

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

FOURTH REPORT OF MONITOR – BDO DUNWOODY GOODMAN ROSEN INC.

November 26, 2007

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## 1. FOURTH REPORT OF THE MONITOR

- 1.1. Pursuant to an Order (“Initial Order”) of the Supreme Court of Nova Scotia (the “Court”) dated September 18, 2007, BDO Dunwoody Goodman Rosen Inc. was appointed as Monitor (“the Monitor”) pursuant to an application of Federal Gypsum Company (“Federal”) for protection under the Companies’ Creditors Arrangement Act (“CCAA”).
- 1.2. The following Orders and Decisions of Mr. Justice A. David MacAdam form the basis of the Federal CCAA proceeding to date:
  - September 18, 2007 – Initial Order;
  - Debtor in Possessing Financing Order with application heard on September 24, 2007 and Order granted on September 27, 2007 establishing the Debtor in Possession (“DIP”) financing at \$350,000;
  - October 18, 2007 – Heard on October 18, 2007 – Order granted October 23, 2007. This Order is the first Comeback Order extending the Stay of Termination Date of the Initial Order to November 29, 2007;
  - November 5, 2007 – On this date, application was heard and a decision was made granting additional DIP borrowing powers pursuant to a credit facility arranged with Century Services Inc. (“Century”) wherein Federal was granted the ability to borrow up to \$1,150,000 Canadian, subject to maximum amounts calculated in the Term Sheet. The Court permitted additional DIP financing of \$125,000 Canadian such that total DIP financing approved is \$475,000 Canadian. At the writing of this report, the Monitor has not received the actual Order from the Court as certain legal counsel disputed the interpretation of Mr. Justice MacAdam’s decision and the wording of the Order as presented by Federal’s counsel. A subsequent hearing by telephone conference call was held on the afternoon of November 14, 2007 and a further Court hearing was held on November 22, 2007 in which Mr. Justice MacAdam clarified his interpretation and directed counsel on the resultant wording;
  - November 22, 2007 – An application was heard to establish the Claims Bar Process to be used in Federal’s CCAA proceeding. The application was granted with minor changes and the Monitor is presently awaiting receipt of the Claims Bar Order as granted.
- 1.3. The Monitor, to date, has prepared and filed three previous reports with This Honorable Court as follows:
  - First Report dated September 20, 2007
  - Second Report dated October 15, 2007
  - Third Report dated October 31, 2007.

1.4. Since the preparation of the Monitor's Third Report under date of October 31, 2007, the Monitor advises that it has expended considerable time with a number of activities which may be generally described hereafter as follows:

- On a daily basis, the Monitor is in contact with and/or communicates with Mr. Rhyne (Mike) Simpson, Jr. and Michael Simpson, the senior officers of Federal, Federal's legal counsel, and counsel to the Monitor. The general nature of these contacts in the past 25 day days or so has considered the cash flow position of Federal, DIP financing issues, substantive scenarios and issues with respect to a Plan of Arrangement ("Plan"), and various other matters relative to the CCAA proceeding.
- The Monitor continues to communicate with creditors of Federal who seek information about the status of the Plan and their present dealings with Federal with regard to post-filing supply of goods and services.
- The Monitor and its legal counsel have communicated regarding confirmation of the validity of all securities and leases, the majority of which were reported on in the Monitor's Third Report, although there were certain issues to be attended to in this most recent time period.
- Every week, the Monitor reviews the Cash Flow Report and supporting information provided to the Monitor by Federal and, as a result, the Monitor usually initiates certain inquiries with Federal and attends to responses.
- On a weekly basis, the Monitor distributes to the secured creditors the Cash Flow Report Summary which has been supplied to the Monitor by Federal. For the most part, these Cash Flow Reports are sent to legal counsel for the secured creditors and, as a result of the distribution, on occasion the Monitor receives inquiries to which it responds. For the record, distribution of these weekly Cash Flow Reports is made to:
  - Robert Sampson as legal counsel to Enterprise Cape Breton Corporation ("ECBC") and Cape Breton Growth Fund ("CBGF");
  - Thomas Boyne as legal counsel to Royal Bank of Canada ("RBC");
  - Michael Pugsley as legal counsel to Province of Nova Scotia/Office of Economic Development ("PNS/OEC") and Nova Scotia Business Inc. ("NSBI");
  - Michael Schweiger and Michael Ryan as legal counsel for Black & McDonald Limited ("B&M");
  - Penny Hannah as legal assistant for Ford Credit Canada Limited ("Ford");
  - Charlotte Taylor, Credit Group, National Leasing Group Inc. ("NLG").
- The Monitor has met with officials of NSBI and PNS/OED along with Mike Simpson to present Plan scenarios. In addition, the Monitor has had a number of communications with NSBI and PNS/OED officials.

- The Monitor has undertaken a number of communications with Mr. Jeff Johnson, Vice-President of Century, regarding the DIP financing and, in addition, has communicated with Century's legal counsel on the same issue.
- The Monitor attended the Court hearing held at the Law Courts on Water Street in Halifax on November 5, 2007 and, on the same day, had numerous side discussions/meetings with various counsel for secured creditors and Federal and its counsel on the subjects of DIP financing, Plan of Arrangement, and other matters.
- The Monitor attended the Court hearing held by telephone conference call on the afternoon of November 14, 2007 on the subject of the wording of the DIP financing Order.
- The Monitor has spent considerable time in the past week and a half in working with Federal's counsel and Monitor's counsel to establish the Claims Bar Process, including the documentation and timing. The Monitor, however, was unable, due to previous commitments, to attend the Claims Bar Hearing held on November 22, 2007, but did execute an affidavit related thereto in support of the Claims Bar Process.
- The Monitor has spent considerable time in the past couple of weeks in reviewing a number of versions of Plan of Arrangement scenarios and communicating with Federal's officers and counsel and Monitor's counsel related thereto.
- The Monitor has attended to and reviewed a number of other matters and documentation which may not otherwise be referred to herein.

## 2. CASH FLOW, CASH FLOW PROJECTIONS, AND DEBTOR-IN-POSSESSION (“DIP”) FINANCING

- 2.1. As required by the Initial Order, the Monitor continues to review the Cash Flow Reports and related materials provided to the Monitor on a weekly basis by Federal. As indicated in previous reports, the Monitor does not audit these reports or materials, but does review them for reasonableness and ensures that the back-up materials agree to the Cash Flow Reports provided. Certain of the review procedures undertaken by the Monitor include:
- Agree each cash receipt to entries in both the Canadian funds and U.S. funds bank statements;
  - Agree Cash Receipts Summary to Cash Flow Report;
  - Agree selected sample cash disbursements from Cash Disbursements Report to Canadian funds and U.S. funds bank statements;
  - Agree Cash Disbursements Report to Cash Flow Report;
  - Agree listing of invoices to revenue reported;
  - Agree selected sample invoices to Accounts Receivable Report;
  - Agree Accounts Receivable Report to accounts receivable reported;
  - Prepare continuity of accounts receivable from previous Accounts Receivable Report to current Accounts Receivable Report;
  - Agree Detailed Inventory Summary to total inventory reported for each of finished goods and raw materials;
  - Agree Accounts Payable Report to accounts payable reported in Cash Flow Report;
  - Inquire of Michael Simpson as may be necessary with respect to individual items requiring more documentation or explanation.
- 2.2. Attached as Exhibit 1 is the Cash Flow Report (Variance Analysis) dated November 23, 2007 which relates to the week of November 19, 2007 to November 23, 2007, including a comparison to the original Cash Flow Report as filed with the Initial Order application. The Cash Flow Report is also cumulative through to November 23, 2007 with the comparison being to the original budget plan as was included with the Initial Order.
- 2.3. Attached as Exhibit 2 is the Weekly Cash Flow Report on a go-forward basis. This Cash Flow Report includes the actual cash flow results up to and including November 23, 2007 with projections thereafter through to February 1, 2008.
- 2.4. As at November 23, 2007, the Monitor advises that Federal has indicated to it that the following is information regarding the following accounts:

- Accounts receivable trade \$ 958,232.54

• Accounts payable for post-filing suppliers	4,383.81
• Finished goods inventory	438,164.44
• Raw materials inventory	723,465.04

2.5 The Monitor makes the following observations with respect to Exhibit 1:

- Cumulative cash receipts are \$ 189,621 less than the original budget plan.
- Cumulative cash outflow is \$273,154 less than the original budget plan.
- Cumulative net cash flow is \$83, 532 better over all than projected as Federal did a good job in managing its expenditures in the face of under-performed sales.
- DIP funds of \$300,000 have been advanced at November 23, 2007 of which \$298,120 has been used.
- Direct costs are \$235,248 less than budget plan.
- The over plan amount in “Contracted Services” of \$42,775 primarily relates to the fire testing of Type X fire rated wall board as the Underwriter’s Laboratories required the testing fees to be prepaid.

2.6 A review of Exhibit 2, which is the Weekly Cash Flow Report on a go-forward basis and dated November 23, 2007, reveals that DIP financing in the week of January 11, 2008 will peak at an amount of \$911,849. This amount is in excess of the \$475,000 of DIP financing as has been approved at the November 5, 2007 hearing at a level of \$475,000 and, therefore, it appears that Federal will require approval by This Honorable Court to receive further advances of DIP financing beyond the amount presently approved. The Monitor observes that the requirement for the increase in level of DIP financing has been known to secured creditors since the commencement of the CCAA proceeding as go-forward Cash Flow Reports were made available to secured creditors and updated on a weekly basis for actual results.

2.7 In order to provide This Honorable Court with a summary of certain key business indicators of Federal’s performance, the Monitor has prepared Exhibit 3 which is based on selected data that has been provided to the Monitor by Federal. Exhibit 3 illustrates the trend of cash, accounts receivable, inventories, accounts payable/post-filing, DIP financing used, and revenue based on billings.

### 3. PROFESSIONAL FEES SUBJECT TO THE ADMINISTRATION CHARGE

- 3.1. The Initial Order provided for an Administration Charge with respect to the reasonable fees and costs of the Monitor, Monitor's counsel, and Federal's counsel. The Administration Charge as set out in Paragraph 31 of the Initial Order is not to exceed \$300,000 without further Order of the Court. It is the Monitor's understanding, in consultation with legal counsel, that the \$300,000 amount is not a cap on the specified professional fees, but rather an amount that relates to such professional fees which may be unpaid at a particular point in time.
- 3.2. In the Term Sheet as agreed to between Federal and Century, and as discussed and approved at the November 5, 2007 hearing, the Administration Charge was segmented into two parts. An Administration Charge not to exceed \$75,000 ranks in priority to any DIP financing provided by Century. A second part of the Administration Charge in the amount of \$225,000 ranks subordinate to the Century DIP financing but would rank in priority to all other secured and other creditor interests.
- 3.3. The attached Exhibit 4 portrays the details of professional fees subject to the Administration Charge as revised to November 26, 2007. Exhibit 4 indicates those professional fees that are billed in total and those which remain unpaid as at November 26, 2007 to the extent they are known as at today's date. Since the commencement of the CCAA proceeding, it has been the practice of the professionals whose fees are relative to the Administration Charge to bill their fees to Federal on a weekly basis and usually those fees are paid by Federal in the week they are billed or sometime at the commencement of the following week.
- 3.4. In its previous report, the Monitor had advised the Court as to the preliminary findings of Monitor's counsel regarding the validity and priority of certain security interests, in particular those being NSBI, PNS/OED, ECBC, CBGF, RBC, B&M, Ford, and NLG. The Monitor also indicates that there was a contractual interest between Federal and First Union Rail Corporation with respect to the lease of 30 rail cars and that lease contract was under review. The Monitor can now report that Monitor's counsel has completed his review of that contract and has found it to be a valid lease interest regarding the rolling stock in question.



**4. STATUS OF PLAN OF ARRANGEMENT ("THE PLAN") UNDER COMPANIES' CREDITORS ARRANGEMENT ACT ("CCAA")**

- 4.1. During the time period since the Monitor's previous report, activities related to the development of the Plan and related process have been a significant component of the Monitor's time expended, along with the time of Monitor's counsel, Federal's counsel, and Federal's officers. Considerable time was spent with little value added in trying to finalize the wording in an Order of this Honorable Court arising out of the November 5, 2007 hearing.
- 4.2. In order for Federal to continue its operations, critical arrangements had to be made with respect to the DIP financing and the attendance to operational matters. Notwithstanding the addressing of these critical issues, Federal has made substantive and substantial progress in the development of a Plan of Arrangement.
- 4.3. Faced with the November 5, 2007 hearing dealing with the DIP financing, which if not obtained at that time would likely have resulted in the extension of the Stay of Termination Date beyond November 5 to be lifted, it was not productive for Federal to expend considerable time on the details of the Plan of Arrangement. That time has now been substantially increased. Michael Simpson has prepared projections for the 2008, 2009, and 2010 years which, in his view, contain workable and conservative sales and expense projections. As well, a number of versions of a Plan of Arrangement have been prepared, discussed, and altered continuously.
- 4.4. A particular summary version of the Plan of Arrangement was discussed with officials of NSBI and PNS/OED, with the Monitor and Mike Simpson being present. The same summary version of the Plan was discussed with officials of ECBC and CBGF by telephone conference call with Mike Simpson. Reactions of all of those secured creditors resulted in further variations and new versions of the summary Plan which was then reworked and redeveloped and provided in concept form to these creditors through the Monitor. Again, further reactions of these groups are presently being considered by Federal and it is anticipated by the Monitor that discussions and negotiations will be ongoing even beyond the filing of the Plan with This Honorable Court.
- 4.5. As previously indicated, the Monitor expended considerable time in working with Federal and its legal counsel in the development of the Claims Bar Process which was approved by This Honorable Court at the hearing held on November 22, 2007. The complete Claims Bar Process is as set out in the draft Order and the schedules to the draft Order, attached hereto as Exhibit 5. The Monitor has not, as at this writing, received the signed Claims Bar Order.
- 4.6. Pursuant to the Claims Bar Order as approved on November 22, 2007, the Monitor reports that it has complied with Paragraph 5(a) of the Claims Bar Order in that it has

on November 26, 2007 sent the Claims Package by ordinary mail to each known potential claimant identified by the Monitor through its review of the books and records maintained in connection with the monitorship of Federal. Attached as Exhibit 6 is the letter that the Monitor has sent to Federal's creditors with the Claims Bar Package.

- 4.7. While the Claims Bar Order did not require the Monitor to acknowledge receipt of Proofs of Claim from creditors which the Monitor accepts as filed without dispute, the Monitor believes it is appropriate to acknowledge that acceptance to creditors so they will know that their claim has been received and accepted by the Monitor before the Claims Bar Date of December 12, 2007. Attached as Exhibit 7 is a Form of Notice of Allowance (of Claim) that the Monitor will send to creditors who have proved their claim before the Claims Bar Date.
- 4.8. The Monitor reports that it has arranged for the advertisement of the Notice to Claimants as set out in the form attached to the Claims Bar Order as Schedule B, such advertisement to be published in the Globe and Mail (national edition), and all editions of the Halifax Chronicle, and the Cape Breton Post on November 28, 2007.
- 4.9. The Monitor advises This Honorable Court that the Monitor is of the view that Federal is acting and continues to act in good faith and with due diligence in using its best efforts in the preparation of a Plan of Arrangement.
- 4.10. Further, the Monitor is of the view that on an operational basis, Federal has made and continues to make some positive strides in its business development and performance, notwithstanding adverse business conditions. As well, the cash flow has been managed by way of production geared to sales such that the under-performance of sales has, to date, not impacted cash flow in a significant adverse way, in comparison to the cash flow plan.
- 4.11. In view of the timing set out in the Claims Bar Process and assuming that Federal will file its Plan with This Honorable Court on or before November 29, 2007, and further assuming that This Honorable Court will consider the required increase for DIP financing upon application of Federal, the Monitor is of the view that Federal will require an extension of the Stay of Termination Date beyond November 29, 2007 to allow the CCAA proceeding to move forward to conclusion.

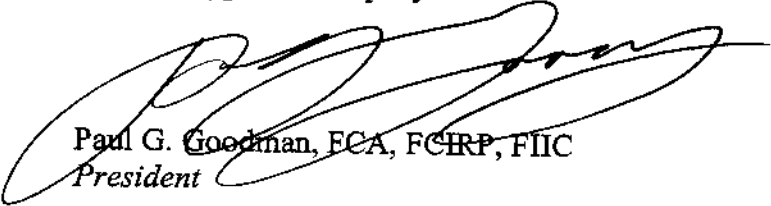
## 5. RECOMMENDATIONS

- 5.1. Subject to Federal filing its Plan of Arrangement (as may be subject to further amendment) with This Honorable Court on or prior to November 29, 2007, the Monitor recommends to This Honorable Court that the Stay of Termination Date pursuant to this present CCAA proceeding be continued until at least January 29, 2008.
- 5.2. Consistent with any extension which may be granted pursuant to the Monitor's recommendation in 5.1, the Monitor further recommends that This Honorable Court approve an increase in the DIP financing that may be drawn by Federal from the present DIP financing as approved, being an amount of \$475,000, to a new capped amount of \$925,000, being an increase of \$450,000, such amount to be advanced and made available pursuant to the DIP facility Term Sheet provided by Century. The Monitor notes that if Federal is not granted this level of DIP advance increase now, it will need to return to Court as early as January, 2008 if the projections of a DIP requirement of \$912,000 appear to be reality.

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

Respectfully submitted

**BDO DUNWOODY GOODMAN ROSEN INC.**  
Court-Appointed Monitor in the CCAA Proceeding of  
Federal Gypsum Company



Paul G. Goodman, FCA, FCRP, FIIC  
President

FEDERAL GYPSUM COMPANY  
 VARIANCE ANALYSIS  
 NOVEMBER 23, 2007

EXHIBIT 1

	Week Ending: 11/23/2007			Period to Date: 11/23/2007		
	Projected	Actual	Variance	Projected	Actual	Variance
<b>Cash Receipts</b>						
A/R Receipts		165,712.53	165,712.53	1,320,851.44	1,131,230.02	(189,621.42)
<b>Expenses</b>						
Freight	30,789.79	37,801.47	(7,011.68)	208,986.75	180,165.22	28,821.53
Leases			-	33,000.00	28,924.32	4,075.68
<b>Direct Costs</b>						
Salaries/Wages			-	309,600.00	290,443.14	19,156.86
Employee Benefits			-	11,000.00	12,960.25	(1,960.25)
Raw Materials						
Paper	11,000.00		11,000.00	44,000.00	12,200.57	31,799.43
Gypsum	15,000.00	5,000.00	10,000.00	126,000.00	54,500.00	71,500.00
Others	13,381.63	28,757.81	(15,376.18)	93,357.79	73,715.41	19,642.38
Utilities						
Natural Gas	20,000.00	11,816.40	8,183.60	150,000.00	116,899.06	33,100.94
Electricity	20,000.00	12,000.00	8,000.00	150,000.00	120,561.58	29,438.44
Water			-	8,000.00	10,925.80	(2,925.80)
Contracted Services	1,600.00	1,300.50	299.50	11,200.00	11,859.44	(659.44)
Insurance - Property/Casualty			-	37,236.39	18,088.09	19,148.30
Manufacturing Supplies	2,500.00	212.00	2,288.00	21,500.00	9,788.37	11,711.63
Repair Supplies	5,000.00		5,000.00	43,000.00	37,724.69	5,275.31
<b>Total Direct Costs</b>	<b>88,481.63</b>	<b>59,086.71</b>	<b>29,394.92</b>	<b>1,004,894.18</b>	<b>769,646.38</b>	<b>235,247.80</b>
<b>Selling Expenses</b>						
Salaries/Wages			-	60,000.00	54,915.10	5,084.90
Travel			-	2,000.00	7,475.06	(5,475.06)
Vehicle			-	2,000.00	5,998.37	(3,998.37)
Meals & Entertainment			-	8,000.00	10,616.34	(2,616.34)
Telephone			-	700.00	332.56	367.44
<b>Total Selling Expenses</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>72,700.00</b>	<b>79,337.43</b>	<b>(6,637.43)</b>
<b>General &amp; Administrative Expenses</b>						
Professional Fees						
Legal	10,000.00	9,273.45	726.55	140,000.00	145,622.73	(5,622.73)
Accounting			-	10,000.00	-	10,000.00
Consulting		5,238.41	(5,238.41)	65,000.00	82,537.83	(17,537.83)
Contracted Services			-	55,000.00	97,774.88	(42,774.88)
Travel			-	15,000.00	14,293.28	706.72
Vehicle			-	1,000.00	1,546.83	(546.83)
Meals & Entertainment			-	1,000.00	499.05	500.95
Insurance - Receivables			-	10,000.00	5,143.76	4,856.24
Postage/Express/Mail			-	400.00	961.09	(561.09)
Office Supplies			-	1,000.00	2,028.11	(1,028.11)
Telephone			-	8,000.00	4,846.10	3,153.90
Bank Charges		348.29	(348.29)	7,500.00	1,838.25	5,661.75
Janitorial Exp			-	3,000.00	-	3,000.00
DIP Fees and Interest	581.08		581.08	19,892.90	5,000.00	14,892.90
HST			-	46,129.39	9,383.93	36,745.46
Occupancy Taxes			-	-	-	-
Property Taxes			-	-	-	-
<b>Total General &amp; Admin Expenses</b>	<b>10,581.08</b>	<b>14,860.15</b>	<b>(4,279.07)</b>	<b>382,922.29</b>	<b>371,275.84</b>	<b>11,646.45</b>
<b>Total Selling, General &amp; Admin Expenses</b>	<b>10,581.08</b>	<b>14,860.15</b>	<b>(4,279.07)</b>	<b>455,622.29</b>	<b>450,613.27</b>	<b>5,009.02</b>
<b>Total Cash Outflow</b>	<b>129,852.50</b>	<b>111,748.33</b>	<b>18,104.17</b>	<b>1,702,503.22</b>	<b>1,429,349.19</b>	<b>273,154.03</b>
<b>NET CASH FLOW</b>	<b>(129,852.50)</b>	<b>53,964.20</b>	<b>183,816.70</b>	<b>(381,651.78)</b>	<b>(298,119.17)</b>	<b>83,532.61</b>
<b>ACCOUNTS PAYABLE</b>					(4,382.81)	
<b>DIP FINANCING</b>		300,000.00			300,000.00	
<b>CASH BALANCE</b>					(2,501.98)	
<b>REVENUE</b>	<b>256,671.26</b>	<b>145,971.71</b>	<b>(110,699.55)</b>	<b>1,712,201.38</b>	<b>1,249,499.30</b>	<b>(462,702.08)</b>



**FEDERAL GYPSUM COMPANY**  
**CCAA PROCEEDING**  
**SCHEDULE SHOWING CHANGES IN KEY ACCOUNTS**  
**SINCE CCAA FILING ON SEPTEMBER 18, 2007**  
**(REVISED NOVEMBER 26, 2007)**

	Week Ending									
	Sept 21	Sept 28	Oct 5	Oct 12	Oct 19	Oct 26	Nov 2	Nov 9	Nov 16	Nov 23
\$ 131,436	\$ 63,472	\$ 178,864	\$ 145,341	\$ 125,401	\$ 93,342	\$ 74,714	\$ 79,775	\$ (56,466)	\$ (2,501)	
778,383	806,510	639,360	477,920	645,221	686,322	706,781	847,229	980,077	958,232	
944,393	973,524	953,891	899,727	890,310	846,918	778,708	751,412	743,318	723,465	
561,220	547,806	563,139	527,803	530,797	553,027	524,674	489,596	449,047	438,165	
1,505,613	1,521,330	1,517,030	1,427,530	1,421,107	1,399,945	1,303,382	1,241,008	1,192,365	1,161,630	
12,845	84,036	20,767	27,522	4,158	Nil	Nil	11,114	4,383	4,383	
Nil	14,113	1,468	25,962	69,267	105,483	124,112	103,627	352,083	298,119	
105,819	111,597	84,402	107,686	109,281	99,978	172,141	167,965	164,136	145,972	

**CCAA OF  
FEDERAL GYPSUM COMPANY  
DETAILS OF PROFESSIONAL FEES SUBJECT TO ADMINISTRATION CHARGE  
REVISED AS AT NOVEMBER 26, 2007**

<u>Supplier</u>	<u>Period</u>	<u>Total Invoices Including Disbursements and HST</u>	<u>Payments</u>	<u>Balance Unpaid</u>
<u>BDO Dunwoody Goodman Rosen Inc. (Monitor)</u>				
- First account	Sept 11/07 – Sept 30/07	\$ 14,051.18	\$ 14,051.18	\$ 0
- Second account	Oct 1/07 – Oct 7/07	4,164.42	4,164.42	0
- Third account	Oct 8/07 – Oct 14/07	6,717.79	6,717.79	0
- Fourth account	Oct 15/07 – Oct 21/07	5,632.74	5,632.74	0
- Fifth account	Oct 22/07 – Oct 28/07	4,511.65	4,511.65	0
- Sixth account	Oct 29/07 – Nov 4/07	9,922.22	9,922.22	0
- Seventh account	Nov 5/07 – Nov 11/07	7,299.42	7,299.42	0
- Eighth account	Nov 12/07 – Nov 18/07	5,238.41	5,238.41	0
- Ninth account	Nov 19/07 – Nov 25/07	9,286.10	0	9,286.10
Subtotal (Note 1)		<u>66,823.93</u>	<u>57,537.83</u>	<u>9,286.10</u>
<u>Wickwire Holm (Counsel to the Monitor)</u>				
- First account	Sept 18/07 – Sept 30/07	5,147.36	5,147.36	0
- Second account	Oct 1/07 – Oct 10/07	4,468.80	4,468.80	0
- Third account	Oct 13/07 – Oct 19/07	6,660.98	6,660.98	0
- Fourth account	Oct 22/07 – Oct 26/07	5,298.72	5,298.72	0
- Fifth account	Oct 27/07 – Nov 4/07	6,088.38	6,088.38	0
- Sixth account	Nov 5/07 – Nov 11/07	10,539.30	10,539.30	0
- Seventh account	Nov 13/07 – Nov 16/07	3,399.97	3,399.97	0
- Eighth account	Nov 19/07 to Nov 25/07	6,584.07	0	6,584.07
Subtotal (Note 1)		<u>48,187.58</u>	<u>41,603.51</u>	<u>6,584.07</u>

<u>Supplier</u>	<u>Period</u>	<u>Total Invoices Including Disbursements and HST</u>	<u>Payments</u>	<u>Balance Unpaid</u>
Stewart McKelvey (Note 1) <u>(Counsel to FGC)</u>				
- First account (allocated)	Sept 1/07 – Sept 30/07	35,323.28	35,323.28	0
- Second account	Oct 1/07 – Oct 28/07	15,376.83	15,376.83	0
- Third account	Oct 24/07 – Nov 4/07	14,316.52	14,316.52	0
- Fourth account	Nov 8/07 – Nov 15/07	5,873.48	5,873.48	0
- Fifth account	Nov / 07 – Nov /07		(Note 2)	
Subtotal (Note 1)		<u>70,890.11</u>	<u>70,890.11</u>	<u>0</u>
		<u>\$ 185,901.62</u>	<u>\$ 170,031.45</u>	<u>\$ 15,870.17</u>

NOTE 1: The above amounts include time charges, disbursements, and HST.

NOTE 2: The legal accounts for the week November 19 to November 23 had not been received from legal counsel to Federal at the time of the completion of this exhibit.



**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

**ORDER**

**BEFORE THE HONOURABLE JUSTICE A. DAVID MACADAM**

**UPON READING** the Affidavit of Rhyne Simpson, Jr., sworn November 19, 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:**

**Service of Materials**

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.

**Claims Process**

2.     **THIS COURT ORDERS** that the claims process for the identification and quantification of Claims (as defined below) to be implemented in accordance with this Order (the "Claims Process") is hereby approved.
3.     **THIS COURT ORDERS** that the Monitor is directed and empowered to administer the Claims Process, on its own behalf and as agent for and on behalf of the Company, and

take such steps or actions as may be necessary or desirable to administer or complete the Claims Process.

**Definitions**

4. **THIS COURT ORDERS** that the following terms in this Order shall have the following meanings ascribed thereto:

- (a) **"Appointment Order"** means the order dated September 18, 2007, appointing BDO Dunwoody Goodman Rosen Inc. as Monitor of the Company;
- (b) **"Business Day"** means a day, other than a Saturday or a Sunday or statutory holiday, on which banks are generally open for business in Halifax, Nova Scotia;
- (c) **"Claim"** means any right or claim of any Person, whether or not asserted, in connection with any indebtedness, liability or obligation of any kind whatsoever against the Company or any present or former director or officer of the Company, and, in the case of any such present or former director or officer, any indebtedness, liability or obligation of any kind whatsoever actually and reasonably incurred by the director or officer as a result of his or her position or involvement with the Company, and, without limiting the foregoing, whether arising from employment, contract, the commission of a tort (intentional or not intentional), any breach of duty (legal, statutory, fiduciary or otherwise), or any Taxes, or any right of ownership or title to property, or to a trust or deemed trust, howsoever created, and whether or not reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, unsecured, present, future, known or unknown, by guarantee, surety or otherwise and whether or not such right is executory in nature, including the right or ability of any Person to advance a claim for contribution or indemnity or otherwise:
  - (i) which indebtedness, liability or obligation is based in whole or in part on facts existing on or prior to the Valuation Date or would have been claims provable in bankruptcy had the Company become bankrupt on the Valuation Date; or
  - (ii) which indebtedness, liability or obligation arises after, or is based upon facts arising after, the Valuation Date, including without limitation, that which arises from or is caused by the repudiation or termination of any contract, lease or agreement by the Company or order of this Court,

but excluding Excluded Claims. For greater certainty, although all Claims for interest shall be barred in accordance with the terms of the Initial Order of this Court dated September 18, 2007, if entitled thereto under any applicable contract, a creditor of the Company may make claims for interest which has accrued on its Claim to and including the Valuation Date, but no claim shall be made or accepted by the Monitor for interest accrued after the Valuation Date;

- (d) **"Claimant"** means any Person having a Claim and, if the context requires, includes the assignee of a Claim, or a trustee, interim receiver, receiver, receiver and manager, liquidator, or other Person acting on that Person's behalf;
- (e) **"Claims Bar Date"** means 5:00 p.m. (Halifax time) on December 12, 2007, or such later date as may be ordered by this Court;
- (f) **"Claims Officer"** means the individual designated by the Monitor pursuant to paragraph 12 of this Order or any other individual or individuals designated as the Claims Officer by this Court;
- (g) **"Claims Package"** means a package, which includes the Notice to Claimants, an Instruction Letter, a Proof of Claim and a copy of this Order;
- (h) **"Court"** means the Supreme Court of Nova Scotia;
- (i) **"Date of Appointment"** September 18, 2007;
- (j) **"Disputed Claim"** means a Claim for which a Claimant has delivered a Notice of Dispute;
- (k) **"Excluded Claims"** has the meaning ascribed thereto in paragraph 7 of this Order;
- (l) **"Instruction Letter"** means the instruction letter in substantially the form annexed as Schedule "A" hereto;
- (m) **"Monitor"** means BDO Dunwoody Goodman Rosen Inc., in its capacity as Monitor of the Company pursuant to the Appointment Order;
- (n) **"Monitorship"** means the Monitorship proceedings with respect to the Company;
- (o) **"Notice of Dispute"** means a written notice in substantially the form annexed as Schedule "E" hereto, delivered to the Monitor by a Claimant who has received a Notice of Revision or Disallowance, disputing the Notice of Revision or Disallowance with reasons for its dispute;
- (p) **"Notice of Revision or Disallowance"** means a written notice to a Claimant, in substantially the form attached as Schedule "D" hereto, delivered by the Monitor advising the Claimant that the Monitor has revised or disallowed all or part of its Claim;
- (q) **"Notice to Claimants"** means the notice for publication substantially in the form annexed as Schedule "B" hereto;
- (r) **"Person"** means any individual, partnership, firm, joint venture, trust, entity, corporation, limited or unlimited liability company, association, unincorporated organization, government or any agency, officer or instrumentality thereof or similar entity, or any other entity howsoever designated or constituted exercising executive, legislative, judicial, regulatory or administrative functions in Canada;

- (s) **"Post-Filing Claim"** means a Claim arising after the Company has filed its plan of arrangement with this Court;
- (t) **"Proof of Claim"** means the form of Proof of Claim substantially in the form annexed as Schedule "C" hereto;
- (u) **"Taxes"** means taxes, including all income, capital, corporate, gross receipts, goods and services, sales, use, value-added, *ad valorem*, transfer, non-resident, property, real or personal property, business, franchise, license and excise taxes and duties, together with any interest, penalties, fines, additional taxes and additions to tax imposed with respect to the foregoing; and
- (v) **"Valuation Date"** means September 18, 2007.

#### **Notice to Claimants**

5. **THIS COURT ORDERS** that, for the purpose of facilitating the identification and resolution of Claims:
  - (a) on or before November 26, 2007 the Monitor shall send a Claims Package by ordinary mail to each known potential Claimant, identified by the Monitor through its review of the books and records maintained in connection with the Monitorship of the Company;
  - (b) the Monitor shall send by ordinary mail, courier, facsimile transmission or electronic mail as soon as reasonably possible following receipt of a request therefor, a Claims Package to any Claimant requesting the same, provided such request is received prior to the Claims Bar Date;
  - (c) the Monitor shall, on or before November 28, 2007, cause the Notice to Claimants in the form attached hereto as Schedule "B" to be published in The Globe and Mail (National Edition), all editions of the Halifax Chronicle Herald and the Cape Breton Post; and
  - (d) in addition, the Monitor shall make a copy of the Claims Package available on the Monitor's website at [www.bdo.ca/fgc](http://www.bdo.ca/fgc).
6. **THIS COURT ORDERS** that, subject to paragraph 7 of this Order, any Person asserting a Claim shall deliver to the Monitor a Proof of Claim by the Claims Bar Date. Any Claimant that does not deliver to the Monitor a completed Proof of Claim with respect to a Claim as provided for herein on or before the Claims Bar Date, or such later date as the Monitor may agree to in writing, or as the Court may otherwise order:
  - (a) shall have its Claim forever extinguished and shall be forever barred from making or enforcing any Claim against the Company, the Monitor, or any other Person; and
  - (b) shall not be entitled to any further notice in respect of the Claims Process and these proceedings.

7. **THIS COURT ORDERS** that, notwithstanding anything contained in this Order, the following claims shall not be extinguished or affected by this Order (collectively, the "Excluded Claims"):
- (a) claims by the Monitor and counsel to the Monitor for fees and disbursements payable in accordance with the Appointment Order or claims by counsel to the Company for fees and disbursements payable in this matter;
  - (b) claims by the DIP Lender that are secured by the Order of this Court dated November 22, 2007.
8. **THIS COURT ORDERS** that, notwithstanding anything contained in this Order, Excluded Claims shall not be extinguished or affected by this Order and, for greater certainty, paragraph 6 of this Order shall not apply to Excluded Claims.

#### **Review of Proofs of Claim**

9. **THIS COURT ORDERS** that:
- (a) the Monitor is hereby authorized and directed to use reasonable discretion as to the adequacy of compliance as to the manner in which Proofs of Claim are completed and executed and may, where it is satisfied that a Claim has been adequately proven, waive strict compliance with the requirements of this Order as to the completion and the execution of a Proof of Claim; and
  - (b) each Claim shall be reduced by the amount of any subsequent payment thereon and any other subsequent credit against the Claim or the Claimant.

#### **Revision or Disallowance**

10. **THIS COURT ORDERS** that the Monitor shall review all Proofs of Claim filed on or before the Claims Bar Date. The Monitor shall accept, revise or disallow such Proofs of Claim as contemplated herein. The Monitor shall send a Notice of Revision or Disallowance and the form of Notice of Dispute to the Claimant as soon as the Claim has been revised or disallowed but in any event no later than 11:59 p.m. (Halifax time) on December 18, 2007 or such later date as the Court may order. Where the Monitor does not send a Notice of Revision or Disallowance by the aforementioned date to a Claimant who has submitted a Proof of Claim, the Monitor shall be deemed to have accepted such Claim.

#### **Notice of Dispute**

11. **THIS COURT ORDERS** that any Person who intends to dispute a Notice of Revision or Disallowance shall deliver a Notice of Dispute to the Monitor and the Claims Officer as soon as reasonably possible but in any event on or before 5:00 p.m. (Halifax time) on December 28, 2007 or such later date as this Court may order.
12. **THIS COURT ORDERS** that, where a Claimant who receives a Notice of Revision or Disallowance fails to deliver a Notice of Dispute to the Monitor within the time limit

therefor, the value of such Claimant's Claim shall be deemed to be as set out in the Notice of Revision or Disallowance.

### **Resolution of Claims**

13. **THIS COURT ORDERS** that a claims officer shall be appointed by the Monitor and shall be designated as the Claims Officer for the claims process described herein, subject to any further Order of this Court. The Claims Officer to be appointed by the Monitor is Mr. Richard Cregan, Registrar in Bankruptcy.
14. **THIS COURT ORDERS** that, subject to the direction of the Court, the Claims Officer shall determine the manner, if any, in which evidence may be brought before him by the parties as well as any other procedural matters that may arise in respect of his determination of the value of the Claim for which a Claimant has delivered a Notice of Dispute. The Claims Officer shall have the discretion to determine who shall bear the costs of any hearing before the Claims Officer. All costs of the Monitor and its counsel in any proceedings relating to disputed claims shall be paid by the Monitor and may be included in the accounts of the Monitor, subject to any assessment as may be required pursuant to the Appointment Order. All costs of the Claims Officer in any proceedings relating to disputed claims shall be paid by the Company.
15. **THIS COURT ORDERS** that, upon receiving a Notice of Dispute from a Claimant, the Claims Officer shall schedule a hearing in order to make a determination concerning the Disputed Claim and, following such hearing (all such hearings to be held no later than January 11, 2008), the Claims Officer shall subsequently notify the Monitor and such Claimant of the value of the Claim; provided that, where the Monitor advises the Claims Officer that it is negotiating with a Claimant as to its Claim, the scheduling of a hearing with respect to that Claim may be deferred pending the outcome of such negotiations.
16. **THIS COURT ORDERS** that a Claimant or the Monitor, may, within seven (7) calendar days of notification of the Claims Officer's determination of the value of such Claimant's Claim under this Claims Process, appeal such determination to the Court by filing with this Court a Notice of Appeal, which appeal shall be made returnable within fourteen (14) calendar days of the filing of the Notice of Appeal, in default of which such determination by the Claims Officer shall, subject to further Order of this Court, be deemed to be final.
17. **THIS COURT ORDERS** that, notwithstanding paragraphs 12 to 15 hereof, but subject to paragraph 9 of this Order, the Monitor shall at all times be authorized to enter into negotiations with Claimants and settle any Claim on such terms as the Monitor may consider appropriate.

### **Unresolved Claims**

18. **THIS COURT ORDERS** that any Claimants whose Claims have not yet been resolved prior to the meeting to be held on January 22, 2008, at which all Claimants will vote to either accept or reject the plan of arrangement to be filed by the Company with this Court on November 29, 2007, shall be entitled to vote the portion of their Claim that is undisputed. Such portion shall be determined by the Monitor.

## Notices and Communications

19. **THIS COURT ORDERS** that any notice or other communication (including, without limitation, Notices of Revision or Disallowance) to be given under this Order by the Monitor to a Claimant shall be in writing in substantially the form, if any, provided for in this Order. Such notice or other communication will be sufficiently given to a Claimant, if given by prepaid ordinary mail, courier, delivery, facsimile transmission or electronic mail to the Claimant to such address, facsimile number or electronic mail address for such Claimant as may be recorded in the books and records of the Company, the Monitor or to such other address, facsimile number or electronic mail address as such Claimant may request by notice to the Monitor given in accordance with this Order. Any such notice or other communication, (i) if given by prepaid ordinary mail, shall be deemed received on the third (3rd) Business Day after mailing, (ii) if given by courier or delivery shall be deemed received on the next Business Day following dispatch, (iii) if given by facsimile transmission or electronic mail before 5:00 p.m. on a Business Day shall be deemed received on such Business Day; and (iv) if given by facsimile transmission or electronic mail after 5:00 p.m. on a Business Day shall be deemed received on the next following Business Day.
20. **THIS COURT ORDERS** that any notice or other communication (including, without limitation, Proofs of Claim and Notices of Dispute) to be given under this Order by a Claimant to the Monitor shall be in writing in substantially the form, if any, provided for in this Order and will be sufficiently given only if given by ordinary mail, courier, delivery, facsimile transmission or electronic mail addressed to:
- BDO Dunwoody Goodman Rosen Inc. in its capacity as Monitor  
1718 Argyle Street  
Suite 620  
Halifax, Nova Scotia B3J 3N6
- Attention: Paul G. Goodman  
Telephone: 902.425.3100  
Facsimile: 902.425.3777  
electronic mail: [insol-halifax@bdo.ca](mailto:insol-halifax@bdo.ca)
- Any such notice or other communication by a Claimant shall be deemed received only upon actual receipt thereof during normal business hours on a Business Day.
21. **THIS COURT ORDERS** that if during any period during which notices or other communication are being given pursuant to this Order a postal strike or postal work stoppage of general application should occur, such notices or other communications then not received or deemed received shall not, absent further Order of this Court, be effective and notices and other communications given hereunder during the course of any such postal strike or work stoppage of general application shall only be effective if given by courier, delivery, facsimile transmission or electronic mail in accordance with this Order.
22. **THIS COURT ORDERS** that all reasonable costs incurred by the Monitor in administrating the Claim Process as it relates to the Company shall be paid by the Company.

**Post-Filing Claims**

23. **THIS COURT ORDERS** that any Post-Filing Claims be subject to the same process as for Claims, outlined in paragraphs 1-22, with the following changes in timing:
- (a) the Claims Bar Date is extended to January 7, 2008;
  - (b) the Monitor shall send any Notices of Revision or Disallowance by January 9, 2008;
  - (c) any Notices of Dispute shall be delivered to the Monitor and the Claims Officer on or before 5:00 p.m. (Halifax time) on January 14, 2008 or such later date as this Court may order; and
  - (d) hearings by the Claims Officer shall be take place within five (5) Business Days of receipt of a Notice of Dispute.

**II. FURTHER ORDER**

24. **THIS COURT ORDERS** that, notwithstanding any other provision of this Order, the Monitor and the Company may apply at any time to this Court to seek any further relief, and any other interested Person may apply to this Court to vary this Order or seek other relief on seven (7) calendar days notice to the Monitor and the Company, as applicable, and to any other Person likely to be affected by the Order sought or on such other notice, if any, as the Court may order.

**DATED** at Halifax, Nova Scotia, this \_\_\_\_ day of November, 2007.

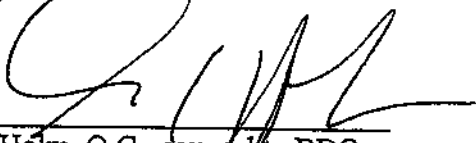
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Deputy Prothonotary



**CONSENTED TO:**

This 22 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

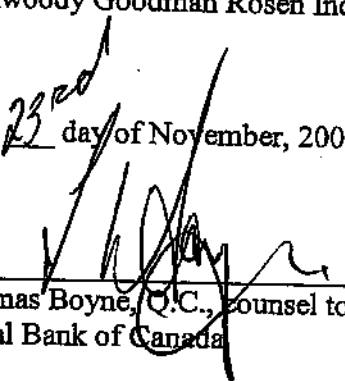
\_\_\_\_\_  
Robert Sampson, counsel to  
Enterprise Cape Breton Corporation  
and Cape Breton Growth Fund Corporation

**CONSENTED TO:**

This \_\_\_ day of November, 2007

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

This 23<sup>rd</sup> 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

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

**CONSENTED TO:**

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 21<sup>st</sup> day of November, 2007

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

**CONSENTED TO:**

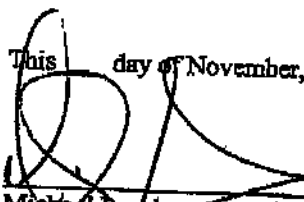
This \_\_\_ day of November, 2007

\_\_\_\_\_  
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 23 day of November, 2007

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

## SCHEDULE "A"

### INSTRUCTION LETTER FOR THE CLAIMS PROCEDURE WITH RESPECT TO FEDERAL GYPSUM COMPANY

#### A. CLAIMS PROCEDURE

By Order of the Nova Scotia Supreme Court dated November 22, 2007 (the "Claims Order") under the *Companies' Creditors Arrangement Act* (the "CCAA"), Federal Gypsum Company (the "Company") has been authorized to conduct a claims process under the CCAA. The Claims Order, a copy of which is enclosed, governs the Claims Procedure in all respects and the instructions contained herein are provided for the sake of convenience only. *All capitalized terms nor otherwise defined will have the meanings ascribed to them in the Claims Order.*

This letter provides instructions for responding to or completing the following forms:

- Proof of Claim
- Notice of Revision or Disallowance
- Notice of Dispute

The Claims Procedure is intended for any Person with any claims of any kind or nature whatsoever, whether unliquidated, contingent or otherwise, against the Company or any officer or director of the Company prior to September 18, 2007 ("Valuation Date") and any claims relating to the period from and after September 18, 2007 arising from or caused by, directly or indirectly, the implementation of or any action taken pursuant to the Order dated September 18, 2007 and arising before the date of the filing with the Court of the plan of arrangement by the Company, including claims arising from the repudiation of any lease, the assignment of any contract or lease of personal, real, moveable or immovable property (including any future liability as assignor thereof) or the repudiation of any contract to take effect up to and including the Plan implementation date (including any anticipatory breach thereof), the repudiation or termination of any contract of employment, the termination or winding up of any pension or employee benefit plans and any other claim arising at law or equity.

If you have any questions regarding the Claims Procedure, please contact the Monitor at the address provided below.

All notices and enquiries with respect to the Claims Procedure should be addressed to:

BDO Dunwoody Goodman Rosen Inc. in its capacity as Monitor  
1718 Argyle Street  
Suite 620  
Halifax, Nova Scotia B3J 3N6

Attention: Kim Burke  
Telephone: 902.425.3100  
Facsimile: 902.425.3777  
electronic mail: [insol-halifax@bdo.ca](mailto:insol-halifax@bdo.ca)

If you believe that you have a Claim against The Company or any of its directors and/or officers, you must file a completed Proof of Claim with the Monitor. The Proof of Claim must be received by the Monitor by 5:00 p.m. (Halifax Time) December 12, 2007, the Claims Bar Date.

If you were an **EMPLOYEE** of the Company, and you believe that you have a Claim against the Company or a director or officer of the Company, you must file a completed Proof of Claim with the Monitor. The Proof of Claim must be received by the Monitor by 5:00 p.m. (Halifax Time) December 12, 2007, the Claims Bar Date.

If you fail to deliver a Proof of Claim to the Monitor by the Claims Bar Date, your claim will be forever barred and you will not be entitled to vote at a Creditors' meeting, receive any distribution thereunder nor receive any further notice in these proceedings. Accordingly, your Claim will be forever extinguished and you will be barred from making or enforcing a Claim against the Company or any other person including, without limitation, directors or officers of the Company in respect of your Claim.

*If the Monitor disagrees with the value or status that you have ascribed to your Claim, or the validity of your Claim as set out in your Proof of Claim, and such disagreement cannot be resolved consensually, you will receive a Notice of Revision or Disallowance from the Monitor (see section C below for details).*

## **B. GENERAL INSTRUCTIONS FOR COMPLETING THE PROOF OF CLAIM**

The Proof of Claim must be completed by an individual, or an individual acting on behalf of a corporation. The individual acting for a corporation or other person must state the capacity in which he/she is acting, such as "Credit Manager", "Treasurer", "Authorized Agent", etc. The individual completing the Proof of Claim must have knowledge of the circumstances connected with the Claim. All Proofs of Claim must be signed, dated and witnessed.

The full legal name of the Creditor must be filled out in its entirety. Only one Proof of Claim may be filed per legal entity notwithstanding that separate divisions or operating units of a Creditor may supply and bill the Company separately.

A Statement of Account containing full details of the Claim must be attached to the Proof of Claim. The Proof of Claim should include all amounts owing for any goods or services provided to the Company before September 18, 2007. Claims shall be reduced by the following amounts that are applicable against the Claim:

1. any subsequent payment;
2. application of any volume or other discounts; and
3. any other subsequent credits.

If you were an **EMPLOYEE** of the Company and are submitting a Proof of Claim, the statement of account to be attached to the completed Proof of Claim must include the total amount of your Claim broken down as follows:

- (i) amounts claimed in relation to unpaid wages;

- (ii) amounts claimed with respect to unpaid vacation pay; and
- (iii) other amounts claimed owing, including amounts claimed for termination and/or severance.

**If you have obtained employment**, you must also provide the following information on the statement of account:

- (i) when you obtained employment (i.e., the date you commenced employment);
- (ii) your salary or wages;
- (iii) your earnings to date; and
- (iv) the date that you secured benefit coverage through new employment, if applicable.

**PLEASE NOTE** that if you have obtained employment, this may serve to reduce your entitlement to termination and severance, and, therefore, this should be taken into account and deducted from the amount of your Claim, if applicable.

If the Creditor holds security for the indebtedness, a statement of the value and nature of the security must accompany the Proof of Claim.

If the Creditor holds a contingent or unliquidated claim, the details of or reasons for the claim must be provided in addition to the basis upon which the claim has been valued.

If the Claim or a portion thereof has been sold or assigned, the name of the party purchasing the Claim, the amount of the Claim sold or assigned, as well as supporting documentation, must be attached to the Proof of Claim submitted. The Claim can be completed by either the original Creditor or by the assignee, but not both. Creditors and assignee(s) must determine amongst themselves who will file the Proof of Claim.

#### **C. FOR CREDITORS RECEIVING A NOTICE OF REVISION OR DISALLOWANCE**

If you have sent a Proof of Claim, the Monitor is entitled to challenge the valuation, status or validity of your Claim by sending you a Notice of Revision or Disallowance by 11:59 p.m. (Halifax Time) December 18, 2007.

Such notice shall be delivered by ordinary mail, courier, delivery, facsimile transmission or electronic mail. If a Notice of Revision or Disallowance is not sent by such date, your Proof of Claim shall be deemed to have been accepted for voting and distribution purposes.

#### **D. FOR CREDITORS SUBMITTING A NOTICE OF DISPUTE**

If you are sent a Notice of Revision or Disallowance, you are entitled to dispute the revision or disallowance of your Claim, by sending by ordinary mail, courier, delivery, facsimile transmission or electronic mail, a Notice of Dispute to the Monitor and the Claims Officer,

which must be received by 5:00 p.m. (Halifax Time) December 28, 2007. If a Notice of Dispute is not received by this time, your Claim will be finalized on the basis set out in the Notice of Revision or Disallowance.

Upon receipt of a Notice of Dispute from a Creditor, the Claims Officer will attempt to resolve the dispute. You may be required to attend a hearing or to present evidence documenting your Claim and its value. You will be notified of the Claims Officer's determination of your Claim. The decision of the Claims Officer shall be final and binding on the Monitor and you, unless the decision of the Claims Officer is appealed by you or the Monitor to the Court within 7 days of notification of such decision by the Claims Officer.

#### **E. CLAIMS ORDER**

This instruction letter is for information purposes and is provided to assist you in the Claims Procedure. Please note that the provisions of the Claims Order prevail and you must comply with the terms of the Claims Order.



**SCHEDULE "B"**

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

**NOTICE OF LAST DAY (CLAIMS BAR DATE) FOR THE  
FILING OF CLAIMS**

**PLEASE TAKE NOTICE**, that pursuant to an order of the Supreme Court of Nova Scotia made November 22, 2007 (the "Claims Process Order") any person with a claim relating to Federal Gypsum Company (the "Company") or any claim against an officer or director of the Company whether liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, unsecured, present, future, known, or unknown, by guarantee, surety or otherwise, and whether or not such right is executory in nature, including without limitation, the right or ability of any person to advance a claim for contribution or indemnity or otherwise with respect to any matter, action, cause or chose in action, whether existing at present or commenced in the future, must file a Proof of Claim with BDO Dunwoody Goodman Rosen Inc., as Monitor, no later than 5:00 P.M. Halifax time on December 12, 2007.

**PLEASE TAKE NOTICE** that any claim required to be filed pursuant to the provisions of the Claims Process Order and not filed by 5:00 P.M. Halifax time on December 12, 2007 shall be extinguished and the claimant shall be forever barred from asserting a claim or interest against the Company or any other person with respect to such claim, including, if applicable, directors or officers of the Company and their property and the holder of the claim shall be forever barred from voting on a plan of compromise or arrangement filed by the Company under the CCAA or receiving any distribution thereunder in the event that such plan is approved by the creditors and the Court.

**PLEASE TAKE NOTICE** that any creditors who have not already received a package from the Monitor should contact the Monitor in order to receive a Proof of Claim form and instruction letter.

Creditors must file their Proof of Claim form so that the documents are actually received by 5:00 P.M. Halifax time on December 12, 2007 at the following address:

BDO Dunwoody Goodman Rosen Inc. in its capacity as Monitor  
1718 Argyle Street  
Suite 620  
Halifax, Nova Scotia B3J 3N6

Attention: Kim Burke  
Telephone: 902.425.3100  
Facsimile: 902.425.3777  
electronic mail: [insol-halifax@bdo.ca](mailto:insol-halifax@bdo.ca)

**THE PROOF OF CLAIM CAN BE MAILED, COURIERED, HAND DELIVERED,  
FAXED, OR ELECTRONICALLY MAILED TO THE MONITOR PROVIDED THAT IT  
IS ACTUALLY RECEIVED ON OR BEFORE 5:00 P.M. HALIFAX TIME ON  
DECEMBER 12, 2007.**

DATED at Halifax, Nova Scotia, Canada on November 22, 2007

BDO Dunwoody Goodman Rosen Inc. in its capacity as Monitor  
1718 Argyle Street  
Suite 620  
Halifax, Nova Scotia B3J 3N6

Attention: Kim Burke  
Telephone: 902.425.3100  
Facsimile: 902.425.3777  
electronic mail: [insol-halifax@bdo.ca](mailto:insol-halifax@bdo.ca)



**B. CLAIMS AGAINST DIRECTORS AND/OR OFFICERS**

Is this a Claim against a director or officer of the Company?  Yes  No  
(if yes, please provide details in section D)

**C. PROOF OF CLAIM**

I, \_\_\_\_\_ (Name of Creditor or Representative of the Creditor)

certify:

- (i) that I am a Creditor of/hold the position of the Creditor and have knowledge of all the circumstances connected with the Claim described herein (please check one); and
- (ii) that the Creditor makes the following Claim against Federal Gypsum Company:

CLAIM

Secured \_\_\_\_\_ Unsecured \_\_\_\_\_

CDN\$ \_\_\_\_\_ CDN\$ \_\_\_\_\_

(If the Claim is in a foreign currency, it should be converted to Canadian dollars at the exchange rate of the Bank of Canada as at September 18, 2007.

**D. PARTICULARS OF CLAIM**

The following are particulars relating to the Claim against Federal Gypsum Company:

Description of transaction or agreement giving rise or relating to the Claim:

\_\_\_\_\_

If the Claim is contingent or unliquidated, state the basis upon which the Claim has been valued:

\_\_\_\_\_

\_\_\_\_\_

Details of security, if any, held (attach copies of relevant documents):

\_\_\_\_\_

\_\_\_\_\_

Names of any guarantors, including any other subsidiary or affiliate of the Company, which have guaranteed the claim:

\_\_\_\_\_

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**A DETAILED, COMPLETE STATEMENT OF ACCOUNT MUST BE ATTACHED TO THE PROOF OF CLAIM. THE ATTACHED STATEMENT MUST SHOW THE DATE, THE NUMBER AND THE AMOUNT OF EACH INVOICE OR CHARGE, TOGETHER WITH THE DATE, THE NUMBER AND THE AMOUNT OF ALL CREDITS, COUNTERCLAIMS, DISCOUNTS, PAYMENTS, ETC. TO WHICH THE COMPANY IS ENTITLED.**

**E. PARTICULARS OF ASSIGNEE(S) (IF ANY):**

1. Full legal name of Assignee(s) of Claim (if all or a portion of the Claim has been assigned or sold). If there is more than one assignee, please attach separate sheets with the following information:

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(the "Assignee(s)")

Amount of Total Claim Assigned	\$ _____
Amount of Total Claim Not Assigned	\$ _____
Total Amount of Claim	\$ _____

(should equal "Total Claim" as entered on Section B)

2. Full mailing address of Assignee(s):  
\_\_\_\_\_  
\_\_\_\_\_
3. Telephone number of Assignee(s): \_\_\_\_\_
4. Fax number of Assignee(s): \_\_\_\_\_
5. E-mail Address: \_\_\_\_\_
6. Attention (contact person): \_\_\_\_\_

**The fully completed Proof of Claim together with supporting documentation must be returned and received by the Monitor, no later than 5:00 p.m. (Halifax time) on December 12, 2007, at the following address or fax number, or email address:**

BDO Dunwoody Goodman Rosen Inc. in its capacity as Monitor  
1718 Argyle Street  
Suite 620  
Halifax, Nova Scotia B3J 3N6

Attention: Kim Burke  
Telephone: 902.425.3100  
Facsimile: 902.425.3777  
electronic mail: [insol-halifax@bdo.ca](mailto:insol-halifax@bdo.ca)

DATED at \_\_\_\_\_ this \_\_\_\_\_ day of \_\_\_\_\_ 2007.

\_\_\_\_\_  
(Signature of Witness)

\_\_\_\_\_  
(Signature of individual completing this form)

**SCHEDULE "D"**

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

**NOTICE OF REVISION OR DISALLOWANCE - FEDERAL GYPSUM COMPANY**

Name of Creditor: \_\_\_\_\_

Pursuant to the Claims Order, the Monitor gives you notice that it has reviewed your Proof of Claim dated \_\_\_\_\_ and has revised or rejected your Claim for the following reason(s):

\_\_\_\_\_  
\_\_\_\_\_

Subject to further dispute by you in accordance with the provisions of the Claims Order, the Claim will be allowed as follows:

<u>Claim per</u>	<u>Allowed as Revised for</u>
<u>Proof of Claim</u>	<u>Voting and Distribution</u>

FEDERAL GYPSUM COMPANY    Cdn. \$ \_\_\_\_\_                      Cdn. \$ \_\_\_\_\_

Please be advised that if you disagree with the revision or disallowance of your Claim as set at above, you must complete and return the enclosed Notice of Dispute to the Monitor, to be received by the Monitor by no later than 5:00 p.m. (Halifax Time) on December 28, 2007. If you do not file the enclosed Notice of Dispute by 5:00 p.m. (Halifax Time) on December 28, 2007, your Claim shall be as set out above for voting and distribution purposes in respect of the Plan.

DATED at Halifax, Nova Scotia, Canada this \_\_\_\_\_ day of 2007.

BDO Dunwoody Goodman Rosen Inc. in its capacity as Monitor  
1718 Argyle Street  
Suite 620  
Halifax, Nova Scotia B3J 3N6

Attention: Kim Burke  
Telephone: 902.425.3100  
Facsimile: 902.425.3777  
electronic mail: [insol-halifax@bdo.ca](mailto:insol-halifax@bdo.ca)

Per: \_\_\_\_\_



**SCHEDULE "E"**

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

**NOTICE OF DISPUTE - FEDERAL GYPSUM COMPANY**

**TO:** BDO Dunwoody Goodman Rosen Inc. in its capacity as Monitor  
Attention: Paul G. Goodman  
1718 Argyle Street  
Suite 620  
Halifax, Nova Scotia B3J 3N6

**AND TO:** Claims Officer  
Federal Gypsum Company  
Attention: Michael Simpson, Executive Vice President

We give you notice of our intention to dispute the Notice of Revision or Disallowance dated \_\_\_\_\_.

**A.** Name of Creditor: \_\_\_\_\_

(For completion of claim amount in section B, Federal Gypsum Company claims in foreign currency are to be converted to Canadian dollars at the Bank of Canada noon spot rate as at the Valuation Date (September 18, 2007).

<b>B.</b>	Claim per Revision or Disallowance	Notice of Claim per Creditor
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FEDERAL GYPSUM COMPANY	Cdn. \$ _____	Cdn. \$ _____
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**C. Reasons for Dispute**

Provide full particulars of the Claim and supporting documentation, including amount, description of transaction(s) or agreement(s) giving rise to the Claim, name of any guarantor which has guaranteed the Claim, date and number of all invoices, particulars of all credits, discounts, etc. claimed, description of the security, if any, granted by Federal Gypsum Company

to the Creditor and estimated value of the security, any contingent liability of Federal Gypsum Company and any claims resulting from the repudiation or variation of any contract, including any contingent liability of Federal Gypsum Company.

\_\_\_\_\_  
(Signature of Individual completing this Dispute)

\_\_\_\_\_  
Date

\_\_\_\_\_  
(Please print name and title)

Telephone Number:

Fax Number:

Email Address:

Full Mailing Address:

**THIS FORM IS TO BE RETURNED BY MAIL, COURIER, DELIVERY, FAX, OR ELECTRONIC MAIL TO EACH OF THE FOLLOWING PARTIES AND MUST BE RECEIVED BY NO LATER THAN 5:00 P.M. (HALIFAX TIME) ON DECEMBER 28, 2007.**

BDO Dunwoody Goodman Rosen Inc. in its capacity as Monitor  
1718 Argyle Street  
Suite 620  
Halifax, Nova Scotia B3J 3N6

Attention: Kim Burke/Darlene Coolen  
Telephone: 902.425.3100  
Facsimile: 902.425.3777  
electronic mail: [insol-halifax@bdo.ca](mailto:insol-halifax@bdo.ca)

- AND -

CLAIMS OFFICER  
of Federal Gypsum Company  
c/o Michael Simpson, Executive Vice President  
Telephone: 902.625.3070 (ext 103)  
Facsimile: 902.625.7027



BDO Dunwoody Goodman Rosen Inc.

Suite 620, 1718 Argyle Street  
 Halifax Nova Scotia Canada B3J 3N6  
 Telephone: (902) 425-3100  
 Fax: (902) 425-3777  
 Toll Free: (800) 337-5764  
 Email: [insol-halifax@bdo.ca](mailto:insol-halifax@bdo.ca)  
[www.bdo.ca](http://www.bdo.ca)

TO THE CREDITORS OF  
 FEDERAL GYPSUM COMPANY

November 26, 2007

**Re: Federal Gypsum Company ("Federal") and  
 Companies' Creditors Arrangement Act ("CCAA")**

Pursuant to an Order ("Initial Order") dated September 18, 2007, granted by Mr. Justice A. David MacAdam of the Supreme Court of Nova Scotia (the "Court"), Federal Gypsum Company ("Federal") was given protection under the Companies' Creditors Arrangement Act ("CCAA"). The Monitor appointed under the Initial Order is BDO Dunwoody Goodman Rosen Inc. (the "Monitor") of Halifax.

To date, the Monitor has filed three detailed reports with the Court. All reports and filings with the Court can be found on the Monitor's special website at [www.bdo.ca/fgc](http://www.bdo.ca/fgc).

Pursuant to an Order ("Claims Bar Order") of the Court granted by Mr. Justice MacAdam on the 22<sup>nd</sup> day of November, 2007, a claims bar process was established. You should refer to the definitions of "Claims" and "Post-Filing Claims" in the order attached. The following parties are entitled to file Proofs of Claim against Federal:

- a) All creditors with claims, either existing as at September 18, 2007, the date of the Initial Order, or which arose after September 18, 2007 and which remain outstanding as at the Claims Bar Date being 5:00 p.m., Halifax time, on the 12<sup>th</sup> day of December, 2007; and
- b) Any person or entity which became or subsequently becomes a creditor of Federal as a result of claims which arose after Federal files its plan of arrangement, (anticipated to be November 29, 2007) The Claims Bar Date for post-filing claims is 5:00 p.m., Halifax time, on January 7, 2008.

For your information and use in the claims bar process, enclosed with this correspondence are the following:

1. Copy of Claims Bar Order (as granted on November 22, 2007, but unsigned)
2. Schedule "A" Instruction Letter for the Claims Procedure
3. Schedule "B" Notice of Last Day (Claims Bar Date) for the Filing of Claims
4. Schedule "C" Proof of Claim – Federal
5. Schedule "D" Notice of Revision or Disallowance – Federal
6. Schedule "E" Notice of Dispute – Federal

All documents required in the claims bar process must be delivered to the Monitor by registered mail, or fax, or e-mail, or courier, or personal delivery to the following address:



Suite 301, 295 George Street  
 Sydney Nova Scotia B1P 1J7

Toll Free: (888) 666-5764  
 Telephone: (902) 539-9850  
 Fax: (902) 539-5373  
 Email: [insol-sydney@bdo.ca](mailto:insol-sydney@bdo.ca)

Appointments also held in other  
 locations in Nova Scotia



Page 2

BDO Dunwoody Goodman Rosen Inc.  
Suite 620, 1718 Argyle Street  
Halifax, NS B3J 3N6  
Attention: Paul G. Goodman, FCA, FCIRP, FIC

Telephone: (902) 425-3100  
Fax: (902) 425-3777  
E-mail: [insol-halifax@bdo.ca](mailto:insol-halifax@bdo.ca)

It is extremely important to note that all Proofs of Claim, together with supporting invoices and documents, must be delivered to the Monitor no later than 5:00 p.m. Halifax time, on the 12<sup>th</sup> day of December, 2007, being the Claims Bar Date. Only the forms supplied herewith will be accepted. No other forms are to be used.

Proofs of Claim for post-filing claims must be submitted to the Monitor no later than 5:00 p.m., Halifax time, on January 7, 2008.

Any claim not filed with the Monitor by the Claims Bar Dates (December 12, 2007 for pre-September 18, 2007 claims and January 7, 2008 for post-filing claims) shall be extinguished and shall be forever barred from asserting a claim or interest against Federal and its property and shall be barred from voting on any Plan of Arrangement as may be filed by Federal.

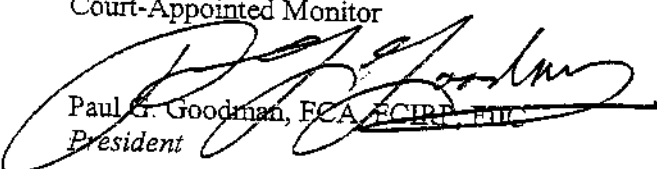
Upon receipt of the claims, the Monitor, in conjunction with Federal, will review the claims and issue either a Notice of Allowance or a Notice of Disallowance.

You will observe that in Paragraph 18 of the Claims Bar Order, reference is made to the Meeting of Creditors to be held on January 22, 2008. As the Plan of Arrangement will not be filed until November 29, 2007, the Monitor will, at a later date, serve notice on all creditors whose claims have been filed with the Monitor on or before the Claims Bar Date (December 12, 2007) of the date, time, and place of the Meeting of Creditors. Included with that Notice of Meeting, to be sent later by the Monitor, will be a copy of the Plan or Arrangement to be considered (subject to amendment) and a Proxy Form and Voting Letter so your vote may be considered in accepting or rejecting the Plan of Arrangement in the event you are not able to attend the Meeting of Creditors.

Should you have any questions regarding the claims bar process, kindly contact our office.

Yours very truly

BDO DUNWOODY GOODMAN ROSEN INC.  
Court-Appointed Monitor

  
Paul G. Goodman, FCA, FCIRP, FIC  
President

PGG/dlc  
Enclosures

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

**NOTICE OF ALLOWANCE – FEDERAL GYPSUM COMPANY**

Name of Creditor: \_\_\_\_\_

Pursuant to the Claims Bar Order granted by Mr. Justice A. David MacAdam on November 22, 2007, the Monitor gives you notice that it has reviewed your Proof of Claim dated \_\_\_\_\_ and has allowed your claim in the amount of \$ \_\_\_\_\_.

DATED at Halifax, Nova Scotia this \_\_\_\_\_ day of \_\_\_\_\_, 2007.

BDO DUNWOODY GOODMAN ROSEN INC.  
In Its Capacity as Monitor of Federal Gypsum Company

Paul G. Goodman, FCA, FCIRP, FIIC  
*President*