

June 27, 2006

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**VIA COURIER AND REGISTERED MAIL
WITHOUT PREJUDICE**

Rodney B. Mott
President and Chief Executive Officer of Stelco Inc.
386 Wilcox Street
P.O. Box 2030
Hamilton, ON L8N 3T1

Dear Mr. Mott:

**Re: Unilateral Reduction of Health and Welfare Benefits for Salaried Retirees
Our File No. 06-0384**

We are counsel to the Stel Salaried Pensioners Organization Inc. (the "SSPO") which represents the interests of over 4,200 salaried pensioners who retired from Stelco Inc., the Lake Erie Steel Company, Stelpipe Limited, and Welland Pipe Limited (the "Stelco Pensioners"). Our clients advise that they have written you about Stelco's proposed health benefit cuts, to be effective July 1, 2006, and have requested a meeting with you to discuss them. They further advise that you have not agreed to a meeting.

The health benefit cuts are evidently an unlawful and serious violation of the commitments made by Stelco to its retirees. We agree that the magnitude and severity of the cuts is not yet clear. As a practical matter, their impact may not justify the cost of a lawsuit to protect them. This letter is to put you on notice, however, that the proposed cuts are unlawful and contrary to Stelco's obligations and commitments to its salaried retirees, and that the SSPO reserves all of its rights with respect to them and with respect to any future actions Stelco may propose in regard to retiree health benefits.

Yours truly,

KOSKIE MINSKY LLP

Murray Gold

MG:dh
Enclosure

c Board of Directors for SSPO

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