

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**

**TWENTIETH REPORT OF THE MONITOR**

**ERNST & YOUNG INC.**

**JULY 30, 2009**

## **TABLE OF CONTENTS TO THE TWENTIETH REPORT OF THE MONITOR**

INTRODUCTION .....	1
TERMS OF REFERENCE .....	3
BACKGROUND .....	3
SEMCANADA GROUP RESTRUCTURING UPDATE.....	5
SEMGROUP RESTRUCTURING UPDATE.....	7
MONITOR’S PETITION FOR RECOGNITION OF FOREIGN PROCEEDINGS .....	18
CCAA PLANS .....	20
CAMS PLAN.....	25
CRUDE PLAN.....	28
ENERGY DISTRIBUTION PLAN .....	32
MONITOR’S ANALYSIS OF THE CCAA PLANS .....	36
RECOMMENDATIONS .....	40

## 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”. SemEnergy, Sharp and CEG are collectively referred to herein as the “SemCanada Energy Companies”.
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 twentieth report (the “Twentieth Report”) of Ernst & Young Inc. in its capacity as the Monitor of the SemCanada Group is to provide this Honourable Court with:

- an update of restructuring efforts of SemGroup including the July 21, 2009 U.S. Bankruptcy Court approval of, *inter alia*, SemGroup’s disclosure statement;
- a brief update on the restructuring efforts of the SemCanada Group;
- a status report regarding the Monitor’s petition for recognition of foreign proceedings of the SemCanada Group in the U.S. Bankruptcy Court pursuant to Chapter 15 of the U.S. Bankruptcy Code filed on July 27, 2009;
- the Monitor’s comments and analysis regarding the proposed plan of arrangement and reorganization of SemCAMS (the “CAMS Plan”);
- the Monitor’s comments and analysis regarding the proposed plan of arrangement and reorganization of SemCanada Crude (the “Crude Plan”);
- the Monitor’s comments and analysis regarding the proposed consolidated plan of distribution of the SemCanada Energy Companies (the “Energy Distribution Plan”); and
- the Monitor’s recommendations.

5. Capitalized terms not defined in this Twentieth 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 this Twentieth 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. 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. SemGroup has recently taken material steps towards completing its restructuring and in that regard has filed a number of documents with the US Bankruptcy Court. An overview and update of SemGroup’s restructuring is provided below.

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:
- SemCanada Crude, whose business consists of crude oil marketing and blending. SemCanada Crude's business remains viable and profitable;
  - 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. SemEnergy Group has ceased all operations and is in the process of collecting outstanding receivables and reconciling various claims filed pursuant to the Claims Process Order; and
  - SemCAMS, whose business consists of ownership interests in large gas processing facilities located in Alberta, as well as agreements to operate these facilities. SemCAMS' business remains viable and profitable.
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/Semcanada>.

## SEMCANADA GROUP RESTRUCTURING UPDATE

### *Overview*

11. As discussed above, SemCAMS and SemCanada Crude have remained viable and profitable businesses and each has made considerable progress on a cross-border restructuring involving their ultimate parent, SemGroup.
12. Initially, SemCAMS and SemCanada Crude each considered various alternatives to restructure their businesses as stand alone operations without further affiliation with SemGroup. However, as discussed in the Seventeenth Report, SemCAMS received no acceptable bids in the Solicitation Process. In addition, as discussed in the Tenth Report, SemCanada Crude's business is closely integrated with certain North Dakota transportation rights and additional North Dakota assets owned by the US Debtors, accordingly, it was ascertained, that SemCanada Crude's operations would be problematic to sell or restructure as a stand alone operation. A sale of SemCanada Crude which did not include those rights and assets, or access to them, would likely not maximize value for the benefit of its stakeholders.
13. As a result, the restructuring efforts of SemCAMS and SemCanada Crude have culminated in a proposal for concurrent Canadian and US plans of arrangement and compromise in which those Canadian entities will be reorganized along with other SemGroup entities.
14. In the event these concurrent plans are successful, SemGroup, SemCAMS and SemCanada Crude will emerge from their respective insolvency proceedings with deleveraged balance sheets, and will be able to continue providing mid-stream energy related services.
15. As SemEnergy Group has ceased operations, the SemCanada Energy Companies are proposing a plan that will allow for the orderly liquidation and distribution of its remaining assets (primarily cash and accounts receivable) to its creditors.

16. The proposed plans for the SemCanada Group are subject to conditions precedent requiring that implementation of each of the plans must take effect on the same date as the implementation of the US plan, to allow the SemCanada Group to exit CCAA protection contemporaneously with the US Debtors emerging from the US Proceedings.
17. The US Debtors, SemCAMS, SemCanada Crude and the SemEnergy Canada Energy Companies (collectively the “SemDebtors”) expect to emerge from their respective insolvency proceedings on September 30, 2009 (the “Plan Implementation Date”) however in light of the complexity of the restructuring the SemDebtors cannot offer any firm assurances that the Plan Implementation Date will occur as planned.

***Court Filings with respect to SemCanada Group’s restructuring***

18. On July 24, 2009 the following documents relating to the SemCanada Group were served:
  - (a) A Notice of Motion regarding the Canadian Creditors’ Meeting Order (the “CCAA Plan NOM”) which contained a proposed Canadian Creditors’ Meeting Order attached as Schedule A thereto;
  - (b) The CAMS Plan;
  - (c) The Crude Plan;
  - (d) The Energy Distribution Plan;
  - (e) An affidavit of SemCAMS’ president Darren Marine (the “July 24 Marine Affidavit”); and
  - (f) An affidavit of SemCanada Crude’s president Brent Brown (the “July 24 Brown Affidavit”).



The CAMS Plan, Crude Plan and Energy Distribution Plan are collectively referred to herein as the “CCAA Plans”.

19. On July 27, 2009 the affidavit of Terrence Ronan, a director of the SemCanada Energy Companies, was served.

***CCAA Plan NOM***

20. In these materials the SemDebtors seek to be allowed to propose the CCAA Plans to their Affected Creditors. Specifically, the CCAA Plan NOM seeks, *inter alia*:

- (a) Approval by the Court of for the circulation of the CCAA Plans;
- (b) Authorization for SemCAMS, SemCanada Crude and the SemCanada Energy Companies to call, hold and conduct meetings of their respective affected creditors to consider and vote on a resolution to approve their respective CCAA Plans (collectively the “Canadian Creditors’ Meetings”);
- (c) Adoption of the Noteholder identification process adopted in the US Proceedings to identify which of the SemGroup’s Noteholder Creditors (as defined in the CCAA Plans) and to determine the number and value of votes the Noteholder Creditors are entitled to with respect to the resolutions to approve the CCAA Plans; and
- (d) Amendment of the record date for the Noteholders set out in the December 17, 2008 Order granted in these CCAA Proceedings.

21. The relief sought by the CCAA NOM is set out in the proposed Canadian Creditors’ Meeting Order.

***Canadian Creditors' Meeting Order***

22. In addition to the items noted above, the Canadian Creditors' Meeting Order proposes:

- (a) July 22, 2009 as the voting record date for purposes of determining Noteholder Creditors entitled to vote on the CCAA Plans;
- (b) August 10, 2009 as the outside date where notice (which includes the applicable meeting materials) of the Canadian Creditors' Meetings is to be sent by regular pre-paid mail by the Monitor to Ordinary Creditors (as defined in the CCAA Plans);
- (c) August 10, 2009 as the outside date where notice (which only includes certain of the applicable meeting materials) of the Canadian Creditors' Meetings is to be sent by courier by the Monitor to the Canadian Counsel of the Bank of America ("BoA");
- (d) August 12, 2009 as the outside date where the Notice to Ordinary Creditors of the Canadian Creditors' Meetings is to be published on two separate days in each of the *Globe and Mail* (National Edition), the *Edmonton Journal* and the *Calgary Herald* by the Monitor to Ordinary Creditors;
- (e) That the votes of the Noteholder Creditors and the Secured Lenders (members of the BoA loan syndicate) cast in respect of the SemGroup POR (as defined below) shall be deemed to be votes of the Noteholder Creditors and Secured Lenders, as the case may be, in the CCAA Plans (the "Deeming Provisions");
- (f) Holding the respective Creditors' Meetings on September 10, 2009;
- (g) Requiring the Monitor to report to this Honourable Court no later than two business days after the Canadian Creditors' Meetings on the results of the votes of the CCAA Plans; and

- (h) In the event the CCAA Plans are approved by the required majorities of the respective Affected Creditors, SemCAMS, SemCanada Crude and the SemCanada Energy Companies may bring motions to this Court on September 16, 2009 seeking orders sanctioning each of the CCAA Plans.
23. The proposed schedule for the distribution of the CCAA Plans and related materials and the holding of the Canadian Creditors' Meetings was developed by SemCAMS, SemCanada Crude and the SemCanada Energy Companies with the assistance of their counsel and are, in the Monitor's view, reasonable. The amendment to the record date for Noteholders was necessitated by a practical need to treat the Noteholders consistently in the US and Canada. The amended record date proposed by the Canadian Creditors' Meeting Order is consistent with that being used for voting purposes in connection with the Noteholders' claims in the US Debtors' chapter 11 proceedings.
24. Because the CCAA Plans are closely integrated with, beneficial to and approval of such CCAA Plans are a condition precedent to the implementation of and beneficial to the US Debtors' reorganization, it is in the Monitor's view appropriate to deem the votes cast by the Secured Lenders and the Noteholders in respect of the US Debtors' reorganization plan to be cast in the same manner and amount in respect of the CCAA Plans.

**SEMGROUP RESTRUCTURING UPDATE*****July 21/09 Order***

25. On July 21, 2009 SemGroup obtained an order (the “July 21/09 US Order”) from the U.S. Bankruptcy Court (the “July 21/09 US Order”) which, *inter alia*:

- (a) Approved the Disclosure Statement for the Second Amended Joint Plan of Affiliated Debtors pursuant to chapter 11 of the Bankruptcy Code (the “US Disclosure Statement”). The US Disclosure Statement contains detailed information regarding SemGroup and its plan and includes SemGroup’s Second Amended Joint Plan of Affiliated Debtors (the “SemGroup POR”). A copy of the US Disclosure Statement is attached as Exhibit A to the July 24, 2009 Marine Affidavit;
- (b) Set July 22, 2009 as the “Voting Record Date” for purposes of determining creditors entitled to vote on the SemGroup POR, or in the case of non-voting unimpaired classes to receive notice of their claim being treated as non-voting unimpaired (the “Unimpaired Notice”);
- (c) Directed that all objections to confirmation of the SemGroup POR are to be received by September 3, 2009, and that responses to the objections can be filed by counsel to SemGroup or parties supporting the SemGroup POR by September 10, 2009;
- (d) Directed that solicitation packages must be mailed by July 30, 2009 to all known members, as at the Voting Record Date, of the ‘Voting Classes’ (as defined in the July 21/09 US Order). The Unimpaired Notice must be sent to all known unimpaired creditors by the same date;
- (e) Established September 3, 2009 as the voting deadline to accept or reject the SemGroup POR; and

- (f) Set September 16, 2009 at 10:00 a.m. Eastern time as the date for a further U.S. Bankruptcy Court hearing to consider confirmation of the SemGroup POR (the “Confirmation Hearing”).

A copy of the July 21/09 US Order is attached as Exhibit B to the July 24 Marine Affidavit.

- 26. The Monitor understands that pursuant to section 1125 of chapter 11 of the US Bankruptcy Code, the court approval and filing of a written disclosure statement is required before there can be a vote on the SemGroup POR. The disclosure statement must provide "adequate information" concerning the affairs of SemGroup to enable the holder of a claim or interest to make an informed judgment about the SemGroup POR.
- 27. The July 21/09 US Order allows SemGroup to solicit votes for the SemGroup POR with a view to obtaining the requisite votes to have the SemGroup POR confirmed at the Confirmation Hearing.
- 28. Unlike CCAA proceedings, chapter 11 US Proceedings do not require a physical creditors’ meeting to allow affected creditors to vote on the SemGroup POR. Instead the voting takes place through a notice and balloting mechanism that is established and approved by the US Bankruptcy Court.

*Noteholder Creditors Identification process and Voting procedure*

- 29. The Noteholder Identification Process adopted in the US Proceedings is summarized at paragraphs 22-24 of the July 21/09 US Order.
- 30. The Noteholder Creditor voting procedure under the SemGroup POR process is contained in the ‘ballots’ that are to be distributed to the identified Noteholder Creditors. The key elements of the Noteholder Creditor voting procedure is summarized as follows as they pertain to the CCAA Plans:

- (a) By voting on the SemGroup POR, the Noteholder Creditors will be deemed to be voting on the CCAA Plans, meaning that their vote to

accept or reject the Plan will be taken to be a vote to accept or reject the CCAA Plans; and

- (b) By accepting the SemGroup POR the Noteholder Creditors will be deemed to have consented to the injunction and release provisions of the SemGroup POR described in Article XVIII of the SemGroup POR and the applicable injunction and release provisions of the CCAA Plans.

### ***SemGroup POR***

#### *Summary*

31. The US Debtors expect their total distributable value as at the Plan Implementation Date (or “Effective Date” as used in the SemGroup POR) to be approximately US\$2.3 billion, consisting of:

- (a) US\$965 million in cash (the “Effective Date Cash”);
- (b) US\$300 million in second lien term loan interests; and
- (c) US\$1.035 billion in new common stock and warrants of SemGroup.

#### *Effective Date Cash*

32. The US\$965 million in cash consists of approximately:

- (a) US\$650 million generated during the US Proceedings which includes approximately US\$100 million of restricted cash that SemGroup has assumed will become available for distribution by the Effective Date;
- (b) US\$161 million from the SemCanada Group;
- (c) US\$100 million from sale of assets by SemGroup; and
- (d) US\$54 million expected to be received from SemCanada Crude relating to crude settlements occurring after the Effective Date (i.e.

cash received after the Plan Implementation Date from outstanding prepayments that are outstanding on the Plan Implementation Date and which will be eventually replaced with letters of credit or other post-plan financing).

33. SemGroup will retain approximately US\$50 million of the Effective Date Cash for working capital and general corporate purposes (some of which will be available for the post plan cash needs of SemCAMS and SemCanada Crude).

#### *Litigation Trust*

34. The US Debtors and certain pre-petition lenders will also contribute certain causes of action to a litigation trust (the “Litigation Trust”), and will distribute interests in the Litigation Trust to the holders of ‘Allowed Claims’ (being: Allowed Lender Deficiency Claims, Allowed Senior Notes Claims, Allowed General Unsecured Claims and Allowed Producer Secured Claims as defined in the SemGroup POR).
35. The US Debtors have not placed a value on the Litigation Trust.
36. The Litigation Trust Assets will include the Litigation Trust Claims (primarily disputed production receivables and avoidance actions arising prior to the Effective Date), Contributing Lender Claims (primarily causes of action of the Secured Lender Claims and Lender Deficiency Claims (described below), Litigation Trust Funds of US\$15 million and any other assets acquired by the Litigation Trust after the Effective Date or pursuant to the SemGroup POR. Section VII of the US Disclosure Statement sets out the details of the Litigation Trust, its assets and the mechanics for potential distributions.

#### *Distribution Overview*

37. SemGroup will distribute the remaining Effective Date Cash, the second lien term loan interests, new common stock, warrants and interests in the Litigation Trust to holders of Allowed Claims.

*Exit Financing*

38. The SemGroup POR contains a condition precedent that, on the Effective Date, the restructured SemGroup will enter into an exit financing facility (the “Exit Facility”). The Exit Facility will apply to all post-restructuring SemGroup affiliates including SemCAMS and SemCanada Crude.
39. Definitive terms of the Exit Facility have not been fully negotiated, however, the expected terms are:
- (a) Maximum principal amount outstanding of US\$500 million;
  - (b) 3 year term;
  - (c) Use of the Exit Facility will be: i) for working capital, ii) to collateralize outstanding letters of credit, iii) to issue letters of credit in the ordinary course of business, and iv) to re-enter the crude marketing business in the US, consistent with risk management policies adopted by the SemGroup board of directors.



*Distribution Analysis*

40. A summary of the SemGroup POR total enterprise value and overall distribution is set out below:

<b>SemGroup POR Total Enterprise Value ("TEV") and Distribution Analysis</b>			
	<b>Notes</b>		<b>US\$MM's</b>
TEV	1	<b>A</b>	1,500
Less Post Petition Financing Claims:			
Second lien term loan interests	2		(300)
White Cliffs financing	3		(120)
SemEuro financing	3		(45)
		<b>B</b>	<u>(465)</u>
Reorganized SemGroup equity value		<b>A-B</b>	<u><u>1,035</u></u>
Effective Date Cash		<b>C</b>	965
Distributed as:			
Prepetition Lenders	4		(541)
Ch. 11 503 (b) (9) claims (Admin Exp Claims)	5		(295)
Unpaid professional compensation ("PC Claims")			(50)
Litigation Trust funding			(15)
Other secured claims			(5)
Priority tax claims			(6)
		<b>D</b>	<u>(912)</u>
Remaining cash on the Effective Date		<b>C-D</b>	<u><u>54</u></u>
<b>Approximate Effective Date Cash</b>			<u><u><b>50</b></u></u>

**Notes:**

- 1 TEV as calculated in the US Disclosure Statement
- 2 This secured debt is being created pursuant to the SemGroup POR and will be distributed to the Prepetition Lenders
- 3 These amounts reflect financing arrangements that relate to pre-petition secured debt facilities that are being renegotiated or refinanced and will exist on the Effective Date
- 4 The Prepetition Lenders include the banks and other entities that are party to the Amended and Restated Credit Agreement dated October 18, 2005 among SemCrude, L.P. as US borrower, SemCams Midstream Company, as Canadian borrower, SemGroup, L.P. as guarantor, SemOperating G.P., L.L.C. as guarantor and Bank of America as administrative agent (the "Prepetition Credit Agreement")
- 5 Pursuant to section 503(b)(9) of the US Bankruptcy Code, entities who provided goods to SemGroup in the ordinary course of business which were received by SemGroup within 20 days before the Ch. 11 petition are entitled to an Administrative Expense Claim (i.e. a priority claims above all existing prepetition secured debts)

41. The Monitor has reviewed the methodology used by SemGroup's advisors in estimating the TEV and believes that the approach and conclusion are reasonable.

*Distribution specifics*

42. On the Effective Date, SemGroup expects that the Prepetition Lenders (i.e. the Secured Working Capital Lender Claims and the Secured Revolver/Term Loan Claims) will have approximately US\$2,939 million of secured claims relating to obligations under the Prepetition Credit Agreement. On the Effective Date, SemGroup expects that the Prepetition Lenders will have US\$1,070 million of deficiency claims (the "Lender Deficiency Claims") after taking into account Administrative Expense Claims, Post-petition Financing claims and PC Claims (defined in the table above) but prior to the compromise under the SemGroup POR.
43. The Lender Deficiency Claims are calculated as follows:

**SemGroup POR  
Prepetition Lenders Deficiency Claims Analysis**

		US\$MM's
Prepetition Lender Secured Claims as at the Effective Date	<b>A</b>	2,939
Distributions under the SemGroup POR to the Prepetition Lenders		
Cash		(541)
Implied value reallocated to the subordinate SemGroup creditors		(45)
Second lien term loan interests		(300)
Reorganized SemGroup equity value	<b>95.00%</b>	<u>(983)</u>
	<b>B</b>	<b>(1,869)</b>
<b>Deficiency</b>	<b>A-B</b>	<b><u>1,070</u></b>

44. The remaining impaired claims of SemGroup will receive their share of the remaining reorganized SemGroup equity value being 5% of US\$1,035 million or US\$51.75 million, warrants to purchase 5% of the New Common Stock and certain interests in the Litigation Trust.

45. Particulars of SemGroup's impaired classes (i.e. classes of creditors that will suffer impairment on the recovery of their claim), excluding intercompany claims and intercompany equity interests, and the range of their expected distributions are set out below:

**SemGroup POR**  
**Impaired Classes and Expected Range of Recovery**

<b>Class</b>	<b>Description</b>	<b>Estimated Claims US\$MM's</b>	<b>Estimated Recovery %</b>	<b>Notes</b>
70-95	Secured Working Capital Lender Claims	2,128	57.10%	1
96-121	Secured Revolver/Term Lender Claims	811	73.30%	1
149-174	Senior Notes Claims	610	8.34%	2,3
175-200	Lender Deficiency Claims	1,070	0.00%	4
201-226	General Unsecured Claims	811	2.09%	5

**Notes:**

- 1 Classes 70-121 comprise the Prepetition Lenders' Claims
- 2 The Senior Notes Claims are the same as the Noteholder Creditors' guarantee claims in the CCAA Plans
- 3 The recovery assumes all classes of Senior Notes Claims approve the SemGroup POR and no value for the Litigation Trust. Depending on the level of approval by these classes the recovery % can range from 0.44% to 11.02%
- 4 Assumes no-reallocation of equity from the Senior Notes Claims and General Unsecured Claims and no value for the Litigation Trust
- 5 The recovery assumes all classes of General Unsecured Claims approve the SemGroup POR and no value for the Litigation Trust. Depending on the level of approval by these classes the recovery % can range from 0.08% to 8.03%. The Monitor understands that the likelihood of all the classes of the Senior Notes voting against the SemGroup POR is remote and therefore, the Monitor expects the recovery to the General Unsecured Creditors is 2.09%.

46. Under the SemGroup POR, the collective distributions (i.e. the 5 % of the reorganized SemGroup equity value, warrants and certain of the Litigation Trust Interests) to the Senior Notes Claims and the General Unsecured Claims are split 75%/25% respectively. The Senior Notes Claims receive a greater allocation due to the fact that the Senior Notes are jointly and severally guaranteed by 23 debtors of the SemGroup while in most instances only one SemGroup Debtor is liable with respect to each General Unsecured Claim, and the Noteholder Creditors have waived their right to, and shall not be entitled to, receive distributions provided for under and pursuant to the CCAA Plans.
47. The equity distribution to the Senior Notes and the General Unsecured Claims is:
- (a) Senior Notes: 3.75% of each of SemGroup's new common stock and warrants, subject to dilution from SemGroup management stock; and
  - (b) General Unsecured Claims: 1.25% of each of SemGroup's new common stock and warrants, subject to certain dilution from SemGroup management stock.

*Litigation Trust Distribution*

48. The Litigation Trust Assets will be distributed firstly to the Secured Working Capital Lender Claims up to US\$15 million (i.e. the Secured Working Capital Lenders will recoup the Litigation Trust Funds provided to fund the Litigation Trust). The balance of the Litigation Trust Assets will be distributed in the following order:
- (a) Producer Preferred Distribution Rights, if any. These rights related to a Producer Secured Note that is created under the Litigation Trust and relates solely to recoveries from the Disputed Production Receivables;
  - (b) 30% to the Senior Notes Claims subject to the Producer Preferred Distribution Rights, if any;

- (c) 60% to the Lender Deficiency Claims subject to Producer Preferred Distribution Rights, if any; and
  - (d) 10% to the General Unsecured Claims subject to the Producer Preferred Distribution Rights, if any.
49. A significant feature of the SemGroup POR is that if all classes of Senior Notes Claims or any class of General Unsecured Claims rejects the SemGroup POR, holders in those classes will receive their pro rata share of the Litigation Trust interests but will receive fewer shares of new SemGroup common stock and no warrants. The additional shares and warrants will be reallocated to the approving unsecured classes as the case may be.
50. If all classes of Senior Notes Claims reject the SemGroup POR then all of the new common stock and warrants allocated to the Senior Notes Claims will be reallocated to the General Unsecured Claims.
51. If all classes of General Unsecured Claims reject the SemGroup POR then all of the new common stock and warrants allocated to the General Unsecured Claims will be reallocated to the Senior Notes Claims.
52. If all classes of Senior Notes Claims and General Unsecured Claims reject the SemGroup POR then all of the new common stock will be allocated to the Lender Deficiency Claims and no warrants will be issued under the SemGroup POR.
53. This voting structure reflects the “cram down” power which exists under chapter 11 of the US Bankruptcy Code. Chapter 11 contains a ‘best interests test’ which requires that if a class of holders of impaired claims or equity interests rejects the plan, they can be “crammed down” and their claims will be satisfied if they receive property of a value which, as at the Effective Date, is not less than the value which that class would receive or retain if the debtor were liquidated under chapter 7 of the US Bankruptcy Code.

54. In the case of SemGroup's POR, SemGroup believes that the proposed distribution to the Senior Notes Claims and General Unsecured Claims is better than they would receive under a chapter 7 liquidation, primarily because the Prepetition Lenders have a Lender Deficiency Claim which, absent the SemGroup POR, is in priority to all other impaired classes and would result in little or nothing being available to holders of Senior Notes Claims and General Unsecured Claims in a Chapter 7 liquidation.

***Monitor's Analysis of the SemGroup POR***

55. The SemGroup POR has been developed to achieve a consensual restructuring under the current chapter 11 proceedings.
56. The Monitor understands that the Prepetition Lenders have valid and enforceable security over SemGroup's assets, either through the Prepetition Credit Agreement or by the security created by the 'Adequate Protection' measure that was established under SemGroup's post-petition financing order. The US Disclosure Statement states that SemGroup believes the diminished value of the Prepetition Lenders' collateral as of the date of filing for chapter 11 (the "Filing date") is approximately US\$403 million and, as a result, the Prepetition Lenders are able to secure that amount against SemGroup's unencumbered assets as at the Filing Date.
57. The estimated value of SemGroup's unencumbered assets as at the Filing Date is US\$485 million. Therefore, after applying the security allowed under the adequate protection measure, there remains US\$82 million to be allocated under the SemGroup POR to claims entitled to administrative priority under chapter 11 503(b)(9) being US\$295 million, and to unsecured claims to the extent there is anything available to them resulting from pursuit of the causes of action assigned to the Litigation Trust.

*Litigation trust analysis*

58. The Litigation Trust is a complicated legal mechanism designed to allow the pursuit of certain legal causes of action which will likely require the expenditure of significant time and professional fees before any recoveries can be achieved. In addition, the Monitor understands that the primary asset in the Litigation Trust is the Disputed Production Receivables and any potential collection of these amounts will be captured by the Producer Preferred Distribution Rights (after repayment of US\$15 million to the Secured Working Capital Lender Claims). With respect to the Litigation Trust Assets, it is extremely difficult to assess the potential level of recovery, if any, given the need for further legal action.
59. Due to the complexity of the Litigation Trust, the Monitor is unable to make an informed assessment of the value of Litigation Trust Assets and, for the purposes of this Twentieth report has assumed the value to be nil.

*Monitor's Conclusion on the SemGroup POR*

60. Based on its analysis of the SemGroup POR and the other information provided to it, the Monitor believes that the value available to SemGroup's unsecured creditors, beyond the Administrative Claims, Prepetition Lenders' Claims and other secured claims is negligible or possibly nil in a chapter 7 liquidation. Exhibit D to the US Disclosure Statement includes SemGroup's liquidation analysis under a hypothetical chapter 7 scenario which concludes that no recovery would result for the Senior Notes Claims and General Unsecured Claims.

**MONITOR'S PETITION FOR RECOGNITION OF FOREIGN PROCEEDINGS**

61. On July 27, 2009 the Monitor commenced chapter 15 cases ancillary to these CCAA Proceedings and filed Verified Petitions For Recognition of the SemCanada Group Canadian Proceedings (together, the "Chapter 15 Petitions") with the documentation required by sections 1504 and 1515 of title 11 of the US Bankruptcy Code, seeking the entry of orders:

- (a) recognizing the CCAA Proceedings as "foreign main proceedings" and, subject to the issuance of the Canadian Creditors' Meetings Order by this Honourable Court, enforcing such Canadian Creditors' Meetings Order in the United States; and,
  - (b) if the CCAA Plans are approved, enforcing in the United States the Canadian Plan Sanction Orders relating to the Plans of Arrangement and Reorganization for SemCAMS, SemCanada Crude, and the SemCanada Energy Companies (collectively the "Canadian Sanction Orders"), subject to the issuance of the Canadian Sanction Orders following the joint hearing in the US Bankruptcy Court and this Court now scheduled for September 16, 2009
- 62. Copies of the chapter 15 filings submitted by the Monitor to the US Court are located on the SemGroup US web site at <http://www.kccllc.net/semgroup>.
- 63. The purpose of the chapter 15 cases is to have the Canadian Orders recognized and enforced in the United States. The Monitor understands that a hearing for the recognition and enforcement of the Canadian Creditors' Meeting Order has been scheduled for August 27, 2009.



## CCAA PLANS

### *Overview*

64. The CCAA Plans were developed by the SemDebtors in consultation with their legal advisors, SemGroup, its legal and financial advisors, BoA, BoA's legal and financial advisors, and the Monitor and its counsel.
65. The CCAA Plans seek to provide a fair and reasonable compromise between each of SemCAMS, SemCanada Crude and the SemCanada Energy Companies and their respective stakeholders.
66. The CCAA Plans involved considerable effort to work out the mechanics of the cross-border issues related to tax, intercompany claims, distribution waterfalls, the releases required in both Canada and the US, and Exit Facility issues related to post-plan implementation working capital and operating needs.
67. The CAMS and Crude Plans rely on the Exit Facility to be established on the Effective Date to provide them with the necessary working capital and letter of credit support to allow them to continue operations. The Monitor has had numerous discussions with SemGroup on the structure and size of the Exit Facility in order to confirm that the post-plan implementation financing needs of SemCAMS and SemCanada Crude will be adequately met.
68. Based on the cash flow projections prepared by SemGroup, SemCAMS and SemCanada Crude, the Monitor believes that the Exit Facility if implemented substantially in the form currently under discussion is adequate in the circumstances for the needs of both SemCAMS and SemCanada Crude.

### *Secured Lenders*

69. The CCAA Plans were drafted based on the assumption that the Secured Lenders' security constituted a valid and enforceable security over the SemCanada Group (the "Secured Lenders' Security").

70. As discussed in the Eighth Report, on September 15, 2008 the Monitor's legal counsel provided an independent legal opinion as to the Secured Lenders' Security and concluded that the security was valid and enforceable security over the SemCanada Group.

*Secured Lenders' Claims and Noteholder Creditor Claims*

71. Under the proposed CCAA Plans, recoveries to the Secured Lenders in respect of their unsecured claims and recoveries to the Noteholder Creditors will be provided for under the SemGroup POR. As a result, the Secured Lenders and Noteholder Creditors shall be deemed to have waived their rights to, and shall not be entitled to, receive any distributions provided for under the CCAA Plans in respect of their unsecured claims.
72. As discussed above, the proposed Canadian Creditors' Meeting Order contemplates that the votes of the Secured Lenders and the Noteholder Creditors entitled to vote for the SemGroup POR shall be deemed to be votes of the Secured Lenders and the Noteholder Creditors under the respective CCAA Plans.
73. The proposed Canadian Creditors' Meeting Order also contemplates that the Monitor will be entitled to rely on the information provided by SemGroup to determine:
- (a) The number of votes the Noteholder Creditors are entitled to in respect of the SemGroup POR that are deemed to votes be in favour of or against the resolutions to approve the CCAA Plans, and the value attributed to each such vote; and
  - (b) The number of votes the Secured Lenders are entitled to in respect of the SemGroup POR that are deemed to be votes in favour of or against the resolutions to approve the CCAA Plans and the value attributed to each such vote.

74. The Monitor understands that the Secured Lenders comprise approximately 128 separate parties and, as such, there are potentially 128 ‘votes’ available to the Secured Lenders in each of the CCAA Plans for “head count” purposes.
75. In addition, the Monitor’s legal counsel has advised that the ‘value’ attributable to the Secured Lenders’ votes will be based on the full amount of the guarantee claim, being US\$2,939 million, and not the Lender Deficiency Claim, being US\$1,070 million. For each CCAA Plan, subject to the conversion of US Dollars to Canadian Dollars in accordance with the CCAA Plans, the aggregate value of the Secured Lenders voting claims will be:
- (a) US\$2,939 million for SemCAMS;
  - (b) US\$2,939 million less C\$145 million for SemCanada Crude as an estimate of the amount the Secured Lenders will receive in respect of the Lenders’ Secured Claim under the Crude Plan; and
  - (c) US\$2,939 million less C\$108 million for SemCanada Energy Companies less an estimate of the amount the Secured Lenders will receive in respect of the Lenders’ Secured Claim under the Energy Distribution Plan.
76. The Claims Process Order did not require the Secured Lenders to prove their claim and therefore it is proposed that the values to be used will be the amounts recognized as a proven claim of the Secured Lenders in the US Proceedings for the purposes of voting on the SemGroup POR.
77. The Monitor understands that each of the Noteholder Creditors will be entitled to a ‘vote’ (when counting the number of votes for “head count” purposes) and the value attributable to these votes will be based on the amounts recognized as proven claims of the Noteholder Creditors in the US Proceedings. The Monitor understands that the total value of the Noteholder Creditors claims recognized in the US Proceedings is approximately US\$610 million.

78. At the date of this Report, the Monitor does not know what number of Noteholder Creditors would be entitled to vote for “head-count” purposes.

### *Affected Claims*

79. One of the primary purposes of the CCAA Plans is to effect a compromise and settlement of all Affected Claims. Affected Claims are defined in each of the CCAA Plans as any Claim except for Unaffected Claims and Unaffected Plan Closing Claims. The Unaffected Claims and Unaffected Plan Closing Claims are separately defined in each of the CCAA Plans.
80. Affected Claims include the claims of the Secured Lenders, the Noteholder Creditors, the Applicants and the US Debtors; however no distribution will be made in respect of the unsecured claims of these creditors under the CCAA Plans.
81. Under the CCAA Plans the only Affected Creditors to receive any distributions are the Ordinary Creditors. Ordinary Creditors are defined in each CCAA Plan as Creditors holding Affected Claims other than: a) the Claims of Secured Lenders, b) the Claims of Noteholder Creditors; c) the Claims of other Applicants; and d) the Claims of US Debtors..
82. As more particularly described in the CCAA Plans, except for certain intercompany debts, interest shall not accrue or be paid on Affected Claims after the Filing Date.
83. The composition of Unaffected Claims and Unaffected Plan Closing Claims is discussed under each plan below.

### *Voting*

84. The only creditors entitled to vote on the respective CCAA Plans are:
- (a) Ordinary Creditors with Proven Claims (a claim finally determined or accepted for voting purposes in accordance with the Claims Process Order), who will have a voting claim equivalent to the Proven Claim;

- (b) Ordinary Creditors with Disputed Claims where the Monitor has delivered a Notice of Revision (“NOR”) or Notice of Disallowance (“NOD”) and the NOR or NOD remains in dispute, who will have a voting claim equivalent to the revised claim value accepted by the Monitor pursuant to the NOR or NOD;
- (c) Ordinary Creditors with Disputed Claims where the Monitor has not delivered a NOR or NOD who will have a voting claim equivalent to the amount claimed in such Ordinary Creditors’ Proof of Claim; and
- (d) The Secured Lenders and the Noteholders Creditors as discussed above.

### *Classes*

85. The CCAA Plans each contemplate that their respective Affected Creditors will vote at the Creditors’ Meeting in a single class. For the purposes of calculating the majority component of the Required Majority (as defined in the CCAA Plans), each Affected Creditor who actually votes (in person or by proxy) is entitled to one vote. For the purposes of calculating the value component of the Required Majority, each Ordinary Creditor is entitled to one vote at the Creditors’ Meeting and will have a voting claim equivalent to the value described above and the Secured Lenders and the Noteholder Creditors will have been deemed to vote in accordance with their votes in the SemGroup POR and will have a voting claim equivalent to the value described above.

## CAMS PLAN

86. The purpose of the CAMS Plan is to:

- (a) Deleverage the balance sheet;
- (b) Effect a compromise and settlement of Affected Claims;
- (c) Enable SemCAMS to continue business as a going concern; and
- (d) Preserve employment.

### *SemCAMS Claims Summary*

87. A summary of SemCAMS' Ordinary Claims based on the Monitor's 'best estimates' of the final claim amount (including Subsequent Claims) is set out below:

**SemCAMS  
Ordinary Claims Summary  
as at July 30, 2009  
(CAD\$ millions)**

Low		High	
# of claims	\$	# of claims	\$
93	70.2	89	102.5

### *The Pools*

88. The CAMS Plan proposes to establish two pools of cash on the plan implementation date being:

- (a) The Secured Creditors' Pool – this pool will be funded by a cash advance from SemCanada Crude in an amount equal to the aggregate amount of Proofs of Claim purporting to be Secured Claims which have not been paid by SemCAMS prior to the Plan Implementation Date; and

- (b) The Ordinary Creditors' Pool – this pool will be funded by a cash advance from SemCanada Crude in the amount of \$4.85 million.

The advances from SemCanada Crude to establish these two pools and to fund other distributions under the CAMS Plan will be secured by a promissory note (the “SemCanada Crude Promissory Note”).

#### *Secured Creditors' Pool*

89. The Secured Creditors' Pool will be available to those secured creditors whose claims are proven as secured by a validly attached and existing security interest on the assets, property and undertaking of SemCAMS, which was duly and properly perfected at the Filing Date and has priority over the Secured Lenders' Security, up to the realizable value of such property.
90. The estimated cash to be advanced by SemCanada Crude for the Secured Creditors' Pool is \$9.6 million.
91. The Secured Creditors' Pool shall be distributed by the Monitor to Secured Creditors in an amount equal to the full amount of their Secured Claims, as finally determined.
92. Following the final distribution to the Secured Creditors, any remaining balance in the Secured Creditors' Pool (after deducting all fees incurred in resolving and effecting Secured Creditor distributions) shall be paid to SemCanada Crude firstly as a repayment of the SemCanada Crude Promissory Note, and, secondly as a repayment of the New US Inter-Company Promissory Notes.

#### *Ordinary Creditors' Pool*

93. Ordinary Creditors will receive cash distributions from the Ordinary Creditors' Pool on a pro rata basis subject to a maximum total payment of 4% of Ordinary Creditors' Proven Claims. For the purposes of the CAMS Plan, the Ordinary Creditors Pool will be \$4.85 million less an estimate of approximately \$0.75 million on account of administrative costs.

94. The distribution is estimated to be 4% unless more than \$102.5 million in claims are proven against SemCAMS.
95. The Monitor will establish a disputed claims reserve from the cash in the Ordinary Creditors' Pool prior to any distributions. As disputed claims ("Disputed Claims") are resolved, the Monitor shall distribute the pro rata share of the Ordinary Creditors' Pool to the holders of Disputed Claims based upon the finally determined amounts of their claims.

*Payments to SemCanada Crude*

96. Following the Plan Implementation Date certain amounts are to be remitted to SemCanada Crude and applied firstly in repayment of the SemCanada Crude Promissory Note, and, secondly as a repayment of the New US Inter-Company Promissory Notes (as defined in the CAMS Plan). Those amounts are:
  - (a) all outstanding cash deposits or prepayments made by SemCAMS prior to the Plan Implementation Date in respect of power, utilities and other supplies and non-ordinary course matters at the time such amounts are collected or replaced by letters of credit or cash but in all events not later than the six month anniversary after the Plan Implementation Date provided that the foregoing shall not include cash deposits or prepayments that are not the property of the Company or are cash deposits or prepayments that are to be properly allocated on receipt to a joint account pursuant to the CO&O Agreements (as defined in the CAMS Plan);
  - (b) the net proceeds (after costs of collection), if any, resulting from the collection of accounts receivable owed to SemCAMS from inlet producers which were greater than 60 days outstanding as at the Plan Implementation Date; and



- (c) following the final distribution from the Ordinary Creditors' Pool any remaining balance in the Ordinary Creditors' Pool, net of administrative costs.

## CRUDE PLAN

97. The purpose of the SemCanada Crude Plan is to:

- (a) Deleverage the balance sheet;
- (b) Effect a compromise and settlement of Affected Claims;
- (c) Enable SemCanada Crude to continue business as a going concern;  
and
- (d) Preserve employment.

### *SemCanada Crude Claims Summary*

98. A summary of SemCanada Crude's Ordinary Claims based on the Monitor's 'best estimates' of the final claim amount (including Subsequent Claims) is set out below:

**SemCanada Crude  
Ordinary Claims Summary  
as at July 30, 2009  
(CAD\$ millions)**

Low		High	
# of claims	\$	# of claims	\$
160	230.0	144	261.5

### *The Pools*

99. The Crude Plan proposes to establish two pools of cash on the plan implementation date being:

- (a) The Secured Creditors' Pool – this pool will be funded by a cash advance from SemCanada Crude's cash balances in an amount equal

to the aggregate amount of Proofs of Claim purporting to be Secured Claims which have not been paid by SemCanada Crude prior to the Plan Implementation Date; and

- (b) The Ordinary Creditors' Pool – this pool will be funded by a cash advance from SemCanada Crude's cash balances in the amount of \$11.0 million.

#### *Secured Creditors' Pool*

- 100. The Secured Creditors' Pool will be available to those secured creditors whose claims are proven as secured by a validly attached and existing security interest on the assets, property and undertaking of SemCanada Crude, which was duly and properly perfected at the Filing Date and has priority over the Secured Lenders' Security, up to the realizable value of such property.
- 101. The estimated cash to be funded for the Secured Creditors' Pool is \$18.8 million.
- 102. The Secured Creditors' Pool shall be distributed by the Monitor to Secured Creditors, with each receiving an amount equal to the full amount of their Secured Claims, as finally determined.
- 103. Following the final distribution to the Secured Creditors, any remaining balance in the Secured Creditors' Pool (after deducting all fees incurred in resolving and effecting Secured Creditor distributions) shall be paid to the Secured Lenders.

#### *Ordinary Creditors' Pool*

- 104. Ordinary Creditors will receive cash distributions from the Ordinary Creditors' Pool on a pro rata basis subject to a maximum total payment of 4% of Ordinary Creditors' Proven Claims. For the purposes of the SemCanada Crude Plan, the Ordinary Creditors Pool will be \$11 million less an estimate of approximately \$0.5 million on account of administrative costs.

105. The distribution is estimated to be 4% unless more than \$262.5 million in claims are proven against SemCanada Crude.
106. Following the final distribution to the Ordinary Creditors, any remaining balance in the Ordinary Creditors' Pool (after deducting all fees incurred in resolving and effecting distributions) shall be paid to the Secured Lenders.
107. In the event that more than \$262.5 million in claims are proven against SemCanada Crude, the estimated distribution will be reduced and the maximum dividend of 4% of Ordinary Creditors' Proven Claims would not be reached.
108. The Monitor will establish a disputed claims reserve from the cash in the Ordinary Creditors' Pool prior to any distributions. As Disputed Claims are resolved the Monitor shall distribute the pro rata share of the Ordinary Creditors' Pool to the holders of Disputed Claims based upon the finally determined amounts of their claims.

*Payment to the Secured Lenders*

109. As more particularly described in the Crude Plan, in full satisfaction, payment, release and discharge of the Lenders' Secured Claim and the Secured Lenders' Security, SemCanada Crude shall pay to the Secured Lenders all cash in hand as at the Plan Implementation Date:

*less:*

- (a) \$5 million;
- (b) The amounts required to pay the Unaffected Plan Closing Claims;
- (c) The amount required to fund the Secured Creditors' Pool;
- (d) The amount required to fund the Ordinary Creditors' Pool; and
- (e) The SemCAMS Advance;

*plus:*

- (f) Any surplus from the Crude Secured Creditors' Pool net of administrative costs;
- (g) Any remaining balance in the Ordinary Creditors' Pool, net of administrative costs;
- (h) Any repayments received on the SemCanada Crude Promissory Note or the New US Inter-Company Promissory Notes, as the case may be;
- (i) All outstanding cash deposits or prepayments made by SemCAMS prior to the Plan Implementation Date;
- (j) The net proceeds (after all costs of collection), if any, resulting from the collection of accounts receivable owed to SemCanada Crude prior to the Filing Date and continue to remain outstanding on the Plan Implementation Date; and
- (k) All unclaimed or uncashed distributions if the aggregate of such amounts exceed \$25,000.

## ENERGY DISTRIBUTION PLAN

110. The purpose of the Energy Distribution Plan is to:

- (a) Effect a compromise and settlement of Affected Claims;
- (b) Achieve an overall comprehensive resolution and settlement of all outstanding matters in an orderly and cost efficient manner; and
- (c) Effect a fair, reasonable and orderly distribution of the net cash and other assets of the SemEnergy Companies for the benefit of Affected Creditors.

### *SemCanada Energy Group Claims Summary*

111. A summary of the SemCanada Energy Group's Ordinary Claims based on the Monitor's 'best estimates' of the final claim amount is set out below:

**SemCanada Energy Companies  
Ordinary Claims Summary  
as at July 30, 2009  
(CAD\$ millions)**

Low		High	
# of claims	\$	# of claims	\$
261	118.1	253	124.1

### *The Pools*

112. The Energy Distribution Plan proposes to establish two pools of cash on the Plan Implementation Date being:

- (a) The Secured Creditors' Pool – this pool will be funded by a cash advance from the SemCanada Energy Companies' cash balances in an amount equal to the aggregate amount of Proofs of Claim purporting to be Secured Claims which have not been paid by the Company prior to the Plan Implementation Date; and

- (b) The Ordinary Creditors' Pool – this pool will be funded by a \$2 million cash advance from SemCanada Energy Companies' cash balances and, following the Plan Implementation, Date, 20% of the net receivable proceeds received, if any, up to a maximum of \$1 million.

#### *Secured Creditors' Pool*

- 113. The Secured Creditors' Pool will be available to those secured creditors whose claims are proven as secured by a validly attached and existing security interest on the assets, property and undertaking of SemCanada Crude, which was duly and properly perfected at the Filing Date and has priority over the Secured Lenders' Security, up to the realizable value of such property.
- 114. The estimated cash to be funded for the Secured Creditors' Pool is \$9.7 million.
- 115. The Secured Creditors' Pool shall be distributed by the Monitor to Secured Creditors, with each receiving an amount equal to the full amount of their proven Secured Claims, as finally determined.
- 116. Following the final distribution to the Secured Creditors, any remaining balance in the Secured Creditors' Pool (after deducting all fees incurred in resolving and effecting Secured Creditor distributions) shall be paid to the Secured Lenders.

#### *Ordinary Creditors' Pool*

- 117. Ordinary Creditors will receive cash distributions from the Ordinary Creditors' Pool on a pro rata basis subject to a maximum total payment of \$3 million less estimated administration costs which are currently estimated to be \$200,000 (i.e. a maximum of \$2.8 million) will be distributed in respect of the Ordinary Creditors' Proven Claims.

### *Energy Outstanding Receivables*

118. The Monitor has analyzed the estimated collections from the outstanding receivables existing within the SemCanada Energy Companies that would be subject to the 20% of the net receivable proceeds received being funded to the Ordinary Creditors' Pool. A summary of the outstanding receivables is set out below:

**SemEnergy Companies**  
**Summary of Outstanding Accounts Receivable**  
(\$'000s)

	<b>Gross Outstanding</b>	<b>Accepted Offsets</b>	<b>Outstanding Balance After Accepted Offsets</b>	<b>Known / Disputed Offsets</b>	<b>Net Outstanding Balance</b>
SemEnergy	23,959	11,042	12,917	10,408	2,509
CEG	2,071	741	1,330	-	1,330
AES	554	-	554	8	546
<b>Total</b>	<b>26,584</b>	<b>11,783</b>	<b>14,801</b>	<b>10,416</b>	<b>4,386</b>

119. Based on the above analysis, the Monitor believes that the Ordinary Creditors Pool will potentially receive approximately \$4.386 million x 20%, or \$877,000 less estimated administration costs of \$200,000 from the net collection of receivables post-plan implementation for a net distributable amount of \$677,000.
120. The Monitor estimates that the distribution to the Ordinary Creditors will be in the range of 2.16% to 2.27% of Ordinary Creditors' Proven Claims.
121. In the event that more than \$124.1 million in claims are proven against the SemCanada Energy Companies, the distribution in respect of Ordinary Creditors' Proven Claims could fall below 2.16%.
122. The Monitor will establish a disputed claims reserve from the cash in the Ordinary Creditors' Pool prior to any distributions. As Disputed Claims are resolved the Monitor shall distribute the pro rata share of the Ordinary Creditors' Pool to the holders of Disputed Claims based upon the finally determined amounts of their claims.

*Payment to the Secured Lenders*

123. As more particularly described in the Energy Distribution Plan, in full satisfaction, payment, release and discharge of the Lenders' Secured Claim and the Secured Lenders' Security, the SemCanada Energy Companies shall pay to the Secured Lenders all cash on hand as at the Plan Implementation Date,

*less:*

- (a) The amounts required to pay the Unaffected Plan Closing Claims;
- (b) The amount required to fund the Secured Creditors' Pool; and
- (c) The amount required to fund the Ordinary Creditors' Pool.

*plus:*

- (d) Any surplus from the Secured Creditors' Pool net of administrative costs;
- (e) The net receivable proceeds (after all costs of collection), if any, resulting from the collection of accounts receivable owed to the SemCanada Energy Companies less 20% of all net collection to a maximum of \$1 million;
- (f) All unclaimed or un-cashed distributions; and
- (g) Any other cash remaining within the SemEnergy Companies.



## MONITOR'S ANALYSIS OF THE CCAA PLANS

### *CCAA Plans*

124. SemCAMS, SemCanada Crude and the SemCanada Energy Companies have indicated that there are no other viable options available to them to restructure other than as proposed in the CCAA Plans and that the only other alternative for each of these Applicants would be a formal liquidation under the BIA. In management's estimate a liquidation scenario would, in the case of each of these Applicants, provide a lower recovery to the Affected Creditors than that proposed by the CCAA Plans.
125. A condition of each of the CCAA Plans is that Affected Creditors must approve the plans by a majority in number and two-thirds in value of the creditors present either by proxy or by person, and the CCAA Plans must be accepted and approved by the Court. If the CCAA Plans are not accepted by the Affected Creditors, the likely result would be bankruptcy proceedings for those Applicants whose CCAA Plans were rejected.
126. The CCAA Plans contemplate that all excess/surplus cash and near cash assets of SemCAMS, SemCanada Crude and the SemCanada Energy Companies on the Plan Implementation Date, after payment of Unaffected Claims and Unaffected Plan Closing Claims, will be distributed first to the Secured Creditors (i.e. those who have priority over the Secured Lenders), then to the Secured Lenders, less a maximum of:
  - (a) The lesser of \$4.1 million or 4% of the Claims of SemCAMS Ordinary Creditors, to fund the CAMS Plan;
  - (b) The lesser of \$10.5 million or 4% of the Claims of SemCanada Crude's Ordinary Creditors, to fund the SemCanada Crude Plan; and
  - (c) The lesser of \$2.0 million plus 20% of the net receivable collections from the SemCanada Energy Companies or an estimated 2.16% to

2.27% of the Claims SemCanada Energy Companies' Ordinary Creditors, to fund the SemCanada Energy Companies Plan.

Amounts (a) through (c) above are collectively referred to as the "Unsecured Creditor Allocation"

127. The rationale behind this treatment is that the Secured Lenders have valid and enforceable secured claims and, in the event of a liquidation of any of SemCAMS, SemCanada Crude or the SemCanada Energy Companies, the Secured Lenders would receive the Unsecured Creditor Allocation resulting in the Ordinary Creditors receiving no recovery. Therefore, the CCAA Plans are considered to be better than the alternative (i.e. liquidation). The Secured Lenders, in turn, gain some benefit by preserving the going concern value of SemCams and SemCanada Crude, and by having a prompt distribution of the funds held by the SemCanada Energy Companies.

#### *Comparison to the SemGroup POR*

128. The Monitor's analysis of the SemGroup POR indicates that SemGroup's General Unsecured Creditors will receive a distribution in the form of equity (new common stock and warrants) with an estimated value of approximately 2.09% of the General Unsecured Claims.
129. The distribution to the SemGroup General Unsecured Creditors is viewed as better than a liquidation under chapter 7 and therefore, bearing in mind the effect of the US Bankruptcy Code's cram down provisions, it is likely the SemGroup POR will be confirmed.

#### *Energy Distribution Plan Analysis*

130. As SemCanada Energy Companies has ceased operations, the benefit to the SemCanada Energy Companies and the Secured Lenders of restructuring under the CCAA versus liquidating these entities under the BIA is minimal; however, for the purposes of the SemGroup POR, CAMS Plan and the SemCanada Crude

Plan, the Energy Distribution Plan offers an administratively convenient and orderly mechanism to wind up the affairs of the SemCanada Energy Companies.

131. Given that the SemCanada Energy Companies are effectively being liquidated and wound up, the Energy Distribution Plan offers a lower estimated recovery to Ordinary Creditors than the CAMS and Crude Plans reflecting the fact that the SemCanada Energy Companies have no going concern value. However, the estimated distribution to the SemCanada Energy Companies' Ordinary Creditors is still considered by the Monitor to be better than the alternative of liquidation under the BIA.

#### *Classes*

132. The Monitor considers the creation of a single Affected Creditors' Class for each of the CCAA Plans to be reasonable.

#### *Noteholder Creditor Identification Process*

133. In addition to the comments made earlier, the Monitor considers the adoption of the Noteholder Identification Process as set out paragraphs 22-24 in the July 21/09 US Order to be a reasonable time efficient and cost effective approach for Noteholder Creditor identification purposes for the CCAA Plans.

#### *Deeming Provisions*

134. The Monitor has concluded that the Deeming Provisions in the proposed Canadian Creditors' Meeting Order are fair and reasonable. The primary reason for this conclusion is that the Monitor believes that the Secured Lenders and the Noteholder Creditors would have the identical treatment for their votes in each of the CCAA Plans if they were asked to vote separately on the CCAA Plans. Furthermore, the Monitor believes that the Deeming provisions were incorporated into the SemGroup POR and CCAA Plans purely as an administrative convenience and nothing more.

135. In addition, the value that the Secured Lenders are deemed to vote in each of the CCAA Plans is considered to be the same value that they would have been able to vote had they been required to prove the claim in these CCAA Proceedings. The Noteholders Creditors proved their claims in these CCAA Proceedings and the deemed value recognized by the US Proceedings, being approximately US\$610 million, is similar or slightly less than the Noteholder Creditor claims filed in these CCAA Proceedings.

*Conclusion*

136. The Monitor considers the CCAA Plans to be fair and reasonable as the Affected Creditors of each of the SemDebtors would receive a greater recovery than under the alternative (i.e. a formal liquidation).
137. In addition, the proposed distribution to the Ordinary Secured Creditors under the CCAA Plans is considered to be fair as it is comparable to, and potentially slightly more favourable than, the distributions being made to the SemGroup General Unsecured Creditors.

**RECOMMENDATIONS**

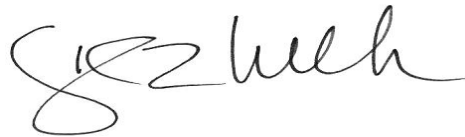
138. The Monitor recommends that SemCAMS, SemCanada Crude and the SemCanada Energy Companies be allowed to circulate their respective CCAA Plans and related documents, in the form presented by the SemDebtors, to their respective Affected Creditors for the purposes of allowing the Affected Creditors to vote on the CCAA Plans.
139. The Monitor recommends approval of the proposed Canadian Creditors' Meeting Order.
140. The Monitor is of the opinion that the CCAA Plans are fair and reasonable and provide the best return to the respective Affected Creditors under the circumstances.

All of which is respectfully submitted this 30<sup>th</sup> day of July 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

CLERK OF THE COURT

JUL 31 2009

CALGARY, ALBERTA

Action No.: 0801-08510

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

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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

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**TWENTIETH REPORT OF THE  
MONITOR**

**JULY 30, 2009**

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**BORDEN LADNER GERVAIS LLP**

Barristers and Solicitors  
1000 Canterra Tower  
400 Third Avenue S.W.  
Calgary, Alberta T2P 4H2

**Attention: Patrick T. McCarthy**

**Telephone: (403) 232-9441**

**Fax: (403) 266-1395**

**File No. 413255-000012**