

CLEVELAND CLIFFS INC
Form 11-K
June 10, 2008
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington D.C. 20549

FORM 11-K

**FOR ANNUAL REPORTS OF EMPLOYEE STOCK
REPURCHASE SAVINGS AND SIMILAR PLANS
PURSUANT TO SECTION 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934**

**x ANNUAL REPORT PURSUANT TO SECTION 15 (d) OF THE SECURITIES EXCHANGE ACT OF
1934**

For the fiscal year ended: December 31, 2007

OR

**.. TRANSITION REPORT PURSUANT TO SECTION 15 (d) OF THE SECURITIES EXCHANGE ACT
OF 1934**

For the transition period from _____ to _____

Commission file number: 1-8944

(Full Title of the plan and the address of the plan,
if different from that of issuer named below)

NORTHSHORE MINING COMPANY
and
SILVER BAY POWER COMPANY
RETIREMENT SAVINGS PLAN

10 OUTER DRIVE

SILVER BAY, MINNESOTA 55614

(Name of Issuer of the securities held pursuant to

the Plan and the address of its principal executive office)

CLEVELAND-CLIFFS INC, 1100 Superior Avenue, Cleveland, Ohio 44114-2544

Table of Contents

NORTHSHORE MINING COMPANY

AND

SILVER BAY POWER COMPANY

RETIREMENT SAVINGS PLAN (Plan)

Audited financial statements and supplemental schedule for the Plan prepared in accordance with the financial reporting requirements of the Employee Retirement Income Security Act of 1974, as amended, are filed herewith in lieu of an audited statement of financial condition and statement of income and changes in plan equity.

INDEX

	Page
<u>Report of Independent Registered Public Accounting Firm</u>	
<u>Financial Statements:</u>	
<u>Statement of Net Assets Available for Benefits</u>	2
<u>Statement of Changes in Net Assets Available for Benefits</u>	3
<u>Notes to Financial Statements</u>	4 -10
<u>Supplemental Schedule:</u>	
<u>Schedule of Assets Held for Investment Purposes at End of Year</u>	11

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Plan Administrator

Northshore Mining Company and Silver Bay Power Company Retirement Savings Plan

Cleveland, Ohio

We have audited the accompanying statement of net assets available for benefits of the NORTHSHORE MINING COMPANY AND SILVER BAY POWER COMPANY RETIREMENT SAVINGS PLAN as of December 31, 2007 and 2006, and the related statement of changes in net assets available for benefits for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Plan is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of Northshore Mining Company And Silver Bay Power Company Retirement Savings Plan as of December 31, 2007 and 2006, and the changes in its net assets available for benefits for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplemental schedule of assets held for investment purposes at end of year as of December 31, 2007, is presented for the purposes of additional analysis and is not a required part of the financial statements, but is supplemental information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. The supplemental schedule is the responsibility of the Plan's management. The supplemental information has been subjected to the auditing procedures applied in our audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

/s/ MEADEN & MOORE, LTD.

Certified Public Accountants

April 23, 2008

Cleveland, Ohio

Table of Contents

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS

Northshore Mining Company and Silver Bay Power Company

Retirement Savings Plan

	December 31	
	2007	2006
ASSETS		
Cash	\$ 814,864	\$ 8,000
Receivable Employee contributions		112,751
Receivable Employer contributions	57,753	78,699
Receivable Employer discretionary contribution	3,255,876	4,448,827
Total Receivables	3,313,629	4,640,277
Investments:		
Cleveland-Cliffs Inc. Common Stock	9,914,323	6,564,974
T. Rowe Price Equity Index 500 Fund	7,197,307	6,810,027
T. Rowe Price Equity Spectrum Income Fund	7,900,213	6,611,827
T. Rowe Price New America Growth Fund	5,817,208	4,927,847
T. Rowe Price Capital Appreciation Fund	9,051,751	8,261,193
T. Rowe Price Prime Reserve Fund	4,801,040	3,199,793
T. Rowe Price International Stock Fund	6,811,235	5,607,910
T. Rowe Price Stable Value Fund	5,199,118	4,299,656
T. Rowe Price Mid-Cap Growth Fund	7,347,522	5,786,499
T. Rowe Price Equity Income Fund	3,127,974	2,880,923
T. Rowe Price Boston Co Small Cap Value	409,692	363,382
T. Rowe Price Retirement 2005 Fund	88,356	8,698
T. Rowe Price Retirement 2010 Fund	408,407	299,799
T. Rowe Price Retirement 2015 Fund	903,464	171,498
T. Rowe Price Retirement 2020 Fund	1,007,675	231,411
T. Rowe Price Retirement 2030 Fund	149,153	134,227
T. Rowe Price Retirement 2035 Fund	43,269	11,181
T. Rowe Price Retirement 2025 Fund	467,234	152,747
T. Rowe Price Retirement 2040 Fund	167,756	5,549
T. Rowe Price Retirement 2045 Fund	94,470	22,557
T. Rowe Price Retirement 2050 Fund	92	
T. Rowe Price Retirement 2055 Fund	22,158	
T. Rowe Price Retirement Income Fund	40,442	4,715
Participant Loans	1,934,459	1,542,886
Total Investments	72,904,318	57,899,299
Total Assets	77,032,811	62,547,576
LIABILITIES		
Total Liabilities		
Net Assets Available for Benefits (at Fair Value)	77,032,811	62,547,576
Adjustment from fair value to contract value for fully benefit-responsive investment contracts	(30,729)	36,860
Net Assets Available for Benefits (at Contract Value)	\$ 77,002,082	\$ 62,584,436

See accompanying notes.

Table of Contents

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

Northshore Mining Company and Silver Bay Power Company

Retirement Savings Plan

	Year Ended December 31	
	2007	2006
Additions to Net Assets Attributed to:		
Contributions:		
Employer	\$ 3,992,717	\$ 5,132,438
Employee	3,227,795	2,908,748
Rollover	223,265	275,155
	7,443,777	8,316,341
Interest and dividend income	4,290,518	2,960,819
Net unrealized gain on investments	7,008,092	2,797,772
Total Additions	18,742,387	14,074,932
Deductions from Net Assets Attributed to:		
Benefits paid to participants	4,323,641	4,926,323
Administrative expenses	1,100	1,446
Total Deductions	4,324,741	4,927,769
Net Increase	14,417,646	9,147,163
Net Assets Available for Benefits:		
Beginning of Year	62,584,436	53,437,273
End of Year	\$ 77,002,082	\$ 62,584,436

See accompanying notes.

Table of Contents

NOTES TO FINANCIAL STATEMENTS

Northshore Mining Company and Silver Bay Power Company

Retirement Savings Plan

1 Description of Plan

The following description of The Northshore Mining Company and Silver Bay Power Company Retirement Savings Plan provides only general information. Participants should refer to the Plan document for a complete description of the Plan's provisions.

General:

The Plan, which began October 1, 1994, is a defined contribution plan covering all employees of Northshore Mining Company & Silver Bay Power Company who meet the eligibility requirements. It is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

The Plan is currently operating under Amendment 9 effective March 13, 2007. The Amendment reflects a change in definitions in Plan Administrator, Trustee and Investment Committee. The Investment Committee shall make the selections of investment categories available to Participants.

Eligibility:

All full time employees of the Companies are eligible to participate in the Plan.

Contributions:

Employee deferral - Participants may elect a portion of their compensation between 1% to 35%, to be contributed to the Plan by the Company.

Employer Contributions - The Company contributes a matching contribution equal to 50% of Participant pre-tax contributions not in excess of 6% of participant's eligible earnings for the Plan year. An additional matching amount may be contributed by the Company based on the excess of 5% of the Company's pre-tax earnings over the minimum matching contribution.

The Company may also contribute for any Plan year additional matching amounts (as limited) as shall be determined by the Board of Directors of the Company.

Contributions are subject to limitations on annual additions and other limitations imposed by the Internal Revenue Code as defined in the Plan agreement.

Table of Contents

NOTES TO FINANCIAL STATEMENTS

Northshore Mining Company and Silver Bay Power Company

Retirement Savings Plan

1 Description of Plan, Continued

Participants Accounts:

401(k) Accounts - Each participant's account is credited with the participant's elective contributions, employer matching contributions, earnings and losses thereon. Plan participants are allocated participation in the fund(s) based on cash value. Under the cash value method, total monthly earnings are divided by the total value of the fund(s) to obtain a ratio, which is then multiplied by each participant's account balance in the fund(s) at the beginning of the month.

Rollover contributions from other Plans are also accepted, providing certain specified conditions are met.

Vesting:

All participants are 100% vested in elective deferrals, rollover contributions and company matching and discretionary contributions made to the Plan.

Participants Loans:

Loans are permitted under certain circumstances and are subject to limitations. Participants may borrow from their fund accounts, minimum of \$1,000, up to a maximum equal to the lesser of \$50,000 or 50% of their account balance. Loans are repaid over a period not to exceed 5 years with exceptions for the purchase of a primary residence.

The loans are secured by the balance in the participant's account and bear interest at rates commercially reasonable that are published on the first day of the month preceding the month the loan was granted. Principal and interest are paid ratably through monthly payroll deductions.

Payment of Benefits:

Upon termination of service by reason of retirement, disability, or other reasons, a participant has the option to keep their funds in the Plan without option of contribution until age 70 1/2 or receive a lump sum equal to the value of his or her account. Upon death a participant's beneficiaries receives a lump sum amount equal to the value of his or her account.

Hardship Withdrawals:

Hardship withdrawals are permitted in accordance with Internal Revenue Service guidelines.

Table of Contents

NOTES TO FINANCIAL STATEMENTS

Northshore Mining Company and Silver Bay Power Company

Retirement Savings Plan

1 Description of Plan, Continued

Investment Options:

Upon enrollment in the Plan, a participant may direct his or her contributions in any or all of the investment options offered by the Plan.

2 Summary of Significant Accounting Policies

Basis of Accounting:

The Plan's transactions are reported on the accrual basis of accounting. All investment securities are stated at fair value as measured by quoted prices in active markets. Shares of mutual funds are valued at the net asset value of shares held by the Plan at year end. Investments include participant loans valued at their outstanding balances, which approximates fair value.

As described in Financial Accounting Standards Board Staff Position, FSP AAG INV-1 and SOP 94-4-1, Reporting of Fully Benefit-Responsive Contracts Held by Certain Investment Companies subject to the AICPA Investment Company Guide and Defined-Contribution Health and Welfare and Pension Plans (the FSP), investment contracts held by a defined-contribution plan are required to be reported at fair value. However, contract value is the relevant measurement attribute for that portion of the net assets available for benefits of a defined-contribution plan attributable to fully benefit-responsive investment contracts because contract value is the amount participants would receive if they were to initiate permitted transactions under the terms of the Plan. As required by the FSP, the Statements of Net Assets Available for Benefits presents the fair value of the investment contracts as well as the adjustment of the fully benefit-responsive investment contracts from fair value to contract value. The Statement of Changes in Net Assets Available for Benefits is prepared on a contract value basis.

Purchases and sales of securities are recorded on a trade-date basis. Dividends are recorded on the ex-dividend date.

Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Table of Contents

NOTES TO FINANCIAL STATEMENTS

Northshore Mining Company and Silver Bay Power Company

Retirement Savings Plan

2 Summary of Significant Accounting Policies, Continued**Administrative Fees:**

The trust pays the trustee fees, audit fees and other expenses of the Plan, unless the Company elects to pay all or part of these expenses. For the years ended December 31, 2007 and 2006, the Company paid all such expenses, except for \$1,100 and \$1,446, respectively. Other administrative expenses of the Plan, such as salaries and use of facilities are paid by the Company.

Plan Termination:

Although it has not expressed any intent to do so, the Company has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA.

Reclassifications:

Certain prior year amounts have been reclassified to conform with the current years presentation.

3 Tax Status

On April 17, 2003, the Internal Revenue Service stated that the Plan, as then designed, was in compliance with the applicable requirements of the Internal Revenue Code. The Plan has been amended, however, the Plan Administrator believes that the Plan is currently designed and being operated in compliance with the applicable requirements of the Internal Revenue Code. Therefore, they believe that the Plan was qualified and the related trust was tax-exempt as of the financial statement date.

4 Investments

The Plan's funds are invested in Cleveland-Cliffs Inc. common stock and mutual funds, through T. Rowe Price. Investments which constitute more than 5% of the Plan's net assets are:

	2007	2006
Cleveland-Cliffs Inc. Common Stock	\$ 9,914,323	\$ 6,564,974
T. Rowe Price Equity Index 500 Fund	\$ 7,197,307	\$ 6,810,027
T. Rowe Price Equity Spectrum Income Fund	\$ 7,900,213	\$ 6,611,827
T. Rowe Price New America Growth Fund	\$ 5,817,208	\$ 4,927,847
T. Rowe Price Capital Appreciation Fund	\$ 9,051,751	\$ 8,261,193
T. Rowe Price Prime Reserve Fund	\$ 4,801,040	\$ 3,199,793
T. Rowe Price International Stock Fund	\$ 6,811,235	\$ 5,607,910
T. Rowe Price Stable Value Fund	\$ 5,199,118	\$ 4,299,656
T. Rowe Price Mid-Cap Growth Fund	\$ 7,347,522	\$ 5,786,499

Table of Contents

NOTES TO FINANCIAL STATEMENTS

Northshore Mining Company and Silver Bay Power Company

Retirement Savings Plan

4 Investments, Continued

Net realized and unrealized appreciation in the fair value of investments, as determined by quoted market prices, is as follows:

	For the Year Ended	
	December 31	
	2007	2006
Cleveland-Cliffs Inc. Common Stock	\$ 6,737,305	\$ 727,136
Equity Mutual Funds	270,787	2,070,636
	\$ 7,008,092	\$ 2,797,772

5 Benefit Responsive Contract

Guaranteed investment contracts are valued at fair value and adjusted to contract value which is cost plus accrued income minus redemptions, because these investments have fully benefit-responsive features. The fair value of the investment contract at December 31, 2007 and 2006 was \$5,199,118 and \$4,299,656, respectively and the contract value of the investment contract at December 31, 2007 and 2006 was \$5,168,389 and \$4,336,516, respectively.

The plan holds a stable value investment contract with T. Rowe Price Trust Company, the trustee. The investment contract consists of a portfolio of underlying assets owned by the Plan, and a wrap contract issued by a financially responsible third party, typically a bank, insurance company, or other financial services institution. The issuer of the wrap contract provides for unscheduled withdrawals for the contract at contract value, regardless of the value of the underlying assets, in order to fund permitted participant-initiated withdrawals from the trust.

Investment contracts provide for a variable crediting rate, which typically resets at least quarterly, and the issuer of the wrap contract provides assurance that future adjustments to the crediting rate cannot result in a crediting rate less than zero. The crediting rate is based, in part, on the relationship between the contract value and the market value of the underlying assets, as well as previously realized gains and losses on underlying assets. The crediting rate will generally reflect, over time, movement in prevailing interest rates. However, at times the crediting rate may be more or less than prevailing rates or the actual income earned on the underlying assets.

As described in Note 2, because the stable value investment contract is fully benefit-responsive, contract value is the relevant measurement attribute for that portion of the net assets available for benefits attributable to the stable value investment contract. Contract value, as reported by T. Rowe Price Trust Company, represents cost plus accrued income minus redemptions. Participants may ordinarily direct the withdrawal or transfer of all or a portion of their investment at contract value.

Table of Contents

NOTES TO FINANCIAL STATEMENTS

Northshore Mining Company and Silver Bay Power Company

Retirement Savings Plan

5 Benefit Responsive Contract, Continued

The existence of certain conditions can limit the Plan's ability to transact at contract value with the issuers of its investment contracts. Specifically, any event outside the normal operation of the Plan which causes a withdrawal from an investment contract may result in a negative market value adjustments with respect to such withdrawal. Examples of such events include, but are not limited to, partial or complete legal termination of the Plan, tax disqualification of the Plan, and certain Plan amendments if issuers' consent is not obtained. As of December 31, 2007, the occurrence of an event outside normal operation of the trust which would cause a withdrawal from an investment contract is not considered to be probable.

In addition to the limitations noted above, issuers of investment contracts have certain rights to terminate a contract and settle at an amount which differs from contract value. For example, certain breaches by the Plan of its obligations, representations, or warranties under the terms of an investment contract can result in its termination at market value, which may differ from contract value. Investment contracts may also provide for termination with no payment obligation from the issuer if the performance of the contract constitutes a prohibited transaction under ERISA or other applicable law. Investment contracts may also provide issuers with the right to reduce contract value in the event an underlying security suffers a credit event or the right to terminate the contract in the event certain investment guidelines are materially breached and not cured.

		2007	
	Investments at Fair Value	Adjustment to Contract Value	Investments at Contract Value
Guaranteed Investment Contracts	\$ 979,766	\$ (16,390)	\$ 963,376
Synthetic Investment Contracts	3,907,973	(14,339)	3,893,634
Short-term Investments	311,379		311,379
Wrapper Contracts			
Total	\$ 5,199,118	\$ (30,729)	\$ 5,168,389

Table of Contents

NOTES TO FINANCIAL STATEMENTS

Northshore Mining Company and Silver Bay Power Company

Retirement Savings Plan

	Investments at Fair Value	2006 Adjustment to Contract Value	Investments at Contract Value
Guaranteed Investment Contracts	\$ 828,130	\$ 960	\$ 829,090
Synthetic Investment Contracts	3,225,380	35,900	3,261,280
Short-term Investments	246,146		246,146
Wrapper Contracts			
Total	\$ 4,299,656	\$ 36,860	\$ 4,336,516

The average yield based on actual earnings of the contract was 4.89% and 4.81%, as of December 31, 2007 and 2006, respectively. The crediting interest rate was 4.99% and 4.68% as of December 31, 2007 and 2006, respectively.

6 Party-in-Interest Transactions

Certain Plan investments are shares of mutual funds managed by T. Rowe Price, the Trustee as defined by the Plan and, therefore, these transactions qualify as party-in-interest. Usual and customary fees were paid by the Plan for the investment management services.

The Plan purchased shares of Cliffs, the Plan Sponsor, common stock for \$4,300,814 and sold shares of Cliffs common stock for \$4,471,624 in 2007.

7 Risks and Uncertainties

The Plan invests in various investment securities. Investment securities are exposed to various risk such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the statements of net assets available for benefits.

8 Subsequent Accounting Pronouncement

On September 15, 2006, the Financial Accounting Standards Board (FASB) issued Statements of Financial Accounting Standards No. 157, Fair Value Measurement (FAS 157). The new standard may affect our plan but is only effective for financial statements issued for fiscal years beginning after November 15, 2007.

Table of Contents

SCHEDULE OF ASSETS HELD FOR INVESTMENT PURPOSES AT END OF YEAR

Form 5500, Schedule H, Part IV, Line 4i

Northshore Mining Company and Silver Bay Power Company

Retirement Savings Plan

EIN 84-1116857

Plan Number 001

December 31, 2007

(a)	(b)	(c)	(d)	(e)
Identity of Issue, Borrower, Lessor, or Similar Party	Description of Investment Including Maturity Date, Rate of Interest, Collateral, Par or Maturity Value	Cost	Current Value	
* Cleveland-Cliffs Inc. Common Stock	Stock	N/A	\$ 9,914,323	
* T. Rowe Price Equity Index 500 Fund	Mutual Fund	N/A	7,197,307	
* T. Rowe Price Equity Spectrum Income Fund	Mutual Fund	N/A	7,900,213	
* T. Rowe Price New America Growth Fund	Mutual Fund	N/A	5,817,208	
* T. Rowe Price Capital Appreciation Fund	Mutual Fund	N/A	9,051,751	
* T. Rowe Price Prime Reserve Fund	Mutual Fund	N/A	4,801,040	
* T. Rowe Price International Stock Fund	Mutual Fund	N/A	6,811,235	
* T. Rowe Price Stable Value Fund	Mutual Fund	N/A	5,199,118	
* T. Rowe Price Mid-Cap Growth Fund	Mutual Fund	N/A	7,347,522	
* T. Rowe Price Equity Income Fund	Mutual Fund	N/A	3,127,974	
* T. Rowe Price Boston Co Small Cap Value	Mutual Fund	N/A	409,692	
* T. Rowe Price Retirement 2005 Fund	Mutual Fund	N/A	88,356	
* T. Rowe Price Retirement 2010 Fund	Mutual Fund	N/A	408,407	
* T. Rowe Price Retirement 2015 Fund	Mutual Fund	N/A	903,464	
* T. Rowe Price Retirement 2020 Fund	Mutual Fund	N/A	1,007,675	
* T. Rowe Price Retirement 2030 Fund	Mutual Fund	N/A	149,153	
* T. Rowe Price Retirement 2035 Fund	Mutual Fund	N/A	43,269	
* T. Rowe Price Retirement 2025 Fund	Mutual Fund	N/A	467,234	
* T. Rowe Price Retirement 2040 Fund	Mutual Fund	N/A	167,756	
* T. Rowe Price Retirement 2045 Fund	Mutual Fund	N/A	94,470	
* T. Rowe Price Retirement 2050 Fund	Mutual Fund	N/A	92	
* T. Rowe Price Retirement 2055 Fund	Mutual Fund	N/A	22,158	
* T. Rowe Price Retirement Income Fund	Mutual Fund	N/A	40,442	
* Participant Loans	Notes receivable (interest at prevailing local rate)	N/A	1,934,459	
				\$ 72,904,318

* Party-in-interest to the Plan.

Table of Contents

SIGNATURES

The Plan. Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees (or other persons who administer the employee benefit plan) have duly caused this annual report to be signed on their behalf by the undersigned hereunto duly authorized.

NORTHSHORE MINING COMPANY and

SILVER BAY POWER COMPANY

RETIREMENT SAVINGS PLAN

By: Pension Committee,
Plan Administrator

Date: June 10, 2008

By: /s/ Traci L. Forrester
Member

- 12 -

Table of Contents

EXHIBIT INDEX

Exhibit

Number	Description of Exhibit	Page
23	<u>Consent of Independent Registered Public Accounting Firm</u>	Filed Herewith