

**UNITED STATES BANKRUPTCY COURT
DISTRICT OF DELAWARE**

In re	:	Chapter 11
	:	
ESSAR STEEL MINNESOTA LLC and ESML HOLDINGS, INC., ¹	:	Case No. 16-11626 (BLS)
	:	
Debtors.	:	(Jointly Administered)
	:	
	:	Related to Docket No. 691

**LIMITED OBJECTION OF ESSAR STEEL ALGOMA INC. TO THE
DEBTORS' PROPOSED DISCLOSURE STATEMENT RELATING TO THE
CHAPTER 11 PLAN OF REORGANIZATION OF MESABI METALLICS COMPANY
LLC (F/K/A ESSAR STEEL MINNESOTA LLC) AND ESML HOLDINGS INC.**

Essar Steel Algoma Inc. (“**Algoma**”), and certain of its affiliates, in their capacity as interested parties in the above-captioned chapter 11 proceedings of Essar Steel Minnesota LLC (“**ESML**”) and ESML Holdings, Inc. (collectively the “**Debtors**”), submit this limited objection to the *Motion of Mesabi Metallics Company LLC (f/k/a Essar Steel Minnesota LLC) and ESML Holdings Inc. for Entry of an Order (I) Approving the Disclosure Statement Relating to the Chapter 11 Plan of Reorganization of Mesabi Metallics Company LLC (f/k/a Essar Steel Minnesota LLC) and ESML Holdings Inc., (II) Approving Form of Ballots and Proposed Solicitation and Tabulation Procedures for the Plan, (III) Approving the Solicitation Packages and Prescribing the Form and Manner of Notice and Distribution Thereof, (IV) Establishing Procedures for Voting in Connection with the Plan Confirmation Process, and (V) Scheduling a Confirmation Hearing* [Docket No. 756] (the “**Disclosure Statement Motion**”) and request that the Debtors make certain revisions to the last paragraph of Section VI.D.1 of their proposed disclosure statement (the “**Disclosure Statement**”), as set forth in the blackline of such

¹ Essar Steel Minnesota LLC has changed its name to Mesabi Metallics Company LLC. The last four digits of its federal taxpayer identification number are 8770. The last four digits of ESML Holdings Inc.’s federal taxpayer identification number are 8071.

paragraph attached hereto as **Exhibit A** (the “**Proposed Revisions**”). A clean version of the proposed revised paragraph incorporating the Proposed Revisions is attached hereto as **Exhibit B**. In support of this limited objection, Algoma respectfully states as follows:

1. On March 9, 2017, Algoma sent a letter (the “**March 9th Letter**”) to the Debtors notifying them, among other things, that ESML is in material breach of that certain executory contract titled Pellet Sale and Purchase Agreement, dated as of January 28, 2014, by and between ESML and Algoma (the “**Offtake Agreement**”). A copy of the March 9th Letter is attached hereto as **Exhibit C**.

2. As this Court is aware, Algoma and certain of its affiliates are applicants in a foreign proceeding under Canada’s *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, pending before the Ontario Superior Court of Justice (Commercial List), and are debtors in chapter 15 cases pending before this Court. Algoma has not taken any action to terminate, reject, or disclaim the Offtake Agreement, which remains in full force and effect and has not been amended or terminated in any manner. In fact, Algoma remains ready and able to perform its contractual obligations under the Offtake Agreement. It is important, however, to note that ESML has materially breached the Offtake Agreement, as addressed in the March 9th Letter.

3. Based upon the foregoing, in order to make the Disclosure Statement factually accurate and not misleading with respect to the status of the Offtake Agreement, Algoma respectfully requests that the Court direct the Debtors make the Proposed Revisions to Section VI.D.1 of the Disclosure Statement.

Dated: March 9, 2017
Wilmington, Delaware

/s/ Domenic E. Pacitti

Domenic E. Pacitti (DE Bar No. 3989)

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Attorneys for Essar Steel Algoma, Inc.

Exhibit A

Proposed Revisions

1. Offtake Agreements.

The Project's anticipated output of seven (7) mtpa of iron ore pellets was supported by offtake agreements (output sale contracts) with an affiliate of the Debtors, Essar Steel Algoma Inc. ("**Algoma**") for 2.5 mtpa and ArcelorMittal USA LLC ("**ArcelorMittal**") for 4.5 mtpa. ~~To date, neither ESML nor Algoma has taken steps to assume, reject, terminate, renegotiate, or otherwise alter the Algoma Offtake Agreement.~~ On May 27, 2016, ArcelorMittal informed ESML that it was terminating its 4.5 mtpa offtake agreement, leaving ESML with uncertainty in respect of a significant percent of its expected revenue upon completion of the Project and an obstacle to obtaining financing. ~~To date, neither ESML nor Algoma has taken steps to assume, reject, terminate, renegotiate, or otherwise alter the Algoma Offtake Agreement.~~ However, on March 9, 2017, Algoma provided written notice to ESML that ESML is in material breach of its 2.5 mtpa offtake agreement with Algoma. To the extent the Debtors intend to assume the offtake agreement with Algoma, the Debtors will be required to cure, or provide adequate assurance that they will promptly cure, any defaults under such agreement.

Exhibit B

Revised Paragraph IV.D.

1. Offtake Agreements.

The Project's anticipated output of seven (7) mtpa of iron ore pellets was supported by offtake agreements (output sale contracts) with an affiliate of the Debtors, Essar Steel Algoma Inc. ("**Algoma**") for 2.5 mtpa and ArcelorMittal USA LLC ("**ArcelorMittal**") for 4.5 mtpa. On May 27, 2016, ArcelorMittal informed ESML that it was terminating its 4.5 mtpa offtake agreement, leaving ESML with uncertainty in respect of a significant percent of its expected revenue upon completion of the Project and an obstacle to obtaining financing. To date, neither ESML nor Algoma has taken steps to assume, reject, terminate, renegotiate, or otherwise alter the Algoma Offtake Agreement. However, on March 9, 2017, Algoma provided written notice to ESML that ESML is in material breach of its 2.5 mtpa offtake agreement with Algoma. To the extent the Debtors intend to assume the offtake agreement with Algoma, the Debtors will be required to cure, or provide adequate assurance that they will promptly cure, any defaults under such agreement.

Exhibit C

Copy of March 9th Letter

J. Robert Sandoval
General Counsel



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March 9, 2017

VIA REGULAR AND ELECTRONIC MAIL

Mesabi Metallics Company LLC (f/k/a Essar Steel Minnesota LLC)
277 Park Avenue, 35th Floor
New York, NY 10172
Attention: Matthew Stock, Chief Executive Officer

Re: Material Breach of Offtake Agreement

Mr. Stock,

Reference is hereby made to that certain Pellet Sale and Purchase Agreement, dated as of January 28, 2014 (the “**Offtake Agreement**”) between Essar Steel Minnesota LLC (“**ESML**”) and Essar Steel Algoma Inc. (“**Algoma**”). Capitalized terms used herein and not defined herein shall have the meanings ascribed to such terms in the Offtake Agreement.

This letter concerns ESML’s failure to commence the delivery of Pellets to Algoma on or before January 1, 2017. Section 2(a) of the Offtake Agreement provides that such failure represents a material breach of the Offtake Agreement.

For the avoidance of doubt, this letter should not be construed as Algoma taking any action to terminate, reject, or disclaim the Offtake Agreement, or otherwise take any action that could be construed as exercising control over ESML’s property. Rather, this letter is merely intended to serve as notice that ESML is in material breach of the Offtake Agreement, which remains in full force and effect and has not been amended or terminated in any manner. Algoma remains ready and able to perform its contractual obligations under the Offtake Agreement.

At the same time, Algoma hereby reserves its rights to raise any claim or cause of action which may exist now or hereafter against any party (including without limitation, ESML, Essar Global Fund Limited, or any of their respective affiliates), in relation to the breach of the Offtake Agreement, as well as to terminate, reject, or disclaim the Offtake Agreement.

Upon receipt of this notice, Algoma would advise ESML to amend the *Proposed Disclosure Statement Relating to the Chapter 11 Plan of Reorganization of Mesabi Metallics Company LLC (f/k/a*

March 9, 2017

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Essar Steel Minnesota LLC) and *ESML Holdings Inc.* such that it references and describes the breach detailed herein, as well as ESML's receipt of this notice, in order to accurately describe the status of the Offtake Agreement.

Please do not hesitate to reach out if you have any questions or concerns.

Sincerely yours,



J. Robert Sandoval
General Counsel
Essar Steel Algoma Inc.

cc: Mesabi Metallica Company LLC
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