



STATE OF MINNESOTA

Office of Governor Mark Dayton

116 Veterans Service Building ♦ 20 West 12th Street ♦ Saint Paul, MN 55155

December 23, 2015

Mr. Madhu Vuppuluri
President and CEO
Essar Steel Minnesota LLC
555 W 27th St
Hibbing MN 55746

Dear Mr. Vuppuluri:

This letter is in response to your letter of October 23, 2015 on behalf of Essar Global Fund Limited and Essar Steel Minnesota LLC regarding terms for the repayment of amounts owed pursuant to the Reimbursement Agreement dated September 9, 2008 among Essar Global Limited, Minnesota Steel Industries LLC (together "Essar"), the County of Itasca, and the State of Minnesota through its Department of Employment and Economic Development (the "Agreement"). Essar Global Fund Limited as the successor to Essar Global Limited is referred to as "Essar Global" and Essar Steel Minnesota LLC as the successor to Minnesota Steel Industries LLC is referred to as "MSI".

The State of Minnesota recognizes the importance of the Project to the Iron Range. At our October 12, 2015 meeting, Essar committed to ensure that all amounts owing to contractors and suppliers were brought current. We understand that Essar brought those payments current recently. We further understand that Essar has been meeting with its investors and lenders to ensure Essar's ability to continue to timely pay its contractors and suppliers. We restate that timely payments are exceedingly important to the State.

The terms of the State's final offer to Essar for repayment of the amounts owed by Essar under the Agreement are as follows:

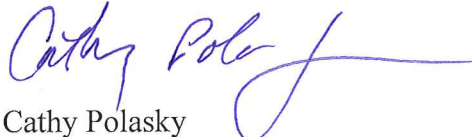
- Essar will repay \$10 million to the State through Itasca County in two payments as follows: \$3.4 million due 45 days from the date of this letter, and \$6.6 million by March 31, 2016.
- Essar will repay the grant balance of approximately \$55.9 million in sixteen equal quarterly payments beginning March 31, 2017 and ending December 31, 2020 (with any necessary adjustments to be made in the final payment).
- All outstanding amounts will be due upon the sale of part or all of Essar's ownership interest in the MSI Project.

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- Essar Global will execute a confession of judgment or similar instrument in favor of Itasca County in a form to be specified by the State covering the following events of default:
 - Failure by Essar to make a timely payment
 - The sale or transfer of either Essar Global or MSI to any third party.
- Essar Global and MSI will remain jointly and severally liable under the Agreement and will be jointly and severally liable under the repayment plan to be executed by the parties, memorializing the terms in this letter and additional legal terms.
- Essar will certify quarterly to the State the status of its payments to contractors and suppliers.

These terms must be accepted in writing by Essar prior to the close of business, December 30, 2015.

My best regards,



Cathy Polasky
Senior Policy Advisor

cc: Senator Tom Bakk
Senator Tom Saxhaug
Senator David Tomassoni
Representative Tom Anzele
Representative Carly Melin
Representative Jason Metsa
Mitchell Brunfelt, Essar
Kim Holmes, Governor Mark Dayton General Counsel
Commissioner Katie Clark Sieben, Employment and Economic Development
Commissioner Tom Landwehr, Natural Resources
Commissioner Mark Phillips, Iron Range Resources and Rehabilitation Board
Jack Muhar, Itasca County
Prashant Ruia, Essar
Joe Siefert, Essar
Susan Fennessey, Essar