

2007

S.H. No. 285667



IN THE SUPREME COURT OF NOVA SCOTIA

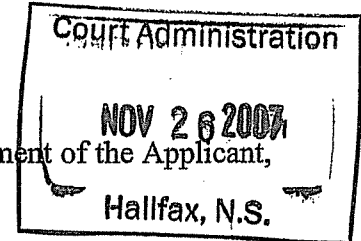
IN THE MATTER OF:

The *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36 as amended

- and -

IN THE MATTER OF:

A Plan of Compromise or Arrangement of the Applicant,
Federal Gypsum Company



Sgd
A.D. MacA
J

ORDER

BEFORE THE HONOURABLE JUSTICE A. DAVID MACADAM

UPON READING the Affidavit of Rhyne Simpson, Jr. sworn October 30, 2007; and

UPON HEARING Maurice P. Chiasson, counsel for the Company

AND UPON HEARING:

- Carl Holm, Q.C., counsel to BDO Dunwoody Goodman Rosen Inc.
- Thomas Boyne, Q.C., counsel to Royal Bank of Canada
- Robert Sampson, counsel to Enterprise Cape Breton Corporation and Cape Breton Growth Fund Corporation
- Michael Pugsley, counsel to Her Majesty in Right of the Province of Nova Scotia (Nova Scotia Economic Development) and Nova Scotia Business Incorporated
- Michael Ryan, Q.C., counsel to Black & McDonald Limited

IT IS HEREBY ORDERED THAT:

1. The Company not be required to serve notice of this application on any of its creditors except for Royal Bank of Canada, Enterprise Cape Breton Corporation, Cape Breton Growth Fund Corporation, Her Majesty in Right of the Province of Nova Scotia (Nova Scotia Economic Development), Nova Scotia Business Incorporated and Black & McDonald Limited.
2. Subject to paragraph 4 below, the Company is hereby authorized and empowered to enter into an arrangement to obtain a demand operating credit facility (the "Century DIP Facility") from Century Services Inc. ("Century Services") in the maximum total principal amount of the lesser of \$1,500,000 Cdn. or a sum defined in subsection 2(b) of the November 9, 2007 term sheet between Century Services and the Company, as such agreement may from time to time thereafter be amended by the parties, thereto with the consent of the Monitor and approved by the Court (the "Century DIP Term Sheet"), to

fund the ongoing, ordinary course activities of the Company and to permit the Company to pay such amounts as may be permitted by the terms of this Order, the initial order of this Honourable Court dated September 18, 2007 (the "Initial Order") and the Century DIP Term Sheet.

3. Subject to paragraph 4 below, the Company shall be authorized to borrow and otherwise obtain credit from Century Services in accordance with the Century DIP Term Sheet, provided that the total outstanding principal amount thereunder does not at any time exceed the lesser of \$1,500,000 Cdn. or a sum defined in subsection 2(b) of the Century DIP Term Sheet, and the Company is hereby authorized and directed to perform all of its obligations under the Century DIP Term Sheet and the Century DIP Credit Documentation (as defined below), and the Company shall pay when due all principal and interest under the Century DIP Facility, provided that nothing in this Order shall oblige Century Services to make any advance to the Company.
4. Notwithstanding any of the foregoing, the Company shall not be permitted to draw loan funds from the Century DIP Term Sheet in an amount greater than the sum of \$475,000 Cdn. without further order of this Honourable Court.
5. The Company shall repay all advances provided to the Company by Santa Fe Resources, LLC under the terms of the DIP Term Sheet dated September 27, 2007 and approved by an earlier order of this Honourable Court of the same date.
6. Any and all present and future rights, property, assets and undertakings of the Company, whether real or personal, wherever located, and whether held in whole or in part, directly or indirectly, as principal or nominee, beneficially or otherwise including, without limitation, any or all real property, personal property or intellectual property of the Company or any and all securities, instruments, debentures, notes or bonds issued to or held by or on behalf of the Company (collectively, the Property), is hereby charged by:
 - (a) a fixed and floating charge, mortgage, hypothec, lien and security interest; and
 - (b) any charge, mortgage, hypothec, lien or security interest included in or contemplated by the Century DIP Credit Documentation (as defined below),

(the charges, mortgages, hypothecs, liens and security interests referred to in the foregoing paragraphs (a) and (b) being collectively referred to as the "Century DIP Charge") in favour of Century Services, as security for payment of all present and future indebtedness, obligations and liabilities of the Company to Century Services under the Century DIP Term Sheet the Century DIP Credit Documentation and this Order (and any of them) together with all interest, fees, charges and other amounts payable in respect thereof (the "Century DIP Liabilities").
7. Notwithstanding any other provision of this Order, the Company is hereby authorized and empowered to execute and deliver such mortgages, charges, hypothecs, security agreements, debentures (collectively, the "Century DIP Security") and such other agreements and documents (together with the Century DIP Security, the "Century DIP Credit Documentation") as are contemplated by the Century DIP Term Sheet or the

Century DIP Charge or as may be reasonably required by Century Services from time to time in respect of the borrowings under the Century DIP Facility.

8. The Century DIP Security and the Century DIP Charge shall attach, as of 12:01 a.m. (Halifax time) on the date of this Order, to all Property of the Company.
9. The Company shall pay Century Services when due all amounts owing, and shall perform all other obligations of the Company to Century Services pursuant to the Century DIP Term Sheet, the Century DIP Credit Documentation and this Order (and any of them).
10. Nothing in this Order shall apply to prevent, enjoin, restrain or stay:
 - (a) any right of Century Services to terminate the making of or refuse to make advances to the Company under the Century DIP Term Sheet and to make demands thereunder, or from issuing any notices of intention to enforce security, notices of powers of sale, notices of disposition or other such notices, and from exercising any acceleration rights or rights of set-off or combination of accounts, or any rights and remedies under the Century DIP Credit Documentation, the Century DIP Charge or the Century DIP Security;
 - (b) without limiting paragraph (a) above, prevent Century Services from applying to this Court for the appointment of an interim receiver, receiver and manager and/or for the appointment of a trustee in bankruptcy in connection with the enforcement of the Century DIP Charge and the Century DIP Security or the payment of the Century DIP Liabilities or for other relief;
 - (c) the right of Century Services to receive and apply all amounts received from the Company in accordance with the Century DIP Term Sheet, the Century DIP Credit Documentation and this Order, provided the leave of the Court is first obtained;
 - (d) Century Services from exercising its rights and remedies as against the Company in respect of the Century DIP Charge or the Century DIP Credit Documentation; and
 - (e) the Company from paying amounts from time to time on account of the Century DIP Liabilities to the extent permitted by this Order in accordance with the Century DIP Term Sheet and the Century DIP Credit Documentation.
11. Century Services shall, unless it otherwise agrees, be treated in all respects as an unaffected creditor in these proceedings, in the reorganization plan filed by the Company or in any other plan filed by the Company (the "Plan") and, unless otherwise agreed by Century Services, all indebtedness and liability owing by the Company to Century Services with respect to the Century DIP Facility shall be paid to Century Services in full no later than the date of implementation of the Plan.
12. Century Services and its advisors shall be given clear and unfettered access to the books and records of the Company and such other information as Century Services and its advisors deem necessary or appropriate.

13. No order shall be made varying, rescinding or otherwise affecting the provisions of this Order with respect to the Century DIP Facility, the Century DIP Credit Documentation, the Century DIP Charge and the Century DIP Security unless either:
 - (a) notice of a motion for such order is served on Century Services, the Company and the Monitor by the moving party within two (2) clear days after such moving party is served with a copy of this Order; or
 - (b) Century Services applies for or consents to such order.
14. All advances made by Century under the Century DIP Facility in reliance on the terms of this Order shall be afforded the protection and priority of the Century DIP Charge notwithstanding any order made pursuant to paragraph 13 hereof or any appeal of this Order.
15. The Company shall execute the documents and take the other actions necessary or appropriate to give effect to the Century DIP Charge.
16. The Century DIP Charge shall attach to all present and future Property of the Company, including any lease, sublease, offer to lease or other contract, except that the Century DIP Charge shall not attach to the last day of the term of any lease of real property or to any such lease, sublease, offer to lease, or other contract to the extent that such attachment would constitute a breach of its terms or permit a party to terminate such agreement. If the Century DIP Charge does not attach to any Property in accordance with this paragraph, the Company shall hold its interests in such lease, sublease, offer to lease or other contract or any proceeds therefrom in trust for Century Services and shall assign such interests to Century Services or its assignees upon obtaining the required consent or upon order of the Court.
17. Advances made under the Century DIP Facility shall be made to the Company as required for the operations of the Company, as determined by the Monitor and in accordance with the most recent cash-flow projections of the Company. The Century DIP Charge resulting from any advance, regardless of the use made thereof by the Company, has priority over all mortgages, charges, security interests, liens and encumbrances of any kind or nature (collectively, the "Encumbrances" and individually an "Encumbrance") in or against any and all of the Property of the Company, subject to applicable prior statutory liens, and provided that the amount owing under the Century DIP Facility for such advances shall only have priority over any Encumbrance in the same proportion as that Encumbrance was to all of the Encumbrances against the Property of the Company at the date of the Initial Order.
18.
 - (a) In the event that any assets encumbered by security held by any one or more of the secured creditors listed in Schedule "A", which shall not include Black & McDonald Limited (the "Prior Secured Creditors") are realized upon by Century Services pursuant to the Century DIP Charge or by the Monitor pursuant to the Administration Charge (as defined in the Initial Order (the "Realized Assets")), then the other Prior Secured Creditors shall contribute to the Prior Secured

Creditor whose assets have been so realized upon the amount received from the realization upon the Realized Assets in the same proportion as contained in Schedule "A". Any Prior Secured Creditor receiving contribution from the other Prior Secured Creditors, notwithstanding the repayment of its indebtedness, shall not release any security held by it to secure its indebtedness, but rather shall assign and subrogate such security to the benefit of the Prior Secured Creditors who have made the contribution, in the same proportion as the contribution paid by each of the other Prior Secured Creditors.

- (b) Notwithstanding anything in paragraph 18(a) and pursuant to paragraph 11.3(b) of the *Companies' Creditors Arrangement Act*, no Prior Creditor shall be required to advance any further money or credit.
19. The Monitor will provide a summary of advances made under the Century DIP Facility which summary shall include the amount and purpose of each draw and for which each draw was made (the "Century DIP Summary"). The Monitor will circulate the Century DIP Summary to secured creditors on a bi-weekly basis. The Monitor shall ensure that the Company maintains detailed and accurate records with respect to any advances made under the, Century DIP Facility which records shall reflect the purpose the advance was made. Such records may be inspected by secured creditors of the Company or their representatives upon request.
20. Except as otherwise expressly provided for herein, the Company shall not grant any Encumbrance of any Property that ranks in priority to, or *pari passu* with the Century DIP Charge unless the Company obtains the prior written consent of Century Services and the approval of this Honourable Court.
21. None of the Century DIP Charge, the obligations of the Company pursuant to the Century DIP Charge, or any of the documents delivered pursuant thereto, shall be illegal, invalid or nonbinding obligations of the Company or otherwise be rendered unenforceable against the Company or any of the Property, nor shall they be void or voidable by creditors or shareholders of the Company, a trustee in bankruptcy of the Company or any other person, by reason of:
- (a) the pendency of these proceedings and the declarations of insolvency made herein;
 - (b) the pendency of any petitions for any receiving order or any receiving orders issued under the *Bankruptcy and Insolvency Act* ("BIA") in respect of the Company, or any assignment under the BIA being made or deemed to have been made; or
 - (c) the provisions of any federal or provincial law.
22. The Century DIP Charge and the Administration Charge have relative priority as follows:
- (a) firstly, the Administration Charge to the extent of \$75,000;
 - (b) secondly, the DIP Charge; and

- (c) thirdly, the Administration Charge to the extent of \$225,000, being the balance of the sum set out in the Initial Order.

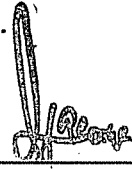
- 23. The beneficiaries of the Century DIP Charge shall not be required to file, register, record or perfect the Century DIP Charge, notice thereof or any financing statement with respect thereto and the Century DIP Charge shall be valid and enforceable for all purposes against all existing and after-acquired Property for all purposes, with priority over any right, title or interest filed, registered, recorded or perfected prior or subsequent to the Century DIP Charge coming into existence, despite any failure to file, register, record or perfect the Century DIP Charge, notice thereof, or any financing statement with respect thereto. Despite anything in this Order, the beneficiaries of the Century DIP Charge may take such steps as they deem necessary or appropriate to register, record or perfect the Century DIP Charge, notice thereof or any financing statement with respect thereto, if they deem it advisable to do so.

- 24. The creation of the Century DIP Charge and any payments made by the Company, and any agreements, instruments or other documents delivered pursuant to this Order do not constitute fraudulent preferences, fraudulent conveyances, oppressive conduct, settlements or other challengeable or reviewable transactions under any applicable law.

- 25. None of the Century DIP Charge, the Century DIP Facility, the Century DIP Credit Documentation or the Century DIP Security shall be, or be deemed to be, invalid or ineffective by reason of any negative covenant, prohibition or other similar provision with respect to incurring debt or other obligations or the creation of any Encumbrance contained in any agreement to which the Company is a party and, despite any provision to the contrary in such agreements:
 - (d) none of the Century DIP Charge, the obtaining of the Century DIP Facility, or the creation of any of the Century DIP Credit Documentation and none of the execution, delivery, perfection or registration of any agreements, instruments or other documents delivered pursuant thereto shall create or be deemed to constitute a breach by the Company of any agreement to which it is a party; and

 - (e) no person shall have any liability to any other person whatsoever as a result of any breach of any agreement caused by or resulting from the Century DIP Charge, the obtaining of the Century DIP Facility, the creation of any of the Century DIP Credit Documentation or the execution, delivery or registration of any agreements, instruments or other documents delivered pursuant thereto.

DATED at Halifax, Nova Scotia, this 26 day of November, 2007.



GEORGE GHOSN
Deputy Prothonotary

Certified to be a true and correct copy
of original document herein

Date: Nov-27-06



GEORGE GHOSN
187965375
Deputy Prothonotary

CONSENTED TO AS TO FORM:

This ____ day of November, 2007

Carl Holm, Q.C., counsel to BDO
Dunwoody Goodman Rosen Inc.

This ____ day of November, 2007

Thomas Boyne, Q.C., counsel to
Royal Bank of Canada

This ____ day of November, 2007

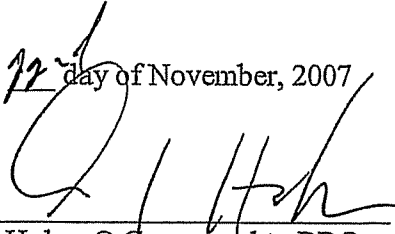
Michael Pugsley, counsel to Her
Majesty in Right of the Province
of Nova Scotia (Nova Scotia
Economic Development) and Nova
Scotia Business Incorporated

This ____ day of November, 2007

Michael Ryan, Q.C., counsel to
Black & McDonald Limited

CONSENTED TO AS TO FORM:

This 12th day of November, 2007



Carl Holm, Q.C., counsel to BDO
Dunwoody Goodman Rosen Inc.

This ___ day of November, 2007

Thomas Boyne, Q.C., counsel to
Royal Bank of Canada

This ___ day of November, 2007

Michael Pugsley, counsel to Her
Majesty in Right of the Province
of Nova Scotia (Nova Scotia
Economic Development) and Nova
Scotia Business Incorporated

This ___ day of November, 2007

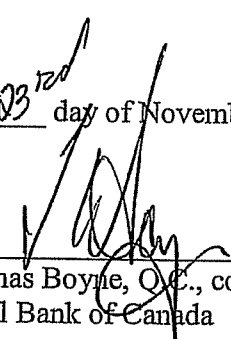
Michael Ryan, Q.C., counsel to
Black & McDonald Limited

CONSENTED TO AS TO FORM:

This ___ day of November, 2007

Carl Holm, Q.C., counsel to BDO
Dunwoody Goodman Rosen Inc.

This 03rd day of November, 2007



Thomas Boyle, Q.C., counsel to
Royal Bank of Canada

This ___ day of November, 2007

Michael Pugsley, counsel to Her
Majesty in Right of the Province
of Nova Scotia (Nova Scotia
Economic Development) and Nova
Scotia Business Incorporated

This ___ day of November, 2007

Michael Ryan, Q.C., counsel to
Black & McDonald Limited

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Dunwoody Goodman Rosen Inc.

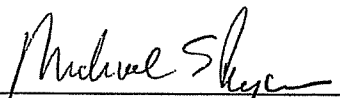
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Thomas Boyne, Q.C., counsel to
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This ___ day of November, 2007

Michael Pugsley, counsel to Her
Majesty in Right of the Province
of Nova Scotia (Nova Scotia
Economic Development) and Nova
Scotia Business Incorporated

This ___ day of November, 2007



Michael Ryan, Q.C., counsel to
Black & McDonald Limited

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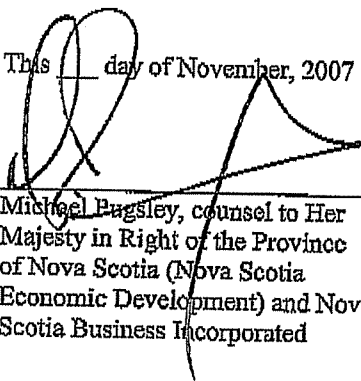
This ___ day of November, 2007

Carl Holm, Q.C., counsel to BDO
Dunwoody Goodman Rosen Inc.

This ___ day of November, 2007

Thomas Boyne, Q.C., counsel to
Royal Bank of Canada

This ___ day of November, 2007

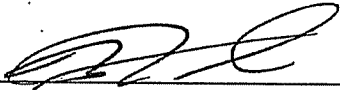


Michael Pagsley, counsel to Her
Majesty in Right of the Province
of Nova Scotia (Nova Scotia
Economic Development) and Nova
Scotia Business Incorporated

This 22 day of November, 2007

Michael Ryan, Q.C., counsel to
Black & McDonald Limited

This 21st day of November, 2007



Robert Sampson, counsel to
Enterprise Cape Breton Corporation
and Cape Breton Growth Fund Corporation

SCHEDULE "A"

**FEDERAL GYPSUM COMPANY
 CCAA - INITIAL ORDER - SEPTEMBER 18, 2007
 CALCULATION OF SECURED CREDITOR PERCENTAGES
 (REVISED AS AT OCTOBER 15, 2007)**

	<u>Amount O/S Sept 18/07 (Note 1)</u>	<u>Creditor %</u>
Royal Bank of Canada		
Loan	\$ 530,000	
Lease	414,613	
	<u>944,613</u>	5.53
Cape Breton Growth Corporation	5,000,000	29.31
Enterprise Cape Breton Corporation	1,750,000	10.25
Nova Scotia Business Inc.	6,451,747	37.81
Nova Scotia - Office of Economic Development	2,845,232	16.67
Ford Credit Canada Limited		
Re Taurus	12,634	
Re F150	16,380	
Re F500	36,445	
	<u>65,459</u>	0.38
National Leasing Group Inc.	9,172	0.05
Black and MacDonald Ltd. (\$1,123,364)	<u>N/A</u>	<u>N/A</u>
TOTALS	<u>\$ 17,066,223</u>	<u>100%</u>

Note 1:

Amounts of secured creditor claims are estimated as at September 18, 2007 for the purpose of reflecting the allocation of DIP advances to the respective secured creditor interests.

Note 2:

The secured creditor interests reflected herein are subject to change in quantum which is to be confirmed as owed to each secured creditor as at September 18, 2007.

Note 3:

The secured creditor interests reflected herein are subject to confirmation of validity and priority ranking by Monitor's legal counsel.

Note 4:

No DIP allocation has been made to Black and MacDonald Ltd. at this time as the Monitor believes they have a subordinate ranking, subject to review.

2007

S.H. No. 285667

IN THE MATTER OF:

The Companies' Creditors Arrangement Act, R.S.C. 1985, c. C-36 as amended

- and -

IN THE MATTER OF:

A Plan of Compromise or Arrangement of the Applicant, Federal Gypsum
Company

ORDER

STEWART McKELVEY
1959 Upper Water Street
Purdy's Wharf Tower One
P. O. Box 997
Halifax, Nova Scotia
B3J 2X2
MPC: NS33381-6