



**Part II Organizational Action** (continued)

17 List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based ▶ See attachment.

Blank lines for listing applicable Internal Revenue Code sections.

18 Can any resulting loss be recognized? ▶ See attachment.

Blank lines for providing information regarding resulting loss recognition.

19 Provide any other information necessary to implement the adjustment, such as the reportable tax year ▶ See attachment.

Blank lines for providing other information necessary to implement the adjustment.

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Sign Here Signature ▶ *[Handwritten Signature]* Date ▶ 3/17/2010  
Print your name ▶ P. Kelly Tompkins Title ▶ Executive VP & CFO

<b>Paid Preparer Use Only</b>	Print/Type preparer's name	Preparer's signature	Date	Check <input type="checkbox"/> if self-employed	PTIN
	Firm's name ▶				Firm's EIN ▶
	Firm's address ▶				Phone no.

**Form 8937 - Report of Organizational Actions Affecting Basis of Securities**

**Cliffs Natural Resources, Inc.**

**Employer Identification Number: 34-1464672**

**Part II, Line 14.**

Under the terms of Cliffs Natural Resources Inc.'s ("CNR" or "the Company") 7.00% Series A Mandatory Convertible Preferred Stock, Class A ("Preferred Shares"), all issued and outstanding Preferred Shares were mandatorily converted into CNR Common Shares on February 1, 2016 (the "Mandatory Conversion Date"). The final quarterly dividend to be received by shareholders of the Preferred Shares was not paid in cash; instead, pursuant to the terms of the Preferred Shares, the conversion rate was increased such that holders received additional Common Shares in lieu of the accrued dividend on the Mandatory Conversion Date. The aggregate number of Common Shares issued in lieu of the dividend equaled 1,260,729.526 shares (not reduced for the amount of fractional shares satisfied in cash).

The total amount of Common Shares issued on the Mandatory Conversion Date equaled 26,476,227.768 shares (not reduced for the amount of fractional shares satisfied in cash). CNR paid cash for fractional shares resulting from the conversion.

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**Part II, Line 15.**

The Company intends the transaction described in Line 14 to qualify as a reorganization pursuant to Section 368(a) of the Internal Revenue Code of 1986, as amended (the "Code"). A shareholder's aggregate tax basis in the Common Shares received pursuant to the recapitalization (excluding shares issued in lieu of the dividend) is equal to such shareholder's aggregate tax basis in the Preferred Shares surrendered. To the extent a shareholder received cash in lieu of a fractional share, a portion of tax basis must be allocated to the fractional share and such fractional share will be deemed to be received and then exchanged for cash. Common Shares received in respect of the accrued dividend would have a tax basis equal to their fair market value.

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**Part II, Line 16.**

See Line 15 above. The tax basis of each shareholder's total investment in the Common Shares received (excluding Common Shares received with respect to the accrued dividend) remains the same as such shareholder's basis in the Preferred Shares immediately prior to the Conversion, reduced by the basis allocated to fractional shares, if any. Common Shares received in lieu of the accrued dividend would have a fair market value tax basis.

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**Part II, Line 17.**

IRC Section 368(a)(1)(E) – Recapitalization.

IRC Section 354 – Exchanges of stock and securities in certain reorganizations.

IRC Section 358 – Basis to distributees.

IRC Section 301(d) – Basis of property received in a distribution.

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**Part II, Line 18.**

A U.S. holder will not recognize loss on the exchange of Preferred Shares for Common Shares, except that a holder who receives cash in lieu of any fractional shares in connection with the conversion may recognize loss in an amount equal to the difference between the amount of cash received in lieu of the fractional share and the holder's tax basis allocable to such fractional share.

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**Part II, Line 19.**

The adjustment to basis will be taken into account in the tax year of the shareholder during which the exchange occurred (e.g., 2016 for calendar year taxpayers).