

Action No.: 0801-08510

IN THE COURT OF QUEEN'S BENCH OF ALBERTA  
JUDICIAL DISTRICT OF CALGARY

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  
**SEMCANADA CRUDE COMPANY, SEMCAMS ULC, SEMCANADA ENERGY  
COMPANY, A.E. SHARP LTD., CEG ENERGY OPTIONS, INC., 3191278 NOVA  
SCOTIA COMPANY and 1380331 ALBERTA ULC**

**APPLICANTS**

**THIRTEENTH REPORT OF THE MONITOR**

**ERNST & YOUNG INC.**

**MARCH 30, 2009**

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## INTRODUCTION

1. On July 22, 2008, SemCanada Crude Company (“SemCanada Crude”) and SemCAMS ULC (“SemCAMS”) both sought and obtained protection from their creditors under the *Companies’ Creditors Arrangement Act*, R.S.C. 1985 c. C-36, as amended, (the “CCAA”) pursuant to two orders of this Honourable Court dated July 22, 2008 (the “Initial Orders”).
2. On July 30, 2008, the SemCanada Group (as defined below) obtained an Order (the “Amended and Restated Initial Order”) which:
  - a) consolidated the CCAA proceedings of SemCanada Crude and SemCAMS;
  - b) continued under the CCAA, the proceedings of SemCanada Energy Company (“SemEnergy”), A.E. Sharp Ltd. (“AES”) and CEG Energy Options, Inc. (“CEG”) commenced by them on July 24, 2008 under the *Bankruptcy and Insolvency Act*, R.S.C. 1985 c.B-3 (“BIA”) and then consolidated them with the within proceeding; and
  - c) granted CCAA protection to two affiliated companies being 3191278 Nova Scotia Company (“319”) and 1380331 Alberta ULC (“138”). SemEnergy, AES, CEG, 138 and 319 are collectively referred to as the “SemEnergy Group”.

SemCanada Crude, SemCAMS, SemEnergy, Sharp, CEG, 319 and 138 are collectively known as the “SemCanada Group”.
3. Pursuant to the Amended and Restated Initial Order, Ernst & Young Inc. was appointed monitor of the SemCanada Group (the “Monitor”).

4. The purpose of this thirteenth report (the “Thirteenth Report”) of Ernst & Young Inc. in its capacity as the Monitor of the SemCanada Group is to provide this Honourable Court with the Monitor’s comments in connection with SemCAMS’ motion for approval of an Employee Retention Plan for 2009 (the “SemCAMS 2009 ERP”).
5. Capitalized terms not defined in the Thirteenth Report are as defined in the Amended and Restated Initial Order, and the previous reports issued by the Monitor. All references to dollars are in Canadian currency unless otherwise noted.

## **TERMS OF REFERENCE**

6. In preparing the Thirteenth Report, the Monitor has relied upon unaudited financial information, company records and discussions with management of the SemCanada Group. The Monitor has not performed an audit, review or other verification of such information. An examination of the financial forecast as outlined in the Canadian Institute of Chartered Accountants (“CICA”) Handbook has not been performed. Future orientated financial information relied upon in this report is based on management’s assumptions regarding future events and actual results achieved will vary from this information and the variations may be material.

## **BACKGROUND**

### **SemGroup, L.P.**

7. SemGroup, L.P. (“SemGroup”) and certain of its direct and indirect subsidiaries in the U.S. (collectively, SemGroup or the “US Debtors”) filed voluntary petitions for relief under chapter 11 of title 11 of the U.S. Code (the “Bankruptcy Code”) in the U.S. Bankruptcy Court for the District of Delaware on July 22, 2008 and October 22, 2008 (the “US Proceedings”). With the exception of the chapter 11 case filed by SemGroup Holdings, L.P., the chapter 11 cases of the U.S. Debtors have been consolidated for procedural purposes only and are being jointly

administered pursuant to Rule 1015(b) of the U.S. Federal Rules of Bankruptcy Procedure.

8. Information concerning the US Debtors' restructuring can be found at <http://www.kccllc.net/semgroup>.

## **SemCanada Group**

### *Overview*

9. The SemCanada Group is comprised of three separate and distinct operating businesses:
  - (a) SemCanada Crude, whose business consists of crude oil marketing and blending;
  - (b) SemEnergy Group, whose business was gas marketing including the purchase and sale of gas to certain of its four subsidiaries as well as to SemCAMS; and
  - (c) SemCAMS, whose business consists of ownership interests in large gas processing facilities located in Alberta, as well as agreements to operate these facilities.
10. Further background on the SemCanada Group is contained in the materials filed in the applications pursuant to which the Initial Orders and the Amended and Restated Initial Order were made, all of which have been posted by the Monitor on its website at <http://www.ey.com/ca/Semcanadagroup>.

## **BACKGROUND TO SEMCAMS' EMPLOYEE RETENTION PLAN**

11. As set out in the Fourth Report of the Monitor, SemCAMS established an employee retention plan for the 2008 calendar year (the "SemCAMS 2008 ERP") with the plan being approved by this Honourable Court on August 21, 2008 (the "Employee Retention Plans Order"). The SemCAMS 2008 ERP comprised:

- (a) An “Incentive Plan” portion that was based on a pool calculated at a certain percentage of SemCAMS’ earnings before interest, taxes, depreciation and amortization (“EBITDA”); and
  - (b) A “Retention Bonus” that provided a bonus to SemCAMS’ management and employees if they remained employed and assisted through the restructuring period. The Retention Plan was based on 6 months salary for senior management (8 individuals) and 3 months salary for the balance of the SemCAMS employees.
12. The estimated cost of the SemCAMS 2008 ERP was set out in the Monitor’s Fourth Report and for reference purposes is summarized in the table below:

<b>SemCAMS ESTIMATED 2008 ERP (as set out in the Monitor's 4th Report)</b>					
<b>ERP</b>	<b># of employees</b>	<b>Estimated</b>			
		<b>Incentive Earned as at June 30, 2008</b>	<b>Incentive Earned to December 31, 2008</b>	<b>Retention Bonus</b>	<b>Total</b>
		<b>\$000's</b>	<b>\$000's</b>	<b>\$000's</b>	
Incentive Plan	331	\$ 1,772	\$ 1,560	\$ -	\$ 3,332
Retention Plan	331	-	-	5,672	5,672
<b>Total</b>	<b>331</b>	<b>\$ 1,772</b>	<b>\$ 1,560</b>	<b>\$ 5,672</b>	<b>\$ 9,004</b>

### **Incentive Plan**

13. The Incentive Plan portion provided for an incentive pool which was calculated as a certain percentage of EBITDA. For purposes of calculating the amounts payable under the Incentive Plan, EBITDA excluded any extraordinary gains or losses or any allocation of costs from SemGroup, among other things. No payments under the Incentive Plans are paid if the individuals are terminated for cause or if they resign prior to the relevant payment date. The payments made by SemCAMS in 2008 with respect to the Incentive Plan portion of the SemCAMS 2008 ERP totalled approximately \$3.3 million, which was net of the amounts that were allocated to SemCAMS working interest owners (“WIOs”).

## **Retention Bonus**

14. In addition to the Incentive Plan, the SemCAMS 2008 ERP included a retention bonus with the eligible employees to receive payment under the Retention Bonus plan upon the earlier of:
  - (a) Court approval of a restructuring plan; or
  - (b) One month following the completion of the sale of all or substantially all of the assets.
15. No payments under the Retention Bonus plan are to be paid if the individuals are terminated for cause or if they resign prior to the relevant payment date. The estimated total Retention Bonus approved by this Honourable Court on August 21, 2008 totalled approximately \$5.7 million. No portion of the Retention Bonus was assumed to be allocated to the WIOs as the payment related specifically to a stay bonus associated with these CCAA proceedings and was not considered a cost to be shared by the WIOs.
16. Further details of the structure of the SemCAMS 2008 ERP are set out in the March 27, 2009 affidavit of Mr. Darren Marine (the “March 27 Marine Affidavit”).

## **NEED FOR A REVISED SEMCAMS’ ERP FOR 2009**

17. SemCAMS continues to generate significant earnings from its operations for the benefit of its stakeholders, and this trend is expected to continue.
18. A significant portion of the value of SemCAMS is contingent upon it continuing to operate as a going concern. The value of SemCAMS as a going concern significantly exceeds its value in a liquidation scenario.
19. The ability of SemCAMS to continue operations in the normal course and to maximize value for its stakeholders is dependent on the continued employment, active participation and focus/dedication of employees who possess the

knowledge, experience and skills necessary to support the daily operations. This is especially critical as SemCAMS continues with its broad solicitation for purchasers or investors in the market place (the “Solicitation Process”).

#### **CONFIDENTIAL INFORMATION REGARDING THE SEMCAMS 2009 ERP**

20. Attached as confidential appendices to the March 27 Marine Affidavit is certain confidential information that supports and outlines SemCAMS’ request for the approval of the SemCAMS 2009 ERP including the following information (collectively the “Confidential ERP Information”):

- (a) Annual salaries of senior management;
- (b) Total salaries of other employees;
- (c) Amounts estimated to be payable under the Incentive Plan as at June 30, 2009 and the estimated EBITDA for this period;
- (d) The allocation of SemCAMS 2009 ERP among senior management and the remaining employees;
- (e) The Retention Bonus by individual senior management position and in total for the balance of the employees;
- (f) Analysis of the Incentive Plan portion of the SemCAMS 2009 ERP against the Incentive Plan payments in prior years;
- (g) The allocation of the Incentive Plan to SemCAMS between SemCAMS and other WIOs;
- (h) SemCAMS’ historical EBITDA compared to the payments under its Incentive Plan;
- (i) A summary of the 2009 salary survey completed by Mercer LLC (the “Mercer Report”);



- (j) A summary of a confidential survey of compensation and staffing in the Alberta oil and gas industry (the “Confidential Survey”); and
- (k) Copies of SemCAMS’ compensation plans.

21. The Monitor has reviewed the Confidential ERP Information and has used the information in its analysis and discussions below.

### **SUMMARY OF THE SEMCAMS 2009 ERP**

22. SemCAMS is seeking certain revisions to the SemCAMS 2008 ERP as outlined below:

- (a) A revision to the Retention Bonus amount to:
  - i. correct certain errors contained in the calculation of the total Retention Bonus contained in the SemCAMS 2008 ERP (the “Retention Bonus Error”);
  - ii. include a proposed increase to the Retention Bonus due to the Proposed Salary Program (as defined and discussed below); and
  - iii. include a proposed general increase in the Retention Bonus due to the extended time it has taken to complete this restructuring (the “Additional Retention Payment”); and
- (b) Extending the Incentive Plan portion in 2009 on terms substantially similar to those used in 2008.

23. The table below compares the SemCAMS 2008 ERP to the proposed SemCAMS 2009 ERP.

SemCAMS ERP	# of employees	Jan - Jun	July - Dec	TOTAL	Retention Bonus	Total
		\$000's a	\$000's b	\$000's c=a+b	\$000's d	\$000's c+d
<b>2008 ERP (Approved)</b>	<b>331</b>	<b>\$ 1,772</b>	<b>\$ 1,560</b>	<b>\$ 3,332</b>	<b>\$ 5,672</b>	<b>\$ 9,004</b>
<b>2009 ERP (proposed)</b>		-	-			
Incentive Plan	345	2,074	-	2,074	-	2,074
Retention Bonus						
Retention Bonus per 2008 ERP		-	-	-	5,672	5,672
Retention Bonus Error		-	-	-	1,739	1,739
Increase due to Proposed Salary Program				-	343	343
Additional Retention Payment		-	-	-	524	524
sub-total (retention)		-	-	-	8,278	8,278
<b>Total 2009 ERP (proposed)</b>		<b>\$ 2,074</b>	<b>\$ -</b>	<b>\$ 2,074</b>	<b>\$ 8,278</b>	<b>\$ 10,352</b>

24. The table above illustrates that the SemCAMS 2009 ERP is expected to total approximately \$10.35 million, an increase of approximately \$1.35 million from the SemCAMS 2008 ERP. The SemCAMS 2009 ERP is comprised of:

- (a) Approximately \$2.07 million for the Incentive Plan portion which is calculated at a certain percentage of SemCAMS' projected EBITDA for the period from January 1 to June 30, 2009; and
- (b) Approximately \$8.3 million for the Retention Bonus (including \$5.7 million authorized by the Employee Retention Plans Order).

25. SemCAMS is seeking an Order from this Honourable Court that the amounts payable under the SemCAMS 2009 ERP be secured by a charge in the amount of \$10.35 million, against its assets and property in priority to its secured creditors, but subordinated to the charges set out in the Amended and Restated Initial Order.

26. The Monitor has only included a summary of methodology and related cost of the SemCAMS 2009 ERP. Due to the confidential nature of the information (including salary and incentive payment information), no detailed information has been provided on an employee basis.

### **Incentive Plan for 2009**

27. The SemCAMS 2009 ERP contemplates continuing the Incentive Plan portion in 2009 in a manner consistent with the methodology and calculation used to calculate the Incentive Plan portion of the SemCAMS 2008 ERP, which totalled approximately \$3.3 million.
28. The Incentive Plan portion of the SemCAMS 2009 ERP totals approximately \$2.074 million for the first half of 2009 calculated based on a percentage EBITDA that is consistent with the percentage used in the 2008 calculation. The increase in the proposed ERP for 2009 relative to the 2008 Incentive Plan amount is primarily due to an increase in the forecast EBITDA for 2009. As set out above, the Incentive Plan portion of the SemCAMS 2009 ERP is calculated as a percentage of total EBITDA; accordingly, the ultimate payment is dependent upon the actual EBITDA.
29. The estimated Incentive Plan payments under the SemCAMS 2009 ERP of \$2.074 million represent estimated payments to be made during the first six months of 2009, as it is contemplated that SemCAMS' plan of arrangement will be completed during such time.
30. Furthermore, the estimated payment of \$2.074 million for the Incentive Plan portion of the SemCAMS 2009 ERP is presented on a net basis after deducting the estimate portion of the Incentive Plan amount that is allocated to the WIOs. The presentation of the cost of the Incentive Plan portion of the SemCAMS 2009 ERP on a net of WIOs basis, is consistent with the presentation as set out in the Monitor's Fourth Report.

### **Retention Bonus for 2009**

31. SemCAMS is proposing an increase in the Retention Bonus from \$5.67 million to approximately \$8.3 million, comprising:
  - (a) The Retention Bonus approved on August 18, 2008 of \$5.67 million;

- (b) An additional \$1.74 million relating to the Retention Bonus Error;
  - (c) An increase to the Retention Bonus of \$343,000 due to the general increase in salaries proposed by SemCAMS for 2009 (the “Proposed Salary Program”); and
  - (d) An Additional Retention Payment of approximately \$524,000.
32. The amounts payable by SemCAMS with respect to the Retention Bonus are on a gross basis as no amount would be allocated to the WIOs.

### **Retention Bonus Error**

33. As set out in the Fourth Report of the Monitor, the Retention Bonus was calculated at \$5.67 million in the SemCAMS 2008 ERP which comprised 6 months salary for certain senior management members and 3 months for the remaining employees.
34. In calculating the Retention Bonus for the remaining employees, the schedule comprising certain hourly wage earners included information for a 6 month period, as opposed to an annual amount. The schedule was inadvertently and incorrectly divided by four to calculate the 3 month salary portion instead of being divided by two (6 months of salary data, divided by 2 would calculate 3 months of salary). The error resulted in an understatement of the Retention Bonus by approximately \$1.622 million, which has been corrected in the schedule above.
35. In addition, the Retention Bonus was inadvertently understated by approximately \$117,000 relating to certain employees of SemCAMS that as at the date of the granting of the Employee Retention Plans Order were employed for less than six months but are entitled to the Retention Bonus, and therefore should have otherwise been included in the original schedule.
36. The total Retention Bonus Error of \$1.739 million comprises the calculation error of \$1.622 million and \$117,000 relating to employees who were employed less than 6 months at the time of the establishment of the Retention Plan.

### **Increase in Retention Plan due to the Proposed Salary Program**

37. As discussed in further detail below, SemCAMS is proposing a certain salary increase for its employees. SemCAMS is proposing that the Retention Bonus portion of the SemCAMS 2009 ERP be calculated based on the salaries after applying the proposed pay increase as opposed to calculating the Retention Bonus on the 2008 salaries. Calculating the Retention Bonus on the 2009 salaries results in an increase in the Retention Plan amount by approximately \$343,000.

### **Additional Retention Payment**

38. SemCAMS is requesting an Additional Retention Payment of approximately \$524,000. The Monitor understands that the basis of the Additional Retention Payment amount relates to the difference in the 2008 Incentive Plan that management originally intended to pay its employees, compared to the final 2008 Incentive Plan that was approved by this Honourable Court.
39. As more fully set out in the March 27 Marine Affidavit, the percentage of EBITDA that was to fund the Incentive Plan portion of the SemCAMS 2008 ERP was negotiated with SemCAMS' primary secured creditor, the Bank of America (the "BoA"). The ultimate agreed upon EBITDA percentage used in the SemCAMS 2008 ERP was less than the amount management intended to use to calculate the Incentive Plan pool, resulting in a reduction in the Incentive Plan amount by approximately \$524,000. For further clarity, if management had used its intended percentage of EBITDA for the 2008 Incentive Plan calculation, the Incentive Plan pool for 2008 would have been approximately \$524,000 greater than the actual amount of approximately \$3.3 million paid, as set out in the table above.

### **SEMCAMS' POSITION WITH RESPECT TO THE SEMCAMS 2009 ERP**

40. SemCAMS' Management believes it is critical to implement the SemCAMS 2009 ERP, for the reasons set out in the March 27 Marine Affidavit. A summary of the general reasons are as follows:

**General reasons**

- (a) Without implementation of the SemCAMS 2009 ERP, SemCAMS would continue to face difficulties in retaining and attracting staff and any significant turnover in staff would material affect SemCAMS value and its ability to generate future profits. In addition, SemCAMS is at a critical point with respect to its Solicitation Process and stability of its work force and management team is essential;
- (b) Employees' total compensation includes both a base wage/salary portion and the amount received under the SemCAMS 2008 ERP. SemCAMS has completed two independent salary surveys which indicate that SemCAMS total compensation package is reasonable compared to market after considering the SemCAMS 2009 ERP and the Proposed Salary Program; and
- (c) While the oil and gas industry in Alberta has experienced a general slow down, the gas processing industry is still competitive from a wage and staffing perspective. Accordingly, SemCAMS believes that to remain competitive in retaining and attracting the best management and employees, it is required to implement the Proposed Salary Program and the SemCAMS 2009 ERP.

**Proposed Incentive Plan portion of the SemCAMS 2009 ERP**

- (d) The proposed Incentive Plan portion of the SemCAMS 2009 ERP is consistent in methodology to the SemCAMS 2008 ERP, with the pool being calculated on a similar percentage of EBITDA used in the prior years' calculation;
- (e) SemCAMS was successful in allocating the estimated portion of the Incentive Plan in 2008 as originally projected, and the basis of allocation for SemCAMS 2009 ERP is consistent; and

- (f) The proposed Incentive Plan portion of the SemCAMS 2009 ERP has been included in SemCAMS' 2009 forecasts which are being used in the Solicitation Process and similar provisions have been included in the operational budgets which have been approved by the WIOs. Accordingly, SemCAMS does not expect any negative price affects in the Solicitation Process resulting from the implementation of the Incentive Plan portion of the SemCAMS 2009 ERP, nor any issues with the allocation of the payment under the Incentive Plan in 2009 to the WIOs.

#### **Proposed Increase in the Retention Bonus**

- (g) \$1.739 million of the proposed increase in the Retention Bonus relates to the correction of the Retention Bonus Error, but the underlying assumptions for the basis of the Retention Bonus have not changed;
- (h) \$0.3 million of the increase in the retention Bonus relates to the Proposed Salary Program, and given the protracted time to complete this CCAA proceeding it is appropriate to calculate the Retention Bonus on current salary levels;
- (i) With respect to the Additional Retention Payment of approximately \$0.5 million, SemCAMS' management and employees were expecting to receive this amount in 2008, however, due to the negotiations with the BoA, the amount was not received. As SemCAMS overall restructuring has taken longer than originally expected by over 6 months, and SemCAMS produced excellent financial results for 2008, management believes it is reasonable to increase the Retention Bonus by the Additional Retention Payment to reflect the additional time and effort expended by its management and employees.

**SEMCAMS PROPOSED SALARY INCREASE**

41. As set out in the March 27 Marine Affidavit, SemCAMS' Proposed Salary Program contemplates a general salary increase for its salaried employees, effective April 1, 2009. Management supports the Proposed Salary Program given the following:

- (a) The Proposed Salary Program for 2009 is consistent with usual business practices of SemCAMS;
- (b) The increases in wages contemplated in the Proposed Salary Program is consistent with the salary increase that SemCAMS has agreed to pay to the unionized employees at the Kaybob South Plant No. 3;
- (c) After allocation of the Proposed Salary Program to the WIOs, the net cost to SemCAMS is approximately \$343,000;
- (d) The Mercer Report and Confidential Survey indicate that the Proposed Salary Program is comparable to the base salary increases provided or anticipated to be provided to oil and gas industry companies with similar business enterprises to SemCAMS; and
- (e) The Proposed Salary Program was factored into the forecast which is being used in the Solicitation Process, therefore the wage increase is being considered by prospective purchasers and therefore should not negatively affect value.

**MONITOR'S ANALYSIS OF THE SEMCAMS' ERP AND PROPOSED SALARY PROGRAM**

42. The Monitor supports SemCAMS' application seeking approval of the SemCAMS 2009 ERP, as outlined above.



43. The Monitor agrees that the Incentive Plan portion of the SemCAMS 2009 ERP is an essential aspect of the overall compensation package of SemCAMS' employees and should be approved given the following:
- (a) The methodology of the calculation of the Incentive Plan portion of the SemCAMS 2009 ERP is consistent with the calculation in 2008;
  - (b) The percentage of EBITDA used to calculate the future amounts due under the Incentive Plan is comparable to that used in 2008 (and prior years) and the estimated allocation to the WIOs of the Incentive Plan is consistent with the prior year;
  - (c) The salary surveys reviewed by the Monitor confirm that without the Incentive Plan aspect of the total compensation package, SemCAMS' salaries would generally be below comparable market salaries;
  - (d) SemCAMS is attempting to maximize value by continuing its operations on a going concern basis, therefore, maintaining its employees is critical. It would be difficult to maintain the employee base if a significant portion of the total compensation package was not continued (i.e. the Incentive Plans), as the Incentive Plan has been in place at SemCAMS for several years prior to these CCAA proceedings;
  - (e) All future payments under the Incentive Plans are based on SemCAMS generating positive EBITDA. Therefore, future payments under the Incentive Plan will only be payable if SemCAMS generates profits;
  - (f) The continuation of the Incentive Plans would provide incentives to the employees of SemCAMS to maximize these profits; and

- (g) The estimated payments with respect to the Incentive Plan have been included in the information used in the Sale Process and have been approved in the budgets provided to the WIOs.
- 44. The Monitor's analysis indicates that the increase in the Retention Bonus portion of the SemCAMS 2009 ERP is appropriate given the following:
  - (a) A significant portion of the proposed increase represents the Retention Bonus Error which, as discussed above, mainly related to a mathematical error in the calculation and should be corrected;
  - (b) Calculating the Retention Bonus on the revised salaries is reasonable and results in a modest increase in the overall Retention Bonus; and
  - (c) The Additional Retention Payment comprises the amount of the SemCAMS 2008 ERP that management intended to pay its employees and is justified by the strong results produced by SemCAMS in 2008 and the extended period that the restructuring of SemCAMS has taken.
- 45. Lastly, the Monitor understands that BoA and its advisors have reviewed the detailed schedules and analysis of the SemCAMS 2009 ERP and supports approval thereof.
- 46. The Monitor has reviewed the SemCAMS Proposed Salary Program and believes the proposed salary increases are reasonable and comparable with the market data obtained by SemCAMS. The overall cost of the Proposed Salary Program is also relatively modest in comparison (increase in salary net to SemCAMS is \$343,000). In addition, the cost of the Proposed Salary Program has been included in the forecasts used in the Solicitation Process.
- 47. The Monitor believes it is appropriate that the amounts payable under the proposed SemCAMS 2009 ERP be secured by a charge in the amount of \$10.35 million, against SemCAMS' assets and property in priority to SemCAMS'

secured creditors but subordinated to the charges set out in the Amended and Restated Initial Order.

#### **MONITOR'S RECOMMENDATION**

48. The Monitor has reviewed the details of the SemCAMS 2009 ERP and the Proposed Salary Program and believes both are reasonable and appropriate in the circumstances and are critical to ensuring values are maximized for all stakeholders.
49. The Monitor recommends that this Honourable Court approve the Applicants' application to implement the SemCAMS 2009 ERP as discussed above.
50. The Monitor further supports the Applicants' request that the amounts payable under the SemCAMS 2009 ERP be secured by a charge of \$10.35 million against SemCAMS' assets in priority to SemCAMS' secured creditors but subordinate to the charges set out in the Amended and Restated Initial Order.

All of which is respectfully submitted this 30<sup>th</sup> day of March 2009.

**ERNST & YOUNG INC.**  
**in its capacity as Court Appointed**  
**Monitor of the SemCanada Group**



Neil Narfason, CA•CIRP, CBV  
Senior Vice-President



Deryck Helkaa, CA•CIRP  
Vice-President