions. Except as provided on Schedule 6.17 hereto, the Borrower will not, and it will not permit any of its Subsidiaries to, directly or indirectly, create or otherwise cause or suffer to exist or become effective any restriction on the ability of any such Subsidiary to (a) pay dividends or make any other distributions on its capital stock or other equity interests owned by the Borrower or any other Subsidiary, (b) pay or repay any Indebtedness owed to the Borrower or any other Subsidiary, (c) make loans or advances to the Borrower or any other Subsidiary, (d) transfer any of its Property to the Borrower or any other Subsidiary, (e) encumber or pledge any of its assets to or for the benefit of the Administrative Agent or (f) guaranty the Obligations, Hedging Liability and Funds Transfer and Deposit Account Liability except for such restrictions existing under or by reason of (i) applicable law; (ii) this Agreement and the other Loan Documents; (iii) customary provisions restricting subletting or assignment of any lease governing a leasehold interest of the Borrower or any Subsidiary; (iv) customary provisions restricting assignment of any agreement entered into by the Borrower or any Subsidiary in the ordinary course of business; (v) any holder of a Permitted

Lien restricting the transfer of the Property subject thereto; (vi) customary restrictions and conditions contained in any agreement relating to the sale of any Property permitted under Section 6.14 hereof pending the consummation of such sale; (vii) any agreement in effect at the time any Subsidiary becomes a Subsidiary, so long as such agreement was not entered into in connection with or in contemplation of such person becoming a Subsidiary; (viii) in the case of any Joint Venture, restrictions in such person's organizational documents or pursuant to any joint venture agreement or stockholders agreements solely to the extent of the equity interests of or Property held in the subject Joint Venture; (ix) any agreements evidencing Indebtedness incurred pursuant to Section 6.11(c), (e), (i), (j), or (k); or (x) any encumbrances or restrictions imposed by any amendments or refinancings that are otherwise permitted by the Loan Documents of the agreements referred to in clause (vii) above; *provided* that such amendments or refinancings are no more materially restrictive with respect to such encumbrances and restrictions than those prior to such amendment or refinancing.

Section 6.18 OFAC. The Borrower will not, nor will it permit any of its Subsidiaries to, (i) become a person whose property or interests in property are blocked or subject to blocking pursuant to Section 1 of Executive Order 13224 of September 23, 2001 Blocking Party and Prohibiting Transactions With Persons Who Commit, Threaten to Commit or Support Terrorism (66 Fed. Reg. 49079(2001), (ii) engage in any dealings or transactions prohibited by Section 2 of such executive order, or be otherwise associated with any such person in any manner violative of Section 2, or (iii) otherwise become a person on the list of Specially Designated Nationals and Blocked Persons or subject to the limitations or prohibitions under any other U.S. Department of Treasury's Office of Foreign Assets Control regulation or executive order.

Section 6.19 Financial Covenants. (a) *Minimum EBITDA*. The Borrower shall not, as of the last day of each fiscal quarter of the Borrower during the periods specified below, permit EBITDA for four fiscal quarters of the Borrower then ended to be less than $200,000,000.

(b) *Maximum Ratio of Total Funded Debt to EBITDA*. The Borrower shall not, as of the last day of each fiscal quarter of the Borrower, permit the ratio of Total Funded Debt at such time to EBITDA for the four fiscal quarters of the Borrower then ended to be more than 2.50 to 1.00.

(c) *Minimum Fixed Charge Coverage Ratio.* The Borrower shall not, as of the last day of each fiscal quarter of the Borrower, permit the Fixed Charge Coverage Ratio at such time to be less than 3.00 to 1.00.

Section 6.20 Limitation on Non-Material Subsidiaries. The Borrower shall not permit (i), at any time, the aggregate book value of the assets of all Domestic Subsidiaries that are not Material Subsidiaries to exceed 30% of the value of the consolidated assets of the Borrower and its Subsidiaries or (ii), as of the last day of each fiscal quarter of the Borrower, the aggregate revenues of all Domestic Subsidiaries that are not Material Subsidiaries for the four fiscal quarters of the Borrower then-ended to exceed 30% of the consolidated revenues of the Borrower and its Subsidiaries for such four fiscal quarters.

Section 6.21 *Limitation on Assets and Operations of Cliffs Sonoma Entities*. The Borrower shall not permit the Cliffs Sonoma Entities to own any assets other than in connection

with Sonoma and any other assets necessary or incidental thereto, and the Borrower shall not permit the Cliffs Sonoma Entities to engage in any business or activity other than in connection with Sonoma and any other activities necessary or incidental thereto.

SECTION 7. EVENTS OF DEFAULT AND REMEDIES.

Section 7.1 Events of Default. Any one or more of the following shall constitute an *"Event of Default"* hereunder:

(a) default in the payment when due (whether at the stated maturity thereof or at any other time provided for in this Agreement) of (i) all or any part of the principal of or (ii) interest on any Note or any other Obligation payable hereunder or under any other Loan Document which in the case of this clause (ii) is not paid within 5 Business Days;

(b) default in the observance or performance of any covenant set forth in Sections 6.4, 6.11, 6.12, 6.13, 6.14, 6.15, 6.17, 6.18 or 6.19 hereof;

(c) default in the observance or performance of any other provision hereof or of any other Loan Document which is not remedied within 30 days after the earlier of (i) the date on which such failure shall first become known to any Responsible Officer or (ii) written notice thereof is given to the Borrower by the Administrative Agent;

(d) any representation or warranty made by the Borrower or any of its Subsidiaries herein or in any other Loan Document, or in any statement or certificate furnished by it pursuant hereto or thereto, or in connection with any Loan or Letter of Credit made or issued hereunder, proves untrue in any material respect as of the date of the issuance or making thereof;

(e) any of the Loan Documents shall for any reason not be or shall cease to be in full force and effect or is declared to be null and void, or the Borrower or any of its Subsidiaries takes any action for the purpose of terminating, repudiating or rescinding any Loan Document executed by it or any of its obligations thereunder that is not permitted hereunder;

(f) default shall occur under (i) any Indebtedness of the Borrower or any of its Subsidiaries aggregating in excess of U.S. $20,000,000, or under any indenture, agreement or other instrument under which the same may be issued, and such default shall continue for a period of time sufficient to permit the acceleration of the maturity of any such Indebtedness (whether or not such maturity is in fact accelerated), or any such Indebtedness shall not be paid when due (whether by demand, lapse of time, acceleration or otherwise) or (ii) any Hedge Agreement of the Borrower or any Subsidiary with any Lender or any Affiliate of a Lender;

(g) any judgment or judgments, writ or writs or warrant or warrants of attachment, or any similar process or processes, shall be entered or filed against the Borrower or any of its Subsidiaries, or against any of its Property, in an aggregate amount in excess of U.S. $20,000,000 (except to the extent fully (excluding any deductibles or self-insured retention) covered by insurance pursuant to which the insurer has accepted liability therefor in writing), and which remains undischarged, unvacated, unbonded or unstayed for a period of 30 days;

(h) the Borrower or any of its Subsidiaries, or any member of its Controlled Group, shall fail to pay when due an amount or amounts aggregating in excess of U.S. $3,000,000 which it shall have become liable to pay to the PBGC or to a Plan under Title IV of ERISA; or notice of intent to terminate a Plan or Plans having aggregate Unfunded Vested Liabilities in excess of U.S. $3,000,000 (collectively, a *"Material Plan"*) shall be filed under Title IV of ERISA by the Borrower or any of its Subsidiaries, or any other member of its Controlled Group, any plan administrator or any combination of the foregoing; or the PBGC shall institute proceedings under Title IV of ERISA to terminate or to cause a trustee to be appointed to administer any Material Plan or a proceeding shall be instituted by a fiduciary of any Material Plan against the Borrower or any of its Subsidiaries, or any member of its Controlled Group, to enforce Section 515 or 4219(c)(5) of ERISA and such proceeding shall not have been dismissed within 30 days thereafter; or a condition shall exist by reason of which the PBGC would be entitled to obtain a decree adjudicating that any Material Plan must be terminated;

(i) any Change of Control shall occur;

(j) the Borrower or any of its Subsidiaries shall (i) have entered involuntarily against it an order for relief under the United States Bankruptcy Code, as amended, or any comparable law of any foreign jurisdiction, (ii) not pay, or admit in writing its inability to pay, its debts generally as they become due, (iii) make an assignment for the benefit of creditors, (iv) apply for, seek, consent to or acquiesce in, the appointment of a receiver, custodian, trustee, examiner, liquidator or similar official for it or any substantial part of its Property, (v) institute any proceeding seeking to have entered against it an order for relief under the United States Bankruptcy Code, as amended, to adjudicate it insolvent, or seeking dissolution, winding up, liquidation, reorganization, arrangement, adjustment or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors or fail to file an answer or other pleading denying the material allegations of any such proceeding filed against it, (vi) take any corporate action in furtherance of any matter described in parts (i) through (v) above, or (vii) fail to contest in good faith any appointment or proceeding described in Section 7.1(k) hereof; or

(k) a custodian, receiver, trustee, examiner, liquidator or similar official shall be appointed for the Borrower or any of its Subsidiaries, or any substantial part of any of its Property, or a proceeding described in Section 7.1(j)(v) shall be instituted against the Borrower or any of its Subsidiaries, and such appointment continues undischarged or such proceeding continues undismissed or unstayed for a period of 60 days.

Section 7.2 Non-Bankruptcy Defaults. When any Event of Default other than those described in subsection (j) or (k) of Section 7.1 hereof has occurred and is continuing, the Administrative Agent shall, by written notice to the Borrower: (a) if so directed by the Required Lenders, terminate the remaining Commitments and all other obligations of the Lenders hereunder on the date stated in such notice (which may be the date thereof); (b) if so directed by the Required Lenders, declare the principal of and the accrued interest on all outstanding Notes to be forthwith due and payable and thereupon all outstanding Notes, including both principal and interest thereon, shall be and become immediately due and payable together with all other amounts payable under the Loan Documents without further demand, presentment, protest or notice of any kind; and (c) if so directed by the Required Lenders, demand that the Borrower

immediately pay to the Administrative Agent the full amount then available for drawing under each or any Letter of Credit, and the Borrower agrees to immediately make such payment and acknowledges and agrees that the Lenders would not have an adequate remedy at law for failure by the Borrower to honor any such demand and that the Administrative Agent, for the benefit of the Lenders, shall have the right to require the Borrower to specifically perform such undertaking whether or not any drawings or other demands for payment have been made under any Letter of Credit. The Administrative Agent, after giving notice to the Borrower pursuant to Section 7.1(c) or this Section 7.2, shall also promptly send a copy of such notice to the other Lenders, but the failure to do so shall not impair or annul the effect of such notice.

Section 7.3 Bankruptcy Defaults. When any Event of Default described in subsections (j) or (k) of Section 7.1 hereof has occurred and is continuing, then all outstanding Notes shall immediately and automatically become due and payable together with all other amounts payable under the Loan Documents without presentment, demand, protest or notice of any kind which are hereby waived by the Borrower, the obligation of the Lenders to extend further credit pursuant to any of the terms hereof shall immediately and automatically terminate, the Commitments shall immediately and automatically terminate, and the Borrower shall immediately pay to the Administrative Agent the full amount then available for drawing under all outstanding Letters of Credit, the Borrower acknowledging and agreeing that the Lenders would not have an adequate remedy at law for failure by the Borrower to honor any such demand and that the Lenders, and the Administrative Agent on their behalf, shall have the right to require the Borrower to specifically perform such undertaking whether or not any draws or other demands for payment have been made under any of the Letters of Credit.

Section 7.4 Collateral for Undrawn Letters of Credit. (a) If the prepayment of the amount available for drawing under any or all outstanding Letters of Credit is required under Section 2.7(b) or under Section 7.2 or 7.3 above, the Borrower shall forthwith pay the amount required to be so prepaid, to be held by the Administrative Agent as provided in subsection (b) below.

(b) All amounts prepaid pursuant to subsection (a) above shall be held by the Administrative Agent in one or more separate collateral accounts (each such account, and the credit balances, properties, and any investments from time to time held therein, and any substitutions for such account, any certificate of deposit or other instrument evidencing any of the foregoing and all proceeds of and earnings on any of the foregoing being collectively called the *"Collateral Account"*) as security for, and for application by the Administrative Agent (to the extent available) to, the reimbursement of any payment under any Letter of Credit then or thereafter made by the L/C Issuer, and to the payment of the unpaid balance of any other Obligations. The Collateral Account shall be held in the name of and subject to the exclusive dominion and control of the Administrative Agent for the benefit of the Administrative Agent, the Lenders, and the L/C Issuer. If and when requested by the Borrower, the Administrative Agent shall invest funds held in the Collateral Account from time to time in direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America with a remaining maturity of one year or less, *provided* that the Administrative Agent is irrevocably authorized to sell investments held in the Collateral Account when and as required to make payments out of the Collateral Account for application to amounts due and owing from the Borrower to the L/C Issuer, the Administrative Agent or the Lenders;

provided, however, that if (i) the Borrower shall have made payment of all such obligations referred to in subsection (a) above, (ii) all relevant preference or other disgorgement periods relating to the receipt of such payments have passed, and (iii) no Letters of Credit, Commitments, Loans or other Obligations remain outstanding hereunder, then the Administrative Agent shall release to the Borrower any remaining amounts held in the Collateral Account.

Section 7.5 Notice of Default. The Administrative Agent shall give notice to the Borrower under Section 7.1(c) hereof promptly upon being requested to do so by any Lender and shall thereupon notify all the Lenders thereof.

Section 7.6 Expenses. The Borrower agrees to pay to the Administrative Agent and each Lender, and any other holder of any Note outstanding hereunder, all costs and expenses reasonably incurred or paid by the Administrative Agent and such Lender or any such holder, including reasonable attorneys' fees and court costs, in connection with any Default or Event of Default by the Borrower hereunder or in connection with the enforcement of any of the Loan Documents (including all such costs and expenses incurred in connection with any proceeding under the United States Bankruptcy Code involving the Borrower or any of its Subsidiaries as a debtor thereunder).

SECTION 8. CHANGE IN CIRCUMSTANCES AND CONTINGENCIES.

Section 8.1 Funding Indemnity. If any Lender shall incur any loss, cost or expense (including, without limitation, any loss of profit, and any loss, cost or expense incurred by reason of the liquidation or re-employment of deposits or other funds acquired by such Lender to fund or maintain any Eurocurrency Loan or Swing Loan or the relending or reinvesting of such deposits or amounts paid or prepaid to such Lender or by reason of breakage of interest rate swap agreements or the liquidation of other hedging contracts or agreements) as a result of:

(a) any payment, prepayment or conversion of a Eurocurrency Loan or Swing Loan on a date other than the last day of its Interest Period,

(b) any failure (because of a failure to meet the conditions of Section 3 or otherwise) by the Borrower to borrow or continue a Eurocurrency Loan or Swing Loan, or to convert a Base Rate Loan into a Eurocurrency Loan or Swing Loan, on the date specified in a notice given pursuant to Section 2.4(a) hereof,

(c) any failure by the Borrower to make any payment of principal on any Eurocurrency Loan or Swing Loan when due (whether by acceleration or otherwise), or

(d) any acceleration of the maturity of a Eurocurrency Loan or Swing Loan as a result of the occurrence of any Event of Default hereunder,

then, upon the demand of such Lender, the Borrower shall pay to such Lender such amount as will reimburse such Lender for such loss, cost or expense. If any Lender makes such a claim for compensation, it shall provide to the Borrower, with a copy to the Administrative Agent, a certificate setting forth the amount of such loss, cost or expense in reasonable detail (including

an explanation of the basis for and the computation of such loss, cost or expense) and the amounts shown on such certificate shall be conclusive absent manifest error.

Section 8.2 Illegality. Notwithstanding any other provisions of this Agreement or any Note, if at any time any change in applicable law, rule or regulation or in the interpretation thereof made after the Closing Date makes it unlawful for any Lender to make or continue to maintain any Eurocurrency Loans or to perform its obligations as contemplated hereby, such Lender shall promptly give notice thereof to the Borrower and the Administrative Agent and such Lender's obligations to make or maintain Eurocurrency Loans under this Agreement shall be suspended until it is no longer unlawful for such Lender to make or maintain Eurocurrency Loans. The Borrower shall prepay on demand the outstanding principal amount of any such affected Eurocurrency Loans, together with all interest accrued thereon and all other amounts then due and payable to such Lender under this Agreement; *provided, however,* subject to all of the terms and conditions of this Agreement, the Borrower may then elect to borrow the principal amount of the affected Eurocurrency Loans from such Lender by means of Base Rate Loans from such Lender, which Base Rate Loans shall not be made ratably by the Lenders but only from such affected Lender.

Section 8.3 Unavailability of Deposits or Inability to Ascertain, or Inadequacy of, LIBOR. If on or prior to the first day of any Interest Period for any Borrowing of Eurocurrency Loans:

(a) the Administrative Agent determines that deposits in U.S. Dollars or the applicable Alternative Currency (in the applicable amounts) are not being offered to it in the interbank eurocurrency market for such Interest Period, or that by reason of circumstances affecting the interbank eurocurrency market adequate and reasonable means do not exist for ascertaining the applicable LIBOR, or

(b) the Required Lenders advise the Administrative Agent that (i) LIBOR as determined by the Administrative Agent will not adequately and fairly reflect the cost to such Lenders of funding their Eurocurrency Loans for such Interest Period or (ii) that the making or funding of Eurocurrency Loans become impracticable,

then the Administrative Agent shall forthwith give notice thereof to the Borrower and the Lenders, whereupon until the Administrative Agent notifies the Borrower that the circumstances giving rise to such suspension no longer exist, the obligations of the Lenders to make Eurocurrency Loans shall be suspended.

Section 8.4 Yield Protection. (a) If, on or after the date hereof, the adoption of any applicable law, rule or regulation, or any change therein, or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by any Lender (or its Lending Office) with any request or directive (whether or not having the force of law) of any such authority, central bank or comparable agency:

(i) shall subject any Lender (or its Lending Office) to any tax, duty or other charge with respect to its Eurocurrency Loans, its Notes, its Letter(s) of Credit, or its

participation in any thereof, any Reimbursement Obligations owed to it or its obligation to make Eurocurrency Loans, issue a Letter of Credit, or to participate therein, or shall change the basis of taxation of payments to any Lender (or its Lending Office) of the principal of or interest on its Eurocurrency Loans, Letter(s) of Credit, or participations therein or any other amounts due under this Agreement or any other Loan Document in respect of its Eurocurrency Loans, Letter(s) of Credit, any participation therein, any Reimbursement Obligations owed to it, or its obligation to make Eurocurrency Loans, or issue a Letter of Credit, or acquire participations therein (except for changes in the rate of tax on the overall net income of such Lender or its Lending Office imposed by the jurisdiction in which such Lender's principal executive office or Lending Office is located); or

(ii) shall impose, modify or deem applicable any reserve, special deposit or similar requirement (including, without limitation, any such requirement imposed by the Board of Governors of the Federal Reserve System, but excluding with respect to any Eurocurrency Loans any such requirement included in an applicable Reserve Percentage) against assets of, deposits with or for the account of, or credit extended by, any Lender (or its Lending Office) or shall impose on any Lender (or its Lending Office) or on the interbank market any other condition affecting its Eurocurrency Loans, its Notes, its Letter(s) of Credit, or its participation in any thereof, any Reimbursement Obligation owed to it, or its obligation to make Eurocurrency Loans, or to issue a Letter of Credit, or to participate therein;

and the result of any of the foregoing is to increase the cost to such Lender (or its Lending Office) of making or maintaining any Eurocurrency Loan, issuing or maintaining a Letter of Credit, or participating therein, or to reduce the amount of any sum received or receivable by such Lender (or its Lending Office) under this Agreement or under any other Loan Document with respect thereto, by an amount deemed by such Lender to be material, then, within 15 days after demand by such Lender (with a copy to the Administrative Agent), the Borrower shall be obligated to pay to such Lender such additional amount or amounts as will compensate such Lender for such increased cost or reduction.

(b) If, after the date hereof, any Lender or the Administrative Agent shall have determined that the adoption of any applicable law, rule or regulation regarding capital adequacy, or any change therein, or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by any Lender (or its Lending Office) or any corporation controlling such Lender with any request or directive regarding capital adequacy (whether or not having the force of law) of any such authority, central bank or comparable agency, has had the effect of reducing the rate of return on such Lender's or such corporation's capital as a consequence of its obligations hereunder to a level below that which such Lender or such corporation could have achieved but for such adoption, change or compliance (taking into consideration such Lender's or such corporation's policies with respect to capital adequacy) by an amount deemed by such Lender to be material, then from time to time, within 15 days after demand by such Lender (with a copy to the Administrative Agent), the Borrower shall pay to such Lender such additional amount or amounts as will compensate such Lender for such reduction.

(c) A certificate of a Lender claiming compensation under this Section 8.4 and setting forth the additional amount or amounts to be paid to it hereunder shall be conclusive absent manifest error. In determining such amount, such Lender may use any reasonable averaging and attribution methods.

Section 8.5 Substitution of Lenders. Upon the receipt by the Borrower of (a) a claim from any Lender for compensation under Section 8.4 or 10.1 hereof, (b) notice by any Lender to the Borrower of any illegality pursuant to Section 8.2 hereof or (c) in the event any Lender is in default in any material respect with respect to its obligations under the Loan Documents (any such Lender referred to in clause (a), (b) or (c) above being hereinafter referred to as an *"Affected Lender"*), the Borrower may, in addition to any other rights the Borrower may have hereunder or under applicable law, require, at its expense, any such Affected Lender to assign, at par plus accrued interest and fees, without recourse, all of its interest, rights, and obligations hereunder (including all of its Commitments and the Loans and participation interests in Letters of Credit and other amounts at any time owing to it hereunder and the other Loan Documents) to a bank or other institutional lender specified by the Borrower, *provided* that (i) such assignment shall not conflict with or violate any law, rule or regulation or order of any court or other governmental authority, (ii) if the assignment is to a Person other than a Lender, the Borrower shall have received the written consent of the Administrative Agent and the L/C Issuer, which consents shall not be unreasonably withheld or delayed, to such assignment, (iii) the Borrower shall have paid to the Affected Lender all monies (together with amounts due such Affected Lender under Section 8.1 hereof as if the Loans owing to it were prepaid rather than assigned) other than principal owing to it hereunder, and (iv) the assignment is entered into in accordance with the other requirements of Section 10.10 hereof.

Section 8.6 Lending Offices. Each Lender may, at its option, elect to make its Loans hereunder at the branch, office or affiliate specified on the appropriate signature page hereof (each a *"Lending Office"*) for each type of Loan available hereunder or at such other of its branches, offices or affiliates as it may from time to time elect and designate in a written notice to the Borrower and the Administrative Agent. To the extent reasonably possible, a Lender shall designate an alternative branch or funding office with respect to its Eurocurrency Loans to reduce any liability of the Borrower to such Lender under Section 8.4 hereof or to avoid the unavailability of Eurocurrency Loans under Section 8.3 hereof, so long as such designation is not disadvantageous to the Lender.

Section 8.7 Discretion of Lender as to Manner of Funding. Notwithstanding any other provision of this Agreement, each Lender shall be entitled to fund and maintain its funding of all or any part of its Loans in any manner it sees fit, it being understood, however, that for the purposes of this Agreement all determinations hereunder with respect to Eurocurrency Loans shall be made as if each Lender had actually funded and maintained each Eurocurrency Loan through the purchase of deposits in the interbank eurocurrency market having a maturity corresponding to such Loan's Interest Period, and bearing an interest rate equal to LIBOR for such Interest Period.

SECTION 9. THE ADMINISTRATIVE AGENT.

Section 9.1 Appointment and Authorization of Administrative Agent. Each Lender hereby appoints Bank of America, N.A., as the Administrative Agent under the Loan Documents and hereby authorizes the Administrative Agent to take such action as Administrative Agent on its behalf and to exercise such powers under the Loan Documents as are delegated to the Administrative Agent by the terms thereof, together with such powers as are reasonably incidental thereto. Notwithstanding the use of the word "Administrative Agent" as a defined term, the Lenders expressly agree that the Administrative Agent is not acting as a fiduciary of any Lender in respect of the Loan Documents, the Borrower or otherwise, and nothing herein or in any of the other Loan Documents shall result in any duties or obligations on the Administrative Agent or any of the Lenders except as expressly set forth herein.

Section 9.2 Administrative Agent and its Affiliates. The Administrative Agent shall have the same rights and powers under this Agreement and the other Loan Documents as any other Lender and may exercise or refrain from exercising such rights and power as though it were not the Administrative Agent, and the Administrative Agent and its affiliates may accept deposits from, lend money to, and generally engage in any kind of business with the Borrower or any Affiliate of the Borrower as if it were not the Administrative Agent under the Loan Documents. The term *"Lender"* as used herein and in all other Loan Documents, unless the context otherwise clearly requires, includes the Administrative Agent in its individual capacity as a Lender. References in Section 2 hereof to the Administrative Agent's Loans, or to the amount owing to the Administrative Agent for which an interest rate is being determined, refer to the Administrative Agent in its individual capacity as a Lender.

Section 9.3 Action by Administrative Agent. If the Administrative Agent receives from the Borrower a written notice of an Event of Default pursuant to Section 6.1 hereof, the Administrative Agent shall promptly give each of the Lenders written notice thereof. Without limiting the generality of the foregoing, the Administrative Agent shall not be required to take any action hereunder with respect to any Default or Event of Default, except as expressly provided in the Loan Documents. The Administrative Agent may (but shall not be obligated to) take or refrain from taking such actions as it deems appropriate and in the best interest of all the Lenders. In no event, however, shall the Administrative Agent be required to take any action in violation of applicable law or of any provision of any Loan Document, and the Administrative Agent shall in all cases be fully justified in failing or refusing to act hereunder or under any other Loan Document unless it first receives any further assurances of its indemnification from the Lenders that it may require, including prepayment of any related expenses and any other protection it requires against any and all costs, expense, and liability which may be incurred by it by reason of taking or continuing to take any such action. The Administrative Agent shall be entitled to assume that no Default or Event of Default exists unless notified in writing to the contrary by a Lender or the Borrower. In all cases in which the Loan Documents do not require the Administrative Agent to take specific action, the Administrative Agent shall be fully justified in using its discretion in failing to take or in taking any action thereunder. Any instructions of the Required Lenders, or of any other group of Lenders called for under the specific provisions of the Loan Documents, shall be binding upon all the Lenders and the holders of the Obligations.

Section 9.4 Consultation with Experts. The Administrative Agent may consult with legal counsel, independent public accountants, and other experts selected by it and shall not be liable for any action taken or omitted to be taken by it in good faith in accordance with the advice of such counsel, accountants or experts.

Section 9.5 Liability of Administrative Agent; Credit Decision. Neither the Administrative Agent nor any of its directors, officers, agents or employees shall be liable for any action taken or not taken by it in connection with the Loan Documents: (i) with the consent or at the request of the Required Lenders or (ii) in the absence of its own gross negligence or willful misconduct. Neither the Administrative Agent nor any of its directors, officers, agents or employees shall be responsible for or have any duty to ascertain, inquire into or verify: (i) any statement, warranty or representation made in connection with this Agreement, any other Loan Document or any Credit Event; (ii) the performance or observance of any of the covenants or agreements of the Borrower or any Subsidiary contained herein or in any other Loan Document; (iii) the satisfaction of any condition specified in Section 3 hereof, except receipt of items required to be delivered to the Administrative Agent; or (iv) the validity, effectiveness, genuineness, enforceability, perfection, value, worth or collectibility hereof or of any other Loan Document or of any other documents or writing furnished in connection with any Loan Document; and the Administrative Agent makes no representation of any kind or character with respect to any such matter mentioned in this sentence. The Administrative Agent may execute any of its duties under any of the Loan Documents by or through employees, agents, and attorneys-in-fact and shall not be answerable to the Lenders, the Borrower, or any other Person for the default or misconduct of any such agents or attorneys-in-fact selected with reasonable care. The Administrative Agent shall not incur any liability by acting in reliance upon any notice, consent, certificate, other document or statement (whether written or oral) believed by it to be genuine or to be sent by the proper party or parties. In particular and without limiting any of the foregoing, the Administrative Agent shall have no responsibility for confirming the accuracy of any compliance certificate or other document or instrument received by it under the Loan Documents. The Administrative Agent may treat the payee of any Note as the holder thereof until written notice of transfer shall have been filed with the Administrative Agent signed by such payee in form satisfactory to the Administrative Agent. Each Lender acknowledges that it has independently and without reliance on the Administrative Agent or any other Lender, and based upon such information, investigations and inquiries as it deems appropriate, made its own credit analysis and decision to extend credit to the Borrower in the manner set forth in the Loan Documents. It shall be the responsibility of each Lender to keep itself informed as to the creditworthiness of the Borrower and its Subsidiaries, and the Administrative Agent shall have no liability to any Lender with respect thereto.

Section 9.6 *Indemnity*. The Lenders shall ratably, in accordance with their respective Percentages, indemnify and hold the Administrative Agent, and its directors, officers, employees, agents, and representatives harmless from and against any liabilities, losses, costs or expenses suffered or incurred by it under any Loan Document or in connection with the transactions contemplated thereby, regardless of when asserted or arising, except to the extent they are promptly reimbursed for the same by the Borrower and except to the extent that any event giving rise to a claim was caused by the gross negligence or willful misconduct of the party seeking to be indemnified. The obligations of the Lenders under this Section shall survive termination of this Agreement. The Administrative Agent shall be entitled to offset amounts received for the

account of a Lender under this Agreement against unpaid amounts due from such Lender to the Administrative Agent hereunder (whether as fundings of participations, indemnities or otherwise), but shall not be entitled to offset against amounts owed to the Administrative Agent by any Lender arising outside of this Agreement and the other Loan Documents.

Section 9.7 Resignation of Administrative Agent and Successor Administrative Agent. The Administrative Agent may resign at any time by giving written notice thereof to the Lenders and the Borrower. Upon any such resignation of the Administrative Agent, the Required Lenders, with the consent of the Borrower (*provided* that during the existence of a Default or Event of Default, such consent shall not be required), shall have the right to appoint a successor Administrative Agent. If no successor Administrative Agent shall have been so appointed by the Required Lenders, and shall have accepted such appointment, within 30 days after the retiring Administrative Agent's giving of notice of resignation then the retiring Administrative Agent may, on behalf of the Lenders, appoint a successor Administrative Agent, which may be any Lender hereunder or any commercial bank organized under the laws of the United States of America or of any State thereof and having a combined capital and surplus of at least U.S. $200,000,000. Upon the acceptance of its appointment as the Administrative Agent hereunder, such successor Administrative Agent shall thereupon succeed to and become vested with all the rights and duties of the retiring Administrative Agent under the Loan Documents, and the retiring Administrative Agent shall be discharged from its duties and obligations thereunder. After any retiring Administrative Agent's resignation hereunder as Administrative Agent, the provisions of this Section 9 and all protective provisions of the other Loan Documents shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Administrative Agent, but no successor Administrative Agent shall in any event be liable or responsible for any actions of its predecessor.

Section 9.8 L/C Issuer. The L/C Issuer shall act on behalf of the Lenders with respect to any Letters of Credit issued by it and the documents associated therewith. The L/C Issuer shall have all of the benefits and immunities (i) provided to the Administrative Agent in this Section 9 with respect to any acts taken or omissions suffered by the L/C Issuer in connection with Letters of Credit issued by it or proposed to be issued by it and the Applications pertaining to such Letters of Credit as fully as if the term "Administrative Agent", as used in this Section 9, included the L/C Issuer with respect to such acts or omissions and (ii) as additionally provided in this Agreement with respect to such L/C Issuer.

Section 9.9 Hedging Liability and Funds Transfer and Deposit Account Liability Arrangements. By virtue of a Lender's execution of this Agreement or an assignment agreement pursuant to Section 10.10 hereof, as the case may be, any Affiliate of such Lender with whom the Borrower or any Subsidiary has entered into an agreement creating Hedging Liability or Funds Transfer and Deposit Account Liability shall be deemed a Lender party hereto for purposes of any reference in a Loan Document to the parties for whom the Administrative Agent is acting, it being understood and agreed that the rights and benefits of such Affiliate under the Loan Documents consist exclusively of such Affiliate's right to share in payments and collections out of the Guaranties as more fully set forth in Section 4 hereof. In connection with any such distribution of payments and collections, the Administrative Agent shall be entitled to assume no amounts are due to any Lender or its Affiliate with respect to Hedging Liability or Funds Transfer and Deposit Account Liability unless such Lender has notified the

Administrative Agent in writing of the amount of any such liability owed to it or its Affiliate prior to such distribution; *provided, however,* that the consent of any such Affiliate shall not be required for any amendment or other modification to this Agreement or any other Loan Document or for the release of any party to any of the Guaranties.

SECTION 10. MISCELLANEOUS.

Section 10.1 Withholding Taxes. (a) *Payments Free of Withholding*. Except as otherwise required by law and subject to Section 10.1(b) hereof, each payment by the Borrower under this Agreement or the other Loan Documents shall be made without withholding or deduction for or on account of any present or future taxes, levies, imposts, deductions, charges or withholdings and all liabilities with respect thereto (other than overall net income taxes on the recipient imposed by the jurisdiction in which its principal executive office or Lending Office is located) imposed by or within the jurisdiction in which the Borrower is domiciled, any jurisdiction from which the Borrower or any other Person on behalf of the Borrower makes any payment, or (in each case) any political subdivision or taxing authority thereof or therein. If any such withholding or deduction is so required by law, the Borrower shall make the withholding or deduction, pay the amount withheld to the appropriate governmental authority before penalties attach thereto or interest accrues thereon and forthwith pay such additional amount as may be necessary to ensure that the net amount actually received by each Lender and the Administrative Agent free and clear of such taxes (including such taxes on such additional amount) is equal to the amount which that Lender or the Administrative Agent (as the case may be) would have received had such withholding not been made. If the Administrative Agent or any Lender pays any amount in respect of any such taxes, penalties or interest, the Borrower with respect to whom such payments were made shall reimburse the Administrative Agent or such Lender for that payment on demand in the currency in which such payment was made. If the Borrower pays any such taxes, penalties or interest, it shall deliver official tax receipts evidencing that payment or certified copies thereof to the Lender or Administrative Agent on whose account such withholding was made (with a copy to the Administrative Agent if not the recipient of the original) on or before the thirtieth day after payment.

(b) *U.S. Withholding Tax Exemptions*. Each Lender that is not a United States person (as such term is defined in Section 7701(a)(30) of the Code) shall submit to the Borrower and the Administrative Agent on or before the date the initial Credit Event is made hereunder or, if later, the date such financial institution becomes a Lender hereunder, two duly completed and signed copies of (i) either Form W-8 BEN (relating to such Lender and entitling it to a complete exemption from withholding under the Code on all amounts to be received by such Lender, including fees, pursuant to the Loan Documents and the Obligations) or Form W-8 ECI (relating to all amounts to be received by such Lender, including fees, pursuant to the Loan Documents and the Obligations) of the United States Internal Revenue Service or (ii) solely if such Lender is claiming exemption from United States withholding tax under Section 871(h) or 881(c) of the Code with respect to payments of "portfolio interest", a Form W-8 BEN, or any successor form prescribed by the Internal Revenue Service, and a certificate representing that such Lender is not a bank for purposes of Section 881(c) of the Code, is not a 10-percent shareholder (within the meaning of Section 871(h)(3)(B) of the Code) of the Borrower and is not a controlled foreign corporation related to the Borrower (within the meaning of Section 864(d)(4) of the Code). Thereafter and from time to time, each such Lender shall submit to the Borrower and the

Administrative Agent such additional duly completed and signed copies of one or the other of such Forms (or such successor forms as shall be adopted from time to time by the relevant United States taxing authorities) and such other certificates as may be (i) requested by the Borrower in a written notice, directly or through the Administrative Agent, to such Lender and (ii) required under then-current United States law or regulations to avoid or reduce United States withholding taxes on payments in respect of all amounts to be received by such Lender, including fees, pursuant to the Loan Documents or the Obligations. Upon the request of the Borrower or the Administrative Agent, each Lender that is a United States person (as such term is defined in Section 7701(a)(30) of the Code) shall submit to the Borrower and the Administrative Agent a certificate to the effect that it is such a United States person.

(c) *Inability of Lender to Submit Forms.* If any Lender determines, as a result of any change in applicable law, regulation or treaty, or in any official application or interpretation thereof that occurs after the date it became a Lender hereunder, that it is unable to submit to the Borrower or the Administrative Agent any form or certificate that such Lender is obligated to submit pursuant to subsection (b) of this Section 10.1 or that such Lender is required to withdraw or cancel any such form or certificate previously submitted or any such form or certificate otherwise becomes ineffective or inaccurate, such Lender shall promptly notify the Borrower and Administrative Agent of such fact and the Lender shall to that extent not be obligated to provide any such form or certificate and will be entitled to withdraw or cancel any affected form or certificate, as applicable.

Section 10.2 No Waiver, Cumulative Remedies. No delay or failure on the part of the Administrative Agent or any Lender or on the part of the holder or holders of any of the Obligations in the exercise of any power or right under any Loan Document shall operate as a waiver thereof or as an acquiescence in any default, nor shall any single or partial exercise of any power or right preclude any other or further exercise thereof or the exercise of any other power or right. The rights and remedies hereunder of the Administrative Agent, the Lenders and of the holder or holders of any of the Obligations are cumulative to, and not exclusive of, any rights or remedies which any of them would otherwise have.

Section 10.3 Non-Business Days. If any payment hereunder becomes due and payable on a day which is not a Business Day, the due date of such payment shall be extended to the next succeeding Business Day on which date such payment shall be due and payable. In the case of any payment of principal falling due on a day which is not a Business Day, interest on such principal amount shall continue to accrue during such extension at the rate per annum then in effect, which accrued amount shall be due and payable on the next scheduled date for the payment of interest.

Section 10.4 Documentary Taxes. The Borrower agrees to pay on demand any documentary, stamp or similar taxes and levies that arise from any payment made under or from the execution, delivery or registration of, performing under or otherwise with respect to this Agreement or any other Loan Document, including interest and penalties, in the event any such taxes are assessed, irrespective of when such assessment is made and whether or not any credit is then in use or available hereunder.

Section 10.5 Survival of Representations. All representations and warranties made herein or in any other Loan Document or in certificates given pursuant hereto or thereto shall survive the execution and delivery of this Agreement and the other Loan Documents, and shall continue in full force and effect with respect to the date as of which they were made as long as any credit is in use or available hereunder.

Section 10.6 Survival of Indemnities. All indemnities and other provisions relative to reimbursement to the Lenders of amounts sufficient to protect the yield of the Lenders with respect to the Loans and Letters of Credit, including, but not limited to, Sections 8.1, 8.4, 10.4 and 10.13 hereof, shall survive the termination of this Agreement and the other Loan Documents and the payment of the Obligations.

Section 10.7 Sharing of Set-Off. Each Lender agrees with each other Lender a party hereto that if such Lender shall receive and retain any payment, whether by set-off or application of deposit balances or otherwise, on any of the Loans or Reimbursement Obligations in excess of its ratable share of payments on all such Obligations then outstanding to the Lenders, then such Lender shall purchase for cash at face value, but without recourse, ratably from each of the other Lenders such amount of the Loans or Reimbursement Obligations, or participations therein, held by each such other Lenders (or interest therein) as shall be necessary to cause such Lender to share such excess payment ratably with all the other Lenders; *provided, however,* that if any such purchase is made by any Lender, and if such excess payment or part thereof is thereafter recovered from such purchasing Lender, the related purchases from the other Lenders shall be rescinded ratably and the purchase price restored as to the portion of such excess payment so recovered, but without interest. For purposes of this Section, amounts owed to or recovered by the L/C Issuer in connection with Reimbursement Obligations in which Lenders have been required to fund their participation shall be treated as amounts owed to or recovered by the L/C Issuer as a Lender hereunder.

Section 10.8 Notices. (a) Except as otherwise specified herein, all notices hereunder and under the other Loan Documents shall be in writing (including, without limitation, notice by telecopy) and shall be given to the relevant party at its address or telecopier number set forth below, or such other address or telecopier number as such party may hereafter specify by notice to the Administrative Agent and the Borrower given by courier, by United States certified or registered mail, by telecopy or by other telecommunication device capable of creating a written record of such notice and its receipt. Notices under the Loan Documents to the Lenders and the Administrative Agent shall be addressed to their respective addresses or telecopier numbers set forth on the signature pages hereof, and to the Borrower to:

Cleveland-Cliffs Inc
1100 Superior Avenue
Cleveland, Ohio 44114-2589
Attention: Secretary
Telephone: (216) 694-5446
Telecopy: (216) 694-6741

Each such notice, request or other communication shall be effective (i) if given by telecopier, when such telecopy is transmitted to the telecopier number specified in this Section or on the

signature pages hereof and a confirmation of such telecopy has been received by the sender, (ii) if given by mail, 5 days after such communication is deposited in the mail, certified or registered with return receipt requested, addressed as aforesaid or (iii) if given by any other means, when delivered at the addresses specified in this Section or on the signature pages hereof; provided that any notice given pursuant to Section 2 hereof shall be effective only upon receipt.

(b) Electronic mail and internet and intranet websites may be used only to distribute routine communications, such as financial statements, and to distribute Loan Documents for execution by the parties thereto, and may not be used for any other purpose.

Section 10.9 Counterparts. This Agreement may be executed in any number of counterparts, and by the different parties hereto on separate counterpart signature pages, and all such counterparts taken together shall be deemed to constitute one and the same instrument.

Section 10.10 Successors and Assigns; Assignments and Participations. (a) *Successors and Assigns Generally.* The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby, except that the Borrower may not assign or otherwise transfer any of its rights or obligations under any Loan Document without the prior written consent of the Administrative Agent and each Lender, and no Lender may assign or otherwise transfer any of its rights or obligations hereunder except (i) to an Eligible Assignee in accordance with the provisions of paragraph (b) of this Section, (ii) by way of participation in accordance with the provisions of paragraph (d) of this Section or (iii) by way of pledge or assignment of a security interest subject to the restrictions of paragraph (f) of this Section (and any other attempted assignment or transfer by any party hereto shall be null and void). Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby, Participants to the extent provided in paragraph (d) of this Section and, to the extent expressly contemplated hereby, the Related Parties of each of the Administrative Agent and the Lenders) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b) *Assignments by Lenders.* Any Lender may at any time assign to one or more Eligible Assignees all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitment, its Notes and the Loans at the time owing to it); *provided* that

(i) except in the case of an assignment of the entire remaining amount of the assigning Lender's Commitment and the Loans at the time owing to it or in the case of an assignment to a Lender or an Affiliate of a Lender or an Approved Fund with respect to a Lender, the aggregate amount of the Commitment (which for this purpose includes Loans outstanding thereunder) or, if the applicable Commitment is not then in effect, the principal outstanding balance of the Loans of the assigning Lender subject to each such assignment (determined as of the date the Assignment and Assumption with respect to such assignment is delivered to the Administrative Agent or, if *"Trade Date"* is specified in the Assignment and Assumption, as of the Trade Date) shall not be less than U.S. $5,000,000, in the case of any assignment in respect of the Revolving Credit unless each of the Administrative Agent and, so long as no Event of Default has occurred and is

continuing, the Borrower otherwise consent (each such consent not to be unreasonably withheld or delayed);

(ii) each partial assignment shall be made as an assignment of a proportionate part of all the assigning Lender's rights and obligations under this Agreement with respect to the Loan or the Commitment assigned;

(iii) any assignment of a Commitment must be approved by the Administrative Agent and the L/C Issuer unless the Person that is the proposed assignee is itself a Lender with a Commitment or any Affiliate of any such Lender (whether or not the proposed assignee would otherwise qualify as an Eligible Assignee); and

(iv) the parties to each assignment shall execute and deliver to the Administrative Agent an Assignment and Assumption, together with a processing and recordation fee of U.S. $3,500, and the Eligible Assignee, if it shall not be a Lender, shall deliver to the Administrative Agent an Administrative Questionnaire.

Subject to acceptance and recording thereof by the Administrative Agent pursuant to paragraph (c) of this Section, from and after the effective date specified in each Assignment and Assumption, the Eligible Assignee thereunder shall be a party to this Agreement and, to the extent of the interest assigned by such Assignment and Assumption, have the rights and obligations of a Lender under this Agreement, and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Assumption, be released from its obligations under this Agreement (and, in the case of an Assignment and Assumption covering all of the assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto) but shall continue to be entitled to the benefits of Sections 8.4 and 10.11 with respect to facts and circumstances occurring prior to the effective date of such assignment. Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this paragraph shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with paragraph (d) of this Section.

(c) *Register.* The Administrative Agent, acting solely for this purpose as an agent of the Borrower, shall maintain a copy of each Assignment and Assumption delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Commitment of, and principal amounts of the Loans owing to, each Lender pursuant to the terms hereof from time to time (the *"Register"*). The entries in the Register shall be conclusive, and the Borrower, the Administrative Agent and the Lenders may treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement, notwithstanding notice to the contrary. The Register shall be available for inspection by the Borrower and any Lender, at any reasonable time and from time to time upon reasonable prior notice.

(d) *Participations.* Any Lender may at any time, without the consent of, or notice to, the Borrower or the Administrative Agent, sell participations to any Person (other than a natural person or the Borrower or any of the Borrower's Affiliates or Subsidiaries) (each, a *"Participant"*) in all or a portion of such Lender's rights and/or obligations under this

Agreement (including all or a portion of its Commitment and/or the Loans owing to it); *provided* that (i) such Lender's obligations under this Agreement shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations and (iii) the Borrower, the Administrative Agent and the Lenders and L/C Issuer shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement.

Any agreement or instrument pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce this Agreement and to approve any amendment, modification or waiver of any provision of this Agreement; *provided* that such agreement or instrument may provide that such Lender will not, without the consent of the Participant, agree to any amendment or waiver described in Sections 10.11(i) and (ii) that affects such Participant. Subject to paragraph (e) of this Section, the Borrower agrees that each Participant shall be entitled to the benefits of Sections 8.1 and 8.4(b) to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to paragraph (b) of this Section. To the extent permitted by law, each Participant also shall be entitled to the benefits of Section 10.14 as though it were a Lender, provided such Participant agrees to be subject to Section 10.7 as though it were a Lender.

(e) *Limitations upon Participant Rights.* A Participant shall not be entitled to receive any greater payment under Section 8.4(a) than the applicable Lender would have been entitled to receive with respect to the participation sold to such Participant, unless the sale of the participation to such Participant is made with the Borrower's prior written consent. A Participant that is not a United States person (as such term is defined in Section 7701(a)(30) of the Code) if it were a Lender shall not be entitled to the benefits of Section 10.1(a) unless the Borrower is notified of the participation sold to such Participant and such Participant agrees, for the benefit of the Borrower, to comply with Section 10.1(b) as though it were a Lender.

(f) *Certain Pledges.* Any Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement to secure obligations of such Lender, including any pledge or assignment to secure obligations to a Federal Reserve Bank; *provided* that no such pledge or assignment shall release such Lender from any of its obligations hereunder or substitute any such pledgee or assignee for such Lender as a party hereto.

(g) *Electronic Execution of Assignments.* The words "execution," "signed," "signature," and words of like import in any Assignment and Assumption shall be deemed to include electronic signatures or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature or the use of a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any applicable law, including the Federal Electronic Signatures in Global and National Commerce Act, the New York State Electronic Signatures and Records Act, or any other similar state laws based on the Uniform Electronic Transactions Act.

Section 10.11 Amendments. Any provision of this Agreement or the other Loan Documents may be amended or waived if, but only if, such amendment or waiver is in writing and is signed by (a) the Borrower, (b) the Required Lenders, and (c) if the rights or duties of the

Administrative Agent or the L/C Issuer are affected thereby, the Administrative Agent and the L/C Issuer, as the case may be; *provided* that:

(i) no amendment or waiver pursuant to this Section 10.11 shall (A) increase or extend any Commitment of any Lender without the consent of such Lender, (B) reduce the amount of or postpone the date for any scheduled payment of any principal of or interest on any Loan or of any Reimbursement Obligation or of any fee payable hereunder without the consent of the Lender to which such payment is owing or which has committed to make such Loan or Letter of Credit (or participate therein) hereunder or (C) change the application of payments set forth in Section 2.8 hereof without the consent of any Lender adversely affected thereby; and

(ii) no amendment or waiver pursuant to this Section 10.11 shall, unless signed by each Lender, increase the aggregate Commitments of the Lenders, change the definitions of Termination Date or Required Lenders, change the provisions of this Section 10.11, release any material guarantor (except as otherwise provided for in the Loan Documents), affect the number of Lenders required to take any action hereunder or under any other Loan Document, or change or waive any provision of any Loan Document that provides for the *pro rata* nature of disbursements by or payments to Lenders.

Section 10.12 Headings. Section headings used in this Agreement are for reference only and shall not affect the construction of this Agreement.

Section 10.13 Costs and Expenses; Indemnification. The Borrower agrees to pay all costs and expenses of the Administrative Agent in connection with the preparation, negotiation, syndication, and administration of the Loan Documents, including, without limitation, the reasonable fees and disbursements of counsel to the Administrative Agent, in connection with the preparation and execution of the Loan Documents, and any amendment, waiver or consent related thereto, whether or not the transactions contemplated herein are consummated, together with any fees and charges suffered or incurred by the Administrative Agent in connection with periodic environmental audits, fixed asset appraisals, title insurance policies, collateral filing fees and lien searches. The Borrower further agrees to indemnify the Administrative Agent, each Lender, and their respective directors, officers, employees, agents, financial advisors, and consultants against all Damages (including, without limitation, all expenses of litigation or preparation therefor, whether or not the indemnified Person is a party thereto, or any settlement arrangement arising from or relating to any such litigation) which any of them may pay or incur arising out of or relating to any Loan Document or any of the transactions contemplated thereby or the direct or indirect application or proposed application of the proceeds of any Loan or Letter of Credit, other than those which arise from the gross negligence or willful misconduct of the party claiming indemnification. The Borrower, upon demand by the Administrative Agent or a Lender at any time, shall reimburse the Administrative Agent or such Lender for any legal or other expenses incurred in connection with investigating or defending against any of the foregoing (including any settlement costs relating to the foregoing) except if the same is directly due to the gross negligence or willful misconduct of the party to be indemnified. The obligations of the Borrower under this Section shall survive the termination of this Agreement.

Section 10.14 Set-off. In addition to any rights now or hereafter granted under applicable law and not by way of limitation of any such rights, upon the occurrence of any Event of Default, each Lender and each subsequent holder of any Obligation is hereby authorized by the Borrower at any time or from time to time, without notice to the Borrower or to any other Person, any such notice being hereby expressly waived, to set-off and to appropriate and to apply any and all deposits (general or special, including, but not limited to, indebtedness evidenced by certificates of deposit, whether matured or unmatured, but not including trust accounts, and in whatever currency denominated) and any other indebtedness at any time held or owing by that Lender or that subsequent holder to or for the credit or the account of the Borrower, whether or not matured, against and on account of the Obligations of the Borrower to that Lender or that subsequent holder under the Loan Documents, including, but not limited to, all claims of any nature or description arising out of or connected with the Loan Documents, irrespective of whether or not (a) that Lender or that subsequent holder shall have made any demand hereunder or (b) the principal of or the interest on the Loans or Notes and other amounts due hereunder shall have become due and payable pursuant to Section 7 and although said obligations and liabilities, or any of them, may be contingent or unmatured.

Section 10.15 Entire Agreement. The Loan Documents constitute the entire understanding of the parties thereto with respect to the subject matter thereof and any prior agreements, whether written or oral, with respect thereto are superseded hereby.

Section 10.16 Governing Law. This Agreement and the other Loan Documents, and the rights and duties of the parties hereto, shall be construed and determined in accordance with the internal laws of the State of New York.

Section 10.17 Severability of Provisions. Any provision of any Loan Document which is unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such unenforceability without invalidating the remaining provisions hereof or affecting the validity or enforceability of such provision in any other jurisdiction. All rights, remedies and powers provided in this Agreement and the other Loan Documents may be exercised only to the extent that the exercise thereof does not violate any applicable mandatory provisions of law, and all the provisions of this Agreement and other Loan Documents are intended to be subject to all applicable mandatory provisions of law which may be controlling and to be limited to the extent necessary so that they will not render this Agreement or the other Loan Documents invalid or unenforceable.

Section 10.18 Excess Interest. Notwithstanding any provision to the contrary contained herein or in any other Loan Document, no such provision shall require the payment or permit the collection of any amount of interest in excess of the maximum amount of interest permitted by applicable law to be charged for the use or detention, or the forbearance in the collection, of all or any portion of the Loans or other obligations outstanding under this Agreement or any other Loan Document (*"Excess Interest"*). If any Excess Interest is provided for, or is adjudicated to be provided for, herein or in any other Loan Document, then in such event (a) the provisions of this Section shall govern and control, (b) neither the Borrower nor any guarantor or endorser shall be obligated to pay any Excess Interest, (c) any Excess Interest that the Administrative Agent or any Lender may have received hereunder shall, at the option of the Administrative Agent, be (i) applied as a credit against the then outstanding principal amount of Obligations

hereunder and accrued and unpaid interest thereon (not to exceed the maximum amount permitted by applicable law), (ii) refunded to the Borrower, or (iii) any combination of the foregoing, (d) the interest rate payable hereunder or under any other Loan Document shall be automatically subject to reduction to the maximum lawful contract rate allowed under applicable usury laws (the *"Maximum Rate"*), and this Agreement and the other Loan Documents shall be deemed to have been, and shall be, reformed and modified to reflect such reduction in the relevant interest rate, and (e) neither the Borrower nor any guarantor or endorser shall have any action against the Administrative Agent or any Lender for any Damages whatsoever arising out of the payment or collection of any Excess Interest. Notwithstanding the foregoing, if for any period of time interest on any of the Borrower's Obligations is calculated at the Maximum Rate rather than the applicable rate under this Agreement, and thereafter such applicable rate becomes less than the Maximum Rate, the rate of interest payable on the Borrower's Obligations shall remain at the Maximum Rate until the Lenders have received the amount of interest which such Lenders would have received during such period on the Borrower's Obligations had the rate of interest not been limited to the Maximum Rate during such period.

Section 10.19 Construction. The parties acknowledge and agree that the Loan Documents shall not be construed more favorably in favor of any party hereto based upon which party drafted the same, it being acknowledged that all parties hereto contributed substantially to the negotiation of the Loan Documents.

Section 10.20 Lender's Obligations Several. The obligations of the Lenders hereunder are several and not joint. Nothing contained in this Agreement and no action taken by the Lenders pursuant hereto shall be deemed to constitute the Lenders a partnership, association, joint venture or other entity.

Section 10.21 USA Patriot Act. Each Lender hereby notifies the Borrower that pursuant to the requirements of the Patriot Act it is required to obtain, verify and record information that identifies the Borrower, which information includes the name and address of the Borrower and other information that will allow such Lender to identify the Borrower in accordance with the Patriot Act.

Section 10.22 Currency. Each reference in this Agreement to U.S. Dollars or to an Alternative Currency (the *"relevant currency"*) is of the essence. To the fullest extent permitted by law, the obligation of the Borrower in respect of any amount due in the relevant currency under this Agreement shall, notwithstanding any payment in any other currency (whether pursuant to a judgment or otherwise), be discharged only to the extent of the amount in the relevant currency that the Person entitled to receive such payment may, in accordance with normal banking procedures, purchase with the sum paid in such other currency (after any premium and costs of exchange) on the Business Day immediately following the day on which such Person receives such payment. If the amount of the relevant currency so purchased is less than the sum originally due to such Person in the relevant currency, the Borrower agrees, as a separate obligation and notwithstanding any such judgment, to indemnify such Person against such loss, and if the amount of the specified currency so purchased exceeds the sum of (a) the amount originally due to the relevant Person in the specified currency plus (b) any amounts shared with other Lenders as a result of allocations of such excess as a disproportionate payment

to such Person under Section 10.7 hereof, such Person agrees to remit such excess to the Borrower.

Section 10.23 Submission to Jurisdiction; Waiver of Jury Trial. The Borrower hereby submits to the nonexclusive jurisdiction of the United States District Court for the Southern District of New York and of any New York State court sitting in New York County for purposes of all legal proceedings arising out of or relating to this Agreement, the other Loan Documents or the transactions contemplated hereby or thereby. The Borrower irrevocably waives, to the fullest extent permitted by law, any objection which it may now or hereafter have to the laying of the venue of any such proceeding brought in such a court and any claim that any such proceeding brought in such a court has been brought in an inconvenient forum. THE BORROWER, THE ADMINISTRATIVE AGENT, THE L/C ISSUER AND THE LENDERS HEREBY IRREVOCABLY WAIVE ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO ANY LOAN DOCUMENT OR THE TRANSACTIONS CONTEMPLATED THEREBY.

[SIGNATURE PAGES TO FOLLOW]

This Agreement is entered into between us for the uses and purposes hereinabove set forth as of the date first above written.

"BORROWER"

CLEVELAND-CLIFFS INC

By: /s/Laurie Brlas
Name: Laurie Brlas
Title: Senior Vice President, Chief Financial Officer and Treasurer

"ADMINISTRATIVE AGENT"

BANK OF AMERICA, N.A., as Administrative Agent

By: /s/William Faidell
Name: William Faidell
Title: Agency Management Officer, AVP

Address:

100 Federal Street
Boston, MA 02110
Telecopy: 617.434-2456
Telephone: 617.434-0474

BANK OF AMERICA, N.A., as a Lender and as L/C Issuer

By: /s/Kenneth Wood
Name: Kenneth Wood
Title: Senior Vice President

Address:

Four Penn Center STE 1100
1600 JFK BLVD
Philadelphia, PA 19103
Telecopy: 267.675.0209
Telephone: 267.675.0219

JPMORGAN CHASE BANK, NA as a Lender

By: /s/W. Gregory Schmid
Name: W. Gregory Schmid
Title: Sr. Vice President

Address:

1301 E. 9th St. Suite 1300
OH2-9428
Cleveland, OH 44114
Telecopy: 216-781-2271
Telephone: 216-781-2519

KEYBANK NATIONAL ASSOCIATION, as a Lender

By: /s/Thomas J. Purcell
Name: Thomas J. Purcell
Title: Senior Vice President

Address:

127 Public Square
Cleveland, Ohio
44114
Telecopy: 216-689-4649
Telephone: 216-689-3589

FIFTH THIRD BANK, as a Lender

By: /s/RC Lanctot
Name: Roy C. Lanctot
Title: Vice President

Address:

600 Superior Avenue East
Cleveland, Ohio 44114
Telecopy: 216.274.5621
Telephone: 216.273.5473

Exhibit 10(d)

CLEVELAND-CLIFFS INC

2007 INCENTIVE EQUITY PLAN
2007 PARTICIPANT GRANT AND AGREEMENT

WHEREAS, on March 13, 2007 the Board of Directors ("Board") of Cleveland-Cliffs Inc. an Ohio corporation ("Company") (the term "Company" as used herein shall also include the Company's consolidated Subsidiaries) approved the 2007 Incentive Equity Plan ("Plan") of the Company conditioned on the approval of the Plan by; and

WHEREAS, it is expected that the shareholders of Company will consider and vote upon a proposal to approve the Plan of the Company no later than March 12, 2008; and

WHEREAS, the Compensation and Organization Committee ("Committee") of the Board has been appointed to administer the Plan; and

WHEREAS, _____ ("Participant") is an employee of the Company or of a Subsidiary of the Company; and

WHEREAS, on _____ ("Date of Grant") the Committee authorized the granting to the Participant of _____ (_____) Performance Shares and an additional _____ (_____) Retention Units covering the incentive period commencing January 1, 2007 and ending December 31, 2009 ("Incentive Period") under the Plan; and

WHEREAS, the Committee has authorized the execution of a Participant Grant and Agreement ("Agreement") in the form hereof.

NOW, THEREFORE, in consideration of the mutual covenants hereinafter set forth, the Participant and Company agree as follows:

ARTICLE 1.

Definitions

All terms used herein with initial capital letters shall have the meanings assigned to them in the WHEREAS clauses or the Plan and the following additional terms, when used herein with initial capital letters, shall have the following meanings:

1.1 "Average Net Assets" shall mean the amount computed as described in Exhibit D.

1.2 "Market Value Price" shall mean the latest available closing price of a Share of the Company and the latest available closing price per share of a common share of each of the entities in the Peer Group, as the case may be, on the New York Stock Exchange or other recognized market if the stock does not trade on the New York Stock Exchange at the relevant time.

1.3 "Peer Group" shall mean the group of companies, as more particularly set forth on attached Exhibit A, against which the Relative Total Shareholder Return of the Company is measured over the Incentive Period.

1.4 "Performance Objectives" shall mean for the Incentive Period the target objectives of the Company of the Relative Total Shareholder Return and Return on Net Asset goals established by the Committee and reported to the Board, as more particularly set forth on attached Exhibit B.

1.5 "Performance Shares Earned" shall mean the number of Shares of the Company (or cash equivalent) earned by a Participant following the conclusion of an Incentive Period in which a required minimum of Company Performance Objectives were met or exceeded.

1.6 "Relative Total Shareholder Return" shall mean for the Incentive Period the Total Shareholder Return of the Company compared to the Total Shareholder Return of the Peer Group, as more particularly set forth on attached Exhibit C.

1.7 "Return on Net Assets" shall mean the Company's Earnings Before Taxes (excluding minority interest) divided by Average Net Assets, as more particularly described on attached Exhibit D.

1.8 "Share Ownership Guidelines" shall mean the Cleveland-Cliffs Inc Directors' and Officers' Share Ownership Guidelines, as amended from time to time.

1.9 "Total Shareholder Return" shall mean for the Incentive Period the cumulative return to shareholders of the Company and to the shareholders of each of the entities in the Peer Group during the Incentive Period, measured by the change in Market Value Price per share of a Share of the Company plus dividends (or other distributions, excluding franking credits) reinvested over the Incentive Period and the change in the Market Value Price per share of the common share of each of the entities in the Peer Group plus dividends (or other distributions, excluding franking credits) reinvested over the Incentive Period, determined on the last business day of the Incentive Period compared to a base measured by the average Market Value Price per share of a Share of the Company and of a common share of each of the entities in the Peer Group on the last business day of the year immediately preceding the Incentive Period. Dividends (or other distributions, excluding franking credits) per share are assumed to be reinvested in the applicable stock on the last business day of the quarter during which they are paid at the then Market Value Price per share, resulting in a fractionally higher number of shares owned at the market price.

ARTICLE 2.

Grant and Terms of Performance Shares

2.1 Grant of Performance Shares. Pursuant to the Plan, the Company, by action of the Committee, hereby grants to the Participant the number of Performance Shares as specified in the Fourth WHEREAS clause of this Agreement, without dividend equivalents, effective as of the Date of Grant. The grant is subject to, and contingent upon, the approval of the Plan by the shareholders of the Company no later than March 12, 2008.

2.2 Issuance of Performance Shares. The Performance Shares covered by this Agreement shall only result in the issuance of Shares (or cash or a combination of Shares and cash, as decided by the Committee in its sole discretion), after the completion of the Incentive Period and only if such Performance Shares are earned as provided in Section 2.3 of this Article 2.

2.3 Performance Shares Earned. Payout of Performance Shares Earned, if any, shall be based upon the degree of achievement of the Company Performance Objectives, all as more particularly set forth in Exhibit B, with actual payouts interpolated between the performance levels shown on Exhibit B. In no event, shall any Performance Shares be earned for actual achievement by the Company in excess of the allowable maximum as established under the Performance Objectives.

2.4 Calculation of Payout of Performance Shares. The Performance Shares granted shall be earned as Performance Shares Earned based on the degree of achievement of the Performance Objectives established for the Incentive Period. The percentage level of achievement determined for each Performance Objective shall be multiplied by the number of Performance Shares granted to determine the actual number of Performance Shares Earned. The

calculation as to whether the Company has met or exceeded the Company Performance Objectives shall be determined in accordance with this Agreement.

2.5 Payment of Performance Shares.

(a) Payment of Performance Shares Earned shall be made in the form of Shares (or cash or a combination of Shares and cash, as decided by the Committee in its sole discretion), and shall be paid after the determination by the Committee of the level of attainment of the Company Performance Objectives (the calculation of which shall have been previously reviewed by an independent accounting professional). Notwithstanding the foregoing, no Performance Shares granted on or after January 1, 2007, may be paid in cash in lieu of Shares to any Participant who is subject to the Share Ownership Guidelines unless and until such Participant is either in compliance with, or no longer subject to, such Share Ownership Guidelines, provided, however, that the Committee may withhold Shares to the extent necessary to satisfy federal, state or local income tax withholding requirements, as described in Section 5.2. In addition, the Committee may restrict 50% of the Shares to be issued in satisfaction of the total Performance Shares Earned, before income tax withholding, so that they cannot be sold by Participant unless immediately after such sale the Participant is in compliance with the Share Ownership Guidelines that are applicable to the Participant at the time of sale.

(b) Any payment of Performance Shares Earned to a deceased Participant shall be paid to the beneficiary designated by the Participant on the Designation of Death Beneficiary attached as Exhibit E and filed with the Company. If no such beneficiary has been designated or survives the Participant, payment shall be made to the estate of a Participant. A beneficiary designation may be changed or revoked by a Participant at any time, provided the change or revocation is filed with the Company.

(c) Prior to payment, the Company shall only have an unfunded and unsecured obligation to make payment of Performance Shares Earned to the Participant. The Performance Shares covered by this Agreement that have not yet been earned as Performance Shares Earned are not transferable other than by completion of the Designation of Death Beneficiary attached as Exhibit E or pursuant to the laws of descent and distribution.

2.6 Death, Disability, Retirement, or Other.

(a) With respect to Performance Shares granted to a Participant whose employment is terminated because of death, Disability, Retirement, or is terminated by the Company without Cause, the Participant shall receive as Performance Shares Earned the number of Performance Shares as is then determined under Section 2.4 at the end of such Incentive Period, prorated based upon the number of months between January 1, 2007 and the date the Participant ceased to be employed by the Company compared to the thirty-six (36) months in the Incentive Period.

(b) In the event a Participant voluntarily terminates employment prior to December 31, 2009 or is terminated by the Company with Cause prior to the date of payment of Performance Shares Earned, the Participant shall forfeit all right to any Performance Shares that would have been earned under this Agreement.

ARTICLE 3.

Grant and Terms of Retention Units

3.1 **Grant of Retention Units**. Pursuant to the Plan, the Company hereby grants to the Participant the number of Retention Units as specified in the Fifth WHEREAS clause of this Agreement, without dividend equivalents, effective as of the Date of Grant.

3.2 **Condition of Payment**. The Retention Units covered by this Agreement shall only result in the payment in cash of the value of the Retention Units if the Participant remains in the employ of the Company or a Subsidiary throughout the Incentive Period.

3.3 **Calculation of Cash Payout**. To determine the amount of the cash payout of the Retention Units, the number of Retention Units granted under this Agreement shall be multiplied by the Market Value Price of a Share of the Company on the last day of the Incentive Period.

3.4 **Payment of Retention Units.**

(a) Payment of Retention Units shall be made in cash and shall be paid at the same time as the payment of Performance Shares Earned pursuant to Section 2.5(a), provided, however, in the event no Performance Shares are earned, then the Retention Units shall be paid in cash at the time the Performance Shares would normally have been paid.

(b) Any payment of Retention Units to a deceased Participant shall be paid to the beneficiary designated by the Participant on the Designation of Death Beneficiary attached as Exhibit E and filed with the Company. If no such beneficiary has been designated or survives the Participant, payment shall be made to the estate of a Participant. A beneficiary designation may be changed or revoked by a Participant at any time, provided the change or revocation is filed with the Company.

(c) Prior to payment, the Company shall only have an unfunded and unsecured obligation to make payment of Retention Units to the Participant. The Retention Units covered by this Agreement are not transferable other than by completion of the Designation of Death Beneficiary attached as Exhibit E or pursuant to the laws of descent and distribution.

3.5 Death, Disability, Retirement or Other. With respect to Retention Units granted to a Participant whose employment is terminated because of death, Disability, Retirement, or is terminated by the Company without Cause during the Incentive Period, the Participant shall receive the number of Retention Units as calculated in Section 3.4, prorated based upon the number of months between January 1, 2007 and the date the Participant ceased to be employed by the Company compared to the thirty-six (36) months in the Incentive Period.

ARTICLE 4.

Other Terms Common to Retention Units and Performance Shares

4.1 Forfeiture.

(a) A Participant shall not render services for any organization or engage directly or indirectly in any business which is a competitor of the Company or any affiliate of the Company, or which organization or business is or plans to become prejudicial to or in conflict with the business interests of the Company or any affiliate of the Company.

(b) Failure to comply with subsection (a) above will cause a Participant to forfeit the right to Performance Shares and Retention Units and require the Participant to reimburse the Company for the taxable income received or deferred on Performance Shares that become payable to the Participant and on Retention Units that have been paid out in cash within the 90-day period preceding the Participant's termination of employment.

(c) Failure of the Participant to repay to the Company the amount to be reimbursed in subsection (b) above within three days of termination of employment will result in the offset of said amount from the Participant's account balance in the Company's Voluntary Non-Qualified Deferred Compensation Plan (if applicable) and/or from any accrued salary or vacation pay owed at the date of termination of employment or from future earnings payable by the Participant's next employer.

4.2 **Change in Control**. In the event a Change in Control occurs, all Performance Shares granted to a Participant for Incentive Periods which have not ended shall immediately become Performance Shares Earned on a one-to-one basis regardless of the Performance Objectives. All Performance Shares, if any, granted to a Participant for an Incentive Period which ended before the Change in Control, will be deemed to be Performance Shares Earned to the extent and only to the extent that they became Performance Shares Earned as of the end of the Incentive Period based upon the Performance Objectives for the Incentive Period. The value of all Performance Shares Earned, including ones for Incentive Periods which have already ended, shall be paid in cash based on the fair market value of the Shares determined on the date the Change in Control occurs. Also, in the event of a Change in Control, all Retention Units granted for all periods shall become nonforfeitable and shall be paid in cash based on the fair market value of the Units determined on the date the Change in Control occurs. All payments of Performance Shares Earned and Retention Units shall be made within 10 days of the Change in Control.

ARTICLE 5.

General Provisions

5 . 1 **Compliance with Law**. The Company shall make reasonable efforts to comply with all applicable federal and state securities laws; provided, however, notwithstanding any other provision of this Agreement, the Company shall not be obligated to issue any Shares or pay the value of any Retention Units pursuant to this Agreement if the issuance or payment thereof would result in a violation of any such law.

5.2 **Withholding Taxes**. To the extent that the Company is required to withhold federal, state, local or foreign taxes in connection with any payment of Performance Shares Earned or Retention Units to a Participant under the Plan, and the amounts available to the Company for such withholding are insufficient, it shall be a condition to the receipt of such payment of Performance Shares Earned or Retention Units or the realization of such benefit that the Participant make arrangements satisfactory to the Company for payment of the balance of such taxes required to be withheld. If necessary, the Committee may require relinquishment of a portion of such Performance Shares Earned or such Retention Units. In the case of Performance Shares Earned, the Participant may elect to satisfy all or any part of any such withholding obligation by surrendering to the Company a portion of the Shares that are issued or transferred hereunder, and the Shares so surrendered by the Participant shall be credited against any such withholding obligation at the Market Value Price per share of such Shares on the date of such surrender. In no event, however, shall the Company accept Shares for payment of taxes in excess of required tax withholding rates, except that, in the discretion of the Committee, a Participant or such other person may surrender Shares owned for more than six months to satisfy any tax obligation resulting from such transaction.

5.3 **Continuous Employment**. For purposes of this Agreement, the continuous employment of the Participant with the Company shall not be deemed to have been interrupted,

and the Participant shall not be deemed to have ceased to be an employee of the Company, by reason of the transfer of his employment among the Company and its Subsidiaries or an approved leave of absence.

5.4 **Relation to Other Benefits**. Any economic or other benefit to the Participant under this Agreement or the Plan shall not be taken into account in determining any benefits to which the Participant may be entitled under any profit-sharing, retirement or other benefit or compensation plan maintained by the Company or a Subsidiary and shall not affect the amount of any life insurance coverage available to any beneficiary under any life insurance plan covering employees of the Company or a Subsidiary.

5.5 **Agreement Subject to Plan**. The Retention Units and Performance Shares granted under this Agreement and all of the terms and conditions hereof are subject to all of the terms and conditions of the Plan, a copy of which is available upon request.

5.6 **Amendments**. The Plan and this Agreement can be amended at any time by the Company. Any amendment to the Plan shall be deemed to be an amendment to this Agreement to the extent that the amendment is applicable hereto. Except for amendments necessary to bring the Plan and this Agreement into compliance with current law including Internal Revenue Code section 409A, no amendment to either the Plan or this Agreement shall adversely affect the rights of the Participant under this Agreement without the Participant's consent.

5.8 **Severability**. In the event that one or more of the provisions of this Agreement shall be invalidated for any reason by a court of competent jurisdiction, any provision so invalidated shall be deemed to be separable from the other provisions hereof, and the remaining provisions hereof shall continue to be valid and fully enforceable.

5.9 **Governing Law**. This Agreement shall be construed and governed in accordance with the laws of the State of Ohio.

This Agreement is executed as of the Date of Grant.

CLEVELAND-CLIFFS INC
("Company")

_____

The undersigned hereby acknowledges receipt of an executed original of this Participant Grant and Agreement and accepts the Performance Shares and Retention Units granted hereunder on the terms and conditions set forth herein and in the Plan.

Participant

_____

Print Name: _____

EXHIBITS

Exhibit A	Peer Group
Exhibit B	Performance Objectives
Exhibit C	Relative Total Shareholder Return
Exhibit D	Return on Net Assets
Exhibit E	Beneficiary Designation

Exhibit A

PEER GROUP
(2007-2009)

AK Steel Holding Corp.
Algoma Steel Inc.
Arch Coal
Companhia Vale ADR
Freeport-McMoran
Gerdau Ameristeel Corp.
IPSCO Inc.
Macarthur Coal
Nucor Corp.
Oxiana Limited
Rio Tinto plc
Southern Copper Corp.
Steel Dynamics Inc.
Teck Cominco Ltd.
USX – US Steel Group

The Peer Group of 15 companies shall not be adjusted within the Incentive Period, except to exclude companies which during the Incentive Period (a) cease to be publicly traded, or (b) have experienced a major restructuring by reason of: (i) a Chapter 11 filing, or (ii) a spin-off of more than 50% of any such company's assets. The value of the stock of a Peer Group company will be determined in accordance with the following:

1. If the stock is listed on an exchange in the U.S. or Canada, then the value on such exchange will be used;

2. Otherwise, if the stock is traded in the U.S. as an American Depositary Receipt, then the value of the ADR will be used; or

3. Otherwise, the value on the exchange in the country where the company is headquartered will be used.

Exhibit B

PERFORMANCE OBJECTIVES
(2007-2009)

The target objectives of the Company are Relative Total Shareholder Return (share price plus reinvested dividends) and Return on Net Assets over the three-year Incentive Period from January 1, 2007 to December 31, 2009. Achievement of the Relative Total Shareholder Return objective shall be determined by the shareholder return of the Company relative to a predetermined group of steel, mining and metal companies. Achievement of the Return on Net Assets ("RONA") objective is a Threshold objective. Should Threshold performance not be achieved, the calculated payout generated under Total Shareholder Return will be reduced by 50%. RONA shall be determined by comparing the Return on Net Assets achieved for the Incentive Period to the 12% target set forth on the following table:

Performance Factor	**Performance Level**		
	Threshold	**Target**	**Maximun**
Relative TSR	35th Percentile	55th Percentile	75th Percentile
Payout	50%	100%	150%
Pre-Tax RONA	Calculated payout reduced 50% if RONA averages less than 12% during the Incentive Period		

Exhibit C

RELATIVE TOTAL SHAREHOLDER RETURN
(2007-2009)

Relative Total Shareholder Return for the Incentive Period is calculated as follows:

1. The Total Shareholder Return as defined in Section 1.9 of the Agreement for the Incentive Period for the Company shall be compared to the Total Shareholder Return for each of the entities within the Peer Group for the Incentive Period. The results shall be ranked to determine the Company's Relative Total Shareholder Return percentile ranking compared to the Peer Group.

2. The Company's Relative Total Shareholder Return for the Incentive Period shall be compared to the Relative Total Shareholder Return Performance target range established for the Incentive Period.

3. The Relative Total Shareholder Return performance target range has been established for the 2007-2009 Incentive Period as follows:

Performance Level	2007-2009 Relative Total Shareholder Return Percentile Ranking
Maximum	75th Percentile
Target	55th Percentile
Threshold	35th Percentile

Exhibit D

RETURN ON NET ASSETS
(2007-2009)

Return on Net Assets is calculated as follows:

1. Earnings Before Taxes (as computed in 2 below) divided by the Average Net Assets (as computed in 3 below) equals the Return on Net Assets for the Incentive Period, stated as a percentage to two decimals.

2. "Earnings Before Taxes" is defined as average annual pre-tax income (after adjusting to exclude any minority interests income or loss) in the Incentive Period.

3. "Average Net Assets" is defined as the total assets less (i) current liabilities (excluding the current portion of interest-bearing debt) and (ii) any minority interests, as determined as of the end of the Incentive Period based on a monthly average, beginning on December 31, 2006, and ending on December 31, 2009.

Exhibit E

BENEFICIARY DESIGNATION

In accordance with the terms and conditions of the Cleveland-Cliffs Inc 2007 Incentive Equity Plan ("Plan") and the Participant Grant and Agreement Year 2007 ("Agreement"), I hereby designate the person(s) indicated below as my beneficiary(ies) to receive any payments under the Plan and Agreement after my death.

Name _____
Address _____
_____
_____

Social Sec. Nos. of Beneficiary(ies) _____
Relationship(s) _____
Date(s) of Birth _____

In the event that the above-named beneficiary(ies) predecease(s) me, I hereby designate the following person(s) as beneficiary(ies):
Name _____
Address _____
_____
_____

Social Sec. Nos. of Beneficiary(ies) _____
Relationship(s) _____
Date(s) of Birth _____

I hereby expressly revoke all prior designations of beneficiary(ies), reserve the right to change the beneficiary(ies) herein designated and agree that the rights of said beneficiary(ies) shall be subject to the terms of the Plan and Agreement. In the event that there is no beneficiary living at the time of my death, I understand that the payments under the Plan and Agreement will be paid to my estate.

_____ _____
Date (Signature)

_____
(Print or type name)

Exhibit 31(a)

CERTIFICATION

I, Joseph A. Carrabba, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Cleveland-Cliffs Inc;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 3, 2007

By /s/Joseph A. Carrabba
Joseph A. Carrabba
Chairman, President and Chief Executive Officer

Exhibit 31(b)

CERTIFICATION

I, Laurie Brlas, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Cleveland-Cliffs Inc;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 3, 2007

By /s/Laurie Brlas
Laurie Brlas
Senior Vice-President,
Chief Financial Officer and Treasurer

Exhibit 32(a)

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Cleveland-Cliffs Inc (the "Company") on Form 10-Q for the period ended June 30, 2007 as filed with the Securities and Exchange Commission on the date hereof (the "Form 10-Q"), I, Joseph A. Carrabba, Chairman, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to such officer's knowledge:

(1) The Form 10-Q fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

(2) The information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods expressed in the Form 10-Q.

Date: August 3, 2007

/s/Joseph A. Carrabba
Joseph A. Carrabba
Chairman, President and Chief
Executive Officer

Exhibit 32(b)

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Cleveland-Cliffs Inc (the "Company") on Form 10-Q for the period ended June 30, 2007 as filed with the Securities and Exchange Commission on the date hereof (the "Form 10-Q"), I, Laurie Brlas, Senior Vice-President, Chief Financial Officer and Treasurer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to such officer's knowledge:

(1) The Form 10-Q fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

(2) The information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods expressed in the Form 10-Q.

Date: August 3, 2007

/s/Laurie Brlas
Laurie Brlas
Senior Vice-President,
Chief Financial Officer and Treasurer