CLEVELAND-CLIFFS INC.
Form 10-Q
October 23, 2017
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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 September 30, 2017
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.)
200 Public Square, Cleveland, Ohio	44114-2315
(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 NO
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
YES NO
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company)	Smaller reporting company
	Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
YES NO
The number of shares outstanding of the registrant's common shares, par value $0.125 per share, was 296,510,023 as of October 20, 2017.

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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$” or “AUD” refer to Australian currency, “C$” or "CAD" to Canadian currency and “$” to United States currency.

Abbreviation or acronym	Term
A&R 2015 Equity Plan	Amended and Restated Cliffs Natural Resources Inc. 2015 Equity and Incentive Compensation Plan
ABL Facility	Syndicated Facility Agreement by and among Bank of America, N.A., as Administrative Agent and Australian Security Trustee, the Lenders that are parties hereto, Cleveland-Cliffs Inc., as Parent and a Borrower, and the Subsidiaries of Parent party hereto, as Borrowers dated as of March 30, 2015, as amended
Adjusted EBITDA	EBITDA excluding certain items such as extinguishment/restructuring of debt, foreign currency exchange remeasurement, impacts of discontinued operations, severance and contractor termination costs and intersegment corporate allocations of SG&A costs
ArcelorMittal	ArcelorMittal (as the parent company of ArcelorMittal Mines Canada, ArcelorMittal USA and ArcelorMittal Dofasco, as well as, many other subsidiaries)
ALJ	Administrative Law Judge
ASC	Accounting Standards Codification
ASU	Accounting Standards Updates
Bloom Lake Group	Bloom Lake General Partner Limited and certain of its affiliates, including Cliffs Quebec Iron Mining ULC
Canadian Entities	Bloom Lake Group, Wabush Group and certain other wholly-owned Canadian subsidiaries
CCAA	Companies' Creditors Arrangement Act (Canada)
Dodd-Frank Act	Dodd-Frank Wall Street Reform and Consumer Protection Act
DR-grade	Direct Reduction-grade
EBITDA	Earnings before interest, taxes, depreciation and amortization
Empire	Empire Iron Mining Partnership
Exchange Act	Securities Exchange Act of 1934, as amended
FASB	Financial Accounting Standards Board
Fe	Iron
FERC	Federal Energy Regulatory Commission
FMSH Act	U.S. Federal Mine Safety and Health Act 1977, as amended
GAAP	Accounting principles generally accepted in the United States
HBI	Hot briquetted iron
Hibbing	Hibbing Taconite Company, an unincorporated joint venture
Koolyanobbing	Collective term for the operating deposits at Koolyanobbing, Mount Jackson and Windarling
Long ton	2,240 pounds
LTVSMC	LTV Steel Mining Company
Metric ton	2,205 pounds
MISO	Midcontinent Independent System Operator, Inc.
MMBtu	Million British Thermal Units
MSHA	U.S. Mine Safety and Health Administration
Monitor	FTI Consulting Canada Inc.
Net ton	2,000 pounds
Northshore	Northshore Mining Company
OPEB	Other postretirement employment benefits
Platts 62% Price	Platts IODEX 62% Fe Fines Spot Price

SEC	U.S. Securities and Exchange Commission
SG&A	Selling, general and administrative
Securities Act	Securities Act of 1933, as amended
SSR	System Support Resource
Tilden	Tilden Mining Company L.C.
TSR	Total Shareholder Return
United Taconite	United Taconite LLC
U.S.	United States of America
U.S. Steel	U.S Steel Corporation and all subsidiaries
Wabush Group	Wabush Iron Co. Limited and Wabush Resources Inc., and certain of its affiliates, including Wabush Mines (an unincorporated joint venture of Wabush Iron Co. Limited and Wabush Resources Inc.), Arnaud Railway Company and Wabush Lake Railway Company
2015 Equity Plan	Cliffs Natural Resources Inc. 2015 Equity and Incentive Compensation Plan

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PART I
Item 1. Financial Statements
Statements of Unaudited Condensed Consolidated Financial Position
Cleveland-Cliffs Inc. and Subsidiaries

	(In Millions)	
	September 30, 2017	December 31, 2016
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$260.8	$ 323.4
Accounts receivable, net	63.9	128.7
Inventories	207.7	178.4
Supplies and other inventories	92.5	91.4
Derivative assets	89.5	33.1
Loans to and accounts receivable from the Canadian Entities	51.9	48.6
Other current assets	24.8	21.0
TOTAL CURRENT ASSETS	791.1	824.6
PROPERTY, PLANT AND EQUIPMENT, NET	993.8	984.4
OTHER NON-CURRENT ASSETS	138.4	114.9
TOTAL ASSETS	$1,923.3	$ 1,923.9

(continued)
The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

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Statements of Unaudited Condensed Consolidated Financial Position
Cleveland-Cliffs Inc. and Subsidiaries - (Continued)

	(In Millions)	
	September 30, 2017	December 31, 2016
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	$102.0	$ 107.6
Accrued expenses	109.4	123.3
Accrued interest	21.7	40.2
Contingent claims	50.0	—
Derivative liabilities	9.3	0.5
Other current liabilities	125.1	119.5
TOTAL CURRENT LIABILITIES	417.5	391.1
PENSION AND POSTEMPLOYMENT BENEFIT LIABILITIES	254.3	280.5
ENVIRONMENTAL AND MINE CLOSURE OBLIGATIONS	205.4	193.9
LONG-TERM DEBT	1,689.4	2,175.1
OTHER LIABILITIES	189.8	213.8
TOTAL LIABILITIES	2,756.4	3,254.4
COMMITMENTS AND CONTINGENCIES (REFER TO NOTE 18)		
EQUITY		
CLIFFS SHAREHOLDERS' DEFICIT		
Preferred Stock - no par value		
Class A - 3,000,000 shares authorized		
Class B - 4,000,000 shares authorized		
Common Shares - par value $0.125 per share		
Authorized - 600,000,000 shares (2016 - 400,000,000 shares);		
Issued - 301,886,794 shares (2016 - 238,636,794 shares);		
Outstanding - 296,503,284 shares (2016 - 233,074,091 shares)	37.7	29.8
Capital in excess of par value of shares	3,913.2	3,347.0
Retained deficit	(4,517.2)	(4,574.3)
Cost of 5,383,510 common shares in treasury (2016 - 5,562,703 shares)	(236.2)	(245.5)
Accumulated other comprehensive loss	(30.8)	(21.3)
TOTAL CLIFFS SHAREHOLDERS' DEFICIT	(833.3)	(1,464.3)
NONCONTROLLING INTEREST	0.2	133.8
TOTAL DEFICIT	(833.1)	(1,330.5)
TOTAL LIABILITIES AND DEFICIT	$1,923.3	$ 1,923.9

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

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Statements of Unaudited Condensed Consolidated Operations
Cleveland-Cliffs Inc. and Subsidiaries

	(In Millions, Except Per Share Amounts)			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
REVENUES FROM PRODUCT SALES AND SERVICES				
Product	$627.5	$508.6	$1,552.3	$1,237.0
Freight and venture partners' cost reimbursements	70.9	44.7	177.0	118.0
	698.4	553.3	1,729.3	1,355.0
COST OF GOODS SOLD AND OPERATING EXPENSES	(538.2)	(467.9)	(1,328.3)	(1,147.2)
SALES MARGIN	160.2	85.4	401.0	207.8
OTHER OPERATING INCOME (EXPENSE)				
Selling, general and administrative expenses	(24.6)	(31.1)	(77.8)	(81.8)
Miscellaneous - net	(5.9)	(19.6)	3.0	(16.9)
	(30.5)	(50.7)	(74.8)	(98.7)
OPERATING INCOME	129.7	34.7	326.2	109.1
OTHER INCOME (EXPENSE)				
Interest expense, net	(28.9)	(48.7)	(103.1)	(156.2)
Gain (loss) on extinguishment/restructuring of debt	(88.6)	(18.3)	(165.4)	164.1
Other non-operating income	0.8	0.1	2.3	0.4
	(116.7)	(66.9)	(266.2)	8.3
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	13.0	(32.2)	60.0	117.4
INCOME TAX BENEFIT	7.6	7.1	6.8	1.7
INCOME (LOSS) FROM CONTINUING OPERATIONS	20.6	(25.1)	66.8	119.1
INCOME (LOSS) FROM DISCONTINUED OPERATIONS, NET OF TAX	32.3	(2.7)	(13.6)	(0.6)
NET INCOME (LOSS)	52.9	(27.8)	53.2	118.5
LOSS (INCOME) ATTRIBUTABLE TO NONCONTROLLING INTEREST	0.5	2.0	3.9	(23.5)
NET INCOME (LOSS) ATTRIBUTABLE TO CLIFFS SHAREHOLDERS	$53.4	$(25.8)	$57.1	$95.0
EARNINGS (LOSS) PER COMMON SHARE ATTRIBUTABLE TO CLIFFS SHAREHOLDERS - BASIC				
Continuing operations	$0.07	$(0.11)	$0.25	$0.51
Discontinued operations	0.11	(0.01)	(0.05)	—
	$0.18	$(0.12)	$0.20	$0.51
EARNINGS (LOSS) PER COMMON SHARE ATTRIBUTABLE TO CLIFFS SHAREHOLDERS - DILUTED				
Continuing operations	$0.07	$(0.11)	$0.24	$0.51
Discontinued operations	0.11	(0.01)	(0.05)	—
	$0.18	$(0.12)	$0.19	$0.51
AVERAGE NUMBER OF SHARES (IN THOUSANDS)				
Basic	296,079	206,279	285,771	186,454
Diluted	301,075	206,279	290,512	188,471

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

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Statements of Unaudited Condensed Consolidated Comprehensive Income (Loss)
Cleveland-Cliffs Inc. and Subsidiaries

	(In Millions)			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
NET INCOME (LOSS) ATTRIBUTABLE TO CLIFFS SHAREHOLDERS	$53.4	$(25.8)	$57.1	$95.0
OTHER COMPREHENSIVE INCOME (LOSS)				
Changes in pension and other post-retirement benefits, net of tax	7.5	7.1	18.9	19.0
Unrealized net gain (loss) on foreign currency translation	0.5	0.9	(13.6)	2.6
Unrealized net gain (loss) on derivative financial instruments, net of tax	—	0.7	—	(2.6)
OTHER COMPREHENSIVE INCOME	8.0	8.7	5.3	19.0
OTHER COMPREHENSIVE INCOME ATTRIBUTABLE TO THE NONCONTROLLING INTEREST	(5.7)	(0.9)	(1.1)	(2.2)
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO CLIFFS SHAREHOLDERS	$55.7	$(18.0)	$61.3	$111.8

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

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Statements of Unaudited Condensed Consolidated Cash Flows
Cleveland-Cliffs Inc. and Subsidiaries

	(In Millions) Nine Months Ended September 30,	
	2017	2016
OPERATING ACTIVITIES		
Net income	$53.2	$118.5
Adjustments to reconcile net income to net cash provided (used) by operating activities:		
Depreciation, depletion and amortization	66.3	88.9
(Gain) loss on extinguishment/restructuring of debt	165.4	(164.1)
(Gain) loss on deconsolidation	16.3	(3.2)
Gain on derivatives	(47.5)	(22.6)
Other	19.0	31.6
Changes in operating assets and liabilities:		
Receivables and other assets	68.9	137.5
Inventories	(26.1)	21.6
Payables, accrued expenses and other liabilities	(108.8)	(136.1)
Net cash provided by operating activities	206.7	72.1
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(78.9)	(45.8)
Other investing activities	(5.5)	6.3
Net cash used by investing activities	(84.4)	(39.5)
FINANCING ACTIVITIES		
Proceeds from issuance of senior notes	1,057.8	—
Debt issuance costs	(12.0)	(5.2)
Net proceeds from issuance of common shares	661.3	287.6
Repurchase of debt	(1,720.7)	(301.0)
Repayment of equipment loans	—	(95.6)
Borrowings under credit facilities	—	105.0
Repayment under credit facilities	—	(105.0)
Acquisition of noncontrolling interest	(105.0)	—
Distributions of partnership equity	(53.0)	(52.5)
Other financing activities	(17.0)	(19.3)
Net cash used by financing activities	(188.6)	(186.0)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	3.7	0.4
DECREASE IN CASH AND CASH EQUIVALENTS	(62.6)	(153.0)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	323.4	285.2
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$260.8	$132.2

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

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Cleveland-Cliffs Inc. and Subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements
NOTE 1 - BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES
The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with SEC rules and regulations and, in the opinion of management, include all adjustments (consisting of normal recurring adjustments) necessary to present fairly the financial position, results of operations, comprehensive income (loss) and cash flows for the periods presented. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Management bases its estimates on various assumptions and historical experience, which are believed to be reasonable; however, due to the inherent nature of estimates, actual results may differ significantly due to changed conditions or assumptions. The results of operations for the three and nine months ended September 30, 2017 are not necessarily indicative of results to be expected for the year ending December 31, 2017 or any other future period. These unaudited condensed consolidated financial statements should be read in conjunction with the financial statements and notes included in our Annual Report on Form 10-K for the year ended December 31, 2016.
We report our results from continuing operations in two reportable segments: U.S. Iron Ore and Asia Pacific Iron Ore.
Basis of Consolidation
The unaudited condensed consolidated financial statements include our accounts and the accounts of our wholly-owned subsidiaries, including the following operations as of September 30, 2017:

Name	Location	Ownership Interest	Operation	Status of Operations
Northshore	Minnesota	100.0%	Iron Ore	Active
United Taconite	Minnesota	100.0%	Iron Ore	Active
Tilden[1]	Michigan	100.0%	Iron Ore	Active
Empire[1]	Michigan	100.0%	Iron Ore	Indefinitely Idled
Koolyanobbing	Western Australia	100.0%	Iron Ore	Active

[1] During the third quarter of 2017, our ownership interest in Tilden and Empire changed.
Refer to the Noncontrolling Interests section below for additional information.
Intercompany transactions and balances are eliminated upon consolidation.
Equity Method Investments
Our 23% ownership interest in Hibbing is recorded as an equity method investment. As of September 30, 2017 and December 31, 2016, our investment in Hibbing was \$6.1 million and \$8.7 million, respectively, classified as Other liabilities in the Statements of Unaudited Condensed Consolidated Financial Position.
Noncontrolling Interests
During the third quarter of 2017, our ownership interest in Empire increased to 100% as we reached an agreement to distribute the noncontrolling interest net assets for \$132.7 million to ArcelorMittal, in exchange for its interest in Empire. The net assets were agreed to be distributed in three installments of approximately \$44.2 million, the first of which was paid upon the execution of the agreement and the remaining distributions are due in August 2018 and August 2019. Upon payment of the first installment, we assumed ArcelorMittal's 21% interest and have reflected this ownership percentage change in our unaudited condensed consolidated financial statements as of and for the period ended September 30, 2017. We accounted for the increase in ownership as an equity transaction, which resulted in a \$16.0 million decrease in equity attributable to Cliffs' shareholders and a \$116.7 million decrease in Noncontrolling interest.
During the third quarter of 2017, we also acquired the remaining 15% equity interest in Tilden owned by U.S. Steel for \$105.0 million. With the closing of this transaction, we now have 100% ownership of the mine. We accounted for the increase in ownership as an equity transaction, which resulted in an \$89.1 million decrease in equity attributable to Cliffs' shareholders and a \$15.9 million decrease in Noncontrolling interest.

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Foreign Currency

Our financial statements are prepared with the U.S. dollar as the reporting currency. The functional currency of our Australian subsidiaries is the Australian dollar. The functional currency of all other international subsidiaries is the U.S. dollar. The financial statements of our Australian subsidiaries are translated into U.S. dollars using the exchange rate at each balance sheet date for assets and liabilities and a weighted average exchange rate for each period for revenues, expenses, gains and losses. Translation adjustments are recorded as Accumulated other comprehensive loss. Income taxes generally are not provided for foreign currency translation adjustments. To the extent that monetary assets and liabilities, including short-term intercompany loans, are recorded in a currency other than the functional currency, these amounts are remeasured each reporting period, with the resulting gain or loss being recorded in the Statements of Unaudited Condensed Consolidated Operations. Transaction gains and losses resulting from remeasurement of short-term intercompany loans are included in Miscellaneous - net in the Statements of Unaudited Condensed Consolidated Operations.

The following represents the transaction gains and losses resulting from remeasurement for the three and nine months ended September 30, 2017 and 2016:

	(In Millions) Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Remeasurement of short-term intercompany loans	$0.1	$0.2	$16.7	$0.5
Remeasurement of cash and cash equivalents	(1.1)	(1.1)	(2.8)	0.3
Other remeasurement	(1.4)	0.6	(2.7)	(2.0)
Net impact of transaction gains (losses) resulting from remeasurement	$(2.4)	$(0.3)	$11.2	$(1.2)

Significant Accounting Policies

A detailed description of our significant accounting policies can be found in the audited financial statements for the fiscal year ended December 31, 2016 included in our Annual Report on Form 10-K filed with the SEC. There have been no material changes in our significant accounting policies and estimates from those disclosed therein.

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Recent Accounting Pronouncements

Issued and Not Effective

In August 2017, the FASB issued ASU No. 2017-12, Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities. The new standard simplifies hedge accounting through changes to both designation and measurement requirements. For hedges that qualify as highly effective, the new standard eliminates the requirement to separately measure and record hedge ineffectiveness resulting in better alignment between the presentation of the effects of the hedging instrument and the hedged item in the financial statements. ASU No. 2017-12 is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years; the ASU allows for early adoption in any interim period after issuance of the update. We are currently assessing the impact this ASU will have on the consolidated financial statements.

In March 2017, the FASB issued ASU No. 2017-07, Compensation - Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost. The new standard requires the service cost component of pension and other postretirement benefit expenses to be included in the same line item as other compensation costs arising from services rendered by employees, with the other components of net benefit cost to be presented in the income statement separately from the service cost component and outside a subtotal of income from operations. The guidance is effective for fiscal years beginning after December 15, 2017. The adoption of ASU No. 2017-07 in the first quarter of 2018 will impact the Statements of Unaudited Condensed Consolidated Operations by changing our classification of the components of pension and OPEB costs; however, it will not impact our Net Income (Loss). The following represents the estimated impact from the adoption of ASU No. 2017-07 for the nine months ended September 30, 2017:

	($ in Millions) Nine Months Ended September 30, 2017		
Financial Statement Line Impacted	As Reported	Estimate Adoption of ASU No. 2017-07	As Adjusted
Cost of goods sold and operating expenses	$(1,328.3)	$1.3	$(1,327.0)
Selling, general and administrative expenses	$(77.8)	$(5.8)	$(83.6)
Miscellaneous - net	$3.0	$(1.2)	$1.8
Operating income	$326.2	$(5.7)	$320.5
Other non-operating income	$2.3	$5.7	$8.0
Net Income (Loss)	$53.2	$—	$53.2

In February 2016, the FASB issued ASU No. 2016-02, Leases. The new standard requires lessees to recognize a right-of-use asset and a lease liability on the balance sheet for all leases except for short-term leases. For lessees, leases will continue to be classified as either operating or finance leases in the income statement. We plan to adopt the standard on its effective date of January 1, 2019. The new standard must be adopted using a modified retrospective approach and requires application of the new guidance at the beginning of the earliest comparative period presented. We are currently finalizing our implementation plan, compiling an inventory of existing leases and evaluating the effect the updated standard will have on our consolidated financial statements and related disclosures.

In May 2014, the FASB issued ASU No. 2014-09, Revenues from Contracts with Customers. The new revenue guidance broadly replaces the revenue guidance provided throughout the Codification. The core principle of the revenue guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Reporting entities must prepare new disclosures providing qualitative and quantitative information on the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. New disclosures also include qualitative and quantitative information on significant judgments, changes in judgments, and contract acquisition assets. We plan to adopt the standard on its effective date of January 1, 2018 using the modified retrospective transition method. As of September 30, 2017, we have completed the evaluation of the new standard and the related review and assessment of substantially all existing contracts with our customers. We determined that revenue will generally be recognized upon delivery for our U.S. Iron Ore customers, which is earlier than under the current guidance. Current guidance requires us to recognize revenue when title transfers which is generally the point at which we receive payment. However, the total amount of revenue recognized during the year should remain substantially the same as

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under current GAAP. We do not anticipate any significant changes in the timing and pattern of revenue recognition for our Asia Pacific Iron Ore contracts. Based on our analysis to date, we anticipate the primary impact of the adoption on our consolidated financial statements will be the additional required disclosures around revenue recognition in the notes to the consolidated financial statements.

NOTE 2 - SEGMENT REPORTING

Our continuing operations are organized and managed according to geographic location: U.S. Iron Ore and Asia Pacific Iron Ore. Our U.S. Iron Ore segment is a major supplier of iron ore pellets to the North American steel industry from our mines and pellet plants located in Michigan and Minnesota. The Asia Pacific Iron Ore segment is located in Western Australia and provides iron ore to the seaborne market for Asian steel producers. There were no intersegment revenues in the first nine months of 2017 or 2016.

We evaluate segment performance based on sales margin, defined as revenues less cost of goods sold and operating expenses identifiable to each segment. Additionally, we evaluate performance on a segment basis, as well as a consolidated basis, based on EBITDA and Adjusted EBITDA. These measures allow management and investors to focus on our ability to service our debt as well as illustrate how the business and each operating segment are performing. Additionally, EBITDA and Adjusted EBITDA assist management and investors in their analysis and forecasting as these measures approximate the cash flows associated with operational earnings.

The following tables present a summary of our reportable segments for the three and nine months ended September 30, 2017 and 2016, including a reconciliation of segment sales margin to Income from Continuing Operations Before Income Taxes and a reconciliation of Net Income (Loss) to EBITDA and Adjusted EBITDA:

	(In Millions)							
	Three Months Ended September 30,				Nine Months Ended September 30,			
	2017		2016		2017		2016	
Revenues from product sales and services:								
U.S. Iron Ore	$596.7	85 %	$428.3	77 %	$1,354.2	78 %	$975.5	72 %
Asia Pacific Iron Ore	101.7	15 %	125.0	23 %	375.1	22 %	379.5	28 %
Total revenues from product sales and services	$698.4	100%	$553.3	100%	$1,729.3	100%	$1,355.0	100%
Sales margin:								
U.S. Iron Ore	$157.2		$66.5		$349.8		$149.7	
Asia Pacific Iron Ore	3.0		18.9		51.2		58.1	
Sales margin	160.2		85.4		401.0		207.8	
Other operating expense	(30.5)		(50.7)		(74.8)		(98.7)	
Other income (expense)	(116.7)		(66.9)		(266.2)		8.3	
Income (loss) from continuing operations before income taxes	$13.0		$(32.2)		$60.0		$117.4	

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	(In Millions)			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Net Income (Loss)	$52.9	$(27.8)	$53.2	$118.5
Less:				
Interest expense, net	(28.9)	(48.7)	(103.1)	(156.2)
Income tax benefit	7.6	7.1	6.8	1.7
Depreciation, depletion and amortization	(21.5)	(26.8)	(66.3)	(88.9)
EBITDA	$95.7	$40.6	$215.8	$361.9
Less:				
Gain (loss) on extinguishment/restructuring of debt	$(88.6)	$(18.3)	$(165.4)	$164.1
Foreign exchange remeasurement	(2.4)	(0.3)	11.2	(1.2)
Impact of discontinued operations	32.3	(2.7)	(13.6)	(0.6)
Severance and contractor termination costs	—	—	—	(0.1)
Adjusted EBITDA	$154.4	$61.9	$383.6	$199.7
EBITDA				
U.S. Iron Ore	$168.9	$61.1	$381.8	$196.6
Asia Pacific Iron Ore	2.3	21.2	54.9	69.6
Other	(75.5)	(41.7)	(220.9)	95.7
Total EBITDA	$95.7	$40.6	$215.8	$361.9
Adjusted EBITDA:				
U.S. Iron Ore	$174.2	$65.3	$399.8	$208.6
Asia Pacific Iron Ore	4.9	23.7	61.7	73.2
Other	(24.7)	(27.1)	(77.9)	(82.1)
Total Adjusted EBITDA	$154.4	$61.9	$383.6	$199.7

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	(In Millions) Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Depreciation, depletion and amortization:				
U.S. Iron Ore	$16.5	$18.8	$49.6	$65.1
Asia Pacific Iron Ore	3.3	6.3	11.3	19.2
Other	1.7	1.7	5.4	4.6
Total depreciation, depletion and amortization	$21.5	$26.8	$66.3	$88.9
Capital additions:				
U.S. Iron Ore	$19.2	$25.8	$70.9	$39.5
Asia Pacific Iron Ore	0.8	0.2	1.6	0.2
Other	7.1	0.4	7.1	4.8
Total capital additions[1]	$27.1	$26.4	$79.6	$44.5

[1] Includes cash paid for capital additions of $78.9 million and $45.8 million and an increase in non-cash accruals of $0.7 million and a decrease in non-cash accruals of $1.3 million for the nine months ended September 30, 2017 and 2016, respectively.

A summary of assets by segment is as follows:

	(In Millions) September 30, 2017	December 31, 2016
Assets:		
U.S. Iron Ore	$1,467.2	$ 1,372.5
Asia Pacific Iron Ore	139.4	155.1
Total segment assets	1,606.6	1,527.6
Corporate	316.7	396.3
Total assets	$1,923.3	$ 1,923.9

NOTE 3 - INVENTORIES

The following table presents the detail of our Inventories in the Statements of Unaudited Condensed Consolidated Financial Position as of September 30, 2017 and December 31, 2016:

	(In Millions) September 30, 2017			December 31, 2016		
Segment	Finished Goods	Work-in Process	Total Inventory	Finished Goods	Work-in Process	Total Inventory
U.S. Iron Ore	$151.3	$ 18.6	$ 169.9	$124.4	$ 12.6	$ 137.0
Asia Pacific Iron Ore	29.4	8.4	37.8	23.6	17.8	41.4
Total	$180.7	$ 27.0	$ 207.7	$148.0	$ 30.4	$ 178.4

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NOTE 4 - PROPERTY, PLANT AND EQUIPMENT

The following table indicates the value of each of the major classes of our consolidated depreciable assets as of September 30, 2017 and December 31, 2016:

	(In Millions)	
	September 30, 2017	December 31, 2016
Land rights and mineral rights	$500.7	$ 500.5
Office and information technology	66.2	65.1
Buildings	80.0	67.9
Mining equipment	585.4	592.2
Processing equipment	607.9	552.0
Electric power facilities	57.0	49.4
Land improvements	23.7	23.5
Asset retirement obligation	19.6	19.8
Other	30.4	28.1
Construction in-progress	35.4	42.8
	2,006.3	1,941.3
Allowance for depreciation and depletion	(1,012.5)	(956.9)
	$993.8	$ 984.4

We recorded depreciation and depletion expense of $21.0 million and $64.8 million in the Statements of Unaudited Condensed Consolidated Operations for the three and nine months ended September 30, 2017, respectively. This compares with depreciation and depletion expense of $25.6 million and $85.1 million for the three and nine months ended September 30, 2016, respectively.

NOTE 5 - DEBT AND CREDIT FACILITIES

The following represents a summary of our long-term debt as of September 30, 2017 and December 31, 2016:

(In Millions)

September 30, 2017

Debt Instrument	Annual Effective Interest Rate	Total Principal Amount	Debt Issuance Costs	Unamortized Discounts	Total Debt
Unsecured Notes					
$400 Million 5.90% 2020 Senior Notes	5.98%	$ 88.9	$ (0.2)	$ (0.2)	$88.5
$500 Million 4.80% 2020 Senior Notes	4.83%	122.4	(0.3)	(0.1)	122.0
$700 Million 4.875% 2021 Senior Notes	4.89%	138.4	(0.3)	(0.1)	138.0
$1.075 Billion 5.75% 2025 Senior Notes	5.75%	1,075.0	(11.2)	(17.0)	1,046.8
$800 Million 6.25% 2040 Senior Notes	6.34%	298.4	(2.4)	(3.4)	292.6
ABL Facility	N/A	550.0	N/A	N/A	—
Fair Value Adjustment to Interest Rate Hedge					1.5
Long-term debt					$1,689.4

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(In Millions)
December 31, 2016

Debt Instrument	Annual Effective Interest Rate	Total Principal Amount	Debt Issuance Costs	Undiscounted Interest/ (Unamortized Discounts)	Total Debt
Secured Notes					
$540 Million 8.25% 2020 First Lien Notes	9.97%	$ 540.0	$ (8.0)	$ (25.7)	$506.3
$218.5 Million 8.00% 2020 1.5 Lien Notes	N/A	218.5	—	65.7	284.2
$544.2 Million 7.75% 2020 Second Lien Notes	15.55%	430.1	(5.8)	(85.2)	339.1
Unsecured Notes					
$400 Million 5.90% 2020 Senior Notes	5.98%	225.6	(0.6)	(0.5)	224.5
$500 Million 4.80% 2020 Senior Notes	4.83%	236.8	(0.7)	(0.2)	235.9
$700 Million 4.875% 2021 Senior Notes	4.89%	309.4	(1.0)	(0.2)	308.2
$800 Million 6.25% 2040 Senior Notes	6.34%	298.4	(2.5)	(3.4)	292.5
ABL Facility	N/A	550.0	N/A	N/A	—
Fair Value Adjustment to Interest Rate Hedge					1.9
Total debt					$2,192.6
Less current portion					17.5
Long-term debt					$2,175.1

$1.075 Billion 5.75% 2025 Senior Notes - 2017 Offering

On February 27, 2017, we entered into an indenture among the Company, the guarantors party thereto and U.S. Bank National Association, as trustee, relating to the issuance of $500 million aggregate principal amount of 5.75% Senior Notes due 2025. On August 7, 2017, we issued an additional $575 million aggregate principal amount of our 5.75% Senior Notes due 2025 (together referred to as the "5.75% Senior Notes"). The 5.75% Senior Notes were issued in private transactions exempt from the registration requirements of the Securities Act. Pursuant to the registration rights agreement executed as part of this offering, we agreed to file a registration statement with the SEC with respect to a registered offer to exchange the 5.75% Senior Notes for publicly registered notes within 365 days of the closing date, with all significant terms and conditions remaining the same.

The 5.75% Senior Notes bear interest at a rate of 5.75% per annum, which is payable semi-annually in arrears on March 1 and September 1 of each year, commencing on September 1, 2017. The 5.75% Senior Notes mature on March 1, 2025.

The 5.75% Senior Notes are general unsecured senior obligations and rank equally in right of payment with all of our existing and future senior unsecured indebtedness and rank senior in right of payment to all of our existing and future subordinated indebtedness. The 5.75% Senior Notes are effectively subordinated to our existing or future secured indebtedness to the extent of the value of the assets securing such indebtedness. The 5.75% Senior Notes are guaranteed on a senior unsecured basis by our material direct and indirect wholly-owned domestic subsidiaries and, therefore, are structurally senior to any of our existing and future indebtedness that is not guaranteed by such guarantors and are structurally subordinated to all existing and future indebtedness and other liabilities of our subsidiaries that do not guarantee the 5.75% Senior Notes.

The terms of the 5.75% Senior Notes are governed by an indenture, which contains customary covenants that, among other things, limit our and our subsidiaries' ability to create liens on property that secure indebtedness, enter into sale and leaseback transactions and merge, consolidate or amalgamate with another company. Upon the occurrence of a “change of control triggering event,” as defined in the indenture, we are required to offer to repurchase the 5.75% Senior Notes at 101% of the aggregate principal amount thereof, plus any accrued and unpaid interest, if any, to, but excluding, the repurchase date.

We may redeem the 5.75% Senior Notes, in whole or in part, on or after March 1, 2020, at the redemption prices set forth in the indenture, plus accrued and unpaid interest, if any, to, but not including, the date of redemption, and prior to March 1, 2020, at a redemption price equal to 100% of the principal amount thereof plus a “make-whole”

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premium set forth in the indenture, plus accrued and unpaid interest, if any, to, but not including, the date of redemption. We may also redeem up to 35% of the aggregate principal amount of the 5.75% Senior Notes on or prior to March 1, 2020 at a redemption price equal to 105.75% of the principal amount thereof, plus accrued and unpaid interest, if any, to, but not including, the date of redemption with the net cash proceeds of one or more equity offerings.

The 5.75% Senior Notes indenture contains customary events of default, including failure to make required payments, failure to comply with certain agreements or covenants, failure to pay or acceleration of certain other indebtedness, certain events of bankruptcy and insolvency and failure to pay certain judgments. An event of default under the indenture will allow either the trustee or the holders of at least 25% in aggregate principal amount of the then-outstanding notes issued under the indenture to accelerate, or in certain cases, will automatically cause the acceleration of, the amounts due under the 5.75% Senior Notes. Debt issuance costs of $12.0 million were incurred related to the offering of the 5.75% Senior Notes, $11.2 million of which is included in Long-term debt in the Statements of Unaudited Condensed Consolidated Financial Position as of September 30, 2017.

Debt Extinguishment

The following is a summary of the debt extinguished during the nine months ended September 30, 2017 and the respective gain (loss) on extinguishment for the three and nine months ended September 30, 2017:

(In Millions)

		Gain (Loss) on Extinguishment[1]	
	Debt Extinguished	Three Months Ended September 30, 2017	Nine Months Ended September 30, 2017
Secured Notes			
$540 Million 8.25% 2020 First Lien Notes	$ 540.0	$(88.6)	$(93.5)
$218.5 Million 8.00% 2020 1.5 Lien Notes	218.5	—	45.1
$544.2 Million 7.75% 2020 Second Lien Notes	430.1	—	(104.5)
Unsecured Notes			
$400 Million 5.90% 2020 Senior Notes	136.7	—	(7.8)
$500 Million 4.80% 2020 Senior Notes	114.4	—	(1.9)
$700 Million 4.875% 2021 Senior Notes	171.0	—	(2.8)
	$ 1,610.7	$(88.6)	$(165.4)

[1] This includes premiums paid related to the redemption of our notes of $62.4 million and $110.0 million for the three and nine months ended September 30, 2017, respectively.

Debt Maturities

The following represents a summary of our maturities of debt instruments, excluding borrowings under the ABL Facility, based on the principal amounts outstanding at September 30, 2017:

	(In Millions) Maturities of Debt
2017 (October 1 - December 31)	$—
2018	—
2019	—

2020	211.3
2021	138.4
2022	—
2023 and thereafter	1,373.4
Total maturities of debt	$ 1,723.1

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ABL Facility

As of September 30, 2017 and December 31, 2016, no loans were drawn under the ABL Facility and we had total availability of $254.2 million and $333.0 million, respectively, as a result of borrowing base limitations. As of September 30, 2017 and December 31, 2016, the principal amount of letter of credit obligations totaled $45.0 million and $106.0 million, respectively, to support business obligations primarily related to workers compensation and environmental obligations, thereby further reducing available borrowing capacity on our ABL Facility to $209.2 million and $227.0 million, respectively.

NOTE 6 - FAIR VALUE MEASUREMENTS

The following represents the assets and liabilities of the Company measured at fair value at September 30, 2017 and December 31, 2016:

	(In Millions)			
	September 30, 2017			
Description	Quoted Prices in Active Markets for Identical Assets/Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets:				
Cash equivalents	$40.0	$ 37.0	$ —	$77.0
Derivative assets	—	—	89.5	89.5
Total	$40.0	$ 37.0	$ 89.5	$166.5
Liabilities:				
Derivative liabilities	$—	$ —	$ 9.3	$9.3
Total	$—	$ —	$ 9.3	$9.3

	(In Millions)			
	December 31, 2016			
Description	Quoted Prices in Active Markets for Identical Assets/Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets:				
Cash equivalents	$177.0	$ —	$ —	$177.0
Derivative assets	—	1.5	31.6	33.1
Total	$177.0	$ 1.5	$ 31.6	$210.1
Liabilities:				
Derivative liabilities	$—	$ —	$ 0.5	$0.5
Total	$—	$ —	$ 0.5	$0.5

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Financial assets classified in Level 1 as of September 30, 2017 and December 31, 2016 include money market funds of $40.0 million and $177.0 million, respectively. The valuation of these instruments is based upon unadjusted quoted prices for identical assets in active markets.

The valuation of financial assets and liabilities classified in Level 2 is determined using a market approach based upon quoted prices for similar assets and liabilities in active markets or other inputs that are observable. Level 2 assets included $37.0 million of commercial paper at September 30, 2017 and $1.5 million of commodity hedge contracts at December 31, 2016.

The Level 3 assets include derivative assets that consist of freestanding derivative instruments related to certain supply agreements with one of our U.S Iron Ore customers and certain provisional pricing arrangements with our U.S. Iron Ore and Asia Pacific Iron Ore customers.

The supply agreements included in our Level 3 assets/liabilities include provisions for supplemental revenue or refunds based on the customer's annual steel pricing or the average annual daily market price for hot-rolled coil steel at the time the product is consumed in the customer's blast furnaces. We account for these provisions as derivative instruments at the time of sale and adjust these provisions to fair value as an adjustment to Product revenues each reporting period until the product is consumed and the amounts are settled. The fair value of the instruments are determined using a market approach with one supply agreement based on an estimate of the annual realized price of hot-rolled coil steel at the steelmaker's facilities and the other supply agreement based on the estimate of the average annual daily market price for hot-rolled coil steel. Both estimates take into consideration current market conditions and nonperformance risk. We had assets of $84.8 million and $21.3 million at September 30, 2017 and December 31, 2016, respectively, related to supply agreements.

The provisional pricing arrangements included in our Level 3 assets/liabilities specify provisional price calculations, where the pricing mechanisms generally are based on market pricing, with the final revenue rate to be based on market inputs at a specified point in time in the future, per the terms of the supply agreements. The difference between the estimated final revenue at the date of sale and the estimated final revenue rate at the measurement date is characterized as a derivative and is required to be accounted for separately once the revenue has been recognized. The derivative instrument is adjusted to fair value through Product revenues each reporting period based upon current market data and forward-looking estimates provided by management until the final revenue rate is determined. We had assets of $4.7 million and $10.3 million at September 30, 2017 and December 31, 2016, respectively, related to provisional pricing arrangements. In addition, we had liabilities of $9.3 million and $0.5 million related to provisional pricing arrangements at September 30, 2017 and December 31, 2016, respectively.

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The following table illustrates information about quantitative inputs and assumptions for the assets and liabilities categorized in Level 3 of the fair value hierarchy:

Qualitative/Quantitative Information About Level 3 Fair Value Measurements

	(In Millions) Fair Value at September 30, 2017	Balance Sheet Location	Valuation Technique	Unobservable Input	Range or Point Estimate (Weighted Average)
Provisional pricing arrangements	$ 4.7	Derivative assets	Market Approach	Management's Estimate of Platts 62% Price per dry metric ton	$61 - $74 ($73)
				Market Hot-Rolled Coil Steel Estimate per net ton	$580 - $660 ($625)
Provisional pricing arrangements	$ 9.3	Derivative liabilities	Market Approach	Management's Estimate of Platts 62% Price per dry metric ton	$61 - $74 ($73)
Customer supply agreements	$ 84.8	Derivative assets	Market Approach	Customer Hot-Rolled Steel Estimate per net ton	$558 - $622 ($565)
				Market Hot-Rolled Coil Steel Estimate per net ton	$580 - $660 ($625)

The significant unobservable inputs used in the fair value measurement of our provisional pricing arrangements are management’s estimates of Platts 62% Price based upon current market data, index pricing and the average annual daily steel market price for hot-rolled coil steel, each of which includes forward-looking estimates determined by management. Significant increases or decreases in these inputs would result in a significantly higher or lower fair value measurement, respectively.

The significant unobservable inputs used in the fair value measurement of our customer supply agreements are the customer's future hot-rolled coil steel price that is estimated based on projections provided by the customer, analysts' projections and estimates determined by management, and the average annual daily market price for hot-rolled coil steel, each of which include forward-looking estimates determined by management. Significant increases or decreases in these inputs would result in a significantly higher or lower fair value measurement, respectively.

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We recognize any transfers between levels as of the beginning of the reporting period, including both transfers into and out of levels. There were no transfers between Level 1 and Level 2 and no transfers into or out of Level 3 of the fair value hierarchy during the three and nine months ended September 30, 2017 and 2016. The following tables represent a reconciliation of the changes in fair value of financial instruments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the three and nine months ended September 30, 2017 and 2016.

	(In Millions) Level 3 Assets			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Beginning balance	$72.5	$25.8	$31.6	$7.8
Total gains (losses)				
Included in earnings	60.6	14.6	156.0	62.6
Settlements	(43.6)	(12.0)	(98.1)	(42.0)
Ending balance - September 30	$89.5	$28.4	$89.5	$28.4
Total gains for the period included in earnings attributable to the change in unrealized gains on assets still held at the reporting date	$0.1	$8.2	$53.4	$24.7

	(In Millions) Level 3 Liabilities			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Beginning balance	$(20.9)	$(2.6)	$(0.5)	$(3.4)
Total gains (losses)				
Included in earnings	(19.3)	(2.9)	(64.9)	(12.8)
Settlements	30.9	2.8	56.1	13.5
Ending balance - September 30	$(9.3)	$(2.7)	$(9.3)	$(2.7)
Total gains (losses) for the period included in earnings attributable to the change in unrealized losses on liabilities still held at the reporting date	$6.0	$(2.7)	$(14.8)	$(2.7)

Gains and losses from derivative assets and liabilities are included in earnings and are reported in Product revenues for the three and nine months ended September 30, 2017 and 2016.

The carrying amount of certain financial instruments (e.g., Accounts receivable, net, Accounts payable and Accrued expenses) approximates fair value and, therefore, has been excluded from the table below. A summary of the carrying amount and fair value of other financial instruments at September 30, 2017 and December 31, 2016 were as follows:

		(In Millions)			
		September 30, 2017		December 31, 2016	
	Classification	Carrying Value	Fair Value	Carrying Value	Fair Value
Long-term debt:					
Secured Notes					
First Senior Lien Notes —$540 million	Level 1	$—	$—	$506.3	$595.0
1.5 Senior Lien Notes —$218.5 million	Level 2	—	—	284.2	229.5
Second Senior Lien Notes —$544.2 million	Level 1	—	—	339.1	439.7
Unsecured Notes					
Senior Notes—$1.075 billion	Level 1	1,046.8	1,032.0	—	—
Senior Notes—$400 million	Level 1	88.5	88.4	224.5	219.6
Senior Notes—$500 million	Level 1	122.0	116.9	235.9	221.1
Senior Notes—$700 million	Level 1	138.0	132.4	308.2	283.1
Senior Notes—$800 million	Level 1	292.6	249.0	292.5	234.7
ABL Facility	Level 2	—	—	—	—
Fair value adjustment to interest rate hedge	Level 2	1.5	1.5	1.9	1.9
Total long-term debt		$1,689.4	$1,620.2	$2,192.6	$2,224.6

The fair value of long-term debt was determined using quoted market prices based upon current borrowing rates.

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Items Measured at Fair Value on a Non-Recurring Basis

The following tables present information about the financial assets and liabilities that were measured on a fair value basis at September 30, 2017 and December 31, 2016 for the Canadian Entities. The tables also indicate the fair value hierarchy of the valuation techniques used to determine such fair value.

	(In Millions) September 30, 2017				
Description	Quoted Prices in Active Markets for Identical Assets/Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total	Total Year-to-Date Gains
Assets:					
Loans to and accounts receivables from the Canadian Entities	$ —	$ —	$ 51.9	$ 51.9	$ 3.3
Liabilities:					
Guarantees	$ —	$ —	$ —	$ —	$ 31.4

	(In Millions) December 31, 2016				
Description	Quoted Prices in Active Markets for Identical Assets/Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total	Total Year-to-Date Gains (Losses)
Assets:					
Loans to and accounts receivables from the Canadian Entities	$ —	$ —	$ 48.6	$ 48.6	$ (17.5)
Liabilities:					
Guarantees	$ —	$ —	$ 37.2	$ 37.2	$ 0.4

We determined the fair value and recoverability of our Canadian investments by comparing the estimated fair value of the remaining underlying assets of the Canadian Entities to remaining estimated liabilities. We recorded the Canadian denominated guarantees at book value, which best approximated fair value, and adjusted the carrying balance on a quarterly basis based on the change in foreign exchange rates.

We previously recorded liabilities of $37.2 million related to guarantees for certain environmental obligations of the Canadian Entities, classified as Other liabilities in the Statements of Unaudited Condensed Consolidated Financial Position as of December 31, 2016. During the three months ended September 30, 2017, the Wabush Scully Mine was sold as part of the ongoing CCAA proceedings. As part of the transaction, we were required to fund the buyer's financial assurance shortfall of $7.7 million in order to complete the conveyance of the environmental remediation obligations to the buyer, which released us from our guarantees, and along with other current period activity, resulted in a net gain of $31.4 million included in Income (Loss) from Discontinued Operations, net of tax in the Statements of Unaudited Condensed Consolidated Operations.

To assess the fair value and recoverability of the accounts receivable from the Canadian Entities, we estimated the fair value of the underlying net assets of the Canadian Entities available for distribution to their creditors in relation to the estimated creditor claims and the priority of those claims. These underlying amounts are denominated primarily in Canadian dollars and are remeasured on a quarterly basis.

Our estimates involve significant judgment and are based on currently available information, an assessment of the validity of certain claims and estimated payments made by the Canadian Entities. Our ultimate recovery is subject to the final liquidation value of the Canadian Entities. Further, the final liquidation value and ultimate recovery of the

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creditors of the Canadian Entities, including, if any, to Cliffs and various subsidiaries, may impact our estimates of liability exposure described previously.

NOTE 7 - PENSIONS AND OTHER POSTRETIREMENT BENEFITS

We offer defined benefit pension plans, defined contribution pension plans and OPEB plans, primarily consisting of retiree healthcare benefits, to most employees in the United States as part of a total compensation and benefits program. We do not have employee retirement benefit obligations at our Asia Pacific Iron Ore operations. The defined benefit pension plans largely are noncontributory and benefits generally are based on a minimum formula or employees' years of service and average earnings for a defined period prior to retirement.

The following are the components of defined benefit pension and OPEB costs and credits for the three and nine months ended September 30, 2017 and 2016:

Defined Benefit Pension Costs

	(In Millions)			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Service cost	$3.4	$4.2	$12.9	$13.2
Interest cost	7.9	7.8	22.9	22.7
Expected return on plan assets	(13.8)	(13.6)	(40.9)	(41.0)
Amortization:				
Prior service costs	0.6	0.5	1.9	1.6
Net actuarial loss	6.1	5.4	16.7	15.9
Net periodic benefit cost	$4.2	$4.3	$13.5	$12.4

Other Postretirement Benefits Credits

	(In Millions)			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Service cost	$0.3	$0.4	$1.3	$1.3
Interest cost	1.9	2.3	6.2	6.8
Expected return on plan assets	(4.4)	(4.3)	(13.3)	(12.8)
Amortization:				
Prior service credits	(0.8)	(0.9)	(2.3)	(2.8)
Net actuarial loss	0.9	1.7	3.4	4.5
Net periodic benefit credit	$(2.1)	$(0.8)	$(4.7)	$(3.0)

Based on funding requirements, we made pension contributions of $19.7 million and $22.0 million for the three and nine months ended September 30, 2017, respectively, compared to pension contributions of $0.5 million and $0.7 million for the three and nine months ended September 30, 2016, respectively. OPEB contributions are typically made on an annual basis in the first quarter of each year, but due to plan funding requirements being met, no OPEB contributions were required or made for the three and nine months ended September 30, 2017 and September 30, 2016.

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NOTE 8 - STOCK COMPENSATION PLANS

Employees' Plans

On June 26, 2017, the Compensation and Organization Committee of the Board of Directors approved a grant under the A&R 2015 Equity Plan to the Chief Executive Officer for the performance period commencing June 1, 2017 and ending December 31, 2019. Shares granted under the awards consisted of 0.5 million restricted share units and 0.2 million performance shares.

On February 21, 2017, the Compensation and Organization Committee of the Board of Directors approved grants under the 2015 Equity Plan to certain officers and employees for the 2017 to 2019 performance period. Shares granted under the awards consisted of 0.6 million restricted share units and 0.6 million performance shares.

Restricted share units granted during 2017 are subject to continued employment, are retention based, will vest December 31, 2019, and are payable in common shares at a time determined by the Compensation and Organization Committee at its discretion.

Performance shares are subject to continued employment, and each performance share, if earned, entitles the holder to receive common shares within a range between a threshold and maximum number of our common shares, with the actual number of common shares earned dependent upon whether the Company achieves certain objectives and performance goals as established by the Compensation and Organization Committee. The performance share grants vest over the performance period. The performance awards granted have a performance condition that is measured on the basis of relative TSR for the period of January 1, 2017 to December 31, 2019 and the period of June 1, 2017 to December 31, 2019, for the February 21, 2017 and the June 26, 2017 grants, respectively, and measured against the constituents of the S&P Metals and Mining ETF Index and the SPDR S&P Metals and Mining ETF Index, respectively, at the beginning of the relevant performance period. The final payout will vary from zero to 200% of the original grant.

Determination of Fair Value

The fair value of each performance share grant is estimated on the date of grant using a Monte Carlo simulation to forecast relative TSR performance. A correlation matrix of historic and projected stock prices was developed for both the Company and our predetermined peer group of mining and metals companies. The fair value assumes that performance goals will be achieved.

The expected term of the grant represents the time from the grant date to the end of the service period for each of the plan agreements. We estimate the volatility of our common shares and that of the peer group of mining and metals companies using daily price intervals for all companies. The risk-free interest rate is the rate at the grant date on zero-coupon government bonds with a term commensurate with the remaining life of the performance period.

The following assumptions were utilized to estimate the fair value for the 2017 performance share grants:

Grant Date	Grant Date Market Price	Average Expected Term (Years)	Expected Volatility	Risk-Free Interest Rate	Dividend Yield	Fair Value	Fair Value (Percent of Grant Date Market Price)
February 21, 2017	$11.67	2.86	92.1%	1.51%	—%	$19.69	168.72%
June 26, 2017	$6.64	2.51	92.8%	1.45%	—%	$10.74	161.75%

NOTE 9 - INCOME TAXES

Our 2017 estimated annual effective tax rate before discrete items is approximately negative 1.7%. The annual effective tax rate differs from the U.S. statutory rate of 35% primarily due to the deductions for percentage depletion in excess of cost depletion related to U.S. operations and the reversal of valuation allowance from operations in the current year. The 2016 estimated annual effective tax rate before discrete items at September 30, 2016 was 0.4%.

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For the three and nine months ended September 30, 2017, we recorded discrete items that resulted in an income tax benefit of $5.9 million and $5.8 million respectively. These items relate primarily to the monetization of unused AMT credits upon the filing of the 2016 U.S. federal income tax return and adjustments to reserves for uncertain tax positions. For the three and nine months ended September 30, 2016, there were discrete items that resulted in an income tax benefit of $2.9 million and $2.2 million, respectively. These items related primarily to prior year adjustments due to a change in estimate of the 2015 net operating loss and corresponding reversal of valuation allowance and quarterly interest accrued on reserves for uncertain tax positions.

NOTE 10 - LEASE OBLIGATIONS

We lease certain mining, production and other equipment under operating and capital leases. The capital leases are for varying lengths, generally at market interest rates and contain purchase and/or renewal options at the end of the terms. Our operating lease expense was $1.8 million and $5.3 million for the three and nine months ended September 30, 2017, respectively, compared with $2.2 million and $6.8 million for the comparable periods in 2016.

Future minimum payments under capital leases and non-cancellable operating leases at September 30, 2017 are as follows:

	(In Millions)	
	Capital Leases	Operating Leases
2017 (October 1 - December 31)	$6.1	$ 1.8
2018	19.3	5.9
2019	10.7	2.9
2020	9.7	2.9
2021	9.0	3.0
2022 and thereafter	0.7	—
Total minimum lease payments	$55.5	$ 16.5
Amounts representing interest	9.0	
Present value of net minimum lease payments[1]	$46.5	

[1] The total is comprised of $17.0 million and $29.5 million classified as Other current liabilities and Other liabilities, respectively, in the Statements of Unaudited Condensed Consolidated Financial Position at September 30, 2017.

NOTE 11 - ENVIRONMENTAL AND MINE CLOSURE OBLIGATIONS

We had environmental and mine closure liabilities of $216.2 million and $206.8 million at September 30, 2017 and December 31, 2016, respectively. The following is a summary of the obligations as of September 30, 2017 and December 31, 2016:

	(In Millions)	
	September 30, 2017	December 31, 2016
Environmental	$2.9	$ 2.8
Mine closure		
U.S. Iron Ore[1]	195.0	187.8
Asia Pacific Iron Ore	18.3	16.2
Total mine closure	213.3	204.0
Total environmental and mine closure obligations	216.2	206.8
Less current portion	10.8	12.9
Long-term environmental and mine closure obligations	$205.4	$ 193.9

[1] U.S. Iron Ore includes our active operating mines, our indefinitely idled Empire mine and a closed mine formerly operating as LTVSMC.

Mine Closure

The accrued closure obligation for our active mining operations provides for contractual and legal obligations

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associated with the eventual closure of the mining operations. The accretion of the liability and amortization of the related asset is recognized over the estimated mine lives for each location.

The following represents a roll forward of our asset retirement obligation liability for the nine months ended September 30, 2017 and for the year ended December 31, 2016:

	(In Millions)	
	September 30, 2017	December 31, 2016
Asset retirement obligation at beginning of period	$204.0	$ 230.4
Accretion expense	11.1	14.0
Remediation payments	(3.2)	(2.2)
Exchange rate changes	1.4	(0.2)
Revision in estimated cash flows	—	(38.0)
Asset retirement obligation at end of period	$213.3	$ 204.0

For the year ended December 31, 2016, the revisions in estimated cash flows recorded during the year related primarily to revisions in the timing of the estimated cash flows related to two of our U.S. mines. The Empire mine asset retirement obligation was reduced by $29.6 million as a result of the further refinement of the timing of cash flows and a downward revision of estimated asset retirement costs related to technology associated with required storm water management systems expected to be implemented. Additionally, during 2016, a new economic reserve estimate was completed for United Taconite, increasing salable product reserves by 115 million long tons and consequently significantly increasing the life-of-mine plan, resulting in a $9.2 million decrease in the asset retirement obligation.

NOTE 12 - GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill

The carrying amount of goodwill as of September 30, 2017 and December 31, 2016 was $2.0 million and related to our U.S. Iron Ore operating segment.

Other Intangible Assets

The following table is a summary of definite-lived intangible assets as of September 30, 2017 and December 31, 2016:

		(In Millions)					
		September 30, 2017			December 31, 2016		
	Classification	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Permits	Other non-current assets	$78.9	$ (26.1)	$ 52.8	$78.4	$ (24.6)	$ 53.8

Amortization expense relating to other intangible assets was $0.5 million and $1.5 million for the three and nine months ended September 30, 2017, respectively, and is recognized in Cost of goods sold and operating expenses in the Statements of Unaudited Condensed Consolidated Operations. Amortization expense relating to other intangible assets was $1.2 million and $3.8 million for the comparable periods in 2016. Amortization expense of other intangible assets is expected to continue to be immaterial going forward.

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NOTE 13 - DERIVATIVE INSTRUMENTS

The following table presents the fair value of our derivative instruments and the classification of each in the Statements of Unaudited Condensed Consolidated Financial Position as of September 30, 2017 and December 31, 2016:

	(In Millions)							
	Derivative Assets				Derivative Liabilities			
	September 30, 2017		December 31, 2016		September 30, 2017		December 31, 2016	
Derivative Instrument	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Customer supply agreements	Derivative assets	$84.8	Derivative assets	$21.3		$ —		$ —
Provisional pricing arrangements	Derivative assets	4.7	Derivative assets	10.3	Derivative liabilities	9.3	Derivative liabilities	0.5
Commodity contracts		—	Derivative assets	1.5		—		—
Total derivatives not designated as hedging instruments under ASC 815		$89.5		$33.1		$ 9.3		$ 0.5

Derivatives Not Designated as Hedging Instruments

Customer Supply Agreements

Certain supply agreements with one U.S. Iron Ore customer provide for supplemental revenue or refunds to the customer based on the customer's average annual steel pricing or based on the average annual daily steel market price for hot-rolled coil steel at the time the product is consumed in the customer's blast furnace. The supplemental pricing is characterized as a freestanding derivative and is required to be accounted for separately once the product is shipped. The derivative instrument, which is finalized based on a future price, is adjusted to fair value as a revenue adjustment each reporting period until the pellets are consumed and the amounts are settled.

We recognized a $54.4 million and $123.6 million net gain in Product revenues in the Statements of Unaudited Condensed Consolidated Operations for the three and nine months ended September 30, 2017, respectively, related to the supplemental payments. This compares with a net gain in Product revenues of $7.1 million and $26.8 million, for the comparable periods in 2016. Derivative assets, representing the fair value of the supplemental revenue, were $84.8 million and $21.3 million as of September 30, 2017 and December 31, 2016 in the Statements of Unaudited Condensed Consolidated Financial Position, respectively.

Provisional Pricing Arrangements

Certain of our U.S. Iron Ore and Asia Pacific Iron Ore customer supply agreements specify provisional price calculations, where the pricing mechanisms generally are based on market pricing, with the final revenue rate to be based on certain market inputs at a specified period in time in the future, per the terms of the supply agreements. Market inputs are tied to indexed price adjustment factors that are integral to the iron ore supply contracts and vary based on the agreement. The pricing mechanisms typically include adjustments based upon changes in the Platts 62% Price, along with pellet premiums, published Platts international indexed freight rates and changes in specified Producer Price Indices, including those for industrial commodities, fuel and steel. The pricing adjustments generally operate in the same manner, with each factor typically comprising a portion of the price adjustment, although the weighting of each factor varies based upon the specific terms of each agreement.

U.S. Iron Ore sales revenue is primarily recognized when cash is received. For U.S. Iron Ore sales, the difference between the provisionally agreed-upon price and the estimated final revenue rate is characterized as a freestanding derivative and must be accounted for separately once the provisional revenue has been recognized. Asia Pacific Iron Ore sales revenue is recorded initially at the provisionally agreed-upon price with the pricing provision embedded in the receivable. The pricing provision is an embedded derivative that must be bifurcated and accounted for separately from the receivable. Subsequently, the derivative instruments for both U.S. Iron Ore and Asia Pacific Iron Ore are adjusted

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to fair value through Product revenues each reporting period based upon current market data and forward-looking estimates provided by management until the final revenue rate is determined.

At September 30, 2017, we recorded $4.7 million as Derivative assets and $9.3 million as Derivative liabilities related to our estimate of the final revenue rate with our U.S. Iron Ore and Asia Pacific Iron Ore customers in the Statements of Unaudited Condensed Consolidated Financial Position. At December 31, 2016, we recorded $10.3 million as Derivative assets and $0.5 million as Derivative liabilities related to our estimate of the final revenue rate with our U.S. Iron Ore and Asia Pacific Iron Ore customers in the Statements of Unaudited Condensed Consolidated Financial Position. These amounts represent the difference between the provisional price agreed upon with our customers based on the supply agreement terms and our estimate of the final revenue rate based on the price calculations established in the supply agreements. As a result, we recognized a net decrease of $13.1 million and $32.9 million in Product revenues in the Statements of Unaudited Condensed Consolidated Operations for the three and nine months ended September 30, 2017, respectively, related to these arrangements. This compares with a net increase of $4.5 million and $22.9 million in Product revenues for the comparable periods in 2016, respectively.

The following summarizes the effect of our derivatives that are not designated as hedging instruments in the Statements of Unaudited Condensed Consolidated Operations for the three and nine months ended September 30, 2017 and 2016:

(In Millions)

Derivatives Not Designated as Hedging Instruments	Location of Gain (Loss) Recognized in Income on Derivative	Amount of Gain (Loss) Recognized in Income on Derivative			
		Three Months Ended September 30,		Nine Months Ended September 30,	
		2017	2016	2017	2016
Customer Supply Agreements	Product revenues	$54.3	$7.1	$123.9	$26.8
Provisional Pricing Arrangements	Product revenues	(13.1)	4.5	(32.9)	22.9
Commodity Contracts	Cost of goods sold and operating expenses	—	—	(1.3)	—
Total		$41.2	$11.6	$89.7	$49.7

Refer to NOTE 6 - FAIR VALUE MEASUREMENTS for additional information.

NOTE 14 - CAPITAL STOCK

Common Share Public Offering

On February 9, 2017, we issued 63.25 million common shares in an underwritten public offering. We received net proceeds of $661.3 million at a public offering price of $10.75 per common share. The net proceeds from the issuance of our common shares and our issuance of $500 million aggregate principal amount of 5.75% Senior Notes were used to redeem in full all of our outstanding 8.00% 1.5 Lien Notes due 2020 and 7.75% Second Lien Notes due 2020. The aggregate principal amount outstanding of debt redeemed was $648.6 million. Additionally, through tender offers, we purchased $422.2 million in aggregate principal amount of debt, excluding unamortized discounts and deferred charges, of our 5.90% Senior Notes due 2020, our 4.80% Senior Notes due 2020 and our 4.875% Senior Notes due 2021. During the second quarter of 2017, we redeemed $35.6 million aggregate principal amount of the 8.25% First Lien Notes due 2020 with the remaining net proceeds from our common share offering.

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NOTE 15 - SHAREHOLDERS' DEFICIT

The following table reflects the changes in shareholders' deficit attributable to both Cliffs and the noncontrolling interests, primarily related to Tilden and Empire. Cliffs owns 100% of both mines as of September 30, 2017 and 85% and 79%, respectively, as of September 30, 2016:

	(In Millions)		
	Cliffs Shareholders' Equity (Deficit)	Noncontrolling Interest (Deficit)	Total Equity (Deficit)
December 31, 2016	$(1,464.3)	$ 133.8	$(1,330.5)
Comprehensive loss			
Net income (loss)	57.1	(3.9)	53.2
Other comprehensive income	4.2	1.1	5.3
Total comprehensive income (loss)	61.3	(2.8)	58.5
Issuance of common shares	661.3	—	661.3
Stock and other incentive plans	13.5	—	13.5
Acquisition of noncontrolling interest	(89.1)	(15.9)	(105.0)
Distribution of partnership equity	(16.0)	(116.7)	(132.7)
Distributions to noncontrolling interest	—	1.8	1.8
September 30, 2017	$(833.3)	$ 0.2	$(833.1)

	(In Millions)		
	Cliffs Shareholders' Equity (Deficit)	Noncontrolling Interest (Deficit)	Total Equity (Deficit)
December 31, 2015	$(1,981.4)	$ 169.8	$(1,811.6)
Comprehensive income			
Net income	95.0	23.5	118.5
Other comprehensive income	16.8	2.2	19.0
Total comprehensive income	111.8	25.7	137.5
Issuance of common shares	315.2	—	315.2
Stock and other incentive plans	10.1	—	10.1
Distributions of partnership equity	—	(48.8)	(48.8)
Distributions to noncontrolling interest	—	(2.9)	(2.9)
September 30, 2016	$(1,544.3)	$ 143.8	$(1,400.5)

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The following table reflects the changes in Accumulated other comprehensive loss related to Cliffs shareholders' deficit for September 30, 2017 and September 30, 2016:

	(In Millions)		
	Changes in Pension and Other Post-Retirement Benefits, net of tax	Unrealized Net Gain (Loss) on Foreign Currency Translation	Accumulated Other Comprehensive Loss
December 31, 2016	$(260.6)	$ 239.3	$ (21.3)
Other comprehensive income (loss) before reclassifications	3.3	(12.7)	(9.4)
Net loss reclassified from accumulated other comprehensive loss	6.4	—	6.4
March 31, 2017	$(250.9)	$ 226.6	$ (24.3)
Other comprehensive loss before reclassifications	(0.1)	(1.5)	(1.6)
Net loss reclassified from accumulated other comprehensive loss	6.5	—	6.5
June 30, 2017	$(244.5)	$ 225.1	$ (19.4)
Other comprehensive income (loss) before reclassifications	(18.7)	0.5	(18.2)
Net loss reclassified from accumulated other comprehensive loss	6.8	—	6.8
September 30, 2017	$(256.4)	$ 225.6	$ (30.8)

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(In Millions)	Changes in Pension and Other Post-Retirement Benefits, net of tax	Unrealized Net Gain (Loss) on Securities, net of tax	Unrealized Net Gain (Loss) on Foreign Currency Translation	Net Unrealized Gain (Loss) on Derivative Financial Instruments, net of tax	Accumulated Other Comprehensive Loss
December 31, 2015	$(241.4)	$ 0.1	$ 220.7	$ 2.6	$ (18.0)
Other comprehensive income (loss) before reclassifications	(1.5)	(0.1)	4.4	(3.4)	(0.6)
Net loss reclassified from accumulated other comprehensive loss	6.3	—	—	—	6.3
March 31, 2016	$(236.6)	$ —	$ 225.1	$ (0.8)	$ (12.3)
Other comprehensive income (loss) before reclassifications	(0.4)	—	(2.7)	0.1	(3.0)
Net loss reclassified from accumulated other comprehensive loss	6.3	—	—	—	6.3
June 30, 2016	$(230.7)	$ —	$ 222.4	$ (0.7)	$ (9.0)
Other comprehensive income (loss) before reclassifications	(0.5)	—	0.9	—	0.4
Net loss reclassified from accumulated other comprehensive income (loss)	6.7	—	—	0.7	7.4
September 30, 2016	$(224.5)	$ —	$ 223.3	$ —	$ (1.2)

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The following table reflects the details about Accumulated other comprehensive loss components related to Cliffs shareholders' deficit for the three and nine months ended September 30, 2017 and 2016:

Details about Accumulated Other Comprehensive Income (Loss) Components	(In Millions) Amount of (Gain)/Loss Reclassified into Income Three Months Ended September 30,		Nine Months Ended September 30,		Affected Line Item in the Statement of Unaudited Condensed Consolidated Operations
	2017	2016	2017	2016	
Amortization of pension and postretirement benefit liability:					
Prior service credits[1]	$(0.2)	$(0.4)	$(0.4)	$(1.2)	
Net actuarial loss[1]	7.0	7.1	20.1	20.4	
Total before taxes	6.8	6.7	19.7	19.2	
	—	—	—	—	Income tax benefit
	$6.8	$6.7	$19.7	$19.2	
Unrealized gain (loss) on derivative financial instruments:					
Treasury lock	$—	$1.2	$—	$1.2	Gain (loss) on extinguishment/restructuring of debt
	—	(0.5)	—	(0.5)	Income tax benefit
	$—	$0.7	$—	$0.7	Net of taxes
Total reclassifications for the period, net of tax	$6.8	$7.4	$19.7	$19.9	

[1] These accumulated other comprehensive income components are included in the computation of net periodic benefit cost (credit). Refer to NOTE 7 - PENSIONS AND OTHER POSTRETIREMENT BENEFITS for further information.

NOTE 16 - RELATED PARTIES

One of our four operating U.S. iron ore mines is a co-owned joint venture with companies that are integrated steel producers or their subsidiaries. We are the manager of such co-owned mine and rely on our joint venture partners to make their required capital contributions and to pay for their share of the iron ore pellets that we produce. One of the joint venture partners is also our customer. The following is a summary of the mine ownership of the co-owned iron ore mine at September 30, 2017:

Mine	Cleveland-Cliffs Inc.	ArcelorMittal	U.S. Steel
Hibbing	23.0 %	62.3 %	14.7%

During the third quarter of 2017, our ownership interest in Empire increased to 100% as we reached an agreement to distribute the noncontrolling interest net assets for $132.7 million to ArcelorMittal, in exchange for its interest in Empire. The net assets were agreed to be distributed in three installments of approximately $44.2 million, the first of which was paid upon the execution of the agreement and the remaining distributions are due in August 2018 and August 2019. The remaining two outstanding installments, each for $44.2 million, are reflected in Other current liabilities and Other liabilities in the Statements of Unaudited Condensed Consolidated Financial Position as of September 30, 2017. We accounted for the increase in ownership as an equity transaction, which resulted in a $16.0 million decrease in equity attributable to Cliffs' shareholders and a $116.7 million decrease in Noncontrolling interest.

As part of a 2014 extension agreement between us and ArcelorMittal, which amended certain terms of the Empire partnership agreement, distributions of the partners' equity amounts were required to be made on a quarterly basis beginning in the first quarter of 2015. These equity distributions were made through the termination of the partnership agreement on December 31, 2016. We paid $8.7 million in January 2017 related to 2016 distributions. During the three and nine months ended September 30, 2016, we recorded distributions of $7.4 million and $48.8 million, respectively,

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under this agreement of which $41.4 million was paid as of September 30, 2016. In addition, we paid $11.1 million in January 2016 related to 2015 distributions.