



TO: CREDITORS OF FEDERAL GYPSUM COMPANY

January 7, 2008

Re: Meeting of Creditors of Federal Gypsum Company (the "Company") to Vote on its Plan of Compromise and Arrangement Pursuant to the Companies' Creditors Arrangement Act

We enclose in this package the following documents for your review, consideration, and action where appropriate:

1. Notice to Creditors of Meeting
2. The Plan of Compromise and Arrangement by the Company (the "Plan")
3. The Report of BDO Dunwoody Goodman Rosen Inc., as Monitor of the Company, in respect of the Plan
4. Copy of the Order of the Nova Scotia Supreme Court granted December 14, 2007 (the "Meeting Order")
5. Blank Form of Creditor's Proxy and Voting Letter with a completed Schedule 1 attached
6. Completion Instructions
7. Return Envelope (for the return of the Proxy and Voting Letter with attached Schedule 1)

The purpose of these materials is to provide you with the documents required to enable you to consider the Plan and vote to accept or reject the Plan at the Meeting of Creditors to be held at 2:00 p.m. (Halifax time) on Tuesday, January 22, 2008 at the offices of Stewart McKelvey, Suite 900, Purdy's Wharf Tower I, 1959 Upper Water Street, Halifax, Nova Scotia (the "Meeting").

The Plan which is being submitted to creditors by the Company with this mailing is the Plan as it exists on January 7, 2008. There are still ongoing negotiations with certain secured creditors and the final Plan to be voted on at the creditors meeting may contain provisions for the secured creditor class that vary from the provisions set out in the Plan as enclosed herewith. It is not anticipated that the Company will materially alter other provisions in the Plan that would affect the other classes of creditors. We refer creditors to Paragraph 14 of the Meeting Order as it relates to amendments to the Plan and voting thereon.



PROXY AND VOTING LETTER

If the Creditor is an individual who wishes to vote at the Meeting and will not be attending the Meeting in person, or if the Creditor is a corporation, partnership, or other entity that is not an individual, please complete the enclosed Creditor's Proxy and Voting Letter in accordance with the instructions included herewith and provide it to the Monitor so that it is received by the Monitor no later than 5:00 p.m. (Halifax time) on January 18, 2008. Under Paragraph 23 of the Meeting Order, you are required to provide the Proxy and Voting Letter by this deadline if you wish to appoint a Proxy to cast your vote at the Meeting (unless the Monitor exercises his discretion to extend the time.

FURTHER INFORMATION


If you have any questions regarding the process or any of the enclosed forms, please contact BDO Dunwoody Goodman Rosen Inc. at the following address:

BDO Dunwoody Goodman Rosen Inc., in its Capacity as Monitor
Suite 620, 1718 Argyle Street
Halifax, NS B3J 3N6
Telephone (902) 425-3100
Facsimile (902) 425-3777
Email insol-halifax@bdo.ca

You can view copies of documents relating to this process on the following website:
www.bdo.ca/fgc.

Yours very truly

BDO DUNWOODY GOODMAN ROSEN INC.
As Monitor Under the CCAA Proceeding of Federal Gypsum Company



Paul G. Goodman, FCA, FCIRP, PTC
President

PGG/dlc
Enclosures