

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

SIXTH REPORT OF MONITOR – BDO DUNWOODY GOODMAN ROSEN INC.

January 25, 2008

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1. SIXTH 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”). The objective of the CCAA filing was to allow time for Federal to develop and present a Plan of Compromise or Arrangement (“the Plan”) for the consideration of Federal’s creditors and approval of the Court.
- 1.2. Over the past four months, through the course of Federal’s CCAA proceeding, there have been a number of Orders and Decisions of Mr. Justice A. David MacAdam who has had carriage of the matter in the Court. In its Fifth Report dated January 7, 2008, the Monitor, in Exhibit 1 attached to that Report, provided a summary of all of the Orders and Decisions of This Honorable Court. All of the Orders as issued by Mr. Justice MacAdam have been placed on the Monitor’s special website at www.bdo.ca/fgc. As at the date of this present Report, there has not been an Order issued with respect to the oral decision given December 14, 2007 regarding the classification of two claims. Our understanding is that Justice MacAdam was to write a decision on this matter.
- 1.3. During the course of the CCAA proceeding, the Monitor has also placed on its special Federal website at www.bdo.ca/fgc various other materials related to the proceeding, including the Monitor’s Reports, Court applications and related materials, Orders of the Court, various communications with creditors, including the Claims Bar Process package and the Meeting Materials package, various versions of the Plan, Minutes of the Meeting of Creditors with attachments, and various other notices and communications.
- 1.4. The main purpose of the Monitor’s Sixth Report is to advise the Court as to the result of the vote on the Plan at the Meeting of Creditors held as directed in the Order issued on December 14, 2007 (“Meeting Order”). Paragraph 15 of the Meeting Order directed the Monitor to call and conduct a Meeting of Creditors in accordance with the provisions of the Plan, which meeting was to be held on January 22, 2008.
- 1.5. For the purpose of continuity, the Monitor advises that to date, it has prepared and filed five previous Reports with the Court as follows:
 - First Report dated September 20, 2007
 - Second Report dated October 14, 2007
 - Third Report dated October 31, 2007
 - Fourth Report dated November 26, 2007
 - Fifth Report dated January 7, 2008

The full text of all five of the above Monitor's Reports can be found on the Monitor's special website at www.bdo.ca/fgc. This present Report will also be placed on our website.

- 1.6. Since the preparation of the Monitor's Fifth Report under date of January 7, 2008, the Monitor advises that, generally, his activities in the CCAA proceeding may be described as follows:
- The Monitor has continued his constant contact and communications with Mr. Rhyne (Mike) Simpson, Jr. and Michael Simpson, the senior officers of Federal; Federal's legal counsel, Maurice Chiasson of Stewart McKelvey; and Carl Holm of Wickwire Holm, counsel to the Monitor. The general nature of these communications and meetings during the month of January, 2008 related to:
 - the cash flow position of Federal
 - Debtor-in-Possession ("DIP") financing issues
 - ongoing development of the Plan and amendments related thereto
 - claims disputes arising out of the Claims Bar Process
 - matters arising out of the mailing of the Meeting Materials prescribed in the Meeting Order and the receipt of Proxies and Voting Letters
 - matters relating to the conduct of the Meeting of Creditors
 - reporting on creditor positions
 - various other administration matters.
 - The Monitor completed the delivery of the Meeting Materials as prescribed in Paragraph 9 of the Meeting Order.
 - The Monitor arranged for the advertisements to be published with respect to the Meeting of Creditors as prescribed in Paragraph 8 of the Meeting Order.
 - In the past three weeks, the Monitor has continued to deal with numerous communications with creditors of Federal, both with regard to the claims filed under the Claims Bar Process and the post-filing obligations of certain creditors with respect to continuing supply of goods and services to Federal.
 - The Monitor attended to the receipt, accounting, and managing of the Proxies and Voting Letters filed by creditors as a result of the delivery of the Meeting Materials package.
 - The Monitor has continued on a weekly basis to review the Variance Analysis and the Weekly Cash Flow Forward and the supporting materials provided by Federal. As in the past, upon conducting certain review procedures as set out in the Monitor's Fourth Report, communications with Federal to address questions and responses were necessary.
 - Upon completing our review of the Variance Analysis and Weekly Cash Flow Forward, these reports, along with an email commentary, were forwarded to certain legal counsel for secured creditors and, in a number of cases, the secured creditors themselves, as well as to other parties who had requested delivery of these reports.

The Monitor then responded to any inquiries raised by the recipients as to the content of the reports received.

- The Monitor partook in certain phone calls with officials or legal counsel for the Term Lenders, being Nova Scotia Business Inc. (“NSBI”), Province of Nova Scotia – Office of Economic Development (“OED”), Enterprise Cape Breton Corporation (“ECBC”), and Cape Breton Growth Fund (“CBGF”). The subject matter of these calls generally related to the status of the development of the Plan, the dispute related to the NSBI lease of premises, the details of certain financial information, and an explanation of the process for voting on the Plan. At the request of an official of NSBI, the Monitor wrote an email to fully describe the voting process as it related to the classes of creditors.
- The Monitor continued communications with Century Services Inc. (“Century”) with respect to the DIP financing provided by Century to Federal as well as the proposed exit financing, including the review of various versions of the proposed Term Sheet as between Century and Federal.
- The Monitor reviewed another draft exit financing proposal submitted to Federal by a potential source of financing.
- The Monitor, in the days leading up to the creditors meeting held on January 22, 2008, expended considerable time preparing for the creditors meeting, including the continuous updating of the Claims Register and the preparation of the Agenda.
- On January 17, 2008, the Monitor forwarded, by email and fax, to all creditors who had proved their claims under the Claims Bar Process, a letter which provided an updated report on the impending creditors meeting and we provided the proved creditors with an updated version of the Plan as it existed at that date.
- The Monitor attended and chaired the Meeting of Creditors held at the offices of Stewart McKelvey on January 22, 2008. This meeting is more fully reported on in Section 4 of this Report.
- Subsequent to the Meeting of Creditors, the Monitor issued a communication to all creditors who had proved their claims under the Claims Bar Process advising them of the results of the Meeting of Creditors and provided these creditors with a copy of the Plan as was approved at the Meeting of Creditors (see Exhibit 6).
- The Monitor prepared Minutes of the Meeting of Creditors which are attached hereto as Exhibit 5.
- The Monitor reviewed the materials filed with the Court by Federal’s counsel in support of the January 29, 2008 Sanction Application.
- The Monitor has prepared this present Report, his Sixth Monitor’s Report.
- The Monitor has attended to and dealt with a number of other administrative issues and various documentation related thereto which has not otherwise been referred to herein.

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

2.1. As required in the Initial Order of September 18, 2007, the Monitor is required to review Federal’s cash flow on an ongoing basis. Further, Section 11.7(3) of the CCAA requires continuous cash flow monitoring. Therefore, the Monitor has continued to review Federal’s Variance Analysis and Weekly Cash Flow Forward Report, also known as the Cash Flow Reports, and related materials as provided to the Monitor on a weekly basis. As we had indicated in previous reports, the Monitor does not audit these reports or materials, but we do review them for reasonableness and we ensure that the supporting materials agree to the Cash Flow Reports provided. In the Monitor’s Fourth Report, in Section 2.1, we summarized those procedures which we undertake on a weekly basis.

2.2. Attached as Exhibit 1 is the Variance Analysis dated January 18, 2008 which relates to the week of January 14, 2008 to January 18, 2008. The comparative figures in the Variance Analysis are to the original Cash Flow Projections filed with the Initial Order application in September of 2007. The Variance Analysis on the right of Exhibit 1 is cumulative to January 18, 2008.

2.3. Attached as Exhibit 2 is the Weekly Cash Flow Forward on an actual basis to January 18, 2008, with projections through to February 15, 2008. The actual and projected Balance Sheets that support the Weekly Cash Flow Forward are attached as Exhibit 3.

2.4. As at January 18, 2008, Federal has advised the Monitor, and the Monitor herewith reports, that the following information pertains to certain working capital accounts:

• Accounts receivable trade	\$ 609,753.08
• Accounts payable for post-filing suppliers	8,889.59
• Finished goods inventory	376,524.38
• Raw materials inventory	631,442.92

2.5 The Monitor makes the following observations with respect to the Variance Analysis (Exhibit 1):

- Cumulative cash receipts are \$886,139.10 less than the original budget.
- Cumulative cash outflow is \$697,940.89 less than the original budget.
- Cumulative net cash flow is \$188,198.21 less than the overall cash flow projected by Federal.
- The sales of wallboard product on a cumulative basis are \$1,700,799.95 less than budget.

- Federal continues to do an excellent job managing its direct costs of manufacturing and gearing its production to sales generated. Actual direct manufacturing costs are \$472,621.06 less than projected costs.
- The DIP financing as at January 18, 2008 is \$417,305.79 as drawn and has been reconciled to the Century records.

3. PROFESSIONAL FEES SUBJECT TO THE ADMINISTRATION CHARGE

- 3.1. Attached as Exhibit 4 is a schedule reflecting the details of the professional fees subject to the Administration Charge as billed and paid to January 25, 2008. Exhibit 4 indicates the professional fees which are billed to January 25, 2008 and which of them are unpaid as at the date of this Report. The professional fees of the Monitor, Monitor's counsel, and Federal's counsel are billed on a weekly basis and usually those fees are paid by Federal by the end of the week following.
- 3.2. The Monitor's total invoices, including time charges, disbursements, and HST, are reflected in Exhibit 4 as \$143,394.67. Included in the disbursement amounts as part of the Monitor's billings is an amount totaling \$14,339.37 with respect to advertising mandated by the Court under the Claims Bar Process and the Meeting Order, to the extent billings for this advertising have been received by the Monitor to date.
- 3.3. As reflected in Exhibit 4, total billings for the time charges, disbursements, and HST, for the professionals who are subject to the Administration Charge are \$355,161.37, of which \$327,405.19 has been paid as at the date of this Report, and \$27,756.18 is unpaid.
- 3.4. The Monitor is of the view that the final fees and costs of the Monitor, Monitor's counsel, and counsel for Federal need to be assessed or taxed as was contemplated in Paragraph 30 of the Initial Order.

4. STATUS OF PLAN OF ARRANGEMENT (“THE PLAN”) UNDER COMPANIES’ CREDITORS ARRANGEMENT ACT (“CCAA”)

- 4.1. The Monitor’s previous Reports have provided the continuity of the development of the Plan through its metamorphosis. A form of Plan was filed with the application for the continuance of the Stay of Proceedings at the Comeback Hearing held before Mr. Justice MacAdam on November 29, 2007. This hearing resulted in the Court Order of December 14, 2007 (“Meeting Order”).
- 4.2. It was acknowledged throughout the process that the Plan would be amended, particularly as it related to the interests of the Term Lenders, being NSBI, OED, ECBC, and CBGF.
- 4.3. The Monitor’s Fifth Report of January 7, 2008 advised as to the status of the Plan at that point and indicated that a form of Plan was sent to creditors as part of the Meeting Materials set out in the Meeting Order.
- 4.4. Subsequent to January 7, 2008, discussions continued as between Federal, its counsel, the Monitor, and the Term Lenders. The primary point of discussion was the treatment of the NSBI Lease as it related to the real property premises and the related Operating Agreement. NSBI is the lessor and Federal is the lessee.
- 4.5. The other matter of contention was in relation to a definition of a particular default in the various Term Lender Loan Agreements as defined in Section 3.4 of the Plan in regard to each of the Term Lenders. This issue was resolved with a change to the sentence in each of the Plan sections as it relates to each of the Term Lenders in Section 3.4 of the Plan now reading:

“All defaults in relation to financial performance covenants under the loan agreement and any related security shall be waived through to December 31, 2008.”
- 4.6. Under date of January 17, 2008, the Monitor distributed a form of the Plan to all creditors who had proved their claims along with a letter describing the amendments to the Plan in comparison to the Plan which proved creditors had received with the January 7, 2008 mailing. The Plan sent with the January 17, 2008 distribution by email and fax did not include the amendment with respect to the default regarding financial covenants as referred to in Section 4.5 above.
- 4.7. The final Plan as presented to the Meeting of Creditors held on January 22, 2008 is attached as Schedule 3 to Exhibit 5, being the Minutes of the Meeting of Creditors.
- 4.8. The Monitor previously advised that he had received three disputes filed pursuant to the Claims Bar Process. One of these three disputes was withdrawn and then subsequently re-filed with the consent of the Monitor and withdrawn a second time.

The Monitor advises that all claims disputes under the Claims Bar Process were resolved to the satisfaction of all parties and no hearings before the Claims Officer were required as was permitted under the Claims Bar Order of November 26, 2007.

- 4.9. The Meeting of Creditors to consider the Plan dated January 21, 2008 was held at the offices of Stewart McKelvey at 2:00 p.m. on January 22, 2008. Attached as Exhibit 5 are the Minutes of the Meeting of Creditors. Attached to the minutes are Schedule 1 – Attendance List, Schedule 2 – Agenda, Schedule 3 – Plan of Compromise or Arrangement (“the Plan”), and Schedule 4 – Voting Register.
- 4.10. As evidenced by Schedule 4 to Exhibit 5, all classes of creditors approved the Plan dated January 21, 2008. The resolution that was passed by the Meeting of Creditors is reflected on Page 2 of the Minutes of the Meeting of Creditors, and on Page 2 of the Minutes of the Meeting of Creditors, there is a summary of the results of the voting by class as extracted from Schedule 4 to Exhibit 5.
- 4.11. The Monitor observes that five of the six classes of creditors approved the Plan unanimously, and the sixth class, that is, the unsecured creditors, overwhelmingly approved the Plan with 34 creditors with claims of 99.2857 percent voting for the Plan, with only three creditors with claims of \$43,459.90, or 0.7143 percent, voting against the Plan.
- 4.12. The Monitor advises the Court that he 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 the Plan which has now been approved by all classes of creditors of Federal who voted in person or by proxy at the meeting of January 22, 2008.
- 4.13. The Monitor is advised by Federal and has been provided with a Term Sheet which has been accepted and which reflects that Federal can implement the Plan by February 12, 2008 which is the “Plan Implementation Date” as defined in Section 1.1(s) of the Plan, being Exhibit 5, Schedule 3 attached hereto.
- 4.14. Paragraph 33 of the Meeting Order of December 14, 2007 directs that Federal make application for the Sanction Order approving the Plan at a Sanction Hearing to be held on January 29, 2008 at 9:30 in the morning, or such later date as may be subsequently advised by the Monitor. Notice of the Sanction Hearing has been given by the Monitor in the Meeting Materials, by publications in newspapers as required in the Meeting Order, and in the correspondence given to proved creditors on January 22, 2008. The Monitor gave this latter communication subsequent to the Meeting of Creditors so that creditors knew the result of the vote and that the Plan was approved by all of the classes of creditors. The Monitor, at that time, also provided all proved creditors with a copy of the Plan dated January 21, 2008. A copy of the January 22, 2008 letter sent to proved creditors is attached hereto as Exhibit 6.


5. RECOMMENDATIONS

- 5.1. Whereas five of the six classes of creditors unanimously approved the Plan, and whereas the sixth class overwhelmingly approved the Plan, the Monitor recommends to This Honorable Court that the Plan dated January 21, 2008 as approved at the Meeting of Creditors held on January 22, 2008 be sanctioned by This Honorable Court.
- 5.2. The Monitor recommends to This Honorable Court that at a time as directed by This Honorable Court, such time to be subsequent to the Plan Implementation Date of February 12, 2008, that the Monitor make application to the Court for the approval of the professional costs of the Monitor, Monitor's counsel, and Federal's counsel, but that the Monitor be discharged of its duties as prescribed under the CCAA on the Plan Implementation Date. This recommendation appears to be consistent with the intent of Section 5.13 of the Plan.
- 5.3. The Monitor seeks guidance from This Honorable Court as to a date when the Monitor should proceed with respect to the approval by the Court of the fees and costs of the Monitor, Monitor's counsel, and Federal's counsel as appears as was contemplated in Paragraph 30 of the Initial Order, and the discharge of the Monitor pursuant to Paragraph 43 of the Initial Order.

Dated at Halifax, Nova Scotia this 25th day of January, 2008.

Respectfully submitted

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



Paul G. Goodman, FCA, FCIRP, FIIC
President

EXHIBIT 1

**FEDERAL GYPSUM COMPANY
VARIANCE ANALYSIS
JANUARY 18, 2008**

**Week Ending:
01/18/2008**

	Projected	Actual	Variance
Cash Receipts			
A/R Receipts	855,506.84	290,141.77	(565,365.07)
Expenses			
Freight	35,807.90	27,689.18	8,118.72
Leases	3,000.00	1,944.55	1,055.45
Direct Costs			
Salaries/Wages			-
Employee Benefits		5,898.06	(5,898.06)
Raw Materials			
Paper			-
Gypsum	15,000.00	10,000.00	5,000.00
Others	14,217.98	32,488.12	(18,270.14)
Utilities			
Natural Gas	20,000.00	20,394.00	(394.00)
Electricity	20,000.00	12,563.88	7,436.12
Water			-
Contracted Services		20,379.07	(20,379.07)
Insurance - Property/Casualty	12,412.13	12,393.09	19.04
Manufacturing Supplies	2,500.00	594.95	1,905.05
Repair Supplies	5,000.00	1,168.73	3,831.27
Total Direct Costs	89,130.11	115,879.90	(26,749.79)
Selling Expenses			
Salaries/Wages			-
Travel			-
Vehicle			-
Meals & Entertainment		2,836.95	(2,836.95)
Telephone		1,532.96	(1,532.96)
Total Selling Expenses	-	4,369.91	(4,369.91)
General & Administrative Expenses			
Professional Fees			
Legal	10,000.00	5,302.24	4,697.76
Accounting		6,270.00	(6,270.00)
Consulting		8,836.16	(8,836.16)
Contracted Services			-
Travel			-

Vehicle		762.48	(762.48)
Meals & Entertainment			-
Insurance - Receivables			-
Pstge/XprssMail		444.21	(444.21)
Office Supplies		1,783.35	(1,783.35)
Telephone		1,455.38	(1,455.38)
Bank Charges		10.00	(10.00)
Janitorial Exp			-
DIP Fees and Interest	1,764.04		1,764.04
HST			-
Occupancy Taxes			-
Property Taxes			-
Total General & Admin Expenses	11,764.04	24,863.82	(13,099.78)
Total Selling, General & Admin Expenses	11,764.04	29,233.73	(17,469.69)
Total Cash Outflow	139,702.06	174,747.36	(35,045.30)
NET CASH FLOW	715,804.78	115,394.41	(600,410.37)
ACCOUNTS PAYABLE			
DIP FINANCING			
CASH BALANCE			
<hr/>			
REVENUE	264,825.69	115,229.82	(149,595.87)

Period to Date:
01/18/2008

Projected	Actual	Variance
3,227,414.38	2,341,275.28	(886,139.10)
492,940.93	331,430.82	161,510.11
63,000.00	58,375.41	4,624.59
564,000.00	525,969.01	38,030.99
22,000.00	28,967.32	(6,967.32)
66,000.00	12,200.57	53,799.43
231,000.00	94,500.00	136,500.00
192,465.50	145,541.40	46,924.10
290,000.00	223,648.36	66,351.64
290,000.00	169,398.94	120,601.06
18,000.00	10,925.80	7,074.20
19,200.00	50,525.11	(31,325.11)
62,060.65	55,267.36	6,793.29
39,000.00	18,434.47	20,565.53
78,000.00	63,726.75	14,273.25
1,871,726.15	1,399,105.09	472,621.06
130,000.00	108,957.21	21,042.79
4,000.00	13,792.54	(9,792.54)
4,000.00	10,750.93	(6,750.93)
11,000.00	21,356.89	(10,356.89)
1,400.00	1,865.52	(465.52)
150,400.00	156,723.09	(6,323.09)
220,000.00	234,361.38	(14,361.38)
10,000.00	6,270.00	3,730.00
105,000.00	151,172.92	(46,172.92)
60,000.00	103,013.16	(43,013.16)
30,000.00	27,619.23	2,380.77

2,000.00	2,553.87	(553.87)
2,000.00	828.05	1,171.95
20,500.00	11,526.50	8,973.50
800.00	2,737.16	(1,937.16)
2,000.00	5,581.11	(3,581.11)
16,000.00	7,847.42	8,152.58
15,000.00	2,604.87	12,395.13
6,000.00	-	6,000.00
30,150.31	61,401.35	(31,251.04)
178,509.57	14,934.64	163,574.93
-	-	-
-	-	-
<hr/>	<hr/>	<hr/>
697,959.88	632,451.66	65,508.22
848,359.88	789,174.75	59,185.13
3,276,026.96	2,578,086.07	697,940.89
(48,612.58)	(236,810.79)	(188,198.21)
	-8,889.59	
	417,305.79	
	171,605.41	
<hr/>	<hr/>	<hr/>
3,822,652.45	2,121,852.50	(1,700,799.95)

FEDERAL GYPSUM COMPANY
WEEKLY CASH FLOW
JANUARY 18, 2008

Week	21-Sep-07	28-Sep-07	5-Oct-07	12-Oct-07
Cash Receipts				
A/R Receipts	144,281.59	28,738.59	306,443.30	13,220.73
Expenses				
Freight	7,446.50	32,683.59	12,089.50	12,114.33
Leases		663.71	10,597.49	962.89
Direct Costs				
Salaries/Wages			116,661.16	
Employee Benefits			6,318.14	
Raw Materials				
Paper				
Gypsum		7,500.00	12,000.00	
Others		9,937.90	2,500.00	
Utilities				
Natural Gas		8,037.73	9,973.43	10,000.00
Electricity		24,000.00	12,000.00	12,000.00
Water				
Contracted Services		3,192.00		
Insurance - Property/Casualty				
Manufacturing Supplies	399.00		862.22	
Repair Supplies		3,718.01	15,479.41	250.79
Total Direct Costs	399.00	56,385.64	175,794.36	22,250.79
Selling Expenses				
Salaries/Wages	5,000.00		14,630.58	
Travel			3,191.38	
Vehicle				
Meals & Entertainment / Other				
Telephone				
Total Selling Expenses	5,000.00	-	17,821.96	-
General & Administrative Expenses				
Professional Fees				
Legal		50,000.00	5,147.36	

Accounting				
Consulting		25,000.00	14,051.18	4,164.42
Contracted Services			49,023.04	486.21
Travel		689.71	2,321.24	
Vehicle			1,126.48	
Meals & Entertainment				
Insurance - Receivables				
Pstge/XprssMail			302.50	
Office Supplies			959.96	
Telephone			977.48	
Bank Charges		145.08	648.59	9.76
Janitorial Exp				
DIP Fees and Interest				
HST		9,383.93		
Occupancy Taxes				
Property Taxes				
Total General & Admin Expenses		-	85,218.72	74,557.83
				4,660.39
Total Selling, General & Admin Exper	5,000.00	85,218.72	92,379.79	4,660.39
Total Cash Outflow	12,845.50	174,287.95	290,861.14	39,988.40
NET CASH FLOW	131,436.09	(145,549.36)	15,582.16	(26,767.67)
DIP FINANCING		14,113.27	(1,468.89)	25,298.78
Current Assets	2,480,146.82	2,468,932.96	2,487,676.12	2,393,133.41

19-Oct-07	26-Oct-07	2-Nov-07	9-Nov-07	16-Nov-07	23-Nov-07	30-Nov-07
197,578.28	58,323.76	150,932.15	35,473.24	30,525.85	165,712.53	52,902.54
14,362.16	13,687.00	19,523.49	10,938.96	19,518.22	37,801.47	17,673.77
1,961.76	663.71	10,597.49	1,182.63	2,294.64		10,609.07
56,299.79		53,142.74	12,000.00	52,339.45		54,220.12
	150.00	5,892.11	450.00	150.00		
	1,603.32		10,597.25			
10,000.00	10,000.00		5,000.00	5,000.00	5,000.00	5,000.00
32,519.70					28,757.81	
9,764.00	24,713.00	14,488.50	18,678.00	9,428.00	11,816.40	11,894.40
12,047.95	12,000.00	12,000.00	12,000.00	12,513.61	12,000.00	12,000.00
				10,925.80		
3,706.49			3,660.45		1,300.50	
12,393.09		5,695.00				
4,273.98		1,823.00	1,047.33	1,150.84	212.00	
3,844.60	3,943.11	2,565.89	13.11	7,909.77		2,700.00
144,849.60	52,409.43	95,607.24	63,446.14	99,417.47	59,086.71	85,814.52
5,000.00		10,000.00	10,284.52	10,000.00		10,000.00
2,680.96		1,602.72				
1,451.38		3,557.07		989.92		
1,510.87	2,451.00	440.50	2,258.85	3,955.12		1,424.53
				332.56		
10,643.21	2,451.00	15,600.29	12,543.37	15,277.60	-	11,424.53
14,529.33	6,660.98	20,675.55	20,404.90	18,931.16	9,273.45	6,584.07

6,717.79	5,632.74	4,511.65	9,922.22	7,299.42	5,238.41	9,286.10
37,551.77	4,937.88		2,898.97	2,877.01		
2,442.63	2,238.03	1,055.20		5,546.47		2,545.58
		420.35				
346.92	90.00		62.13			
5,143.76						
197.80		241.42	130.56	88.81		
119.14	352.29	169.32	412.39	15.01		
1,962.16		1,064.19		642.27		
55.04	417.21	94.06	120.22		348.29	172.59
	5,000.00					

69,066.34	25,329.13	28,231.74	33,951.39	35,400.15	14,860.15	18,588.34
79,709.55	27,780.13	43,832.03	46,494.76	50,677.75	14,860.15	30,012.87
240,883.07	94,540.27	169,560.25	122,062.49	171,908.08	111,748.33	144,110.23
(43,304.79)	(36,216.51)	(18,628.10)	(86,589.25)	(141,382.23)	53,964.20	(91,207.69)
68,603.57	104,820.08	123,448.18	210,037.43	351,419.66	297,455.46	388,663.15
2,405,484.06	2,263,192.90	2,262,965.05	2,181,601.31	2,281,673.61	2,219,199.46	2,238,224.86

7-Dec-07	14-Dec-07	21-Dec-07	28-Dec-07	4-Jan-08	11-Jan-08	18-Jan-08
197,769.74	21,950.31	249,783.79	75,956.96	204,035.45	117,504.70	290,141.77
40,759.55	11,189.65	18,727.37		8,815.40	26,410.68	27,689.18
1,834.76	332.88	1,961.76	663.71	10,591.77	1,512.59	1,944.55
9,139.48	62,508.31		49,975.91		59,682.05	
5,070.24	1,618.76	640.29			2,779.72	5,898.06
5,000.00		10,000.00			10,000.00	10,000.00
		4,484.85			34,853.02	32,488.12
12,000.00	25,360.00	12,068.40			25,032.50	20,394.00
	273.50	12,000.00			12,000.00	12,563.88
	13,005.87				5,280.73	20,379.07
		12,393.09		12,393.09		12,393.09
	8,071.15					594.95
	12,033.23	2,366.93			7,733.17	1,168.73
31,209.72	122,870.82	53,953.56	49,975.91	12,393.09	157,361.19	115,879.90
	10,000.00		10,000.00		24,042.11	
	4,262.97	1,204.08			850.43	
	2,234.47	2,518.09				
	4,720.30	1,154.36			604.41	2,836.95
						1,532.96
-	21,217.74	4,876.53	10,000.00	-	25,496.95	4,369.91
	43,545.74	13,785.84		8,665.69	10,855.07	5,302.24

						6,270.00
	15,007.68	11,225.72		10,741.19	13,538.24	8,836.16
	5,238.28					
	4,961.72	3,153.38			2,665.27	
	244.56					762.48
	329.00					
	6,382.74					
	1,196.22				135.64	444.21
	1,156.52				613.13	1,783.35
	1,009.97				735.97	1,455.38
125.64		185.00		149.92	123.47	10.00
4,639.03	43,308.55			8,453.77		
		5,550.71				
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4,764.67	122,380.98	33,900.65	-	28,010.57	28,666.79	24,863.82
4,764.67	143,598.72	38,777.18	10,000.00	28,010.57	54,163.74	29,233.73
78,568.70	277,992.07	113,419.87	60,639.62	59,810.83	239,448.20	174,747.36
119,201.04	(256,041.76)	136,363.92	15,317.34	144,224.62	(121,943.50)	115,394.41
269,462.11	525,503.87	389,139.95	373,822.61	229,597.99	351,541.49	236,147.08
2,242,528.41	2,317,177.82	2,331,572.81	2,261,204.42	2,173,805.04	2,077,254.93	1,997,306.42

<u>25-Jan-08</u>	<u>1-Feb-08</u>	<u>8-Feb-08</u>	<u>15-Feb-08</u>
104,843.97		116,376.14	120,134.87
14,564.59	29,284.39	29,284.39	29,284.39
	11,000.00	1,500.00	2,000.00
60,000.00		60,000.00	2,779.72
10,000.00	10,000.00	10,000.00	10,000.00
6,542.13	9,813.20	9,813.20	9,813.20
15,000.00	22,500.00	22,500.00	22,500.00
12,000.00	12,000.00	12,000.00	12,000.00
1,600.00			1,600.00
2,500.00	2,500.00	2,500.00	2,500.00
7,500.00	7,500.00	7,500.00	7,500.00
115,142.13	64,313.20	124,313.20	68,692.92
10,000.00		24,000.00	
	1,000.00	1,000.00	1,000.00
	3,000.00		
684.00	1,500.00		1,500.00
	350.00		350.00
10,684.00	5,850.00	25,000.00	2,850.00
10,000.00	10,000.00	10,000.00	10,000.00

5,000.00	5,000.00	5,000.00	5,000.00
3,000.00	3,000.00	3,000.00	3,000.00
	2,500.00		
	500.00		
	500.00		
1,800.00			
	200.00		
	500.00		
	200.00		
	1,500.00		
	10,000.00		
4,000.00			

23,800.00	33,900.00	18,000.00	18,000.00
34,484.00	39,750.00	43,000.00	20,850.00
164,190.72	144,347.58	198,097.58	120,827.30
(59,346.75)	(144,347.58)	(81,721.44)	(692.44)
295,493.83	439,841.42	521,562.86	522,255.29
1,887,647.48	1,876,141.95	2,015,275.31	2,038,032.53

FEDERAL GYPSUM COMPANY
BALANCE SHEET
JANUARY 18, 2008

Week Assets	18-Sep-07	21-Sep-07	28-Sep-07	5-Oct-07	12-Oct-07	19-Oct-07	26-Oct-07	2-Nov-07	9-Nov-07	16-Nov-07	23-Nov-07	30-Nov-07
Cash	1,057	131,436	63,472	202,074	160,330	117,025	93,651	77,523	92,117	(67,650)	4,599	(36,615)
Accounts Receivable	870,911	778,383	842,185	642,956	736,903	646,167	687,298	707,758	848,205	981,054	959,209	1,040,364
Inventory - Raw Materials	945,609	944,393	973,524	963,891	937,454	910,645	867,253	799,180	771,864	763,770	744,837	750,321
Inventory - Finished Goods	544,407	561,220	547,806	563,139	538,845	536,887	562,035	530,301	485,223	459,843	443,791	434,166
Inventory - Spare Parts	16,057	16,057	16,057	16,057	16,057	16,057	16,057	16,057	16,057	16,057	16,057	16,057
Other Current Assets	102,106	106,240	44,632	15,017	15,885	33,461	36,670	50,802	58,207	88,125	16,057	38,234
Total Current Assets	2,480,147	2,488,933	2,487,676	2,393,133	2,405,484	2,363,193	2,362,965	2,161,601	2,281,674	2,219,199	2,238,225	2,242,528
Land												
Leasehold Improvements	373,045	373,045	370,855	369,820	368,820	369,820	369,820	368,745	368,745	368,745	368,745	368,745
Equipment	20,328,202	20,328,202	20,054,682	19,962,923	19,962,923	19,962,923	19,962,923	19,841,163	19,841,163	19,841,163	19,841,163	19,841,163
Rolling Stock	437,216	437,216	418,611	409,309	409,309	409,309	409,309	400,006	400,006	400,006	400,006	400,006
Startup Expense Account	2,373,688	2,373,688	2,346,251	2,331,032	2,331,032	2,331,032	2,331,032	2,316,813	2,316,813	2,316,813	2,316,813	2,316,813
Other Assets	917,964	931,382	948,925	1,039,291	1,076,267	1,046,294	1,082,532	1,037,582	1,066,895	1,110,602	1,151,176	1,120,995
Total Other Assets	24,430,146	24,443,533	24,169,365	24,112,374	24,149,350	24,121,377	24,155,615	23,964,310	23,983,822	24,037,329	24,077,963	24,047,722
Total Assets	26,910,292	26,912,466	26,656,041	26,505,508	26,554,834	26,384,570	26,418,581	26,145,911	26,275,296	26,259,528	26,316,128	26,290,251
Liabilities and Equity												
Notes Payable	529,405	529,405	529,405	529,405	529,405	529,405	529,405	529,405	529,405	529,405	529,405	529,405
Accounts Payable	5,755,404	5,770,831	5,891,056	5,850,972	5,843,422	5,819,761	5,811,698	5,816,803	5,845,472	5,838,126	5,838,126	5,859,279
DIP Financing				198,817	198,817	198,817	198,817	198,817	300,000	300,000	300,000	350,000
Other Current Liabilities	1,928,304	1,934,645	1,855,720	1,907,800	1,920,818	1,881,961	1,891,488	1,989,710	1,981,822	2,014,172	2,041,460	2,051,947
Total Current Liabilities	8,213,114	8,234,882	8,276,181	8,487,095	8,492,262	8,429,944	8,431,408	8,534,735	8,556,499	8,681,704	8,708,992	8,790,631
Long Term Debt - Provincial Debt	8,000,000	8,000,000	8,000,000	8,000,000	8,000,000	8,000,000	8,000,000	8,000,000	8,000,000	8,000,000	8,000,000	8,000,000
Long Term Debt - Lease	324,074	324,074	324,074	316,766	316,766	316,766	315,332	307,965	307,985	306,544	306,544	299,158
Long Term Debt - Federal Debt	7,190,470	7,190,470	7,190,470	7,190,470	7,190,470	7,190,470	7,190,470	7,190,470	7,190,470	7,190,470	7,190,470	7,190,470
Other Long Term Debt	1,186,492	1,195,862	1,195,198	1,200,814	1,199,918	1,199,918	1,199,254	1,205,389	1,204,271	1,204,004	1,204,004	1,203,340
Capital	7,250,000	7,250,000	7,250,000	7,250,000	7,250,000	7,250,000	7,250,000	7,250,000	7,250,000	7,250,000	7,250,000	7,250,000
Retained Earnings	(5,263,856)	(5,282,822)	(5,578,883)	(5,939,836)	(5,894,581)	(6,001,094)	(5,967,882)	(6,342,647)	(6,333,830)	(6,376,194)	(6,343,882)	(6,443,349)
Net Equity	1,989,142	1,967,178	1,670,117	1,310,364	1,355,419	1,248,806	1,282,118	907,353	916,070	873,806	906,118	806,651
Total Other Liabilities and Equity	18,697,178	18,677,586	18,379,860	18,018,413	18,062,573	17,954,626	17,987,173	17,611,176	17,618,797	17,574,825	17,607,138	17,499,620
Total Liabilities and Equity	26,910,292	26,912,466	26,656,041	26,505,508	26,554,834	26,384,570	26,418,581	26,145,911	26,275,296	26,259,528	26,316,128	26,290,251

ABL Analysis
8-Feb-08 15-Feb-08

AR	628,506.72	679,414.97
RM	137,700.18	124,014.01
FG	213,644.46	213,644.46
DIP-cash	979,851.36	1,017,073.45
RBC	342,192.55	342,884.89
Excess:	533,000.00	533,000.00
	104,658.81	141,188.46

	7-Dec-07	14-Dec-07	21-Dec-07	28-Dec-07	4-Jan-08	11-Jan-08	18-Jan-08	25-Jan-08	1-Feb-08	8-Feb-08	15-Feb-08
	82,086	46,677	133,257	122,508	222,095	104,118	179,370	179,370	179,370	179,370	179,370
	1,071,552	1,115,387	974,950	887,213	744,733	788,240	610,613	628,360	616,373	888,009	965,887
	724,561	691,416	657,597	657,597	638,590	607,200	618,798	599,545	540,668	491,786	442,907
	360,806	397,281	388,855	388,820	376,080	364,272	403,103	403,103	403,103	403,103	403,103
	16,057	16,057	16,057	16,057	16,057	16,057	16,057	16,057	16,057	16,057	16,057
	62,116	74,755	80,388	91,610	85,889	116,420	99,707	99,707	99,707	99,707	99,707
	2,317,178	2,331,573	2,261,204	2,173,805	2,077,255	1,997,306	1,987,647	1,876,142	2,015,275	2,038,033	2,057,031
	367,670	367,670	367,670	367,670	367,670	366,595	366,595	365,595	365,520	365,520	365,520
	19,719,403	19,719,403	19,719,403	19,719,403	19,719,403	19,597,644	19,597,644	19,596,589	19,596,589	19,596,589	19,596,589
	390,704	390,704	390,704	390,704	390,704	381,401	381,401	381,401	261,921	261,921	261,921
	2,302,594	2,302,594	2,302,594	2,302,594	2,288,376	2,288,376	2,288,376	2,274,168	2,274,168	2,274,168	2,274,168
	1,031,350	1,031,350	1,031,350	1,031,350	1,031,350	1,021,104	1,021,104	1,006,886	1,006,886	1,006,886	1,006,886
	23,811,922	23,783,421	23,817,489	23,817,488	23,843,974	23,841,106	23,655,119	23,655,119	23,495,751	23,495,751	23,495,751
	26,128,039	26,114,964	26,078,894	25,991,284	25,921,229	25,638,443	25,542,787	25,531,261	25,511,027	25,533,784	25,552,782
	529,405	529,405	529,405	529,405	529,405	529,405	529,405	529,405	529,405	529,405	529,405
	5,957,004	5,895,097	5,895,061	5,895,061	5,964,293	5,916,167	5,891,001	5,891,001	5,891,001	5,891,001	5,891,001
	350,000	570,300	521,059	445,102	449,952	457,448	295,464	439,841	521,563	522,286	522,286
	2,125,870	2,101,537	2,111,788	2,111,803	2,122,835	2,173,904	2,208,823	2,208,823	2,208,823	2,208,823	2,208,823
	8,962,280	9,096,339	9,058,313	8,982,371	9,066,486	9,116,624	9,046,535	8,924,723	9,088,070	9,150,782	9,151,484
	8,000,000	8,000,000	8,000,000	8,000,000	8,000,000	8,000,000	8,000,000	8,000,000	8,000,000	8,000,000	8,000,000
	298,158	298,158	297,710	290,285	290,285	290,285	286,829	286,829	286,829	286,829	286,829
	7,190,470	7,190,470	7,190,470	7,190,470	7,190,470	7,190,470	7,190,470	7,190,470	7,190,470	7,190,470	7,190,470
	1,208,388	1,208,120	1,208,120	1,207,457	1,206,971	1,212,267	1,212,267	1,212,267	1,212,267	1,212,267	1,212,287
	7,250,000	7,250,000	7,250,000	7,250,000	7,250,000	7,250,000	7,250,000	7,250,000	7,250,000	7,250,000	7,250,000
	(6,781,197)	(6,928,064)	(6,920,892)	(6,924,261)	(7,082,843)	(7,421,203)	(7,446,334)	(7,335,027)	(7,499,669)	(7,598,574)	(7,540,267)
	488,803	320,906	329,108	325,739	187,157	(171,203)	(195,334)	(65,027)	(249,609)	(308,574)	(290,267)
	17,166,820	17,018,655	17,025,408	17,013,851	16,854,883	16,521,819	16,486,232	16,606,539	16,441,868	16,382,982	16,401,288
	26,128,039	26,114,964	26,083,721	25,996,322	25,921,369	25,638,443	25,542,787	25,531,261	25,511,027	25,533,784	25,552,782

**CCAA OF
FEDERAL GYPSUM COMPANY
DETAILS OF PROFESSIONAL FEES SUBJECT TO ADMINISTRATION CHARGE
REVISED AS AT JANUARY 25, 2008**

<u>Supplier</u>	<u>Period</u>	<u>Total Invoices Including Disbursements and HST</u>	<u>Payments</u>	<u>Balance Unpaid</u>
BDO Dunwoody Goodman Rosen Inc. (Monitor)				
- 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	9,286.10	0
- Tenth account	Nov 26/07 – Dec 2/07	9,818.76	9,818.76	0
- Eleventh account	Dec 3/07 – Dec 9/07	5,188.92	5,188.92	0
- Twelfth account	Dec 10/07 – Dec 16/07	11,225.72	11,225.72	0
- Thirteenth account	Dec 17/07 – Dec 23/07	7,526.85	7,526.85	0
- Fourteenth account	Dec 24/07 – Dec 31/07	3,214.34	3,214.34	0
- Fifteenth account	Jan 1/08 – Jan 6/08	13,538.24	13,538.24	0
- Sixteenth account	Jan 7/08 – Jan 13/08	8,836.16	8,836.16	0
- Seventeenth account	Jan 14/08 – Jan 20/08	17,221.75	0	17,221.75
Subtotal (Notes 1 & 2)		143,394.67	126,172.92	17,221.75

<u>Supplier</u>	<u>Period</u>	<u>Total Invoices Including Disbursements and HST</u>	<u>Payments</u>	<u>Balance Unpaid</u>
Wickwire Holm (Counsel to the Monitor)				
- 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 – Nov 25/07	6,584.07	6,584.07	0
- Ninth account	Nov 26/07 – Nov 30/07	3,750.60	3,750.60	0
- Tenth account	Dec 1/07 – Dec 8/07	2,798.48	2,798.48	0
- Eleventh account	Dec 10/07 – Dec 16/07	4,304.36	4,304.36	0
- Twelfth account	Dec 14/07 – Dec 21/07	5,509.64	5,509.64	0
- Thirteenth account	Dec 27/07 – Dec 31/07	1,342.93	1,342.93	0
- Fourteenth account	Jan 1/08 – Jan 5/08	5,006.75	5,006.75	0
- Fifteenth account	Jan 7/08 – Jan 11/08	2,155.19	2,155.19	0
- Sixteenth account	Jan 8/08 – Jan 18/08	4,486.10	0	4,486.10
Subtotal (Note 1)		77,541.63	73,055.53	4,486.10

<u>Supplier</u>	<u>Period</u>	<u>Total Invoices Including Disbursements and HST</u>	<u>Payments</u>	<u>Balance Unpaid</u>
<u>Stewart McKelvey (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 5/07 – Nov 26/07	17,817.23	17,817.23	0
- Sixth account	Nov 27/07 – Nov 30/07	10,502.74	10,502.74	0
- Seventh account	Dec 3/07 – Dec 7/07	8,676.69	8,676.69	0
- Eighth account	Dec 5/07 – Dec 16/07	9,481.48	9,481.48	0
- Ninth account	Dec 14/07 – Dec 31/07	1,813.12	1,813.12	0
- Tenth account	Jan 2/08 – Jan 6/08	5,848.32	5,848.32	0
- Eleventh account	Jan 7/08 – Jan 10/08	3,147.05	3,147.05	0
- Twelfth account	Jan 14/08 – Jan 18/08	6,048.33	0	6,048.33
Subtotal (Note 1)		134,225.07	128,176.74	6,048.33
Grand Totals		<u>\$ 355,161.37</u>	<u>\$ 327,405.19</u>	<u>\$ 27,756.18</u>

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

NOTE 2: The Monitor's accounts include substantial disbursements for advertising as required by the Claims Bar Order and the Meeting Order.