



**TO THE PROVED CREDITORS
IN THE MATTER OF THE
COMPANIES' CREDITORS ARRANGEMENT ACT ("CCAA") PROCEEDING OF
FEDERAL GYPSUM COMPANY ("FGC")**

January 22, 2008

Dear Sir or Madam:

As your company has proved its claim under the Claims Bar Process in the CCAA proceeding of FGC, we now wish to report to you on the results of the creditors meeting held on January 22, 2008 for the purpose of considering the approval of the Plan of Compromise or Arrangement ("the Plan") as presented at that time.

The final version of the Plan dated January 21, 2008 as it was presented to the meeting of creditors on January 22, 2008 is enclosed herewith. The final version of the Plan incorporated the amendments with respect to the Nova Scotia Business Inc. ("NSBI") lease as were reported to you in our January 17, 2008 communication. The only other amendments all relate to which defaults are waived by the Term Lenders through to December 31, 2008. In this respect, Paragraphs 3.4(d)(i)(F), 3.4(d)(ii)(F), 3.4(d)(iii)(E), and 3.4(d)(iv)(E) have all been amended to reflect the following wording:

"All defaults in relation to financial performance covenants under the loan agreement and any related security shall be waived through to December 31, 2008."


The Plan, as amended, was approved unanimously by five of the classes of creditors voting, and in the case of the sixth class, that is, the Unsecured Creditors Class, 91.9 percent in number of the Unsecured Creditors voting holding 99.3 percent of the dollars voting, voted in favor of the Plan. The Plan is, therefore, approved by all classes of creditors.

The next step is to seek ratification of the Plan pursuant to Paragraph 33 of the Court Order of December 14, 2007 ("Meeting Order") which requires application for the Sanction Order approving the Plan to be heard on January 29, 2008 at 9:30 a.m. (Halifax time) or such later date as may be subsequently advised by the Monitor. Notice of the Sanction Hearing was previously provided to creditors as Schedule "A" in the Meeting Order and as one of the materials prescribed to be sent to creditors on January 7, 2008. Additionally, notice of both the Creditors Meeting and the Sanction Hearing was published in three newspapers as required in the Meeting Order. Any change in the date or location of the Sanction Hearing will be posted along with any other materials on the Monitor's website at www.bdo.ca/fgc.

Please contact the Monitor if you have any questions.

Yours very truly

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


Paul G. Goodman, FCA, FCIRP, FIFC
President

