

December 1, 2004

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Via Facsimile

The Honourable Dalton McGuinty
Premier of Ontario
Main Legislative Building, Room 281
Queen's Park
Toronto, ON M7A 1A1

Dear Sir:

**Re: Stelco Inc. Salaried Retirees
Our File No. 04/0174**

We are Court-appointed Representative Counsel to the retired members of Stelco's Salaried Pension Plans.

As you are aware, in the 1990's, Stelco was relieved by the then government of the Province of Ontario of the requirement imposed on virtually all other corporate pension plan sponsors in Ontario to fund its pension plans on a solvency basis. As a result, Stelco's pension plans are now woefully underfunded on a solvency basis, jeopardizing the retirement pensions of thousands of families in Ontario and threatening the viability of the Province's Pension Benefits Guarantee Fund.

Stelco is now enjoying record profits. For the six months ended September 30, 2004, the Company has earned approximately \$100 million in profit. Indeed, since filing for protection under the CCAA, the Company's working capital position has improved by approximately \$380 million.

Stelco is also the target of a very public bidding war for control of its future. Some of the world's largest industrial and financial concerns are now vying for control of these valuable Ontario assets.

We believe that now is the time for the government to reconsider the solvency exemption for Stelco's pension plans in Regulation 5.1. Stelco is generating significant cash flow from operations, and has access to more investment money now than it has in a long time. Its profits and cash generation are at record levels; yet, its retirees are ignored in this CCAA process.

The current Deutsche Bank bid, for example, well compensates Deutsche Bank and amply protects the Company's bondholders, but takes full advantage of the continuing exemption from the requirement to fund the pension plans on a solvency basis and puts no money at all into the

pension plans. Under the Deutsche Bank bid, the Company's pension plans are ignored and would remain mired in solvency deficiency and be subject to deteriorating funding prospects.

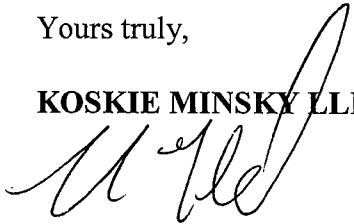
In the Air Canada CCAA case, the federal government extended the normal period for funding Air Canada's solvency deficiency from 5 to 10 years. Significantly, Air Canada was not exempted from solvency funding, but was only given more time to pay. We are respectfully requesting that your government give serious consideration to a similar requirement for Stelco.

Without your intervention, the bidders and financiers will take care of themselves and profit handsomely from Stelco's restructuring, leaving the Company's retirees and the Province's PBGF vulnerable and unprotected. We believe that the financial resources are well at hand to begin to address the pension funding problem, and that there is great urgency to addressing this now, during the currency of these CCAA proceedings.

We would appreciate the opportunity to meet with you at the earliest opportunity to discuss this critical situation.

Yours truly,

KOSKIE MINSKY LLP



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MG:jn

- c. James Arnett, Fraser Milner Casgrain LLP *(via e-mail)*
Courtney Pratt, President & CEO, Selco Inc. *(via e-mail)*
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