THIS IS NOT A SOLICITATION OF ACCEPTANCE OR REJECTION OF THE PLAN. ACCEPTANCES OR REJECTIONS MAY NOT BE SOLICITED UNTIL A DISCLOSURE STATEMENT HAS BEEN APPROVED BY THE BANKRUPTCY COURT. THIS DISCLOSURE STATEMENT IS BEING SUBMITTED FOR APPROVAL BUT HAS NOT BEEN APPROVED BY THE BANKRUPTCY COURT.

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re	:	**Chapter 11**
SEMCRUDE, L.P., *et al.*,	:	**Case No. 08-11525 (BLS)**
Debtors.	:	**Jointly Administered**

DISCLOSURE STATEMENT FOR JOINT PLAN OF AFFILIATED DEBTORS PURSUANT TO CHAPTER 11 OF THE BANKRUPTCY CODE

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Dated: May 15, 2009

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THE VOTING DEADLINE TO ACCEPT OR REJECT THE PLAN IS [__] P.M. EASTERN TIME ON [_____], 2009 UNLESS EXTENDED BY ORDER OF THE UNITED STATES BANKRUPTCY COURT FOR THE DISTRICT OF DELAWARE.

THIS DISCLOSURE STATEMENT, THE JOINT PLAN OF AFFILIATED DEBTORS UNDER CHAPTER 11 OF THE BANKRUPTCY CODE, DATED **[_____]**, 2009, ANNEXED HERETO AS EXHIBIT B, THE OTHER EXHIBITS ANNEXED HERETO, THE ACCOMPANYING BALLOTS AND THE RELATED MATERIALS DELIVERED TOGETHER HEREWITH ARE BEING FURNISHED BY THE DEBTORS TO RECORD HOLDERS OF IMPAIRED CLAIMS KNOWN TO THE DEBTORS, PURSUANT TO SECTIONS 1125 AND 1126 OF THE BANKRUPTCY CODE IN CONNECTION WITH THE SOLICITATION BY THE DEBTORS OF VOTES TO ACCEPT THE PLAN AS DESCRIBED HEREIN.

THE CONFIRMATION AND EFFECTIVENESS OF THE PLAN ARE SUBJECT TO MATERIAL CONDITIONS PRECEDENT, SOME OF WHICH MAY NOT BE SATISFIED. SEE SECTION V.K, "THE PLAN – CONDITIONS PRECEDENT TO EFFECTIVE DATE OF THE PLAN." THERE IS NO ASSURANCE THAT THESE CONDITIONS WILL BE SATISFIED OR WAIVED.

HOLDERS OF CLAIMS AGAINST, AND HOLDERS OF EQUITY INTERESTS IN, THE DEBTORS ARE ENCOURAGED TO READ AND CAREFULLY CONSIDER THE MATTERS DESCRIBED IN THIS DISCLOSURE STATEMENT UNDER "CERTAIN FACTORS AFFECTING THE DEBTORS" IN SECTION IX HEREOF.

IF THE PLAN IS CONFIRMED BY THE BANKRUPTCY COURT AND THE EFFECTIVE DATE OCCURS, ALL HOLDERS OF CLAIMS AGAINST, AND HOLDERS OF EQUITY INTERESTS IN, THE DEBTORS (INCLUDING, WITHOUT LIMITATION, THOSE HOLDERS OF CLAIMS WHO DO NOT SUBMIT BALLOTS TO ACCEPT OR REJECT THE PLAN OR WHO ARE NOT ENTITLED TO VOTE ON THE PLAN) WILL BE BOUND BY THE TERMS OF THE PLAN AND THE TRANSACTIONS CONTEMPLATED THEREBY.

ACCEPTANCE OF THE PLAN BY HOLDERS OF CLAIMS WILL BE DEEMED TO CONSTITUTE APPROVAL OF THE MANAGEMENT INCENTIVE PLAN FOR PURPOSES OF SECTIONS 162(m) AND 422 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED, AS WELL AS SECTION 16 OF THE EXCHANGE ACT AND ANY STOCK EXCHANGE LISTING REQUIREMENT.

NEITHER THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THE SECURITIES DESCRIBED HEREIN OR THIS DISCLOSURE STATEMENT

OR PASSED UPON THE ACCURACY OR ADEQUACY OF THE STATEMENTS CONTAINED HEREIN. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THIS DISCLOSURE STATEMENT IS NOT AN OFFER TO SELL THE SECURITIES DESCRIBED HEREIN AND IS NOT A SOLICITATION OF AN OFFER TO BUY SUCH SECURITIES IN ANY STATE WHERE SUCH OFFER OR SALE IS NOT PERMITTED.

NONE OF THE SECURITIES TO BE ISSUED TO HOLDERS OF ALLOWED CLAIMS PURSUANT TO THE PLAN WILL HAVE BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT, OR UNDER ANY STATE SECURITIES OR "BLUE SKY" LAWS, AND SUCH SECURITIES WILL BE ISSUED IN RELIANCE UPON EXEMPTIONS FROM THE SECURITIES ACT AND EQUIVALENT STATE LAWS.

THERE HAS BEEN NO INDEPENDENT AUDIT OF THE FINANCIAL INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT OR IN ANY EXHIBIT HERETO EXCEPT AS EXPRESSLY INDICATED IN THIS DISCLOSURE STATEMENT OR IN ANY EXHIBIT HERETO. THIS DISCLOSURE STATEMENT WAS COMPILED FROM INFORMATION OBTAINED BY THE DEBTORS FROM NUMEROUS SOURCES BELIEVED TO BE ACCURATE TO THE BEST OF THE DEBTORS' KNOWLEDGE, INFORMATION AND BELIEF.

THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT ARE MADE AS OF THE DATE HEREOF, AND THE DELIVERY OF THIS DISCLOSURE STATEMENT WILL NOT, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THE INFORMATION CONTAINED HEREIN IS CORRECT AT ANY TIME SUBSEQUENT TO THE DATE HEREOF AND THE DEBTORS UNDERTAKE NO DUTY TO UPDATE THE INFORMATION CONTAINED HEREIN.

THIS DISCLOSURE STATEMENT AND THE RELATED DOCUMENTS ARE THE ONLY DOCUMENTS AUTHORIZED BY THE BANKRUPTCY COURT TO BE USED IN CONNECTION WITH THE SOLICITATION OF VOTES ACCEPTING OR REJECTING THE PLAN. NO REPRESENTATIONS ARE AUTHORIZED BY THE BANKRUPTCY COURT CONCERNING THE DEBTORS, THEIR BUSINESS OPERATIONS, THE VALUE OF THEIR ASSETS OR THE VALUES OF THE SECURITIES DESCRIBED HEREIN TO BE ISSUED OR BENEFITS OFFERED PURSUANT TO THE PLAN, EXCEPT AS EXPLICITLY SET FORTH IN THIS DISCLOSURE STATEMENT OR ANY OTHER DISCLOSURE STATEMENT OR OTHER DOCUMENT APPROVED FOR DISTRIBUTION BY THE BANKRUPTCY COURT. HOLDERS OF CLAIMS AND/OR EQUITY INTERESTS SHOULD NOT RELY UPON ANY REPRESENTATIONS OR INDUCEMENTS MADE TO SECURE ACCEPTANCE OF THE PLAN OTHER THAN THOSE SET FORTH IN THIS DISCLOSURE STATEMENT.

FOR THE CONVENIENCE OF HOLDERS OF CLAIMS AND EQUITY INTERESTS, THIS DISCLOSURE STATEMENT SUMMARIZES THE TERMS OF THE PLAN AND CERTAIN OF THE PLAN DOCUMENTS. IF ANY INCONSISTENCY EXISTS BETWEEN THE PLAN

OR THE APPLICABLE PLAN DOCUMENTS AND THIS DISCLOSURE STATEMENT, THE TERMS OF THE PLAN OR THE APPLICABLE PLAN DOCUMENTS ARE CONTROLLING. THE SUMMARIES OF THE PLAN AND THE PLAN DOCUMENTS IN THIS DISCLOSURE STATEMENT DO NOT PURPORT TO BE COMPLETE AND ARE SUBJECT TO, AND ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO, THE FULL TEXT OF THE PLAN AND THE APPLICABLE PLAN DOCUMENTS, INCLUDING THE DEFINITIONS OF TERMS CONTAINED IN THE PLAN AND SUCH PLAN DOCUMENTS. ALL HOLDERS OF CLAIMS AND HOLDERS OF EQUITY INTERESTS ARE ENCOURAGED TO REVIEW THE FULL TEXT OF THE PLAN AND THE PLAN DOCUMENTS, AND TO READ CAREFULLY THIS ENTIRE DISCLOSURE STATEMENT, INCLUDING ALL EXHIBITS HERETO.

THIS DISCLOSURE STATEMENT MAY NOT BE RELIED ON FOR ANY PURPOSE OTHER THAN TO DETERMINE WHETHER TO VOTE TO ACCEPT OR REJECT THE PLAN, AND NOTHING STATED HEREIN SHALL CONSTITUTE AN ADMISSION OF ANY FACT OR LIABILITY BY ANY PERSON, OR BE ADMISSIBLE IN ANY PROCEEDING INVOLVING THE DEBTORS OR ANY OTHER PERSON, OR BE DEEMED CONCLUSIVE EVIDENCE OF THE TAX OR OTHER LEGAL EFFECTS OF THE PLAN ON THE DEBTORS OR HOLDERS OF CLAIMS OR EQUITY INTERESTS.

THIS DISCLOSURE STATEMENT CONTAINS STATEMENTS THAT ARE FORWARD-LOOKING. FORWARD-LOOKING STATEMENTS ARE STATEMENTS OF EXPECTATIONS, BELIEFS, PLANS, OBJECTIVES, ASSUMPTIONS, PROJECTIONS, AND FUTURE EVENTS OR PERFORMANCE. AMONG OTHER THINGS, THIS DISCLOSURE STATEMENT CONTAINS FORWARD-LOOKING STATEMENTS WITH RESPECT TO ANTICIPATED FUTURE PERFORMANCE OF THE SEMGROUP COMPANIES, AS WELL AS ANTICIPATED FUTURE DETERMINATION OF CLAIMS, DISTRIBUTIONS ON CLAIMS, AND LIQUIDATION OF THE SEMGROUP COMPANIES' ASSETS. THESE STATEMENTS, ESTIMATES, AND PROJECTIONS MAY OR MAY NOT PROVE TO BE CORRECT. ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE REFLECTED IN THE FORWARD-LOOKING STATEMENTS CONTAINED HEREIN. FORWARD-LOOKING STATEMENTS ARE SUBJECT TO INHERENT UNCERTAINTIES AND TO A WIDE VARIETY OF SIGNIFICANT BUSINESS, ECONOMIC AND COMPETITIVE RISKS, INCLUDING, AMONG OTHERS, THOSE DESCRIBED HEREIN. SEE SECTION IX, "CERTAIN FACTORS AFFECTING THE DEBTORS" FOR A DESCRIPTION OF VARIOUS RISKS RELATING TO THE SECURITIES TO BE ISSUED PURSUANT TO THE PLAN AND RISKS ASSOCIATED WITH THE BUSINESS OF THE SEMGROUP COMPANIES. THE DEBTORS UNDERTAKE NO OBLIGATION TO UPDATE ANY FORWARD-LOOKING STATEMENT. NEW FACTORS EMERGE FROM TIME TO TIME AND IT IS NOT POSSIBLE TO PREDICT ALL SUCH FACTORS, NOR CAN THE IMPACT OF ANY SUCH FACTOR BE ASSESSED.

HOLDERS OF CLAIMS AND EQUITY INTERESTS SHOULD NOT CONSTRUE THE CONTENTS OF THIS DISCLOSURE STATEMENT AS PROVIDING ANY LEGAL, BUSINESS, FINANCIAL OR TAX ADVICE. EACH HOLDER SHOULD CONSULT WITH ITS OWN LEGAL, BUSINESS, FINANCIAL AND TAX ADVISORS WITH

RESPECT TO ANY SUCH MATTERS CONCERNING THIS DISCLOSURE STATEMENT, THE SOLICITATION OF VOTES TO ACCEPT THE PLAN, THE PLAN AND THE TRANSACTIONS CONTEMPLATED HEREBY AND THEREBY.

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Exhibits

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Exhibit B – The Plan

Exhibit C – Disclosure Statement Order

Exhibit D – Voting Procedures Order

Exhibit E – Liquidation Analysis

Exhibit F – Historical Financial Statements

DISCLOSURE STATEMENT FOR JOINT PLAN OF AFFILIATED DEBTORS PURSUANT TO CHAPTER 11 OF THE BANKRUPTCY CODE

Capitalized terms used throughout this Disclosure Statement are defined in Exhibit A attached hereto.

On July 22, 2008 and thereafter, SemGroup and certain of its direct and indirect subsidiaries and affiliates filed voluntary petitions seeking protection under chapter 11 of the Bankruptcy Code. The Debtors submit this Disclosure Statement pursuant to section 1125 of the Bankruptcy Code to holders of Claims against and Equity Interests in the Debtors in connection with (i) the solicitation of acceptances of the Joint Plan of Affiliated Debtors Pursuant to Chapter 11 of the United States Bankruptcy Code and (ii) the Confirmation Hearing scheduled for **[**_____**]**, 2009, commencing at **[**____**]** a.m. Prevailing Eastern Time.

Attached as exhibits to this Disclosure Statement are copies of the following documents: (a) the Material Defined Terms (Exhibit A); (b) the Plan (Exhibit B); (c) the Disclosure Statement Order (Exhibit C), which, among other things, approves this Disclosure Statement and establishes certain procedures with respect to the solicitation and tabulation of votes to accept or reject the Plan; (d) the Voting Procedures Order (Exhibit D), which, among other things, establishes certain procedures with respect to voting and the temporary allowance of Claims for voting purposes; (e) the Liquidation Analysis (Exhibit E), which sets forth estimated recoveries in a chapter 7 liquidation as compared to estimated recoveries under the Plan; and (f) the Historical Financial Statements (Exhibit F). In addition, for those holders of Claims entitled to vote under the Plan, a Ballot for the acceptance or rejection of the Plan is separately enclosed.

The Plan represents a compromise and settlement of various significant Claims against the Debtors. The Plan seeks to preserve value of the Debtors for its Creditors while recognizing and balancing the fact that the Prepetition Lenders have direct claims against the Debtors that would result in the Debtors' other Creditors receiving little, if any, value for their Claims. In addition, the Plan addresses other significant Claims, including those of the Producers.

I. OVERVIEW OF CHAPTER 11 PLAN

A. INTRODUCTION

Chapter 11 is the principal business reorganization chapter of the Bankruptcy Code. Under chapter 11 of the Bankruptcy Code, a debtor is authorized to reorganize its business for the benefit of itself, its creditors, and its equity interest holders. In addition to permitting the rehabilitation of a debtor, another goal of chapter 11 is to promote equality of treatment for similarly situated creditors and similarly situated equity interest holders with respect to the distribution of a debtor's assets.

The commencement of a chapter 11 case creates an estate that is comprised of all of the legal and equitable interests of the debtor as of the commencement date. The Bankruptcy Code provides that the debtor may continue to operate its business and remain in possession of its property as a "debtor in possession."

The consummation of a plan of reorganization is the principal objective of a chapter 11 reorganization case. A plan of reorganization sets forth the means for satisfying claims against and interests in a debtor. Confirmation of a plan of reorganization by the bankruptcy court binds the debtor, any issuer of securities under the plan, any person acquiring property under the plan, and any creditor or equity interest holder of a debtor. Subject to certain limited exceptions, the order confirming a plan discharges a debtor from any debt that arose prior to the date of confirmation of the plan and substitutes therefor the obligations specified under the confirmed plan.

After a plan of reorganization has been filed, certain holders of claims against and interests in a debtor are permitted to vote to accept or reject the plan. Prior to soliciting acceptances of the proposed plan, however, section 1125 of the Bankruptcy Code requires a debtor to prepare a disclosure statement containing adequate information of a kind, and in sufficient detail, to enable a hypothetical investor of the relevant classes to make an informed judgment regarding the plan.

B. CHAPTER 11 PLAN

The Plan will allow the Debtors to emerge from chapter 11 reorganized around its core businesses with a restructured, deleveraged balance sheet designed to maximize recoveries to Creditors who will become the owners of the Reorganized SemGroup Companies. This section summarizes the total distributable value, total claims and distributions to be made by the Debtors as of the Effective Date.

The Debtors expect their total available distributable value as of the Effective Date to be approximately $2,267 million, consisting of a combination of cash, New Term Notes, New Common Stock and Warrants. The Debtors will also contribute certain Causes of Action to the Litigation Trust and distribute Litigation Trust Interests and Producer Preferred Distribution Rights to the holders of certain Allowed Claims. The Debtors have not estimated the value of Litigation Trust Interests.

The Debtors expect that Allowed Claims and Administrative Expense Claims to be treated pursuant to the Plan will total approximately $4,860 million (without duplication). Such total includes approximately $5.7 million of outstanding obligations under the Postpetition Financing Agreement (excluding the outstanding letters of credit); approximately $50 million of other Allowed Administrative Expense Claims (excluding Claims entitled to administrative priority under section 503(b)(9) of the Bankruptcy Code); approximately $2,939 million of Allowed Claims in respect of obligations under the Prepetition Credit Agreement; approximately $414 million of Allowed Claims of Producers, including Producer Secured Claims, Unsecured Claims entitled to priority under Section 503(b)(9) of the Bankruptcy Code and General Unsecured Claims; up to approximately $155 million of Allowed Claims entitled to priority under Section 503(b)(9) of the Bankruptcy Code other than Claims of Producers; approximately $610 million of Senior Note Claims; and approximately $537 million of General Unsecured Claims (other than General Unsecured Claims of Producers).

The Reorganized Debtors will retain approximately $50 million of Cash for working capital and will distribute remaining Cash, New Term Notes, New Common Stock,

Warrants, Producer Preferred Distribution Rights and Litigation Trust Interests to holders of Allowed Claims as provided in the Plan and outlined in the chart below.

The Debtors estimate and the Plan assumes that during the course of the Chapter 11 Cases, use of cash collateral has resulted in a diminution of value of prepetition collateral of the Prepetition Lenders and the Producers aggregating approximately $473 million. As a result, approximately $485 million of the Debtors' asset value that was unencumbered as of the Petition Date is now encumbered by postpetition adequate protection claims.

Pursuant to the Plan, the Prepetition Lenders will receive (i) all of the New Term Notes, (ii) a substantial majority of the New Common Stock for their remaining secured Claims and (iii) additional shares of the New Common Stock for their unsecured deficiency claim. If New Common Stock were to be allocated Pro Rata among all holders of Secured Claims, the Prepetition Lenders would receive approximately 99.9% of the New Common Stock, inclusive of both the secured and unsecured portion of their Allowed Claims. As an inducement to holders of other Unsecured Claims to accept the Plan, the Prepetition Lenders' allotment of New Common Stock is to be reduced to provide up to 4.1% of New Common Stock to the holders of other Unsecured Claims, provided the applicable Classes vote to accept the Plan as described below.

If a Class of the Senior Notes Claims or a Class of the General Unsecured Claims approves the Plan, then such holders in that Class will receive their Pro Rata Share of (i) 4.1% of the shares of New Common Stock (subject to dilution from the Warrants and the Management Stock) and (ii) Warrants for 4.1% of the New Common Stock (subject to dilution from the Management Stock). If such Class of the Senior Notes Claims or such Class of the General Unsecured Claims rejects the Plan, then such holders will receive their allocated portion of 0.1% of the shares of New Common Stock and no Warrants. Any shares of New Common Stock that would have been distributed to the holders of a Class of Senior Notes Claims or a Class of General Unsecured Claims will be distributed instead to the holders of the Lender Deficiency Claims.

The Debtors will transfer certain Causes of Action to a Litigation Trust, along with $15 million in Cash as the Litigation Trust Funds. The Debtor will distribute (i) 50% of the Litigation Trust Interests to the Prepetition Lenders and (ii) 50% of the Litigation Trust Interests to the holders of the Senior Notes Claims and the holders of the General Unsecured Claims. All distributions by the Litigation Trust are subject to the repayment of the Litigation Trust Funds to the Prepetition Lenders.

The Debtors will transfer all of their Causes of Action related to the Gross Production Receivables to the Litigation Trust. Any Producer with an Allowed Producer Secured Claim in excess of its Allowed Twenty Day Claim (pursuant to which such Producer already received payment in Cash as discussed above) will have a Producer Preferred Distribution Right to receive any Cash received from the Disputed Production Receivables up to the amount of such excess. The Producer Preferred Distribution Rights will be evidenced by the Producer Secured Note. The Producers' Committee has asserted that the amount of the Disputed Production Receivables exceeds the amount of the Producer Secured Claims to be satisfied by the Producer Preferred Distribution Rights.

The following table briefly summarizes the classification and treatment of Claims and Equity Interests under the Plan. For a more detailed description of the classification and treatment of Claims and Equity Interests under the Plan, see Section V.C., "The Plan – Classification and Treatment of Claims and Equity Interests."

Class	*Description*	*Treatment*	*Entitled to Vote*	*Estimated Amount of Claims or Equity Interests in Class*	*Estimated Recovery*
Unclassified	Administrative Expense Claims	Claims in this Class are not impaired. Payment of each Allowed Administrative Expense Claim in full in Cash.	No.	Up to $155 million Estimated at $105 million	100%
Unclassified	Postpetition Financing Claims	Claims in this Class are not impaired. Payment of each Allowed Postpetition Financing Claim in full in Cash.	No.	$165 million	100%
Unclassified	Professional Compensation and Reimbursement Claims	Claims in this Class are not impaired. Payment of each Allowed Postpetition Financing Claim in full in Cash.	No.	$50 million	100%
Unclassified	Priority Tax Claims	Claims in this Class are not impaired. Payment of each Allowed Postpetition Financing Claim in full in Cash.	No.	$0	100%
Classes 1-26	Priority Non-Tax Claims	Claims in this Class are not impaired. Payment of each Allowed Priority Non-Tax Claim in full in Cash.	No.	$0	100%
Classes 27-52	Secured Tax Claims	Claims in this Class are not impaired.	No.	$0	100%

		Payment of each Secured Tax Claim in full in Cash.			
Classes 53-69	Producer Secured Claims	Claims in this Class are impaired. Each holder of an Allowed Producer Secured Claim will receive (i) Cash in the amount of its Allowed Twenty-Day Claim, to the extent such holder has an Allowed Twenty-Day Claim, (ii) its Pro Rata Share of Producer Cash and (iii) its Pro Rata Share of the Producer Preferred Distribution Rights.	Yes.	Up to $414 million Estimated at $185 million	100%
Classes 70-95	Secured Working Capital Lender Claims	Claims in this Class are impaired. Each holder of an Allowed Secured Working Capital Lender Claim will receive its Pro Rata Share of (i) $475 million of Lender Cash, (ii) 61.2% or $183 million of the New Term Notes and (iii) approximately 24 million shares of New Common Stock (constituting approximately 59% of New Holdco), subject to dilution from the Warrants and the Management Stock.	Yes.	$2,127 million	59.1%
Classes 96-121	Secured Revolver/Term Lender Claims	Claims in this Class are impaired. Each holder of an Allowed Secured Revolver /Term Lender Claim will receive its Pro Rata Share of (i) $51 million of Lender Cash, (ii) 38.8% or	Yes.	$811 million	67.7%

		$117 million of the New Term Notes, and (iii) approximately 15 million shares of New Common Stock (constituting approximately 37% of New Holdco), subject to dilution from the Warrants and the Management Stock.			
Class 122	White Cliffs Credit Agreement Claim	Claims in this Class are impaired. Each holder of an Allowed SemCrude Pipeline Credit Facility Claim will be paid in full. The White Cliffs Credit Agreement will be amended, extended and reinstated on terms to be agreed by the holders of the White Cliffs Credit Agreement.	Yes.	$120 million	100%
Classes 123-148	Other Secured Claims	Claims in this Class are not impaired. Each holder of an Other Secured Claim will receive one of the following distributions: (i) the payment of such holder's Allowed Secured Claim in full in Cash; (ii) the sale or disposition proceeds of the property securing any Allowed Other Secured Claim to the extent of the value of its interest in such property; (iii) the surrender to the holder of any Allowed Other Secured Claim of the property securing such	No.	$0	NA

		Claim; or (iv) such other distributions as shall be necessary to satisfy the requirements of the Plan.			
Classes 149-174	Senior Notes Claims	Claims in this Class are impaired. If a Class votes to accept the Plan, then each holder of an Allowed Senior Note Claim in such Class will receive an estimated recovery of up to 6.79%, which will consist of a Pro Rata Share of (i) New Common Stock (subject to dilution from the Warrants and the Management Stock), (ii) Warrants (subject to dilution from the Management Stock and (iii) Litigation Trust Interests. If a Class votes to reject the Plan, then each holder of an Allowed Senior Note Claim in such Class will receive an estimated recovery of 0.12%, which will consist of a Pro Rata Share of (i) New Common Stock (subject to dilution from the Warrants and the Management Stock) and (ii) Litigation Trust Interests.	Yes.	$610 million	0.12%-6.74%
Classes 175-200	Lender Deficiency	Claims in this Class are impaired. Each	Yes.	$1,079 million	0.12%-3.99%

	Claims	holder of an Allowed Lender Deficiency Claim will receive an estimated recovery of 0.12%, which will consist of its Pro Rata Share of 50% of the Litigation Trust Interests, subject to the Producer Preferred Distribution Rights. If one or more Classes of either the Senior Notes Claims or the General Unsecured Claims votes to reject the Plan, then each holder of an Allowed Lender Deficiency Claim will receive the number of shares of New Common Stock that would have been distributed to the holders of Claims in those Classes if such Classes would have voted to accept the Plan, up to an estimated recovery of 3.99%.			
Classes 201-226	General Unsecured Claims	Claims in this Class are impaired. If a Class votes to accept the Plan, then each holder of an Allowed General Unsecured Claim in such Class will receive an estimated recovery of up to 3.71%, which will consist of a Pro Rata Share of (i) New Common Stock (subject to dilution from the Warrants and the Management Stock), (ii) Warrants (subject to dilution	Yes.	$537 million	0.0%-3.83%

		from the Management Stock and (iii) Litigation Trust Interests. If a Class votes to reject the Plan, then each holder of an Allowed Senior Note Claim in such Class will receive an estimated recovery of 0.09%, which will consist of a Pro Rata Share of (i) New Common Stock (subject to dilution from the Warrants and the Management Stock) and (ii) Litigation Trust Interests.			
Classes 227-252	Intercompany Claims	Claims in this Class are impaired. Each holder of an Allowed Intercompany Claim will receive its Pro Rata Share of the New Common Stock that it would have received if such Allowed Intercompany Claim were an Allowed General Unsecured Claim, which New Common Stock will be redistributed to holders of Allowed Secured Working Capital Lender Claims in accordance with the Plan.	Yes.	$7,270 million	NA
Classes 253-278	Intercompany Equity Interests	Claims in this Class are not impaired.	No.	NA	NA
Class 279	SemGroup Equity Interests	Claims in this Class are impaired. Each holder of a SemGroup Equity Interest will	No.	NA	0%

		receive no distribution in the Plan.			

II. INTRODUCTION TO DISCLOSURE STATEMENT

The Debtors submit this Disclosure Statement pursuant to section 1125 of the Bankruptcy Code to holders of Claims against the Debtors in connection with (i) the solicitation of acceptances of the Joint Plan of Affiliated Debtors Pursuant to Chapter 11 of the United States Bankruptcy Code, dated **[**_____**]**, 2009, filed by the Debtors with the United States Bankruptcy Court for the District of Delaware and (ii) the Confirmation Hearing scheduled for **[**_____**]**, 2009, commencing at **[**____**]** a.m. Prevailing Eastern Time.

On **[**_____**]**, 2009, the Bankruptcy Court, pursuant to section 1125 of the Bankruptcy Code, approved this Disclosure Statement as containing information of a kind, and in sufficient detail, adequate to enable a hypothetical, reasonable investor typical of the solicited classes of Claims of the Debtors to make an informed judgment with respect to the acceptance or rejection of the Plan. APPROVAL OF THIS DISCLOSURE STATEMENT DOES NOT CONSTITUTE A DETERMINATION BY THE BANKRUPTCY COURT EITHER OF THE FAIRNESS OR THE MERITS OF THE PLAN OR OF THE ACCURACY OR COMPLETENESS OF THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT.

The Disclosure Statement Order, a copy of which is annexed hereto as Exhibit C, sets forth in detail, among other things, the deadlines, procedures, and instructions for voting to accept or reject the Plan and for filing objections to confirmation of the Plan, the record date for voting purposes, and the applicable standards for tabulating Ballots. The Voting Procedures Order, a copy of which is annexed hereto as Exhibit D, sets forth in detail the procedures for temporary allowance of claims for voting purposes. In addition, detailed voting instructions accompany each Ballot. Each holder of a Claim entitled to vote on the Plan should read this Disclosure Statement, the Plan, the Disclosure Statement Order, the Ballot, and the instructions accompanying the Ballot in their entirety before voting on the Plan. These documents contain important information concerning the classification of Claims and Equity Interests for voting purposes and the tabulation of votes. No solicitation of votes to accept the Plan may be made except pursuant to section 1125 of the Bankruptcy Code.

A. PURPOSE OF THIS DISCLOSURE STATEMENT

The purpose of this Disclosure Statement is to provide the holders of Claims against the Debtors with adequate information to make an informed judgment about the Plan. This information includes, among other things, a description of the Debtors' businesses, a description of the Debtors' prepetition assets and liabilities, a summary of the Debtors' Chapter 11 Cases, a summary of the distributions to be made under the Plan, an explanation of the Plan mechanics and certain factors affecting the Debtors to be considered.

B. HOLDERS OF CLAIMS ENTITLED TO VOTE

Pursuant to the provisions of the Bankruptcy Code, only holders of allowed claims or equity interests in classes of claims or equity interests that are impaired and that are not deemed to have rejected a proposed plan or proposed the plan are entitled to vote to accept or reject a proposed plan. Classes of claims or equity interests in which the holders of claims or equity interests are unimpaired under a chapter 11 plan are deemed to have accepted the plan and are not entitled to vote to accept or reject the plan. Classes of claims or equity interests in which the holders of claims or equity interests will receive no recovery under a chapter 11 plan are deemed to have rejected the plan and are not entitled to vote to accept or reject the plan. For a detailed description of the treatment of Claims and Equity Interests under the Plan, refer to Section V, "The Plan."

If a Class of Claims entitled to vote on the Plan rejects the Plan, the Debtors reserve the right to amend the Plan or request confirmation of the Plan pursuant to section 1129(b) of the Bankruptcy Code or both. Section 1129(b) permits the confirmation of a chapter 11 plan notwithstanding the non-acceptance of a plan by one or more impaired classes of claims or equity interests. Under that section, a plan may be confirmed by a bankruptcy court if the plan does not "discriminate unfairly" and is "fair and equitable" with respect to each non-accepting class. For a more detailed description of the requirements for confirmation of a nonconsensual plan, refer to Section XIII, "Confirmation of the Plan."

In the event that a Class of Claims entitled to vote does not vote to accept the Plan, the Debtors' determination whether to request confirmation of the Plan pursuant to section 1129(b) of the Bankruptcy Code will be announced prior to or at the Confirmation Hearing.

C. VOTING PROCEDURES

To determine whether you are entitled to vote on the Plan, refer to Section II.B, "Holders of Claims Entitled to Vote." If you are entitled to vote, you should carefully review this Disclosure Statement, including the attached exhibits and the instructions accompanying the Ballot. Then, indicate your acceptance or rejection of the Plan by voting for or against the Plan on the enclosed Ballot or Ballots and return the Ballot(s) in the postage-paid envelope provided. Refer to Section II.C., "Voting Procedures", Exhibit C "Disclosure Statement Order" and Exhibit D "Voting Procedures Order" for further information.

To be sure your Ballot is counted, your Ballot must be received by the Voting Agent, Kurtzman Carson Consultants, LLC, as instructed on your Ballot, no later than 5:00 p.m. Prevailing Eastern Time on [____], 2009. Your Ballot will not be counted if received after the Voting Deadline. Refer to Section II.C., "Voting Procedures" for further information.

If you must return your Ballot to your bank, broker, agent, or nominee, then you must return your Ballot to such bank, broker, agent, or nominee in sufficient time for them to process your Ballot and return it to the Debtors' Voting Agent before the Voting Deadline. Your Ballot will not be counted if received after the Voting Deadline. Refer to Section II.C., "Voting Procedures" for further information.

DO NOT RETURN YOUR SECURITIES OR ANY OTHER DOCUMENTS WITH YOUR BALLOT.

It is important that Creditors exercise their right to vote to accept or reject the Plan. **Even if you do not vote to accept the Plan, you may be bound by it if it is accepted by the requisite holders of Claims. Refer to Section XIII, "Confirmation Of The Plan" for further information.** The amount and number of votes required for confirmation of the Plan are computed on the basis of the total amount of Claims actually voting to accept or reject the Plan.

Your Claims may be classified in multiple classes, in which case you will receive a separate Ballot for each class of Claim. For detailed voting instructions and the names and addresses of the persons you may contact if you have questions regarding the voting procedures, refer to your Ballot or to Section II.C. of the Plan, "Voting Procedures" for further information.

The Plan provides that holders of Senior Notes Claims and General Unsecured Claims will receive additional distributions if such holders vote in favor of the Plan. As a result, if the requisite holders of the particular class of Senior Notes Claims or a particular class of General Unsecured Claims do not vote to accept the Plan, then all Creditors in that class will receive a smaller percentage of New Common Stock and no Warrants will be distributed to any Creditors in such class.

THE DEBTORS BELIEVE THAT THE PLAN PROVIDES THE BEST POSSIBLE RECOVERIES TO THE DEBTORS' CREDITORS. THE DEBTORS THEREFORE BELIEVE THAT ACCEPTANCE OF THE PLAN IS IN THE BEST INTERESTS OF EACH AND EVERY CLASS OF CREDITORS AND URGE ALL HOLDERS OF IMPAIRED CLAIMS ENTITLED TO VOTE ON THE PLAN TO VOTE TO ACCEPT THE PLAN.

D. CONFIRMATION HEARING

Pursuant to section 1128 of the Bankruptcy Code, the Bankruptcy Court has scheduled the Confirmation Hearing on **[____]**, 2009 at **[____]** a.m. Prevailing Eastern Time, in Room **[_____]** of the United States Bankruptcy Court for the District of Delaware, 824 North Market Street, 6th Floor, Wilmington, DE 19801. The Confirmation Hearing may be adjourned from time to time without notice except as given at the Confirmation Hearing or at any subsequent adjourned Confirmation Hearing. The Bankruptcy Court has directed that objections, if any, to confirmation of the Plan be filed and served on or before **[____]**, 2009 at **[____]** p.m. Prevailing Eastern Time. Refer to Section **[____]** of the Plan, "Objections To Confirmation of the Plan" for further information.

III. GENERAL INFORMATION

A. BACKGROUND OF THE SEMGROUP COMPANIES

Based in Tulsa, Oklahoma, SemGroup was founded in April 2000 by three principals: (i) Thomas L. Kivisto, SemGroup's former President and CEO, was responsible for oil and commodities trading activities; (ii) Gregory Wallace, SemGroup's former Chief Financial Officer, was responsible for financial and administrative matters; and (iii) Kevin Foxx,

SemGroup's former Executive Vice President and Chief Operating Officer and SGLP's current President and CEO, was responsible for operations and commercial issues. SemGroup was created principally through a series of acquisitions from April 2000 through March 2008 for cumulative purchase prices of approximately $1.1 billion. SemGroup's limited partners also included affiliates of Carlyle/Riverstone and Ritchie Capital. From SemGroup's inception through the Petition Date, Mr. Kivisto, Mr. Wallace, and Mr. Foxx continued to control and make key decisions concerning their respective areas of expertise.

Prior to the commencement of the Chapter 11 Cases, the SemGroup Companies were a privately-held group of companies that operated in North America and the west coast of the United Kingdom. Certain of the SemGroup Companies' business segments conducted physical and financial marketing and trading activities to take advantage of seasonal and regional market price differences for various energy commodity products, utilize the SemGroup Companies' transportation and storage assets and speculative trading. The SemGroup Companies also provided midstream energy-related services such as gathering, storage, transportation, processing and distribution services for energy commodities including crude oil, refined petroleum products, natural gas, NGL, and asphalt to third party customers and themselves. For instance, certain of the SemGroup Companies would purchase production at current prices in the season when supply exceeds demand and simultaneously sell forward at a premium to the current price for future delivery in the season when demand exceeds supply.

Since SemGroup's formation, its commodities trading activities were directed principally by Mr. Kivisto and included speculative transactions that exposed SemGroup increasingly to risk. It was Mr. Kivisto's practice to roll forward losing positions with the hope that the unrealized losses would expire as the price of oil normalized. With the sharp increase in the price of crude oil in 2007 and the first half of 2008, the volume of written call options "rolled forward" by SemGroup dramatically increased, significantly increasing the risk of loss as well as the amount SemGroup was required to expend on margin calls. The increased margin requirements had a severe negative impact on SemGroup's liquidity position, which worsened significantly in the weeks leading up the commencement of the Chapter 11 Cases. In response to its liquidity issues, SemGroup sold all of the NYMEX trading accounts held in its commodity futures brokerage accounts to Barclays on July 15, 2008, which resulted in the conversion of unrealized losses into realized losses totaling in excess of $2.4 billion. At the same time, SemGroup's OTC trading book was approximately $850 million negative mark-to-market. As a result of the foregoing and other economic issues, SemGroup faced a liquidity crisis and commenced the initial Chapter 11 Cases on July 22, 2008. See Section IV.A, "Events Leading up to Commencement of Chapter 11 Cases."

During the Chapter 11 Cases, the SemGroup Companies continued to operate their various midstream energy-related services, disposed of limited non-core assets, and continued construction of certain projects. Certain of the SemGroup Companies also continued marketing activities to fulfill contractual obligations and to utilize their asset base in accordance with the Trading Protocol.

B. REORGANIZED SEMGROUP COMPANIES

After the Effective Date, the Reorganized SemGroup Companies expect to continue to be based in Tulsa, Oklahoma. Their parent company's New Common Stock will be publicly-traded due to the expected number of holders and will be required to file periodic reports under the Securities Exchange Act of 1934, as amended. The Reorganized SemGroup Companies will seek to list the New Common Stock for trading on the New York Stock Exchange or any other recognized national securities exchange or market system. The Reorganized SemGroup Companies' primary focus will continue to be providing midstream energy-related services to third party customers and itself, including gathering, marketing, storage, transportation, processing and distribution for energy commodities including crude oil, natural gas, NGLs, asphalt, and refined products. Their operations will be on a smaller scale than prior to the commencement of the Chapter 11 Cases due to a shift away from significant marketing and trading related activities and the disposition of certain assets. Some businesses are expected to undertake marketing activities to support their primary business operations and utilize assets as permitted under the Risk Management Policy.

The Reorganized SemGroup Companies will provide their midstream energy-related services in North America from an owned, contracted and leased asset base consisting of pipelines, gathering systems, storage facilities, terminals, processing plants, trucks, and other distribution facilities. The North American services are expected to be provided to production, marketing, trading, wholesale, industrial, commercial, and retail customers. The Reorganized SemGroup Companies will provide their United Kingdom services from owned storage, terminal and marine facilities that have pipeline connectivity to nearby refineries and seaborne transportation services. The United Kingdom midstream services are expected to be provided to customers for trading, structural marketing storage, and compulsory stock storage.

The principal business strategy of the Reorganized SemGroup Companies will be to utilize their assets and operational expertise to:

- Provide consistently high-quality midstream services under predominantly fee and margin based contractual arrangements;
- Minimize commodity price risk exposure;
- Expand business by improving, enhancing, and expanding services at existing facilities and gaining new customers;
- Aggressively manage operating costs to maintain and improve operating margins;
- Improve operational efficiencies;
- Undertake selected growth opportunities with acceptable risk and return profiles;
- Generate sustainable and consistent revenues, operating margins, earnings, and cash flow; and

- Undertake a disciplined capital management program to insure the Reorganized SemGroup Companies have adequate liquidity on a long term basis to support operations.

The Reorganized SemGroup Companies are expected to operate through seven primary business segments: SemCrude, SemStream, SemCAMS, SemEuro, SemMexico, SemGas and SemFuel.

- SemCrude gathers, blends, transports, stores, markets, and distributes crude oil in the United States and gathers, blends and markets crude oil in Canada (part of SemCanada Crude);

- SemStream purchases, transports, terminals, stores, and distributes propane and other NGLs in the United States;

- SemCAMS processes natural gas in Canada;

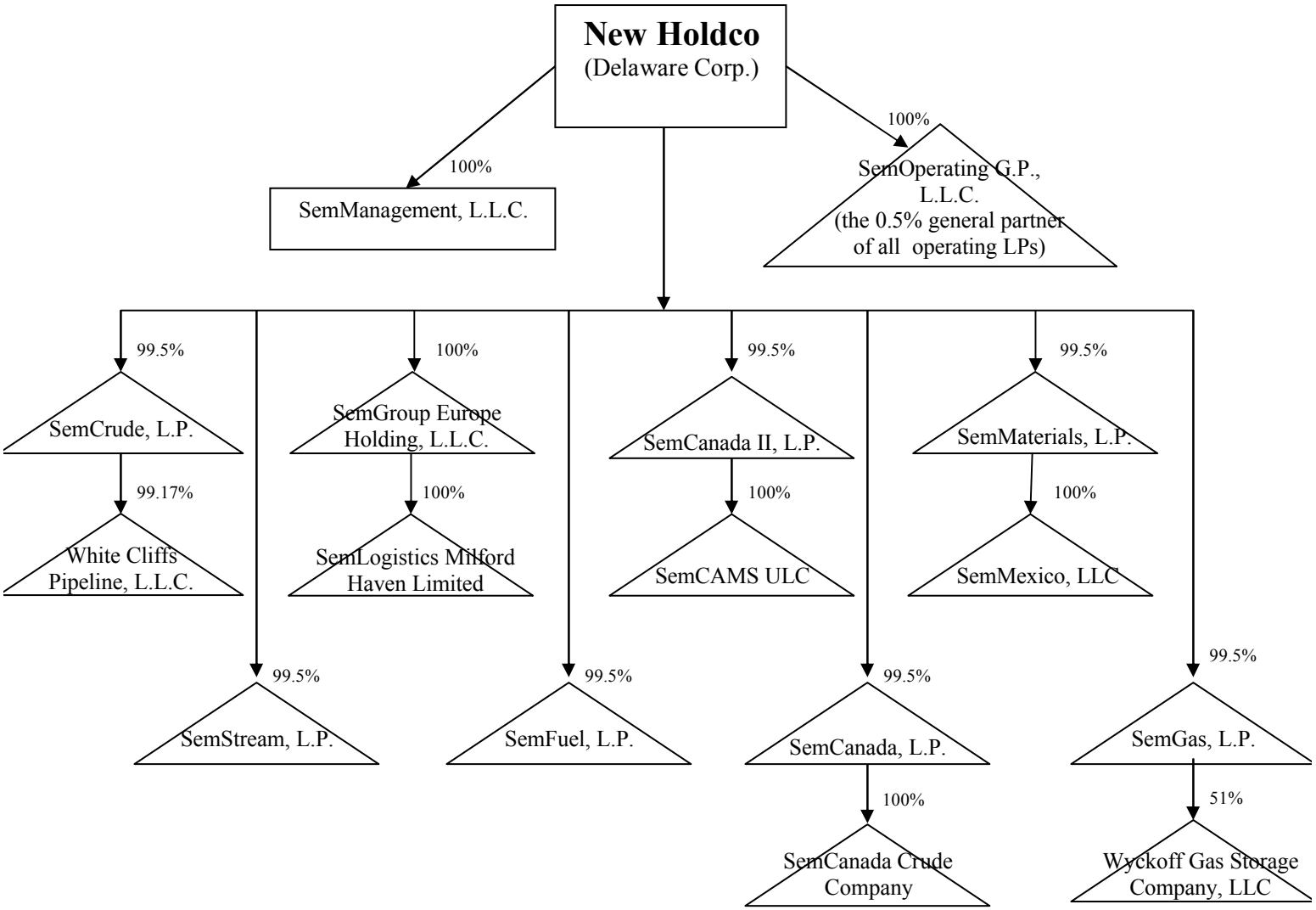
- SemEuro receives, stores and redelivers clean petroleum and crude oil products in the United Kingdom;

- SemMexico purchases, produces, stores, and distributes liquid asphalt cement products throughout Mexico;

- SemGas stores, gathers, compresses, treats and processes natural gas in the United States; and

- SemFuel stores, terminals, distributes and markets of refined products in the United States.

A condensed version of the anticipated structure of the Reorganized SemGroup Companies is included below.



For historical financial information regarding these business segments, see the Historical Financial Statements at Exhibit F. For projections regarding these business segments, see Section VII.A. Please note that prior to the Petition Date, the SemGroup Companies conducted substantial marketing activities (which were the largest contributor to the EBITDA of the SemGroup Companies) but since the Petition Date, the SemGroup Companies have

conducted only limited marketing activities. As a result, the financial condition and results of operations of the SemGroup Companies from and after the Effective Date will not be comparable to the financial condition or results of operations reflected in the Historical Financial Statements.

As of the Petition Date, SemGroup was a limited partnership and substantially all of its subsidiaries were limited partnerships that were disregarded entities for federal income tax purposes. As a result, substantially all of SemGroup's income taxes were borne by the Equity Interest Holders. After giving effect to the restructuring activities contemplated by the Plan, on the Effective Date, New Holdco will be the ultimate owner of all of the entities that constitute the Reorganized SemGroup Companies. After the Effective Date, all of the Reorganized SemGroup Companies' income taxes will be borne by the Reorganized SemGroup Companies.

All of the SemGroup Companies' employees are, and following the Effective Date are expected to be, employed by SemManagement and various international subsidiaries.

SemGroup Holdings, an indirect subsidiary of the SemGroup Companies, is currently in default under the SemGroup Holdings Loan Agreement. Since the SemGroup Holdings Bankruptcy Case is not jointly administered with the Chapter 11 Cases, the SemGroup Holdings Loan Agreement will not be affected by the Confirmation of the Plan and will be separately addressed in the SemGroup Holdings Bankruptcy Case. However, SemGroup Holdings is not expected to be part of the Reorganized SemGroup Companies.

1. ***SemCrude (including SemCanada Crude)***

SemCrude conducts crude oil transportation, storage, terminalling, gathering, blending and marketing in Colorado, Kansas, New Mexico, Nebraska, Wyoming, Oklahoma, Texas, North Dakota, Montana, and Western Canada for third party customers as well as itself. The SemCrude business segment consists of four primary operations listed in order of their projected financial contribution: (i) White Cliffs pipeline operations; (ii) Kansas and Oklahoma pipeline operations; (iii) Cushing Storage operations; and (iv) SemCanada Crude operations. A majority of SemCrude's projected financial performance is generated from fee-based contractual arrangements that in some instances are fixed and not dependent on usage. SemCrude is projected to be the most significant contributor to the Reorganized SemGroup Companies' financial performance and is expected to contribute approximately 47% of the Reorganized SemGroup Companies' EBITDA for fiscal year 2010.

a. Assets and Operations

White Cliffs Pipeline

White Cliffs, a subsidiary of SemCrude, is completing construction of the White Cliffs Pipeline, a 524 mile common carrier crude oil pipeline system that originates in Colorado and terminates in Cushing, Oklahoma. The White Cliffs Pipeline will provide DJ Basin producers direct access to the Cushing market and refiners in the Mid-Continent area. The White Cliffs Pipeline project also includes a 100,000 barrel crude oil storage tank and a truck unloading facility owned and operated by SemCrude and located and connected at the White Cliffs Pipeline's origination point at Platteville, Colorado. The White Cliffs Pipeline's initial design capacity is 29,700 barrels of crude oil per day with one pump station, but the White Cliffs

Pipeline system can be expanded to 50,000 to 70,000 barrels per day if additional pump stations are constructed and brought on-line. The White Cliffs Pipeline is expected to become fully operational on June 1, 2009. Because White Cliffs is regulated by FERC, it filed its initial tariffs on April 29, 2009 to be effective June 1, 2009.

SemCrude Pipeline, White Cliffs' immediate parent entity, entered into a separate financing agreement to fund the construction costs of the White Cliffs Pipeline. See Section VI.C, "Summary of Capital Structure of the Reorganized SemGroup Companies" below for additional details on the financing. To provide a consistent revenue stream and support the White Cliffs financing, White Cliffs entered into two five-year throughput agreements with shippers, each of which have minimum transport commitments of 10,000 barrels of crude oil per day.

White Cliffs is owned 99.17% by SemCrude and 0.83% by the shippers that entered into the throughput agreements for the White Cliffs Pipeline. Each shipper has an option to increase its ownership of White Cliffs to a maximum of 24.5% under the terms of the White Cliffs operating agreement. The shippers' options expire upon the earlier of (i) 30 days after the 30,000 Barrel Threshold Date (as defined in the White Cliffs operating agreement) and (ii) one year from the date the White Cliffs Pipeline becomes fully operational (which is expected to be June 2009). To exercise the options, the shippers must pay SemCrude a proportionate share of the White Cliffs Pipeline construction costs associated with the option ownership percentage together with a specified premium set forth in the White Cliffs' operating agreement.

Kansas and Oklahoma Pipeline

SemCrude owns and operates approximately 620 miles of gathering and transportation pipeline systems and related pipeline storage tanks in Kansas and northern Oklahoma that transport crude oil. The Kansas pipeline system connects to several third party pipelines in Kansas and Oklahoma, several refineries, and storage terminals located at Cushing, Oklahoma. The Kansas and Oklahoma pipeline systems can currently transport approximately 32,700 barrels of crude oil per day. SemCrude expects to construct a storage tank at its Cunningham, Kansas location, which, if constructed, would enable SemCrude to transport an additional 5,000 barrels of crude oil per day.

Cushing Storage

SemCrude owns and is constructing crude oil storage in Cushing, Oklahoma, the designated delivery point for NYMEX crude oil contracts and one of the largest crude oil markets in the United States. SemCrude has 3.1 million barrels of owned crude oil storage in operation and an additional 1.0 million barrels of owned crude oil storage under construction in Cushing, which is expected to be completed by the end of 2009. SemCrude directly utilizes and provides to customers fee-based storage and terminal services from owned and leased assets in Cushing. Currently, all of SemCrude's owned operating storage capacity at Cushing is leased to customers.

To further expand its Cushing operations, SemCrude is also constructing a new delivery/receipt pipeline to connect to TEPPCO's facility in south Cushing. This line is expected

to be operational in the fourth quarter of 2009 and will enable SemCrude and its customers to directly deliver barrels to all other Cushing terminals.

SemCanada Crude

SemCanada Crude purchases, aggregates, and blends crude oil in Western Canada, North Dakota, and Montana. SemCanada Crude purchases various grades of crude oil primarily at pipeline and facility receipt locations from small to medium-sized producers and energy trusts. It then aggregates the purchases for sale primarily to independent refiners in Eastern Canada and the northern tier of the United States, as well as to other crude oil aggregators at various aggregation points in Canada and the United States. SemCanada Crude currently markets approximately 20,000 barrels per day of crude oil and is a shipper on all major Canadian feeder pipelines and on a number of trunkline pipelines in Canada.

In addition to the aggregation of crude oil, SemCanada Crude manages and provides marketing for ten blending facilities, of which five are owned by SemCanada Crude, three are owned by third parties and two are owned by SemCrude. In relation to these facilities, SemCanada Crude purchases various grades of crude oil and diluents and, through its blending process, upgrades the product quality of the aggregate barrels for sale at higher margins.

SemCanada Crude's North Dakota/Montana aggregation and blending business is supported by assets owned by SemCrude. While SemCrude owns the assets, SemCanada Crude provides operational services by transporting crude oil within the area and between North Dakota and Canada as well as providing gathering, blending, storage services and pipeline transportation services via owned trucks and a historical allocation on the Enbridge North Dakota Pipeline.

Contracted Assets and Arrangements

In addition to its owned assets, SemCrude has multiple contractual arrangements with third parties, including SGLP. For further information concerning SemCrude's relationship with SGLP, see Section III.F, "Relationship with SGLP." SemCrude and SGLP are parties to a throughput agreement which provides SemCrude access to additional storage capacity at Cushing, Oklahoma, access to SGLP's Oklahoma and Texas crude oil pipelines, storage along SGLP's Oklahoma and Texas pipelines, and truck transportation for crude oil in Kansas, Oklahoma, and Texas. SemCrude pays market-based fees to SGLP based on the number of barrels of crude oil SGLP gathers, transports, terminals, or stores on SemCrude's behalf, and there are no minimum throughput requirements.

b. Revenues and Marketing

A majority of SemCrude's projected revenues are derived from fee-based contractual arrangements with third party customers. When the White Cliffs Pipeline becomes operational, its two throughput contracts require each shipper to pay a fixed per barrel tariff rate for the capacity allocated to it on the pipeline regardless of the capacity actually utilized. The agreements have a term of five years from the date the White Cliffs Pipeline becomes fully operational. The Kansas and Oklahoma pipeline system transportation and storage is provided to customers on fee-based arrangements typically based on usage and with varying term lengths.

Cushing storage capacity is provided to customers under fixed fee contractual arrangements typically based on the amount of storage capacity reserved for each customer.

In addition to third party customer revenues, SemCrude expects to generate revenues from limited marketing activities utilizing its United States assets. SemCrude's United States marketing will include purchasing crude oil from producers and aggregators and selling crude oil to end users or refiners. SemCanada Crude generates revenues by aggregating crude oil purchases and then selling crude oil in bulk to independent refiners and other crude oil aggregators.

SemCrude will manage price risk by selling and purchasing like quantities of crude oil with purchase and sale transactions or entering into future delivery and purchase obligations with futures contracts, in effect "back-to-back" transactions (purchases and sales of crude oil are predominantly matched). In addition, sale and purchase prices are set to lock in positive margins for SemCrude, meaning the sales price is sufficient to cover purchase costs, any other fixed and variable costs, and SemCrude's profit. All marketing activities will be in compliance with the Risk Management Policy which will establish limits to manage risk and mitigate financial exposure.

c. Market and Competitive Strength

Crude oil commodity prices have experienced unprecedented volatility over the past 24 months with prices ranging from near $30 per barrel to over $140 per barrel. While SemCrude is impacted to a degree by crude oil price movements, a majority of SemCrude's revenues are predicated on fee-based contractual arrangements for transportation and storage which in some instances are fixed and not dependent on usage. For contracts that are fixed fee and not dependent on usage, SemCrude's revenues should be as projected unless a counterparty defaults under a contractual arrangement. For contracts that are dependent on usage, customers could reduce their volume usage if crude oil prices are insufficient to support economic movement of crude oil. SemCrude's financial projections are reasonable given that they were developed using recent usage on the Debtors' systems and recent crude oil prices which have been relatively low.

Since SemCrude owns both transportation and storage assets, which together can be a natural hedge. In a declining or bearish price market, the demand for storage could increase as customers choose to store crude oil and sell it forward at a premium. In an increasing price market, the demand for transportation could increase as customers desire to promptly deliver their products quickly to take advantage of the favorable price environment.

Crude oil prices may impact the volume of crude oil that SemCrude is able to market. If prices decline, then producers may scale back production due to limited profitability, which would have the effect of reducing the availability of production purchases for SemCrude and the volume of crude oil being traded. SemCrude does not expect to have extensive exposure to crude oil price movements as it will sell crude oil to limit its exposure to price movements by locking in its margin at the time of purchase of crude oil.

2. ***SemStream***

SemStream is a midstream energy business engaged in the NGL business, primarily propane, in North America and its operations extend to over 40 states. SemStream owns assets that are located in some of the key areas of high propane demand in the United States. SemStream's operations include sales to retail, wholesale and commercial customers matched with purchases from suppliers, and encompass four primary focus areas: (i) private terminal operations; (ii) wholesale marketing at private terminals and six common carrier terminals; (iii) NGL supply to retail, petrochemical and commercial customers; and (iv) residential propane supply through SemStream Arizona.

As a result of the Chapter 11 Cases, some SemStream customers have limited their exposure by reducing their purchases from SemStream. However, the most significant impact has been the loss of the SemStream contract supplier base since the Petition Date. SemStream expects to rebuild its customer and supplier base over the next three years to its pre-Petition Date levels and is forecasted to be a primary contributor to the Reorganized SemGroup Companies' financial performance, contributing approximately 15% of the forecasted EBITDA in fiscal year 2010. SemStream's projected financial performance is predicated on fee-based throughput arrangements and margin generated from propane and other NGL sales and purchases.

a. Assets and Operations

SemStream owns and operates 11 private terminals with a throughput capacity of over 325 million gallons of propane and normal butane per year. The terminals are located in seven states covering the Mid-South, upper Mid-West and Pacific Northwest regions of the United States. In support of the terminal operations and marketing business, SemStream has access to 8.0 million barrels of storage for NGL products, some owned and some held through lease arrangements; 15 miles of underground pipeline that connect various terminals to supply sources; and a significant rail fleet with 479 leased and 25 owned railcars.

SemStream Arizona is a wholly-owned subsidiary of SemStream and is engaged in retail sales and distribution of propane. It includes a regulated utility business and a non-regulated bulk business, serving over 12,000 residential customers in Arizona. SemStream Arizona's assets include over 200 miles of underground pipelines, propane storage and other equipment. The Arizona regulated business serves two areas, Payson (about 85 miles north of Phoenix) and Page (near the Arizona/Utah border).

b. Revenues and Marketing

SemStream's operations generate revenues from the private terminal operations by charging throughput fees on all products moving through its owned terminals. SemStream Arizona generates revenues by selling propane directly to residential customers at a margin.

SemStream is also engaged in wholesale propane marketing and NGL supply businesses. The wholesale marketing business sells propane from the 11 private terminals SemStream owns and conducts wholesale marketing on six common carrier pipelines. The common carrier pipelines serve customers in the Southeast, Northeast, and the upper Midwest regions of the United States. SemStream also has exclusive marketing agreements to market

third party facilities, which include two refineries, a propane terminal and a group of gas plants. Most of the exclusive marketing agreements are multi-year term agreements structured with purchases at an index and sales at an index plus. The wholesale customer base consists of small and large retailers, multi-state marketers, rural electric cooperatives, and wholesalers. The NGL supply business consists of supplying propane to retail customers and other feedstocks to petrochemical, refining and other industrial/commercial customers.

The marketing business focuses on propane, but also includes the sale of other NGLs including normal butane, isobutane and natural gasoline. Propane sales are typically seasonal in nature with most sales occurring in the winter heating season. Although the other NGLs have some seasonality, they tend to be less seasonal than propane. The diversity of SemStream's customer base along with the mix of NGLs it markets helps reduce SemStream's seasonal variability; SemStream's summer to winter volume ratio is approximately 1.0:1.6 versus an industry volume ratio of approximately 1.0:2.5 (there are some areas where the industry ratio is as high as 1.0:4.0). SemStream limits price risk by locking in a margin, sale and purchase contracts are structured at corresponding indexes typically with purchases priced at or below index and sales are priced at index plus handling and a profit.

c. Markets and Competitive Strength

NGL commodity prices tend to have some correlation to crude oil commodity prices and can experience the same volatility. However, this price volatility has limited impact on SemStream, as SemStream typically structures marketing transactions index-to-index with a negotiated differential to lock in a fixed margin. SemStream's other operations are fixed fee arrangements in which SemStream receives a fee for marketing the NGL products for the producer. The fee is a fixed percentage of the sales price and the producer retains the commodity price risk.

Although commodity prices could impact demand for SemStream's services, SemStream's diversity of customers and assets allows SemStream to adjust its customer and product mix in response to changes in demand. SemStream's assets are flexible and have the capability to handle multiple NGL products. While SemStream's operations predominantly focus on propane in seven states, SemStream operates in areas where propane serves more than 10% of the heating demand in these states. Where propane is a primary or only heating source, demand for SemStream's propane services is fairly inelastic. In addition to providing propane for heating needs, SemStream provides propane and other NGLs to commercial and industrial customers who use the products in a variety of applications from petrochemical feedstocks to refrigeration and fuel use in transportation equipment.

3. ***SemEuro***

SemEuro consists of SemGroup's wholly-owned subsidiary, SemLogistics, which owns the largest independent petroleum products storage facility in the United Kingdom. The facility is located on the north bank of the Milford Haven Waterway on the west coast of Wales. The main activities of SemEuro are the receipt, storage, and redelivery of clean petroleum and crude oil products via sea-going vessels at the Milford Haven site. SemEuro's projected financial performance is based on revenues associated with fixed-fee storage tank leases and

related services. SemEuro is projected to contribute approximately 11% of the Reorganized SemGroup Companies' forecasted EBITDA for fiscal year 2010 and is a stand-alone entity with its own operating infrastructure and financing. See Section VI.C, "Summary of Capital Structure of the Reorganized SemGroup Companies."

a. Assets and Operations

SemEuro operates as a tank storage business with a commercial storage capacity of 8.5 million barrels. It offers build-bulk and break-bulk operations to its customers that transport products from the Middle East, to and from Europe, the east coast of the United States, and the west coast of Africa. Build-bulk involves customers importing small cargos, building volume and exporting larger cargos; break-bulk involves customers importing large cargos and exporting smaller cargos.

SemEuro's storage facility includes approximately 80 above ground storage tanks, of which 52 are commercially active, 5 are used for operations, and the remaining 23 are no longer in operational use and are scheduled for demolition. The terminal has two deep water jetties that can accommodate vessels of up to 165,000 dead weight tons. It also has road/rail loading facilities (not in operation) and pipeline connectivity with a nearby Chevron refinery and the Mainline Pipeline Limited, which is owned by four major oil companies (Exxon, Chevron, Total, and Shell) and is expected to be re-commissioned for future delivery of jet fuel to Heathrow airport.

Approximately one-half of SemEuro's storage capacity is multi-product and provides flexibility to meet changing market and customer demands. SemEuro can provide customers with tank storage for clean petroleum products, including gasoline, gasoline blendstocks, jet fuel, gas oil and diesel, and crude oil. SemEuro also generates revenues by providing related services including tank cleaning, loading, transfers, and mixing of products.

Since its acquisition of SemLogistics in 2006, SemEuro has invested significant capital to refurbish and upgrade a majority of its tanks to extend their operational lives by another 20 to 30 years before additional significant capital investment will be needed. SemEuro has also received approval to demolish the 23 inactive tanks and to construct up to nine new tanks with total storage capacity of 1.5 million barrels. The approval is valid through October 2013 and construction must have begun by this time for the approval to remain valid.

b. Revenues and Marketing

SemEuro's revenues are generated from fixed-fee storage tank leasing and related services. SemEuro's customers fall into three broad categories: trading, structural marketing storage, and compulsory stock storage (storage of product within the European Union as a result of the International Energy Agency rules requiring member states to hold oil stocks in reserve). SemEuro's customers typically enter into contracts with terms of between two months and five years, with most of the existing customers having been in place for multiple seasonal contract cycles.

c. Markets and Competitive Strength

SemEuro's ability to handle multiple products limits its dependency on the demand for storage related to a single petroleum product and provides flexibility to change its operations in response to market conditions. Demand for independent storage terminals can be impacted by a wide range of influences such as the forward price curve, expanding oil production, security of supply concerns and mismatches in regional production and consumption of oil and liquid petroleum products. Current market factors have resulted in increased demand for storage due to worldwide demand for clean products and crude oil, concerns over supply security, instability in several of the world's largest crude oil producing countries, unprecedented fluctuations in energy commodities and the United Kingdom's structural shortage of jet fuel. SemEuro has been resilient through these changing markets due to its flexibility and location.

SemEuro's terminal size (approximately 23% of the total independent storage in the United Kingdom) and its vessel handling capabilities make it unique compared with other terminals. In addition to being the only independent United Kingdom facility that serves the bulk, transshipment sector, it is also the only facility capable of handling crude oil. The only other comparable facility in the British Isles is the Bantry Bay terminal in Ireland. However, the owner of this facility, ConocoPhillips, uses Bantry Bay exclusively for proprietary storage and storage of Irish strategic stocks.

Overall, SemEuro has a strong market position and faces minimal direct competition in the British Isles. SemEuro does compete with other European storage providers, predominantly in the Amsterdam, Rotterdam, and Antwerp regions.

4. ***SemCAMS***

SemGroup acquired natural gas processing and gathering operations in Canada from Central Alberta Midstream, or CAMS, in March 2005. All of SemCAMS' assets are located in West-Central Alberta, in the heart of the Western Canadian Sedimentary Basin, which accounts for more than 80% of Canada's sour natural gas production. SemCAMS' projected financial performance is based on fee-based throughput arrangements and profit sharing from plant operations. SemCAMS is projected to contribute approximately 13% of the Reorganized SemGroup Companies' forecasted EBITDA for fiscal year 2010.

a. Assets and Operations

SemCAMS owns and operates varying working interests in (i) three sour natural gas processing plants, (ii) one sweet gas plant, and (iii) a network of more than 600 miles of natural gas gathering and transportation pipelines. The sour gas plants are dually connected to two major long-haul natural gas pipelines that serve Canada and can also transport gas to the United States. The plants also have the ability to load product for transportation by truck and railcar.

To support operations at the plants, BP Canada Energy and Chevron Canada Resources committed to process all of their current and future natural gas production from lands owned by them, or their subsequent assignees, within a "dedicated area" comprised of

approximately 180 townships located in and around the plants. The "dedicated area" covers approximately 35% of the volumes in the area around the plants. This dedication was assigned to SemCAMS in the CAMS acquisition and continues until field depletion.

SemCAMS has a development project, SemCAMS Redwillow ULC, which has received approval from the Canadian National Energy Board through 2010 to begin construction on a nearly 100 mile sour gas gathering pipeline to transport up to 79,000 standard cubic feet per day of natural gas produced in northeastern British Columbia.

b. Revenues and Marketing

SemCAMS generates revenues from the processing plants through volumetric fees for services under contractual arrangements with working interest owners and third party customers. SemCAMS does not have direct exposure to commodity prices. In addition, SemCAMS generates fee-based revenues from volume throughput on its pipelines. SemCAMS' customers include producers of varying sizes and energy trust companies.

c. Markets and Competitive Strength

SemCAMS' natural gas gathering and processing operations are located in an area that generates more than 90% of Canada's total natural gas production and more than 80% of Canada's total sour gas production. Natural gas is used for a variety of purposes in Canada including heating, electricity production, and other industrial processes. Demand for SemCAMS services is expected to be relatively stable due to the prolific natural gas production in the area in which SemCAMS operates. While drilling activity has slowed in recent months because of lower commodity prices, SemCAMS expects replacement of declining reserves to support approximately 30 years of operations of its core assets.

5. ***SemMexico***

SemMexico operates the only national liquid asphalt network in Mexico. Its national asphalt network purchases, produces, stores, and distributes liquid asphalt cement products. SemMexico purchases asphalt from Pemex, Mexico's national oil company. SemMexico's projected financial performance is based on margin from contractual arrangements with customers and suppliers for liquid asphalt cement. In general, SemMexico's sales and purchases of asphalt are matched and SemMexico carries limited exposure to price movements. SemMexico is projected to contribute approximately 7% of the Reorganized SemGroup Companies' forecasted EBITDA for fiscal year 2010. SemMexico is a stand-alone entity with its own operating infrastructure and financing. See Section VI.C, "Summary of Capital Structure of the Reorganized SemGroup Companies" below for additional details on the financing.

a. Assets and Operations

SemMexico's national liquid asphalt network consists of 11 manufacturing plants, two emulsion distribution terminals, and its national technical center and headquarters located in Puebla, Mexico. SemMexico also has an asphalt terminal under construction that is expected to be operational in the second quarter of 2010. SemMexico purchases asphalt from five local refineries of Pemex, which is, by law, the only company in Mexico that can refine crude oil to

produce liquid asphalt cement. Pemex produces primarily one grade of liquid asphalt cement and does not produce other asphalt products. SemMexico purchases approximately 22% of Pemex's liquid asphalt cement and further processes the asphalt in combination with other raw materials to produce products that are sold to road contractors and government agencies.

b. Revenues and Marketing

SemMexico generates its revenues from contractual arrangements with customers to procure liquid asphalt cement. In general, SemMexico's sales and purchases of asphalt are matched as SemMexico procures liquid asphalt cement on an as-needed basis thereby limiting price exposure to price movements on inventory.

c. Markets and Competitive Strength

SemMexico has approximately a 25% market share of Mexico's asphalt products market and is the leader on asphalt pavement technologies and capabilities. It is the only asphalt company with a national footprint in Mexico. SemMexico has established relationships with government agencies, road contractors and suppliers. SemMexico is exposed to market risk such as the sustainability of road construction and maintenance funds from the Mexican government. However, it is expected that SemMexico's significant market share and relationships with government agencies will help insulate it, in part, from reduced funding and demand.

6. ***SemGas***

SemGas is a midstream energy business providing gathering, processing and storage services. It has gathering and processing plants and assets in Kansas, Oklahoma, and Texas and a gas storage facility in upstate New York. SemGas aggregates gas supplies from the wellhead and provides various services to producers that condition the wellhead rgas production for downstream markets. SemGas' projected financial performance is largely based on percent-of-proceeds and percent-of-index contractual arrangements whee SemGas receives a portion of product sales as well as fee-based gathering service contracts. SemGas is projected to contribute approximately 7% of the Reorganized SemGroup Companies' forecasted EBITDA for fiscal year 2010.

Wyckoff issued a $50 million promissory note in favor of Kaiser-WGSP for amounts required to be funded in connection with the construction of the Wyckoff storage facility. All principal and interest on the note is due on August 4, 2009. The note is secured by all of the assets of Wyckoff. As of April 30, 2009, approximately $29 million had been advanced under the note.

a. Assets and Operations

SemGas currently owns and operates over 800 miles of gathering pipelines in Kansas, Oklahoma, and Texas, processing plants with 53 MMcfd of capacity, and a nitrogen treating plant with 13MMcfd. After completion of two plant expansions in Northern Oklahoma, SemGas' processing plant capacity will increase to 108 MMcfd. The Wyckoff gas storage facility is expected to provide SemGas with 1.5 Bcf of working gas storage capacity, net of partnership interest.

SemGas' key assets include the Sherman processing plant in north-central Texas with over 400 miles of low pressure gathering lines; the Nash and Hopeton processing plants and gathering systems in Northern Oklahoma; the Eufaula gathering system, which gathers, dehydrates, and compresses gas in eastern Oklahoma; and a gathering system and treating plant in Kansas, including the only nitrogen rejection/helium recovery option in the area (which has been idled until market conditions support profitable operations). SemGas is also involved in several joint ventures focused on natural gas gathering and processing, including the Lakeview, Pine Hollow, and Hyde Creager gathering systems in Pittsburg County, Oklahoma, and a small gathering system joint venture in Harper County, Oklahoma.

SemGas holds a 51% ownership interest in Wyckoff, which owns the Wyckoff storage facility located in Steuben County, New York. The project is utilizing a producing reservoir; it is expected to provide in excess of 3.0 billion cubic feet of storage capacity and is expected to achieve 120 MMcfd withdrawal and 96 MMcfd injection capabilities. The project recently completed construction and is expected to be fully operational in the second quarter of 2009. The Wyckoff storage facility will have access to the New York City and Boston area markets through its connections to two major pipelines. The remaining interest in Wyckoff is owned by Kaiser-WGSP, which was appointed as manager of the project after the commencement of the Chapter 11 Cases. Since the commencement of the Chapter 11 Cases, Wyckoff issued a $50 million promissory note in favor of Kaiser-WGSP in connection with the construction of the Wyckoff storage facility.

b. Revenues and Marketing

SemGas' revenues are generated from a portfolio of contracts that have an average remaining term of over seven years. The majority of the contracts provide upside potential by providing SemGas participation in commodity price and processing margin upswings through percent-of-proceeds and percent-of-index contracts. On these contracts, SemGas is generally responsible for marketing the gas and NGL for both its and the producers' share of the products. Percent-of-proceeds contracts are based on SemGas paying the producers a percentage of the sale proceeds from the products and percent-of-index contracts are based on SemGas paying the producers a percentage based on an index price. SemGas also has fee-based contracts for processing and gathering services. SemGas' customers include producers, operators, marketers and traders. Wyckoff is expected to generate revenues based on marketing margins realized from seasonal gas storage, purchasing gas in the low-demand season and selling gas during the high-demand season as well as fee-based storage contracts with third parties.

c. Markets and Competitive Strength

SemGas' gathering and processing assets face somewhat limited competition as the assets tend to have relatively long term contracts and in some instances are the only assets that can provide the offered services to the customers. SemGas has also been strengthening its competitive position by expansions at its assets. Expansions of capacity in the northern Oklahoma plants can provide upside by accommodating higher gas processing volumes in the event gas commodity prices increase and drilling activity expands. In addition, the gathering system at the Sherman, Texas plant is being extended 18 miles to connect with wells that have

been drilled and shut-in until a pipeline connection is constructed. SemGas' gathering and processing volumes can be impacted by market demand for the products it handles.

Wyckoff is uniquely located in the northeast market area of the United States, serving the largest area of gas demand in the country. A shortage of gas storage exists in the northeast United States due to geological reasons, a situation exacerbated by growing demand for natural gas and the recent development of new gas reserves in the Marcellus Shale play in New York and Pennsylvania. The timing of the completion of Wyckoff is also complementary to the completion of the new Millennium Pipeline which extends from Corning, New York to markets in the New York City area.

7. ***SemFuel***

SemFuel is a refined petroleum product business with operations predominantly serving the Mid-Continent, Upper Midwest, and Gulf Coast regions of the United States. SemFuel's operations are focused on throughput, marketing, storage, and other fee-based operations. SemFuel's projected financial performance is generated from fee-based and margin-based services. SemFuel is assumed to be sold and is therefore not included in the Projections or Liquidation Analysis. See Section IV.I, "Asset Dispositions."

a. Assets and Operations

SemFuel has an extensive asset network comprised of terminals and storage tanks along numerous pipelines in multiple states. SemFuel currently owns approximately 1.3 million barrels of refined petroleum storage capacity in West Tulsa, Oklahoma; Glenpool, Oklahoma; Des Moines, Iowa; and El Dorado, Kansas and also has 200,000 additional barrels of storage capacity in the final stages of construction in El Dorado, Kansas. SemFuel leases an additional 700,000 barrels of storage capacity.

SemFuel's assets include the ownership of six refined product terminals with shell capacity of 1.5 million barrels located in Fort Worth, Texas; Houston, Texas; Bryan, Texas; Bettendorf, Iowa; Green Bay, Wisconsin; and Rogers City, Michigan (marine terminal). SemFuel's terminal facilities have the ability to throughput over 21.0 million barrels per year of refined products.

SemFuel owns and operates a regional fuel distributor in Green Bay, Wisconsin that sells and coordinates deliveries of refined products from bulk plant terminals throughout Wisconsin and Upper Michigan. The Green Bay distributor owns a network comprised of a truck fleet, five bulk plants, and six automated refueling sites, which can support the sale of up to 1.4 million barrels annually.

b. Revenues and Marketing

SemFuel's revenues are expected to be generated from fixed fee customer contracts for throughput, storage, terminalling, and related services as well as margin generated from the Green Bay fuel distribution and marketing. There are currently plans to lease the Bryan and Rogers City terminals to third party suppliers. SemFuel's marketing margins have limited price risk as fixed margin is locked in by structuring sale contracts to recover the product

purchase price, handling costs and a profit. SemFuel's customers are expected to include wholesale marketing and trading companies and retail companies.

c. Markets and Competitive Strength

SemFuel terminals are located in strategic areas including (i) Bettendorf, Rogers City, and Green Bay, which are currently the only barge terminals in their respective locations that allow third party customers to capture location differential, (ii) north Houston, which allows a freight advantage over Pasadena locations, and (iii) Fort Worth, which is located in the high demand metro area of Dallas/Fort Worth.

SemFuel provides bulk storage along the Magellan and NuStar pipelines, which are major pipelines for refined products that connect the upper United States with the Gulf Coast. The pipeline systems tend to be in high demand, as both pipelines operate open stock systems that allow marketers to reduce transit time and capture Gulf Coast/Midwest pricing differentials.

The Green Bay operations provide retail customers a full range of flexible customer services including cost effective delivery, customized purchase contracts and resource optimization. The benefit of flexible service options allows the business to gain customer loyalty and capture larger margins.

C. OFFICE FACILITIES

The Reorganized SemGroup Companies are expected to maintain their headquarters in Tulsa, Oklahoma. The current Tulsa office lease expires in May 2011. All of the United States business segments will also utilize Tulsa as their center of operations except for SemCrude, which will continue to have its center of operations in Oklahoma City. The foreign business segments will continue to utilize their existing centers of operations, which are Calgary, Alberta for SemCanada Crude and SemCAMS; Puebla, Mexico for SemMexico; and Milford Haven, Wales for SemEuro. Many business segments also have satellite offices located throughout North America.

D. EMPLOYEES

As of April 30, 2009, the Debtors' workforce consisted of approximately 1,330 employees, of which approximately 680 were located in the United States and the balance were located in Canada, Mexico and the United Kingdom. After the disposition of SemMaterials, the Debtors expect a further reduction in workforce as employees are transferred to SGLP and other asset purchasers and through involuntary reductions. The Debtors expect the Reorganized SemGroup Companies' workforce to consist of approximately 1,000 employees, of which approximately 75% will be equally based in the United States and Canada and 25% will be based in the United Kingdom and Mexico. Certain employees in Canada and Mexico are represented by labor unions. As of April 30, 2009, the SemGroup Companies have never had a labor related work stoppage.

E. REGULATION

1. *General*

The SemGroup Companies' and Reorganized SemGroup Companies' operations are subject to extensive regulation. The following discussion of certain laws and regulations affecting the SemGroup Companies should not be relied on as an exhaustive review of all regulatory considerations affecting the SemGroup Companies' operations due to the myriad of complex federal, state, provincial, foreign and local regulations that may affect the SemGroup Companies.

2. *Regulation of United States Pipeline and Storage Operations*

a. Interstate Petroleum Based Products Storage and Transportation.

The SemGroup Companies' interstate natural gas storage operations and their interstate crude oil transportation pipeline systems are subject to extensive regulation by FERC. The White Cliffs Pipeline is subject to regulation by FERC to the extent the tariffs charged to shippers on the pipeline system have to be submitted and approved by FERC. Under the ICA, FERC has authority to regulate companies that provide petroleum and natural gas based products pipeline transportation services in interstate commerce, including storage services. FERC's authority to regulate those interstate services includes the rates charged for services, terms and conditions of service, certification and construction of new facilities, extension or abandonment of services and facilities, maintenance of accounts and records, acquisition and disposition of facilities, initiation and discontinuation of services, and various other matters. Regulated companies may not charge rates that have been determined not to be "just and reasonable" by FERC, although, pursuant to authorization granted pursuant to the Energy Policy Act of 2005, FERC may now, under certain circumstances, approve market-based rates for storage services, even when the applicant cannot demonstrate a lack of market power. In addition, FERC prohibits petroleum and natural gas based products transportation and storage companies from unduly preferring or unreasonably discriminating against any person with respect to pipeline rates or terms and conditions of service. Failure to materially comply with applicable regulations under the NGA, Natural Gas Policy Act of 1978, Pipeline Safety Act of 1968, and certain other laws, and implementing regulations promulgated thereunder, could result in the imposition of administrative and criminal remedies and civil penalties of up to $1,000,000 per day, per violation. The rates, terms and conditions for the SemGroup Companies' service will be found in FERC-approved tariffs. Pursuant to FERC's jurisdiction over rates, existing rates may be challenged by complaint and proposed rate increases may be challenged by protest.

Wyckoff is regulated by FERC as it holds a Certificate of Public Convenience and Necessity and has approval to charge market-based rates for its services.

b. Gathering and Intrastate Pipeline Regulation.

The ICA and NGA do not apply to intrastate petroleum and natural gas based products facilities and activities (*i.e.*, those that are not used or usable in the conduct of interstate commerce). Interstate gathering facilities are also exempt from regulation by FERC. The SemGroup Companies own a number of natural gas pipelines that it believes operate wholly

intrastate and are therefore exempt from FERC regulation. The SemGroup Companies also own a number of intrastate crude gathering systems that are subject to state, provincial and local, but not federal, regulation.

In the states in which the SemGroup Companies operate, regulation of intrastate natural gas and crude gathering facilities and intrastate crude pipeline service generally includes various safety, environmental and, in some circumstances, nondiscriminatory take requirements and complaint-based rate regulation. For example, the SemGroup Companies' natural gas gathering facilities are, in some cases, subject to state ratable take and common purchaser statutes. Ratable take statutes generally require gatherers to take, without undue discrimination, natural gas production that may be tendered to the gatherer for handling. In certain circumstances, such laws will apply even to gatherers like the SemGroup Companies that do not provide third party, fee-based gathering service and may require the SemGroup Companies to provide such third-party service at a regulated rate. Similarly, common purchaser statutes generally require gatherers to purchase without undue discrimination as to source of supply or producer. These statutes are designed to prohibit discrimination in favor of one producer over another producer or one source of supply over another source of supply. These statutes have the effect of restricting the SemGroup Companies' right as an owner of gathering facilities to decide with whom they contract to purchase or transport natural gas. The SemGroup Companies' intrastate crude pipeline facilities are subject to various state and provincial laws and regulation that affect the rates they charge and terms of service. Although state regulation is typically less onerous than regulation by FERC, proposed and existing rates subject to state and provincial regulation and the provision of non-discriminatory service are subject to challenge by complaint.

Intrastate crude oil pipelines and storage facilities are not regulated by the ICA. The SemGroup Companies own a number of intrastate crude oil gathering lines and storage facilities. These pipelines and storage facilities are normally regulated by various state agencies who have jurisdiction over the environmental and commercial (i.e. tariffs) aspects of the assets. Certain intrastate pipelines and storage facilities are regulated by the DOT or a state agency acting on behalf of the DOT as discussed below under Pipeline Safety.

c. Pipeline Safety.

All crude oil interstate pipelines and certain intrastate crude oil pipelines and storage facilities are subject to regulation by the DOT with respect to the design, construction, operation and maintenance of the pipeline systems and storage facilities. The DOT routinely conducts audits of the regulated assets and the SemGroup Companies must make certain records and reports available to the DOT for review as required by the Secretary of Transportation. In some states, the DOT has given a state agency authority to assume all or part of the regulatory and enforcement responsibility over the intrastate assets. The SemGroup Companies are also subject to OSHA regulations with respect to their pipeline and storage operations.

d. Trucking Regulation.

The SemGroup Companies operate a fleet of trucks to transport crude oil and oilfield materials as a private, contract and common carrier. The SemGroup Companies are licensed to perform both intrastate and interstate motor carrier services. As a motor carrier, the

SemGroup Companies are subject to certain safety regulations issued by the DOT. The trucking regulations cover, among other things, driver operations, maintaining log books, truck manifest preparations, the placement of safety placards on the trucks and trailer vehicles, drug and alcohol testing, safety of operation and equipment, and many other aspects of truck operations. The SemGroup Companies are also subject to OSHA regulations with respect to their trucking operations.

e. U. S. Coast Guard Regulations.

The SemFuel terminal facility located at Rogers City is subject to the regulations of the United States Coast Guard Code of Federal Regulations, the Worker Identification Card and the Facility Security Plans.

f. Sales of Natural Gas.

The price at which the SemGroup Companies buy and sell natural gas is not currently subject to federal regulation and, for the most part, is not subject to state regulation. The SemGroup Companies' sales of natural gas are affected by the availability, terms and cost of pipeline transportation. As noted above, the price and terms of access to pipeline transportation are subject to extensive federal, state and provincial regulation. FERC is continually proposing and implementing new rules and regulations affecting various segments of the natural gas industry, most notably interstate natural gas transmission companies that remain subject to FERC's jurisdiction. Recently, FERC issued regulations requiring buyers and sellers of natural gas to report, on an annual basis, the volumes of their purchases and sales.

g. Cross-Border Regulation.

The SemGroup Companies' are subject to regulatory matters including export licenses, tariffs, Canadian and United States customs and tax issues and toxic substance certifications. Regulations include the Short Supply Controls of the Export Administration Act, the North American Free Trade Agreement and the Toxic Substances Control Act. Violations of license, tariff and tax reporting requirements under these regulations could result in the imposition of significant administrative, civil and criminal penalties. Furthermore, the failure to materially comply with United States, Canadian, state, local and provincial tax requirements could lead to the imposition of additional taxes, interest and penalties.

3. ***Regulation of Canadian Gathering, Processing, Transportation and Marketing Businesses***

The National Energy Board. Canada's NEB regulates the construction and operation of interprovincial and international pipelines and approves the transportation charges for such pipelines. This includes regulation of gas gathering and processing activities conducted by federal undertakings. Since the 1985 Agreement on Natural Gas Prices made between the Canadian federal government and the provinces of Alberta, British Columbia and Saskatchewan, the natural gas marketing business has been largely unregulated, with the terms of sale being set by negotiations between counterparties. The importation and exportation of natural gas to and from Canada, however, remain as matters regulated by the NEB. Although it has not previously

done so, the Government of Alberta reserves the right to limit the volume of natural gas that may be removed from Alberta in the event of domestic supply constraint.

The Alberta Energy Resources Conservation Board. The operation of SemCAMS' gathering and processing assets, located in Alberta, is governed by Alberta's ERCB, an independent, quasi-judicial tribunal. The ERCB adjudicates and regulates matters related to energy within Alberta to ensure that the development, transportation and monitoring of the province's energy resources are in the public interest. The ERCB has the authority to regulate the exploration for, and the production, gathering, processing, transmission and distribution of, natural gas conducted within the province and that is not conducted by a federal undertaking. SemCAMS' gathering and processing facilities fall within the ERCB's *Large Facility Liability Management Program*, intended to ensure an appropriate liability management program is in place, within the ERCB's *Sulphur Recovery Standards*, as set forth in Interim Directive 2001-3, and within other regulatory regimes imposed by the ERCB.

Other Provincial Regulatory Agencies. The gas processing and gathering industry is subject to federal and provincial environmental laws of general application as well as the environmental regulation set by the NEB and provincial energy regulators. SemCAMS' gas facilities are subject to requirements under facility licenses, regular inspections, monitoring and reporting. The operation of SemCanada's Canadian facilities is also subject to established occupational health and safety procedures and practices.

4. ***Regulation of the SemGroup Companies' United Kingdom Operations***

In the United Kingdom, the Department of Energy and Climate Change's Energy Resources Development Unit is responsible for the regulation of a number of relevant areas, including licensing, fiscal policy, national oil stocks policy (including their compulsory oil stocking obligations as a member of the European Union and International Energy Agency), policy on oil disposal, offshore environmental policy, oil sharing arrangements and decommissioning. Other regulatory bodies include the Health and Safety Executive, which regulates health and safety in the upstream and downstream oil industry (among others) and the Hazardous Installations Directorate, which is responsible for inspection and enforcement of health and safety regulation with respect to the downstream oil industry (among others). There is no regulator dedicated specifically to the oil industry. The activities of SemEuro may also be regulated as a result of the European Union's participation in the International Carriage of Dangerous Goods by Road and Rail agreements, as well as the International Maritime Dangerous Goods Code, which governs the safe transport of dangerous goods (including oil) by sea and in due course by the Marine Management Organization when it comes into being pursuant to the Marine and Coastal Access Bill.

At a local level, SemEuro's Milford Haven storage facility falls within the jurisdiction of the Milford Haven Port Authority, or the MHPA. Under the Milford Haven Port Authority Act 2002, the MHPA has the power to publish directions, for the purpose of promoting or securing conditions conducive to the ease, convenience or safety of navigation in Milford Haven, and the approaches to it. MHPA is currently consulting on the Milford Haven Port Authority General Directions (2006). MHPA also has powers and obligations under various regulations, including, among others, the Dangerous Substances in Harbour Areas Regulations

1987 and the Harbour Docks and Piers Clauses Act 1847, as well as responsibility for the enforcement of the Port Marine Safety Code.

5. ***Regulation of the SemGroup Companies' Mexican Operations***

SemMexico is primarily engaged in the purchasing, producing, modifying, storage, and distribution of liquid asphalt cement products throughout Mexico. These activities are subject to compliance with environmental laws and regulations under Mexican technical "Official Standards" and other provisions that establish minimum technical requirements. Companies are required to obtain from the corresponding federal, local and/or municipal authorities, the relevant permits and authorizations to construct and operate asphalt modification plants and carry out the activities described above.

Mexico's Ministry of Communications and Transportation has published several construction standards establishing the specifications required for asphalt surfaces in connection with infrastructure projects, as well as certain manuals identifying the procedures for verifying compliance therewith.

Asphalt treatment, storage and distribution activities are considered hazardous under applicable environmental laws and regulations and are subject to the scrutiny of the Ministry of the Environment and Natural Resources, which is the governmental agency in charge of granting the authorization for the handling, transportation, treatment, storage, importation, exportation and final disposal of asphalt, among others. These authorizations are essential for SemMexico to be able to perform its activities in Mexico.

Coupled with the authorizations and permits that may be granted by the Ministry of the Environment and Natural Resources, asphalt transportation activities within Mexico are subject to having obtained a number of other federal and local permits, including federal licenses for the operators of transportation units mobilizing SemMexico's asphalt products.

6. ***Reorganized SemGroup Companies Environmental, Health and Safety Regulation***

a. General.

The SemGroup Companies' operations, including their Canada, United Kingdom and Mexico operations, are subject to stringent laws and regulations by multiple levels of government relating to the production, transportation, storage, processing, release and disposal of petroleum and natural gas based products and other materials or otherwise relating to protection of the environment.

The following is a summary of the more significant current environmental, health and safety laws and regulations to which the SemGroup Companies' business operations are subject. The SemGroup Companies believe that they are in compliance in all material respects with the applicable laws and regulations of the locations in which it operates.

b. Water.

The OPA was enacted in 1990 and amends provisions of the Federal Water Pollution Control Act of 1972, as amended, the Clean Water Act, as amended, and other statutes as they pertain to prevention of, and response to, oil spills. The OPA, the Clean Water Act and analogous state, provincial and local laws, subject owners of facilities to strict, joint and potentially unlimited liability for containment and removal costs, natural resource damages and certain other consequences of an oil spill, where such spill is into navigable waters, along shorelines or in the exclusive economic zone of the United States. The OPA and other analogous laws also impose certain spill prevention, control and countermeasure requirements, such as the preparation of detailed oil spill emergency response plans and the construction of dikes and other containment structures at storage facilities to prevent contamination of soils, surface waters and groundwater in the event of an oil overflow, rupture or leak. The OPA establishes a liability limit of $350 million for onshore facilities. However, a party cannot take advantage of this liability limit if the spill is caused by gross negligence or willful misconduct, resulted from a violation of a federal safety, construction or operating regulation, or if there is a failure to report a spill or cooperate in the cleanup.

The federal Clean Water Act, and analogous state, provincial and local laws impose restrictions and strict controls regarding the discharge of pollutants into waters of the United States and state waters including groundwater in many jurisdictions. Permits must be obtained to discharge pollutants into these waters. The Clean Water Act and analogous laws provide significant penalties for unauthorized discharges and can impose liability for responding to and cleaning up spills. In addition, the Clean Water Act and analogous state, provincial and local laws require individual permits or coverage under general permits for discharges of storm water runoff from certain types of facilities. Some states maintain groundwater protection programs that require permits for discharges or operations that may impact groundwater conditions.

Federal, provincial and local laws in Canada, national, local and European Union regulations and directives in the United Kingdom and federal, state and local laws in Mexico impose stringent and detailed requirements concerning water resources and the protection of water quality including those that regulate the discharge of pollutants and other harmful substances into water, require permits, impose clean-up obligations for spills and releases and impose fines and penalties for non-compliance.

c. Sour Gas.

SemCAMS operates facilities which process and transport sour gas (gas containing hydrogen sulfide, generally at concentrations of 10 ppm or more). Sour gas handling is regulated in Canada, at both the provincial and federal level, from the wellhead to the point of disposal of the sulfur content removed from processing the sour gas.

Pipelines transporting sour gas are equipped with monitoring stations and valves that automatically shut the flow of the pipeline in response to sudden changes in pressure or detection of sour gas in the atmosphere. SemCAMS' sour gas pipelines are monitored 24 hours per day from a centralized pipeline control center and can be shut down by the attending

operators. The distance between automatic pipeline valves is determined based on regulated modeling to meet approved emergency protection zone size and public exposure requirements. The integrity of the sour gas pipelines is maintained through the injection of corrosion inhibition chemicals on an ongoing basis. SemCAMS' sour gas pipelines are inspected on a regular basis to ensure the integrity of the pipelines and associated facilities.

At SemCAMS' processing plants, sulfur recovery and air quality are constantly monitored to ensure required sulfur recovery and emission standards are met. Existing regulations require a sliding range of recovery depending on throughput. SemCAMS' required sulfur recovery ranges vary from 98.3% to 98.8%; operational history has shown actual recovery above license requirements at 98.7% to 99.2%. Residual sulfur that cannot be removed by processing is incinerated.

d. Air Emissions.

The SemGroup Companies' operations are subject to the federal Clean Air Act, as amended, as well as to comparable state, provincial and local, Canadian, United Kingdom, European Union and Mexican laws that are applicable to their Canadian, United Kingdom and Mexican operations. The SemGroup Companies believe that their operations are in compliance in all material respects with these laws in those areas in which they operate.

Amendments to the federal Clean Air Act enacted in 1990, as well as changes to state implementation plans for controlling air emissions in regional non-attainment areas, may require most industrial operations in the United States to incur capital expenditures in order to meet air emission control standards developed by the EPA and state environmental agencies. The federal Clean Air Act, as amended, also imposes an operating permit requirement for major sources of air emissions, or Title V permits, which applies to some of the SemGroup Companies' facilities. Other permits are required for certain processing plants and compressor stations.

Scientific studies suggest that emissions of certain gases, including carbon dioxide and methane, commonly referred to as "greenhouse gases," are contributing to warming of the Earth's atmosphere. In response to such studies, the United States Congress is considering a variety of legislative initiatives to reduce emissions of greenhouse gases. In addition, several states have already taken legal measures to reduce emissions of greenhouse gases, primarily through the planned development of greenhouse gas emission inventories and/or regional greenhouse gas cap and trade programs. Most of these cap and trade programs work by requiring either major sources of emissions, such as electric power plants, or major producers of fuels, such as refineries and gas processing plants, to acquire and surrender emission allowances. The number of allowances available for purchase are reduced each year until an overall greenhouse gas emission reduction goal is achieved. Depending on the scope of a particular program, the SemGroup Companies could be required to purchase and surrender allowances for greenhouse gas emissions resulting from their operations (e.g., at compressor stations).

Also, the EPA may regulate greenhouse gas emissions from mobile sources (e.g., cars and trucks) even if Congress does not adopt new legislation specifically addressing emissions of greenhouse gases. The EPA has publicly stated their goal of issuing a proposed rule to address carbon dioxide and other greenhouse gas emissions from vehicles and automobile

fuels but the timing for issuance of this proposed rule is unsettled as the agency reviews their mandates under the Energy Independence and Security Act of 2007, which includes expanding the use of renewable fuels and raising the corporate average fuel economy standards.

e. Solid Waste.

The SemGroup Companies generate wastes, including hazardous wastes that are subject to the requirements of the RCRA, as well as to strict regulation at the national, regional and local level in Canada and Mexico, as well as national, local and European Union regulation in the United Kingdom. A substantial portion of the RCRA requirements do not apply to many of the SemGroup Companies oil and gas wastes, which are exempt from regulation as hazardous wastes under RCRA; however, depending on their constituents, they may be subject to other regulatory standards limiting their levels in soil and groundwater.

f. Hazardous Substances.

The Comprehensive Environmental Response, Compensation, and Liability Act, as amended, or CERCLA, also known as "Superfund," as well as other national, state, provincial and local, Canadian, Mexican, United Kingdom and European Union laws that are applicable to the SemGroup Companies' operations, can impose liability, often without regard to fault or the legality of the original act, on certain classes of persons that contributed to the release of a "hazardous substance" into the environment. These persons can include the current owner or operator of the site or sites where the release occurred and companies that disposed of, or arranged for the disposal of, the hazardous substances released into the environment. Under CERCLA, such persons may be subject to strict joint and several liability for the costs of cleaning up hazardous substances that have been released into the environment, for damages to natural resources, and for the costs of certain health studies. It is not uncommon for neighboring landowners and other third parties to file claims for personal injury and property damage allegedly caused by hazardous substances or other pollutants released into the environment. In the course of the SemGroup Companies' operations, they have generated, and will continue to generate, some wastes that fall within CERCLA's definition of a "hazardous substance" or are otherwise regulated under other environmental laws and they may be held jointly and severally liable under CERCLA or other laws for all or part of the costs required to clean up sites at which such hazardous substances have been released into the environment. In addition to CERCLA, environmental liability and cleanup laws have been enacted in each of the jurisdictions in which the SemGroup Companies operate.

g. Environmental Remediation.

The SemGroup Companies currently own or lease, and have in the past owned or leased, properties where hazardous materials or wastes have been disposed of or released and they may have liability at other locations where their wastes have been taken for processing, handling or disposal. Some of these properties may be subject to investigation and remediation requirements under CERCLA, RCRA or other national, state, provincial and local Canadian, Mexican, United Kingdom or European Union laws and regulations.

h. OSHA.

The SemGroup Companies are subject to the requirements of OSHA, or the United States Department of Labor, and as well as to comparable state, provincial and local, Canadian, Mexican, United Kingdom and European Union laws that are applicable to their Canadian, Mexican and United Kingdom operations concerning the health and safety of workers. In addition, the OSHA hazard communication standard requires that certain information be maintained about hazardous materials used or produced in operations and that this information be provided to employees, state, provincial and local government authorities and citizens.

i. Hazardous Materials Transportation Requirements.

The DOT regulations affecting pipeline safety require pipeline operators to implement measures designed to reduce the environmental impact of oil discharge from onshore oil pipelines. These regulations require operators to maintain comprehensive spill response plans, including extensive spill response training for pipeline personnel. In addition, DOT regulations contain detailed specifications for pipeline operation and maintenance.

j. Anti-Terrorism Measures.

The federal Department of Homeland Security Appropriations Act of 2007 requires DHS to issue regulations establishing risk-based performance standards for the security of chemical and industrial facilities, including oil and gas facilities that are deemed to present "high levels of security risk." The DHS issued an interim final rule in April 2007 regarding risk-based performance standards to be attained pursuant to the act and, on November 20, 2007, further issued an Appendix A to the interim rules that establish chemicals of interest and their respective threshold quantities that will trigger compliance with these interim rules. To the extent the SemGroup Companies' facilities are subject to existing or new rules, it is possible that the costs to materially comply with such rules could be substantial.

F. RELATIONSHIP WITH SGLP

SGLP is a Delaware master limited partnership formed by SemGroup in February 2007 to own, operate, and develop a diversified portfolio of midstream energy assets. SemGroup Holdings was formed in July 2007 to hold SemGroup's investment in SGLP. SemGroup Holdings controlled SGLP through ownership of its general partner, which holds a 2% general partner interest, and all of the incentive distribution rights in SGLP.

In July 2007, SGLP completed an initial public offering of 14,375,000 common units representing limited partnership interests. SemGroup sold 12,500,000 common units in the offering and SGLP sold 1,875,000 common units for net proceeds, before expenses, of $256.1 million and $38.7 million, respectively. Immediately following the initial public offering, SemGroup owned 12,570,504 subordinated units which represented a 37.4% limited partner interest in SGLP.

In connection with the initial public offering, SemCrude transferred to SGLP and certain of its affiliates crude oil assets for a purchase price of $102.0 million. SGLP financed

this acquisition with funds borrowed under its credit facility. In February 2008, SGLP purchased substantially all of SemMaterials' domestic liquid asphalt cement terminalling and storage owned assets for a purchase price of $378.8 million. SGLP financed this acquisition through the public issuance of 6,900,000 of its common units and borrowings under its credit facility. On May 12, 2008, SemCrude transferred additional crude oil assets to SGLP and certain of its affiliates for a purchase price of $45.0 million. On May 30, 2008, SemCrude transferred additional crude oil storage and terminalling facilities to SGLP and certain of its affiliates for a purchase price of $90.0 million. SGLP financed both purchases in May 2008 with funds borrowed under its credit facility. SGLP initially derived substantially all of its revenue from contractual arrangements with SemCrude and SemMaterials for crude oil and liquid asphalt services, respectively. All of the employees of SGLP continued to be employed by SemManagement and certain of the SemGroup Companies provided services to SGLP under an omnibus agreement. The operations of the two companies were substantially interconnected.

On July 21, 2008, Manchester Securities and Alerian Capital Management, as the lenders under the SemGroup Holdings Loan Agreement, exercised their rights to vote as the sole members of the general partner of SGLP as the result of various defaults by SemGroup Holdings under the SemGroup Holdings Loan Agreement. Manchester Securities and Alerian Capital Management reconstituted the board of directors at SGLP's general partner to include two representatives from Manchester Securities, one representative from Alerian Capital Management and two existing independent directors and, as a result, SemGroup ceased to have any representatives on the board of directors and no longer controlled SGLP even though it still owned SGLP's general partner.

On April 7, 2009, the Debtors and SGLP reached a Global Settlement of their respective claims relating to the above transactions and related agreements. The Global Settlement resulted in the operations of the two companies being fully separated and remaining business interactions being conducted through new market based contractual arrangements. The Global Settlement allowed SGLP an Unsecured Claim of $55 million against certain Debtors. See Section IV.I, "Asset Dispositions" for a discussion of the global settlement.

G. PREPETITION INDEBTEDNESS

Immediately prior to the commencement of the Chapter 11 Cases, certain of the SemGroup Companies maintained the following term and revolving credit facilities:

1. *Prepetition Credit Agreement*

SemCrude is the borrower under the Prepetition Credit Agreement. The obligations of SemCrude and SemCAMS are guaranteed by the subsidiaries of SemGroup, subject to certain exceptions.

The Prepetition Credit Agreement consists of an approximately $1.74 billion working capital facility for general corporate purposes, a $665 million revolving credit facility for general corporate purposes; and a $200 million term series B-2 loan facility (of which, approximately $141 million is currently outstanding).

As collateral security for their obligations under the Prepetition Credit Agreement, the borrowers and the guarantors granted a Lien on, and security interest in, substantially all of their assets. Subject to the intercreditor provisions contained in the Prepetition Credit Agreement, the borrowers and guarantors under the Prepetition Credit Agreement have granted (i) a first priority Lien on, and security interest in, the Working Capital Priority Collateral and a second priority Lien on, and security interest in, the Revolver/Term Priority Collateral to secure the Working Capital Obligations (each as defined in the Prepetition Credit Agreement), (ii) a first priority Lien on, and security interest in, the Revolver/Term Priority Collateral and a second priority Lien on, and security interest in, the Working Capital Priority Collateral to secure the Revolver Obligations and the US Term Obligations (each as defined in the Prepetition Credit Agreement) and (iii) a first priority Lien on, and security interest in, the Pari Passu Collateral (as defined in the Prepetition Credit Agreement) to secure all of the obligations under the Prepetition Credit Agreement.

2. ***White Cliffs Credit Agreement***

SemCrude Pipeline is the borrower under the White Cliffs Credit Agreement. SemCrude Pipeline owns 99.17% of White Cliffs and the funds borrowed under the White Cliffs Credit Agreement were used to fund the project costs associated with the White Cliffs Pipeline. There are no guarantors under the White Cliffs Credit Agreement. In the event that either of the 0.83% owners of White Cliffs exercise their option to purchase additional ownership interests in White Cliffs, the proceeds received from such option exercise(s) will be applied to reduce the outstanding balance under the White Cliffs Credit Agreement.

The White Cliffs Credit Agreement consists of a term loan facility and a revolving credit facility, each of which had an original commitment of $60 million. The principal amount outstanding pursuant to the White Cliffs Credit Agreement is $120 million. The White Cliffs Credit Agreement is scheduled to terminate on June 17, 2009.

As collateral security for its obligations under the White Cliffs Credit Agreement, SemCrude Pipeline granted a Lien on, and security interest in, its ownership interests in White Cliffs.

The Plan contemplates that the White Cliffs Credit Agreement will be refinanced. See the discussion of the capital structure of the Reorganized SemGroup Companies in Section VI,C.

3. ***SemEuro Credit Agreement***

SemEuro Limited is the borrower under the SemEuro Credit Agreement. SemEuro Limited is the wholly-owned indirect subsidiary of SemGroup and is an English private limited company. The obligations of SemEuro are guaranteed by its direct subsidiaries, SemEuro Supply and SemLogistics, each of which are English private limited companies.

The SemEuro Credit Agreement consists of a working capital facility and a revolving credit facility. The total working capital commitments were originally $500 million and the total revolving credit commitments were $75 million, which included an overdraft commitment of $50 million. The SemEuro Credit Agreement initially supported SemEuro

Supply's marketing business, which was discontinued after the Petition Date. The working capital commitments have been subsequently reduced and the principal amount outstanding under the working capital facility was approximately $5 million as of April 30, 2009. The principal amount outstanding under the revolving credit facility was approximately $44.5 million as of April 30, 2009. The SemEuro Credit Agreement is scheduled to terminate on September 29, 2009 and is governed by English law. As collateral security for the obligations under the SemEuro Credit Agreement, the borrower and the guarantors granted a Lien on, and security interest in, substantially all of their assets.

The Plan contemplates that the SemEuro Credit Agreement will be refinanced. See the discussion of the capital structure of the Reorganized SemGroup Companies in Section VI, C.

4. ***Senior Notes Indenture***

SemGroup and SemGroup Finance are issuers of 8.75% Senior Notes in the original principal amount of $600 million pursuant to the Senior Notes Indenture. The Senior Notes mature on November 15, 2015. Interest is payable semi-annually in arrears.

The obligations of SemGroup and SemGroup Finance are guaranteed by the subsidiaries of SemGroup, subject to certain exceptions. The Senior Notes are not secured by any assets of the issuers or the guarantors.

5. ***Manchester Securities Corp. and Alerian Finance Partners Term Loan***

SemGroup Holdings is the borrower under the SemGroup Holdings Loan Agreement, with Manchester Securities Corporation and Alerian Finance Partners as the lenders. The SemGroup Holdings Loan Agreement provides for a $150 million term loan facility, which consists of a $100 million Tranche A facility and a $50 million Tranche B facility. The obligations of SemGroup Holdings are secured by SemGroup Holdings' subordinated units in SGLP and its membership interests in SemGroup Energy Partners G.P., L.L.C., the general partner of SGLP.

IV. THE CHAPTER 11 CASES

A. EVENTS LEADING UP TO COMMENCEMENT OF CHAPTER 11 CASES

Prior to the commencement of the Chapter 11 Cases, the SemGroup Companies were a privately-held group of companies that operated in North America and the west coast of the United Kingdom. Certain of the SemGroup Companies' business segments conducted physical and financial marketing and trading activities to take advantage of seasonal and regional market price differences for various energy commodity products, to fully utilize the SemGroup Companies' transportation and storage assets and speculative trading. The SemGroup Companies also provided midstream energy-related services such as gathering, storage, transportation, processing and distribution services for energy commodities including crude oil, refined petroleum products, natural gas, NGL, and asphalt to third party customers and themselves.

SemGroup's risk management policy authorized SemGroup and certain of its affiliates to conduct trading activities to hedge their risk on purchases of product inventory. SemGroup's business objective, as reflected in the risk management policy, was to establish a margin on anticipated purchases of product inventory by selling that product for physical delivery to customers or by entering into future delivery obligations under futures contracts on the NYMEX and OTC markets. SemGroup's risk management policy required that SemGroup's trading activities be supported by physical inventory and that SemGroup not trade in "naked options," which are more speculative. The risk management policy also established position limits and stop-loss limits and prohibited employees from conducting trades for their own accounts.

SemGroup's trading activities were directed principally by Mr. Kivisto, SemGroup's President and CEO. Mr. Kivisto's trading strategy, which was based on the assumption of stable crude prices, involved the sale of naked call and put options that did not adhere to the requirements of the SemGroup risk management policy. Mr. Kivisto's strategy resulted in significant losses and, in order to avoid realization of these losses, the options were rolled forward in increasingly larger amounts. As losses increased, SemGroup was required to post collateral for margin calls. During the 12 months ended December 31, 2007, SemGroup posted $1.7 billion in cash to satisfy margin deposit requirements, which was a 159% increase over the 12 months ended December 31, 2006. During the three months ended March 31, 2008, SemGroup posted $1.96 billion in cash to satisfy margin deposit requirements, which represented a 115% increase over the three months ended March 31, 2007. In addition to conducting trading activities for SemGroup through its subsidiary Eaglwing, Mr. Kivisto also engaged in trades for his own account through his separate trading company, Westback. Trades conducted in the Eaglwing account for Westback in 2007 and 2008 resulted in large unrealized losses.

The increased margin requirements had a severe negative impact on SemGroup's liquidity position, which worsened significantly in the weeks leading up the commencement of the Chapter 11 Cases. In June 2008, SemGroup transferred some of its trades from NYMEX to the OTC, which had lower margin requirements. In July 2008, SemGroup began discussions with Barclays regarding a transfer of SemGroup's trading book. On July 15, 2008, SemGroup transferred all of the NYMEX trading accounts held in its commodity futures brokerage accounts to Barclays, which resulted in the conversion of loss contingencies into realized cash losses totaling in excess of $2.4 billion. In consideration for Barclays' agreement to assume the NYMEX trading accounts and all transactions thereunder, SemGroup paid Barclays $143 million. At the time of the sale of the trading book to Barclays, Westback owed SemGroup approximately $290 million. In addition to the NYMEX losses, SemGroup's trading book with the OTC was approximately $850 million negative mark-to-market. Accordingly, despite the transfer of the NYMEX account to Barclays, SemGroup still faced a liquidity crisis and commenced the initial Chapter 11 Cases on July 22, 2008.

B. CHAPTER 11 DEBTOR-IN-POSSESSION FINANCING

On August 8, 2008, the Bankruptcy Court entered an interim order (1) authorizing the Debtors (a) to obtain post-petition financing pursuant to the Postpetition Financing Agreement in an aggregate amount of up to $150 million and (b) to use cash collateral and (2) granting adequate protection to prepetition secured parties. On September 17, 2008, the

Bankruptcy Court entered a final order (1) authorizing the Debtors (a) to obtain post-petition financing pursuant to the Postpetition Financing Agreement and, in the case of SemCrude, to borrow thereunder up to an aggregate principal amount of $175 million, all of which could be used for letters of credit; provided, that only $70 million of the Aggregate Commitment (as defined in the Postpetition Financing Agreement) could be used for hedging purposes in accordance with the Trading Protocol, and (b) to use cash collateral, and (2) granting adequate protection to prepetition secured parties. The Postpetition Financing Agreement originally matured on April 22, 2009, but the maturity date has been extended to September 30, 2009 pursuant to the terms and provisions of the Sixth Amendment to the Postpetition Financing Agreement, which extension was approved by the Bankruptcy Court on April 23, 2009. Notwithstanding the stated maturity date of September 30, 2009, the aggregate commitments under the Postpetition Financing Agreement can be terminated by the requisite number of lenders thereunder upon the occurrence of certain events of default.

In addition to the extension of the stated maturity date, the Sixth Amendment to the Postpetition Financing Agreement also reduced the aggregate commitments thereunder to $150 million, all of which is available for letters of credit; provided, that only $70 million of the Aggregate Commitment (as defined in the Postpetition Financing Agreement) could be used for hedging purposes in accordance with the Trading Protocol and only $50 million of the Aggregate Commitment (as defined in the Postpetition Financing Agreement) could be used for borrowings of loans.

The obligations of SemCrude under the Postpetition Financing Agreement are guaranteed by all of the other Debtors (other than SemGroup Holdings) and are secured by substantially all of the assets of SemCrude and the other Debtors (other than SemGroup Holdings). As security for the obligations under the Postpetition Financing Agreement, SemCrude and the other Debtors provided the DIP Agent and the Postpetition Lenders thereunder with (i) an allowed administrative claim having priority over all administrative expenses, (ii) a perfected first priority Lien on all property of SemCrude and the other Debtors which was unencumbered by any Lien as of the Petition Date, (iii) a perfected first priority, senior priming Lien securing any obligations owing under the Prepetition Credit Agreement and (iv) a perfected Lien upon all property of SemCrude and the other Debtors (other than the property referred to in clause (iii) above), junior to existing valid, perfected, enforceable and unavoidable Liens on such property.

C. SUPPLIER PROTECTION PROGRAM

On July 22, 2008, the Debtors filed a motion requesting that the Bankruptcy Court approve the Debtors' establishment of a supplier protection program for its critical providers of goods and services. To qualify for the program, providers were required to enter into supplier protection agreements with the Debtors pursuant to which they agreed to continue to provide goods or services to the Debtors under the same terms and in reasonably equivalent volume of goods or level of services that were historically provided until the earlier of (i) January 31, 2009 and (ii) the effective date of a chapter 11 plan. The providers also were required to provide supporting documents to substantiate the amount of their prepetition claims. On July 23, 2008, the Bankruptcy Court entered an order authorizing the Debtors' payment of up to $50 million in prepetition expenses to critical providers who entered into supplier protection agreements. As of

April 30, 2009, the Debtors have paid approximately $35 million to approximately 150 critical vendors.

D. OTHER FIRST DAY ORDERS

On July 22, 2008 and continuing thereafter, the Debtors filed voluntary petitions commencing the Chapter 11 Cases. Shortly thereafter, the Debtors obtained a series of orders from the Bankruptcy Court designed to minimize any disruption to the Debtors' business operations and to facilitate the Debtors' reorganization.

1. *Case Administration Orders*

The Bankruptcy Court entered a number of procedural orders to streamline and simplify the administration of the Chapter 11 Cases. These orders: (i) authorized the joint administration of the Chapter 11 Cases and (ii) granted an extension of time to file the Debtors' schedules of assets and liabilities and statements of financial affairs. In addition, the Debtors obtained orders authorizing the engagement of WGM and Richards, Layton as legal advisors, Alix Partners as restructuring advisors, and Blackstone as investment bankers and financial advisors.

2. *Critical Obligations*

To allow the Debtors to maintain certain critical operations during the Chapter 11 Cases, the Bankruptcy Court authorized certain payments on prepetition obligations. The Bankruptcy Court authorized the Debtors to satisfy certain outstanding obligations including those relating to: (i) wages, compensation, and employee benefits and (ii) sales, use, and other types of taxes.

3. *Business Operations*

Further, the Bankruptcy Court granted the Debtors the authority to continue certain business operations. Among other things, the Bankruptcy Court (i) authorized the Debtors to continue certain workers' compensation and other insurance policies and (ii) prohibited the Debtors' utilities service providers from altering, refusing, or discontinuing service upon the furnishing of an escrow and establishment of certain procedures for determining adequate assurance of payment.

4. *Financial Operations*

The Bankruptcy Court authorized the Debtors to (i) maintain their existing bank accounts and forms and (ii) continue their centralized cash management system.

E. PRODUCERS' CLAIMS AND LITIGATION

In the course of their businesses, certain Debtors (SemCrude, Eaglwing, and SemGas) purchased oil and gas products from third parties in several states, including, but not limited to, Colorado, Kansas, Mississippi, Missouri, Montana, Nebraska, New Mexico, North Dakota,

Oklahoma, Texas, and Wyoming. As a result of the commencement of the Chapter 11 Cases, the payment for June and July 2008 oil and gas production was not made.

Following the Petition Date, Debtors were inundated by motions for temporary restraining orders and motions for relief from automatic stay from third parties, which included certain Producers. The Producers' Claims include statutory lien and trust claims based on state law, section 503(b)(9) claims based on the Bankruptcy Code (discussed below), and section 546(c) claims based on the Bankruptcy Code (discussed below).

Given the similar threshold issues of law raised in these cases, the Debtors sought to establish omnibus procedures for handling these claims. Pursuant to the Lien Procedures Order, the Producers, from whom Debtors made first purchases of oil or gas products, filed single consolidated declaratory judgment actions—one per state—to adjudicate the threshold questions of law regarding the state's applicable lien or trust statute. Actions were filed for the following states: Colorado, Kansas, Missouri, New Mexico, North Dakota, Oklahoma, Texas, and Wyoming. As filed, the actions raised the following claims: (a) a request that the Bankruptcy Court require the Debtors to provide an accounting regarding oil and gas production sold to the Debtors, including its disposition and the receipt of any cash or other proceeds from the disposition; (b) a declaration regarding the validity, extent, and priority of the state statutory lien and/or trust and other security interests in the oil and gas production; (c) a reservation of the Producers' rights under the Postpetition Financing Order; and (d) a request for attorneys' fees and costs in those states where an applicable state statute may provide for recovery of those fees and costs. The approximate dollar amount associated with the Producers' statutory lien and trust claims according to the Debtors' books and records is approximately $414 million. On December 10, 2008, the parties entered into a stipulation staying the claims for an accounting, attorneys' fees, and costs and the reservation of rights under the Postpetition Financing Order.

While the actions in Kansas, New Mexico, Oklahoma, Texas, and Wyoming are based on statutes in those respective states, the actions in Colorado, Missouri, and North Dakota are based on the Texas lien statute, which the Producers for those states argue applies to their production under a contractual choice of law theory. Accordingly, because adjudication of the Colorado, Missouri, and North Dakota is necessarily dependent upon the declaration regarding the validity, extent, and priority of the Texas lien statute, the parties entered into a stipulation staying these three actions until after the threshold issues of law are determined.

On December 2, 2008, a scheduling order was entered in the Producers' litigation. The stipulation staying the accounting claims also stayed fact discovery. Expert discovery was completed in mid-April 2009. On April 17, 2009, certain parties to the Producers' litigation filed motions for summary judgment on the Texas, Kansas and Oklahoma lien and Oklahoma trust claims. These motions were heard on May 13 and 14, 2009.

In March and April 2009, certain of the Debtors' customers, including J. Aron, BP and Conoco intervened in the Producers' litigation. These customers are asserting rights of setoff against amounts they owe the Debtors for prepetition purchases of crude oil. The Producers have asserted that their alleged lien and trust rights have priority over these customers' setoff claims.

In addition to intervening in the Producers' litigation, J. Aron, BP and Conoco have each filed separate adversary proceedings, which overlap (at least in part) with issues raised in the Producers' Litigation. For example, in its complaint, J. Aron seeks declarations that, among other things, (1) its trading agreement with the Debtors is valid and enforceable, (2) the trading agreement provides rights of netting, recoupment and contractual setoff, (3) J. Aron has no obligation to pay more than the tendered (netted) amount, and (4) the Producers have no Lien or trust rights nor any other actionable claims against J. Aron. BP and Conoco filed complaints requesting similar declarations. Certain Producers have filed motions to dismiss these adversary proceedings. These motions have not yet been set for hearing. The Debtors filed motions for turnover of estate property in each of these actions with regard to the net amount owed the estates. These motions for turnover are set for hearing on June 2, 2009.

Additionally, certain Producers have pursued their alleged claims against J. Aron, BP and Conoco outside of these bankruptcy proceedings. To date nine actions, including a purported class action, have been filed against J. Aron, BP, and Conoco. Actions have also been filed against Sunoco Logistics and Coffeyville Resource Refining and Marketing LLC, which are other customers of the Debtors. These 11 actions are pending in the state and federal courts of Texas and Oklahoma. While the Debtors are not formal parties to these actions, the Debtors filed a motion to enforce the automatic stay or, in the alternative, for a temporary restraining order and preliminary injunction to enjoin prosecution of these actions because of the effect the actions would have on the orderly administration of the Debtors' estates. On January 21, 2009, the Debtors' motion was denied.

F. SECTION 503(B)(9) CLAIMS

As part of the Debtors' efforts to streamline creditor litigation following the commencement of the Chapter 11 Cases, the Debtors also sought an omnibus order with respect to section 503(b)(9) claims, also referred to as Twenty Day Claims. Section 503(b)(9) of the Bankruptcy Code provides a creditor with an administrative expense for "the value of any goods received by the debtor within 20 days before the commencement of a case. . . in which the goods have been sold to the debtor in the ordinary course of such debtor's business."

In accordance with the Twenty Day Claims Procedure Order, the Debtors were required to include in Schedule E to their Schedules of Assets and Liabilities a listing of estimated amounts, based on their books and records, owed to vendors who delivered goods within the 20 days prior to the Petition Date. The Debtors filed the Schedules of Assets and Liabilities on October 20, 2008, and later amended them on January 23, 2009. According to the Debtors' books and records, the approximate amount of Twenty Day Claims is $295 million, excluding any intercompany amounts. Of the $295 million, approximately $140 million overlaps with the Producers' statutory lien and trust claims. The Twenty Day Claims Procedure Order provides that any party in interest had 30 days to file objections to the Schedules of Assets and Liabilities. In addition to objections related to specific scheduled Claims, both the UCC and the Producers Committee filed omnibus objections to all Twenty Day Claims listed on the Debtors' Schedule E. The objection of the Producers Committee has been resolved and changes to the Schedules of Assets and Liabilities stemming from that objection are reflected in the January 23, 2009 amended Schedules of Assets and Liabilities. The UCC's objection asserts that the value of the Twenty Day Claims is based on current values and not values as of the Petition Date. The

UCC's objection raises issues of statutory interpretation and remains outstanding at this time. Likewise, the Prepetition Lenders subsequently filed a similar objection.

Finally, any creditor who disputed the treatment of its claim on the Debtors' Schedules of Assets and Liabilities was required to file a Proof of Claim on or before March 3, 2009. The Debtors received 5,455 Proofs of Claim which they are currently reviewing.

G. RECLAMATION CLAIMS

To further streamline creditor litigation following the commencement of the Chapter 11 Cases, the Debtors sought an omnibus order with respect to section 546(c) Claims—also referred to as Reclamation Claims. Section 546(c) of the Bankruptcy Code provides that a seller of goods that sold goods to the debtor in the ordinary course of such seller's business may reclaim such goods if the debtor received the goods while insolvent within 45 days of commencement of a bankruptcy case. Section 546(c) requires that the seller demand—in writing—reclamation of such goods not later than 45 days after the date of receipt of such goods by the debtor or not later than 20 days after the date of commencement of the case, if the 45-day period expires after the commencement of the case.

Under the Reclamation Claims Procedure Order, the Debtors were required to file a schedule containing information concerning the potential value of the Reclamation Claims, including (1) a list of Reclaiming Vendors who timely filed, served, or delivered Reclamation Notices; (2) the date of each timely Reclamation Notice; (3) the amounts asserted, if any, by the Reclaiming Vendors in their Reclamation Notices; and (4) the estimated value of the inventory remaining in the Debtors' possession, as of the date each Reclamation Notice was filed, served, or delivered. Thereafter, the Debtors filed a motion asking the Bankruptcy Court to establish reclamation claims processing procedures on January 20, 2009. The Debtors listed approximately 435 Reclamation Notices in the Reclamation Schedules and estimate the maximum value of these Claims to be approximately $53 million. However, pursuant to section 546(c) of the Bankruptcy Code, the Reclamation Claims are subject to the prior perfected liens on inventory of the Prepetition Lenders and the Debtors believe that no valid Reclamation Claims exist.

H. APPOINTMENT OF OFFICIAL COMMITTEES

1. *Creditors' Committee*

On August 1, 2008, the United States Trustee overseeing the SemGroup Chapter 11 Cases appointed the UCC to represent the general unsecured creditors of the Debtors. The UCC currently is comprised of the following entities:

- Central Crude Corporation
- ConocoPhillips Company
- Crude Marketing & Transport Inc.
- HSBC Bank USA, National Association

- Pacific Investment Management Company LLC
- Western Asset Management Company

2. ***Producers' Committee***

On October 24, 2008, the United States Trustee appointed the Producers' Committee to represent the interests of certain producers and suppliers of oil and gas to certain SemGroup related entities. The Producers' Committee is comprised of the following entities:

- Samson Resources Company
- Kerr-McGee Oil & Gas Onshore LP
- Altex Energy Corporation
- New Dominion, LLC
- Special Energy Corporation
- McCoy Petroleum Corporation
- Williams Production RMT Company
- Pioneer Natural Resources USA, Inc.
- Chesapeake Energy Marketing, Inc.

I. ASSET DISPOSITIONS

The Debtors have worked with Blackstone to conduct sales processes in accordance with section 363 of the Bankruptcy Code with respect to substantially all of SemGroup's assets. The sales processes have consisted of marketing the assets, soliciting bids and, in certain circumstances, selecting a bidder to be the "stalking horse" bidder, negotiating and signing a purchase agreement, conducting a public auction, and closing the sale transaction with the successful bidder.

Due in large part to significant working capital requirements for which financing was not available, SemMaterials' operations were wound down and certain assets were transferred to SGLP pursuant to the global settlement as described below in Section I.1, with the remaining SemMaterials assets excluded from the global settlement being sold at auction. Further, the Debtors remain in negotiations towards a sale transaction or transaction for SemFuel assets. Sales processes for other assets and businesses of the Debtors did not result in bids that met the Debtors' desired terms, including value, who in consultation with representatives of the Prepetition Lenders and the UCC, chose not to pursue such transactions.

1. ***SemMaterials Disposition and SGLP Settlement***

With respect to the SemMaterials business segment, the Debtors began discussions with SGLP after the commencement of the Chapter 11 Cases regarding the possibility of jointly marketing the liquid asphalt assets of both entities. The Debtors were unable to reach an agreement with SGLP on a joint marketing process and instead began independently marketing their respective assets to third parties. Although the Debtors received bids from six potential buyers in October 2008, they were unable to sign a purchase agreement with a stalking horse bidder due to, among other things, the credit market conditions that made obtaining financing difficult for potential buyers and the need for any potential purchasers to negotiate revised operating agreements with SGLP. Due to the difficulties in signing a purchase agreement with a stalking horse bidder, the Debtors filed a motion on February 6, 2009 requesting that SemMaterials be sold pursuant to a naked auction or, in the alternative, the Debtors be allowed to wind down SemMaterials to avoid the significant capital requirements and carrying costs of the business.

The naked auction was unsuccessful and the Debtors proceeded with an orderly wind down of the SemMaterials business. In pursuing the wind down, the Debtors reached a global settlement with SGLP. On March 6, 2009, the Debtors executed a binding term sheet with SGLP outlining the global settlement, pursuant to which, *inter alia*, the Debtors agreed to transfer to SGLP certain domestic liquid asphalt assets connected to SGLP's liquid asphalt assets, SGLP agreed to transfer to SemCrude certain assets related to SemCrude's Kansas and Oklahoma pipeline and the parties agreed to enter into certain agreements to facilitate the wind down of the SemMaterials business. The Court entered an order on March 19, 2009 approving the terms of the global settlement. On April 7, 2009, SemGroup, SGLP, and certain of their subsidiaries executed the Master Agreement formalizing the global settlement and related transaction documents, to be effective as of March 31, 2009. The Court entered an order approving the Master Agreement and related transactions on April 7, 2009.

Pursuant to the Master Agreement, SemGroup and SGLP and certain of their subsidiaries entered into several agreements to separate their respective businesses. To eliminate instances where the companies had co-located or interconnected assets, SemGroup transferred certain liquid asphalt assets to SGLP and SGLP transferred certain crude oil assets to SemGroup. The parties terminated their crude oil and liquid asphalt services agreements, entered into a new market-based throughput agreement for crude oil, and entered into short-term contracts to facilitate the wind down of the SemMaterials business. The parties also entered into various services agreements whereby SemCrude agreed to provide certain crude oil services to SGLP on a long-term basis, SGLP agreed to lease office space to SemCrude on a long-term basis and certain of the SemGroup Companies agreed to provide services on a short-term basis to facilitate the separation of operations between the two companies.

The Debtors pursued the sale of certain other assets of SemMaterials, including SemMaterials' residual oil business and its intellectual property which included SemMaterials' branded asphalt products. On April 7, 2009, the Bankruptcy Court approved the sale of SemMaterials' residual oil business for a purchase price of $2.5 million, subject to customary purchase price adjustments, and the sale closed on April 24, 2009. On May 11, 2009, the Bankruptcy Court approved the sale of SemMaterials' intellectual property for $6.5 million,

subject to customary purchase price adjustments. The sale is expected to close during the second quarter of 2009.

2. *SemFuel*

The SemFuel sales process began in Fall 2008. In Winter 2008, SemFuel received initial, non-binding indications of interest for various combinations of assets from multiple bidders. In Spring 2009, SemFuel received final proposals for certain, or all, of its assets from several bidders. SemGroup is negotiating purchase agreements for a combination of offers for various SemFuel assets.

J. EMPLOYEE MATTERS AND INCENTIVE PLANS

1. *Headcount Reductions*

Shortly after the Petition Date, the Debtors began to implement staff reductions. As of April 30, 2009, the Debtors have reduced their workforce by 1,094 employees in the United States, comprised of 432 involuntary reductions and 662 voluntary reductions. The reductions include approximately 379 employees that were transferred to SGLP or asset purchasers. The total workforce reduction to date is estimated to result in an annualized base compensation cost savings of approximately $60 million. As of April 30, 2009, the Debtors workforce consisted of approximately 1,330 employees, which represented 57% of the prepetition workforce. After the sale and wind down of the SemMaterials, the workforce is expected to be reduced to approximately 1,000 employees.

2. *Incentive Plan*

Prior to the Petition Date, the Debtors had maintained, in the ordinary course of their business, certain annual performance-based cash incentive plans both on a company-wide and business-segment basis. The Debtors did not seek authority to continue their domestic bonus programs after the Petition Date, nor did the Debtors seek to make any payments to domestic employees for the 2008 calendar year under the prepetition bonus programs. Rather, after commencing the Chapter 11 Cases, the Debtors sought to develop a new incentive program intended to provide awards to domestic employees commensurate with the value that each employee contributed to the Debtors' ongoing operations and the success of the Debtors' reorganization.

After significant negotiations with the various constituencies in the Chapter 11 Cases, the Debtors proposed the Employee KEIP and the Executive KEIP which were approved by the Bankruptcy Court on September 17, 2008 and January 13, 2009, respectively. The KEIPs were designed to provide cash bonuses to certain key employees, contingent upon the achievement of either successful asset sales or reorganization of specific business segments or the Debtors. As of April 30, 2009, the KEIPs included approximately 250 of the Debtors' employees who occupy positions critical to SemGroup's successful reorganization and ongoing business. The KEIPs were based on varying percentages of employees' base salaries. As of April 30, 2009, the Debtors have paid no cash bonuses under the KEIPs. Future KEIP payments are estimated to total approximately $13 million.

3. ***Severance Program***

Prior to the Petition Date, the Debtors had an *ad hoc* severance program. Shortly after the Petition Date, the Debtors began to develop a formal severance program. The Debtors sought to create a severance program that was structured to avoid unnecessary or excessive benefits and was narrowly tailored to provide severance benefits that were within the norm of benefits provided to employees in similar chapter 11 cases. After negotiations with the various constituencies in the cases, the Debtors proposed the Severance Program which was approved by the Bankruptcy Court on August 19, 2008.

The Severance Program, as approved, provides severance benefits to all full-time employees without written employment agreements and whose employment is terminated involuntarily and without cause. Under the Severance Program, the employee receives a cash payment in the form of salary continuation for two weeks. Each employee also receives payment for any earned but unused vacation remaining up to the end of the month in which the termination occurs. Finally, employees may elect to receive outplacement services at the time of their termination. As of April 30, 2009, the Debtors have spent approximately $1.0 million under the Severance Program.

K. EXCLUSIVITY

Section 1121 of the Bankruptcy Code grants a debtor the exclusive right to propose a plan of reorganization during the first 120 days after the commencement of its chapter 11 case. In addition, a debtor also has the exclusive right to solicit votes for the acceptance of any proposed plan during the first 180 days after the commencement of its chapter 11 case. A debtor's exclusive rights may be either terminated or extended for "cause."

On November 18, 2008, the Debtors filed a motion to extend their exclusive period to file a chapter 11 plan and solicit acceptances thereof to March 19, 2009 and May 19, 2009, respectively. On December 8, 2009, the Bankruptcy Court held a hearing on the Debtors' motion to extend the exclusive periods and by decision and order dated December 8, 2008, the Court granted the Debtors an extension of the Debtors' exclusivity to propose a chapter 11 plan and solicit acceptances thereof to March 19, 2009 and May 19, 2009, respectively.

On March 19, 2009, the Debtors filed a motion to further extend their exclusive periods to file a chapter 11 plan and solicit acceptances thereof to June 17, 2009 and August 17, 2009, respectively. On April 7, 2009, the Producers' Committee and Calyon New York Branch objected to the Debtors' motion. As part of an agreement to extend the maturity date of the Postpetition Financing Agreement, the Debtors agreed to file a chapter 11 plan by May 15, 2009 and solicit acceptances thereof by September 18, 2009. On April 14, 2009, the Bankruptcy Court held a hearing on the Debtors' motion, following which the Bankruptcy Court granted the Debtors an extension of the Debtors' exclusivity to propose a chapter 11 plan and solicit acceptances thereof to May 15, 2009 and September 18, 2009, respectively.

L. ASSUMPTION/REJECTION OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES

Section 365 of the Bankruptcy Code grants the Debtors the power, subject to the approval of the Bankruptcy Court, to assume or reject executory contracts and unexpired leases. If an executory contract or unexpired lease is rejected, the counterparty to the agreement may file a claim for damages incurred by reason of the rejection. In the case of rejection of leases of real property, such damage claims are subject to certain limitations imposed by the Bankruptcy Code.

On September 10, 2008, the Bankruptcy Court approved an order providing for certain procedures governing the rejection of executory contracts and unexpired leases on limited notice. This procedure alleviated additional expense to the Debtors' estates and the attendant delay that would have resulted if the Debtors had been required to proceed by separate motion and hearing for every executory contract and unexpired lease they determined to reject. Under the rejection procedures, as of April 30, 2009, the Debtors have rejected in excess of 1,500 unnecessary and economically burdensome contracts. The Debtors have also determined that it would be beneficial to assume various executory contracts and unexpired leases, which the Bankruptcy Court authorized pursuant to various orders.

M. INVESTIGATIONS

The SEC, CFTC and DOJ have served SemGroup with requests for voluntary production and/or subpoenas. The DOJ stayed its requests, and the Debtors have actively been working with both the SEC and CFTC to respond to their inquiries.

Additionally, the Special Committee requested that an internal investigation be conducted to, among other things, prepare itself to respond to inquiries from governmental entities, the Examiner, and the UCC and consider certain claims against former and current officers.

1. *SEC*

On August 5 and September 5, 2008, SemGroup received letters from the SEC including requests for voluntary production. On October 24, 2008, the SEC also served SemGroup with a subpoena seeking further documents. SemGroup has continually worked with the SEC to provide information responsive to the SEC document requests and the document production is currently ongoing. The SEC has also interviewed several current and former SemGroup employees.

2. *CFTC*

On June 19, 2008, SemGroup received a letter from the CFTC that included a request for voluntary production. On August 14, 2008, the CFTC sent another letter that included an additional request for voluntary production. The CFTC has also served subpoenas upon the Debtors requiring that they produce various documents. SemGroup continues to cooperate with the CFTC and respond to the CFTC's document requests.

3. ***Special Committee***

The Special Committee retained WGM to conduct an internal investigation of the events leading up to the filing of the Chapter 11 Cases. In the course of this investigation, WGM collected and preserved documents from SemGroup employees, reviewed numerous documents, and interviewed over 30 current and former employees and vendors.

4. ***Examiner Appointed***

On October 14, 2008, the Bankruptcy Court appointed Louis J. Freeh as Examiner. The Examiner issued his final report on April 15, 2009 and concluded that SemGroup's trading activities included speculative aspects that exposed SemGroup to increased risk and ultimately resulted in the Chapter 11 Cases. These speculative aspects of the trading activities were in violation of SemGroup's risk management policy.

N. THE UCC'S COMPLAINT

The UCC is asserting claims on the Debtors behalf, including claims the Debtors may have against Mr. Kivisto, Mr. Wallace, and Westback. On March 16, 2009, the Bankruptcy Court entered an order authorizing the UCC to assert claims on behalf of the Debtors, and the UCC filed, for and on behalf of the Debtors, its complaint against Mr. Kivisto, Mr. Wallace, and Westback. SemGroup assisted the UCC in obtaining information for such complaint by providing access to documents, responding to specific informational requests, and providing certain information gathered as part of the internal investigation.

On March 18, 2009, the agent for the pre- and postpetition lenders filed a motion to intervene in the action to protect its interests, along with those of other pre- and post-petition secured parties. SemGroup did not object to that motion. The Bankruptcy Court granted hh7the DIP Agent's motion to intervene on April 14, 2009.

O. MANAGEMENT COMMITTEE CHANGES

Under the SGGP Operating Agreement, the general partner of SemGroup, the Management Committee of SGGP has certain specified authority to manage the business and affairs of SGGP, except to the extent such authority is delegated to the officers of SGGP. Pursuant to the SGGP Operating Agreement, there are nine members of the Management Committee. Prior to the commencement of the Chapter 11 Cases, the right to appoint the nine members was divided equally among three groups: (i) three members were appointed by Mr. Kivisto, the former CEO of SemGroup; (ii) three members were appointed by Ritchie Capital; and (iii) three members were appointed by Carlyle/Riverstone. Under the SGGP Operating Agreement, the Management Committee cannot take any action with respect to certain enumerated matters without at least one vote by Carlyle/Riverstone. Carlyle/Riverstone has the right to appoint three members but, as of the date hereof, has appointed only two members. Therefore, each of these two appointed members is entitled to exercise 1.5 votes on the Management Committee.

In connection with the filing of the Chapter 11 Cases, SGGP passed resolutions granting broad authority to the authorized officers of SemGroup to take such actions as may be necessary or desirable to effect a successful resolution of its chapter 11 case.

In early December 2008, TEA, an Oklahoma limited liability company created by Mr. Catsimatidis, executed simultaneous agreements with Mr. Kivisto and Mr. Ritchie regarding the appointment of members to the Management Committee. Mr. Kivisto agreed to appoint three of Mr. Catsimatidis' designees to the Management Committee through the end of 2009. Mr. Catsimatidis' current designees are (i) James C. Hansel; (ii) Martin R. Bring; and (iii) Matthew F. Coughlin, III, who is also Executive Vice President of TEA and a Director of UREC, a company controlled by Mr. Catsimatidis. Mr. Ritchie agreed to appoint Mr. Catsimatidis to the Management Committee through October 2009, and, without a formal agreement, also appointed J. Nelson Happy, an attorney for UREC, to the Management Committee. Both Mr. Kivisto and Mr. Ritchie agreed to transfer their equity interests in SGGP and SemGroup to TEA.

On February 11, 2009, the Debtors filed an adversary proceeding against the Catsimatidis Group, UREC, and TEA. The Catsimatidis Adversary Proceeding seeks relief relating to the Catsimatidis Group's repeated violations of a confidentiality agreement executed by Mr. Catsimatidis in November 2008 in connection with his interest in purchasing certain SemGroup assets, as well as the conflicts of interest of the members of the Catsimatidis Group arising out of their dual roles as bidders for the Debtors' assets and purported members of the Management Committee, having obtained their Management Committee positions in part through transactions with Mr. Kivisto, the details of which have not yet been fully disclosed to the Debtors.

On April 2, 2009, purporting to be acting on behalf of SGGP, the Catsimatidis Group filed a lawsuit in the United States District Court for the Northern District of Oklahoma against the Debtors' CEO, Terrence Ronan. The lawsuit alleges, *inter alia*, that as members of the Management Committee, the Catsimatidis Group is entitled to direct Mr. Ronan with regard to the reorganization of the Debtors. The Catsimatidis Group also alleges that Mr. Ronan breached his fiduciary duties to SGGP by failing to comply with previous resolutions issued by the Catsimatidis Group relating to the Debtors' reorganization.

On April 13, 2009, the Debtors filed a second adversary proceeding (Adversary No. 09-50892) in the Bankruptcy Court against the Catsimatidis Group, seeking injunctive relief relating to the Oklahoma Lawsuit. On April 14, 2009, the Debtors filed a motion to enforce the automatic stay and for injunctive relief against the Catsimatidis Group in relation to the Oklahoma Lawsuit. The Bankruptcy Court granted the relief sought by the Debtors in the April 14, 2009 motion.

On May 9, 2009, the Bankruptcy Court granted a request by the agent for the pre- and post-petition lenders to intervene as a plaintiff in the Catsimatidis Adversary Proceeding. The parties are currently engaged in discovery. Trial is scheduled to begin on June 19, 2009.

P. RELATED CANADIAN INSOLVENCY CASES

1. *Background*

On July 22, 2008, SemCanada Crude and SemCAMS each sought and obtained protection from their creditors under the CCAA.

On July 30, 2008, the SemCanada Group obtained an Order which (i) consolidated the CCAA proceedings of SemCanada Crude and SemCAMS; (ii) continued under the CCAA, the proceedings of SemCanada Energy, A.E. Sharp Ltd. and CEG Energy Options, Inc. commenced by them on July 24, 2008 under the Canadian Bankruptcy and Insolvency Act, R.S.C. 1985 c.B-3; and (iii) granted CCAA protection to two affiliated companies being 3191278 Nova Scotia Company and 1380331 Alberta ULC.

2. *Claims Process and Bar Date*

Any creditor asserting a prepetition claim against a member of the SemCanada Group as of October 22, 2008 was required to file a proof of claim with the Monitor by December 1, 2008. The bar date for subsequent claims arising out of the restructuring, repudiation, or termination of any contract, lease, or other agreement after October 22, 2008 is 30 days after the date of the applicable notice of repudiation or disclaimer.

If any member of the SemCanada Group, with the consent of the Monitor, disagrees with a filed proof of claim, the Monitor may issue a revision or disallowance of claim. Creditors are allowed to dispute the revision or disallowance of claim by filing the proper notice with the Monitor within 14 days. If a disputed claim cannot be resolved consensually, the information is to be forwarded to a claims officer, or if no claims officer is appointed, an application is to be brought before the Canadian Court.

3. *Dispositions*

a. SemCAMS – Solicitation Process

SemCAMS conducted a Solicitation Process for the sale or restructuring of its business in Canada as a stand-alone operation but did not receive any acceptable bids. As a result, SemCAMS is actively considering various options available to it, including working with the Debtors to develop and coordinate plans of compromise or arrangement of SemCAMS with the United States restructuring of the Debtors to allow SemCAMS to emerge from the CCAA proceedings as a member of the Reorganized SemGroup Companies.

b. SemCanada Crude – Cross Border Restructuring

Since filing for protection from its creditors under the CCAA, SemCanada Crude has explored various structures and transactions for the sale or restructuring of its business in Canada as a stand alone operation without further connection with SemCrude and its United States affiliates. However, the Debtors have concluded that none of these structures or transactions would maximize value for the benefit of stakeholders, primarily because SemCanada Crude's business is so closely interconnected with the North Dakota business of

SemCrude. As a result, SemCanada Crude will be included in the Reorganized SemGroup Companies.

c. SemCanada Energy Group

The entities in the SemCanada Energy Group are all wholly-owned subsidiaries of SemCanada Crude and provided marketing and consulting services. The SemCanada Energy Group was not able to continue operating as a going concern after the commencement of the CCAA proceedings and has been pursuing an orderly liquidation of its business.

4. ***Cross Border Plan***

Given that the sale process with respect to the SemCanada Group did not result in any bids that were acceptable to the SemCanada Group, the SemCanada Group intends to propose a plan of arrangement and reorganization (the "Cross Border Plan") in conjunction with the Plan. The Cross Border Plan may take into consideration distributions under the Plan with regard to Claims for which both the SemCanada Group and the Debtors are liable. The Cross Border Plan is expected to be confirmed contemporaneously with the confirmation of the Plan. Following confirmation of both the Plan and Cross Border Plan, the SemCanada Group will remain subsidiaries of New Holdco. There can, however, be no assurance as to the final terms of the Cross Border Plan or that the Cross Border Plan will be confirmed

V. THE PLAN

A. Overview

The purpose of the Plan is to implement the Debtors' restructuring based on a capital structure that can be supported by cash flows from operations. The Debtors believe that the reorganization contemplated by the Plan is in the best interests of the Creditors. If the Plan is not confirmed, the Debtors believe that they will be forced to either file an alternate plan of reorganization or liquidate under chapter 7 of the Bankruptcy Code. In either event, the Debtors believe that the Creditors would realize a less favorable distribution of value, or, in certain cases, none at all, for their Claims.

The Plan represents a compromise and settlement of various significant Claims against the Debtors. The Plan seeks to preserve value of the Debtors for its Creditors while recognizing and balancing the fact that the Prepetition Lenders have direct claims against the Debtors that would substantially result in little, if any, value for the benefit of the Debtors' other Creditors. In addition, the Plan addresses other significant Claims, including those of the Producers.

B. Treatment Of Administrative Expense Claims, Postpetition Financing Claims, Professional Compensation and Reimbursement Claims, and Priority Tax Claims

1. ***Administrative Expense Claims***

On the later to occur of (a) the Effective Date and (b) the date on which an Administrative Expense Claim (including an Unsecured Claim entitled to priority under section

503(b)(9) of the Bankruptcy Code) shall become an Allowed Claim, the Reorganized Debtors shall (i) pay to each holder of an Allowed Administrative Expense Claim, in Cash, the full amount of such Allowed Administrative Expense Claim or (ii) satisfy and discharge such Allowed Administrative Expense Claim in accordance with such other terms no more favorable to the claimant than as may be agreed upon by and between the holder thereof and the Debtors or the Reorganized Debtors, as the case may be; provided, however, that Allowed Administrative Expense Claims representing liabilities incurred by the Debtors in Possession during the Chapter 11 Cases shall be paid by the Reorganized Debtors in accordance with the terms and conditions of the particular transaction and any agreements relating thereto.

Estimated Amount of Claims: **Up to $155 million**
Estimated at $105 million

Projected Percentage Recovery: **100.0%**

2. ***Postpetition Financing Claims***

On the Effective Date, (a) all outstanding Postpetition Financing Claims shall be paid and satisfied, in full, by the Debtors, (b) all letters of credit outstanding and all commitments under the Postpetition Financing Agreement will terminate, (c) the Debtors will provide the beneficiaries of such letters of credit on terms and conditions no less favorable to any of the Debtors or Reorganized Debtors than as provided in the Postpetition Financing Order, (1) replacement letters of credit, (2) cash collateral, or (3) such other terms as may be mutually agreed upon between the holder of any letter of credit issued and then outstanding in accordance with the Postpetition Financing Order, and the agreements and instruments executed in connection therewith shall be released to the applicable Reorganized Debtors for distribution in accordance with the terms and provisions of the Plan. Nothing in the Plan or in the Confirmation Order, whether under section 1141 of the Bankruptcy Code or otherwise, shall discharge any remaining Postpetition Financing Claims.

Estimated Amount of Claims: **$165 million**

Projected Percentage Recovery: **100.0%**

3. ***Professional Compensation and Reimbursement Claims***

All Entities seeking an award by the Bankruptcy Court of compensation for services rendered or reimbursement of expenses incurred through and including the Effective Date pursuant to sections 503(b)(2), (3), (4), or (5) of the Bankruptcy Code shall (i) file their respective applications for allowances of compensation for services rendered and reimbursement of expenses incurred through the Effective Date by no later than the date that is ninety (90) days after the Effective Date or such other date as may be fixed by the Bankruptcy Court and (ii) if granted such an award by the Bankruptcy Court, be paid in full in such amounts as are Allowed by the Bankruptcy Court (A) on the date that such Professional Compensation and Reimbursement Claim becomes an Allowed Professional Compensation and Reimbursement Claim, or as soon thereafter as is practicable or (B) upon such other terms as may be mutually agreed upon between such holder of a Professional Compensation and Reimbursement Claim and the Reorganized Debtors.

Estimated Amount of Claims: **$50 million**

Projected Percentage Recovery: **100.0%**

4. ***Priority Tax Claims***

Except to the extent that a holder of an Allowed Priority Tax Claim has been paid by the Debtors prior to the Effective Date or agrees to a different treatment, each holder of an Allowed Priority Tax Claim shall receive, at the sole option and discretion of the Reorganized Debtors, (i) Cash in an amount equal to such Allowed Priority Tax Claim on the later of the Effective Date and the date such Priority Tax Claim becomes an Allowed Priority Tax Claim, or as soon thereafter as practicable, (ii) in accordance with section 1129(a)(9)(C) of the Bankruptcy Code, equal semi-annual Cash payments in an aggregate amount equal to such Allowed Priority Tax Claim, together with interest at a fixed annual rate equal to 2.339% per annum, the federal judgment rate on the Petition Date, through the fifth (5th) anniversary of the date of assessment of such Allowed Priority Tax Claim, or (iii) upon such other terms determined by the Bankruptcy Court to provide the holder of such Allowed Priority Tax Claim deferred Cash payments having a value, as of the Effective Date, equal to such Allowed Priority Tax Claim.

Estimated Amount of Claims: **$0**

Projected Percentage Recovery: **100.0%**

C. Classification and Treatment of Claims and Equity Interests

Claims (other than Administrative Expense Claims, Postpetition Financing Claims, Professional Compensation and Reimbursement Claims, and Priority Tax Claims) and Equity Interests are classified for all purposes, including voting, confirmation, and distribution pursuant to the Plan, as set forth in Article III of the Plan.

The Plan does not provide for substantive consolidation of the estates of the Debtors into a single estate. As a result, each class of Claims and Equity Interests are classified by each individual Debtor.

1. ***Classes 1 through 26 – Priority Non-Tax Claims (Unimpaired)***

   a. Classification. Classes 1 through 26 consist of all Priority Non-Tax Claims against each of the individual Debtors.

   b. Impairment and Voting. Classes 1 through 26 are unimpaired by the Plan. Each holder of an Allowed Priority Non-Tax Claim is conclusively presumed to have accepted the Plan and is not entitled to vote to accept or reject the Plan.

   c. Distributions. Unless otherwise mutually agreed upon by the holder of an Allowed Priority Non-Tax Claim and the Reorganized Debtors, each holder of an Allowed Priority Non-Tax Claim shall receive in full satisfaction, settlement, release, and discharge of, and in exchange for,

such Allowed Priority Non-Tax Claim, Cash in an amount equal to such Allowed Priority Non-Tax Claim on the later of the Effective Date and the date such Allowed Priority Non-Tax Claim becomes an Allowed Priority Non-Tax Claim, or as soon thereafter as is practicable.

Estimated Amount of Claims: $0

Projected Percentage Recovery: 100.0%

2. ***Classes 27 through 52 – Secured Tax Claims (Unimpaired)***

a. Classification. Classes 27 through 52 consist of all Secured Tax Claims against each of the individual Debtors.

b. Impairment and Voting. Classes 27 through 52 are unimpaired by the Plan. Each holder of an Allowed Secured Tax Claim is conclusively presumed to have accepted the Plan and is not entitled to vote to accept or reject the Plan.

c. Distributions. Except to the extent that a holder of an Allowed Secured Tax Claim has been paid by the Debtors prior to the Effective Date or agrees to a different treatment, each holder of an of an Allowed Secured Tax Claim shall receive, at the sole option of the Reorganized Debtors, (i) Cash in an amount equal to such Allowed Secured Tax Claim, including any interest on such Allowed Secured Tax Claim required to be paid pursuant to section 506(b) of the Bankruptcy Code, on the later of the Effective Date and the date such Allowed Secured Tax Claim becomes an Allowed Secured Tax Claim, or as soon thereafter as is practicable, or (ii) equal annual Cash payments in an aggregate amount equal to such Allowed Secured Tax Claim, together with interest at a fixed annual rate equal to five percent (5%), over a period through the sixth (6th) anniversary of the date of assessment of such Allowed Secured Tax Claim, or upon such other terms determined by the Bankruptcy Court to provide the holder of such Allowed Secured Tax Claim deferred Cash payments having a value, as of the Effective Date, equal to such Allowed Secured Tax Claim.

Estimated Amount of Claims: $0

Projected Percentage Recovery: 100.0%

3. ***Classes 53 through 69 – Producer Secured Claims (Impaired)***

a. Classification. Classes 53 through 69 consist of all Producer Secured Claims, which are classified by Debtor and state.

b. Impairment and Voting. Classes 53 through 69 are impaired by the Plan. Each holder of a Producer Secured Claim is entitled to vote to accept or reject the Plan.

c. Distributions. On the Effective Date, or as soon thereafter as is practicable, each holder of an Allowed Producer Secured Claim shall receive (i) Cash in the amount of its Allowed Twenty-Day Claim, to the extent such holder has an Allowed Twenty-Day Claim, (ii) its Pro Rata Share of Producer Cash, and (iii) its Pro Rata Share of the Producer Preferred Distribution Rights.

Estimated Amount of Claims: **Up to $414 million**
Estimated at $185 million

Projected Percentage Recovery: **100%**

4. ***Classes 70 through 95 – Secured Working Capital Lender Claims (Impaired)***

a. Classification. Classes 70 through 95 consist of all Secured Working Capital Lender Claims against each of the individual Debtors.

b. Impairment and Voting. Classes 70 through 95 are impaired by the Plan. Each holder of a Secured Working Capital Lender Claim is entitled to vote to accept or reject the Plan.

c. Distributions. The Working Capital Lender Claims are hereby Allowed Claims, not subject to offset, defense, counterclaim, reduction, or credit of any kind whatsoever. On the Effective Date, or as soon thereafter as is practicable, each holder of an Allowed Secured Working Capital Lender Claim shall receive on account of such Claim in Classes 70 through 95 its Pro Rata Share of (i) $475 million of Lender Cash, (ii) 61.2% or $183 million of the New Term Notes, and (iii) 24,257,632 shares of New Common Stock (constituting 58.6% of New Holdco), subject to dilution of ownership percentage from the Warrants and the Management Stock.

Estimated Amount of Claims: **$2,127 million**

Projected Percentage Recovery: **59.1%**

5. ***Classes 96 through 121 – Secured Revolver/Term Lender Claims (Impaired)***

a. Classification. Classes 96 through 121 consist of all Secured Revolver/Term Lender Claims against each of the individual Debtors.

b. Impairment and Voting. Classes 96 through 121 are impaired by the Plan. Each holder of a Revolver/Term Lender Secured Claim is entitled to vote to accept or reject the Plan.

c. Distributions. The Revolver/Term Lender Claims are hereby Allowed Claims, not subject to offset, defense, counterclaim, reduction, or credit of any kind whatsoever.. On the Effective Date, or as soon thereafter as is practicable, each holder of an Allowed Secured Revolver/Term Lender Claim shall receive on account of such Claim in Classes 96 through 121 its Pro Rata Share of (i) $51 million of Lender Cash, (ii) 38.8% or $117 million of the New Term Notes, and (iii) 15,415,143 shares of New Common Stock (constituting 37.2% of New Holdco), subject to dilution from the Warrants and the Management Stock.

Estimated Amount of Claims: $811 million

Projected Percentage Recovery: 67.7%

6. ***Class 122 – White Cliffs Credit Agreement Claim (Impaired)***

a. Classification. Class 122 consists of the White Cliffs Credit Agreement Claim against SemCrude Pipeline.

b. Impairment and Voting. Class 122 is impaired by the Plan. Each holder of a White Cliffs Credit Agreement Claim is entitled to vote to accept or reject the Plan.

c. Distributions. On the Effective Date, the White Cliffs Credit Agreement will be amended, extended, and reinstated on terms to be agreed to by the holders of the White Cliffs Credit Agreement Claims and to be contained in the Plan Supplement.

Estimated Amount of Claims: $120 million

Projected Percentage Recovery: 100%

7. ***Classes 123 through 148 – Other Secured Claims (Unimpaired)***

a. Classification. Classes 123 through 148 consist of all Other Secured Claims against each of the individual Debtors.

b. Impairment and Voting. Classes 123 through 148 are unimpaired by the Plan. Each holder of an Other Secured Claim is conclusively presumed to have accepted the Plan and is not entitled to vote to accept or reject the Plan.

c. Distributions. On the Effective Date, or as soon thereafter as is practicable, each holder of an Allowed Other Secured Claim shall receive in full satisfaction, settlement, release, and discharge of, and in exchange for such Allowed Other Secured Claim, one of the following distributions: (a) the payment of such holder's Allowed Secured Claim in full in Cash; (b) the sale or disposition proceeds of the property securing any Allowed

Other Secured Claim to the extent of the value of its interest in such property; (c) the surrender to the holder or holders of any Allowed Other Secured Claim of the property securing such Claim; or (d) such other distributions as shall be necessary to satisfy the requirements of chapter 11 of the Bankruptcy Code. The manner and treatment of each Allowed Other Secured Claim shall be determined by the Debtors and transmitted, in writing, to the holder of such Other Secured Claim on or prior to the deadline to vote to accept or reject the Plan.

Estimated Amount of Claims: $0

Projected Percentage Recovery: 100%

8. ***Classes 149 through 174 – Senior Notes Claims (Impaired)***

a. Classification. Classes 149 through 174 consist of all Senior Notes Claims against each of the individual Debtors.

b. Impairment and Voting. Classes 149 through 174 are impaired by the Plan. Each holder of a Senior Notes Claim is entitled to vote to accept or reject the Plan.

c. Distributions. The distributions to a particular Class of Senior Notes Claims will depend on whether such Class votes to accept or reject the Plan. Percentages shown reflect the total percentage recovery to all Classes of Senior Notes Claims, subject to dilution from the Warrants and the Management Stock, and will be allocated among Classes in the Plan based on the unencumbered value at each Debtor. The percentage recovery does not reflect any distributions from the Litigation Trust.

(i) Distributions If Class Accepts the Plan. On the Effective Date, or as soon thereafter as is practicable, if the Class accepts the Plan, each holder of a Senior Notes Claim shall be entitled to receive its Pro Rata Share of New Common Stock (subject to dilution of ownership percentage from the Warrants and the Management Stock), Warrants (subject to dilution of ownership percentage from the Management Stock), and Litigation Trust Interests on account of such Allowed Senior Notes Claim.

Estimated Amount of Claims: $610 million

Projected Percentage Recovery: 6.74%

(ii) Distributions If Class Rejects the Plan. On the Effective Date, or as soon thereafter as is practicable, if the Class rejects the Plan, each holder of a Senior Notes Claim shall be entitled to receive its Pro Rata Share of New Common

Stock (subject to dilution from the Warrants and the Management Stock) and Litigation Trust Interests on account of such Allowed Senior Notes Claim.

Estimated Amount of Claims: $610 million

Projected Percentage Recovery: 0.12%

9. ***Classes 175 through 200 – Lender Deficiency Claims (Impaired)***

a. Classification. Classes 175 through 200 consist of all Lender Deficiency Claims against each of the individual Debtors.

b. Impairment and Voting. Classes 175 through 200 are impaired by the Plan. Each holder of a Working Capital Lender Deficiency Claim is entitled to vote to accept or reject the Plan.

c. Distributions. On the Effective Date, or as soon thereafter as is practicable, each holder of a Lender Deficiency Claim shall be entitled to receive on account of such Allowed Lender Deficiency Claim, its Pro Rata Share of (i) 50% of the beneficial interest in the Litigation Trust and (ii) in the event that any of Classes 149 through 174 and Classes 201 through 226 vote to reject the Plan, the number of shares of New Common Stock that would have been distributed to the holders of Claims in those Classes if such Classes would have voted to accept the Plan. The percentage recovery does not reflect any distributions from the Litigation Trust.

Estimated Amount of Claims: $1,079 million

Projected Percentage Recovery: 0.12%-3.99%

10. ***Classes 201 through 226 – General Unsecured Claims (Impaired)***

a. Classification. Classes 201 through 226 consist of all General Unsecured Claims against each of the individual Debtors.

b. Impairment and Voting. Classes 201 through 226 are impaired by the Plan. Each holder of a General Unsecured Claim is entitled to vote to accept or reject the Plan.

c. Distributions. The distributions to a particular Class of General Unsecured Claims will depend on whether such Class votes to accept or reject the Plan. The percentage recovery does not reflect any distributions from the Litigation Trust.

(i) Distributions If Class Accepts Plan. On the Effective Date, or as soon thereafter as is practicable, if the Class accepts the Plan, each holder of a General Unsecured Claim against

a Debtor shall be entitled to receive its Pro Rata Share of New Common Stock (subject to dilution of ownership percentage from the Warrants and the Management Stock), Warrants (subject to dilution of ownership percentage from the Management Stock), and Litigation Trust Interests on account of such Allowed General Unsecured Claim

Estimated Amount of Claims: $537 million

Projected Percentage Recovery: 0.0%-3.83%

(ii) Distributions If Class Rejects Plan. On the Effective Date, or as soon thereafter as is practicable, if the Class rejects the Plan, each holder of a General Unsecured Claim against a Debtor shall be entitled to receive its Pro Rata Share of New Common Stock (subject to dilution of ownership percentage from the Warrants and the Management Stock) and Litigation Trust Interests on account of such Allowed General Unsecured Claim.

Estimated Amount of Claims: $537 million

Projected Percentage Recovery: 0.0%-0.09%

11. ***Classes 227 through 252 – Intercompany Claims (Impaired)***

a. Classification. Classes 227 through 252 consist of all Intercompany Claims against each of the individual Debtors.

b. Impairment and Voting. Classes 227 through 252 are impaired by the Plan. Notwithstanding the foregoing, each holder of an Allowed Intercompany Claim is conclusively presumed to have accepted the Plan by virtue of proposing the Plan and is not required to submit a ballot accepting the Plan.

c. Treatment. On the Effective Date, or as soon thereafter as is practicable, each Debtor which is a holder of an Allowed Intercompany Claim shall be deemed to be entitled to receive on account of such Allowed Intercompany Claim the New Common Stock it would receive if such Allowed Intercompany Claim were an Allowed General Unsecured Claim, which New Common Stock shall be redistributed to holders of Allowed Secured Working Capital Lender Claims in accordance with the provisions of the Plan.

Estimated Amount of Claims: $7,270 million

Projected Percentage Recovery: NA

12. ***Classes 253 through 278 – Intercompany Equity Interests (Unimpaired)***

a. Classification. Classes 253 through 278 consist of all Intercompany Equity Interests of the individual Debtors.

b. Impairment and Voting. Classes 253 through 278 are unimpaired by the Plan. Each holder of an Allowed Intercompany Equity Interest is conclusively presumed to have accepted the Plan and is not entitled to vote to accept or reject the Plan.

c. Distributions. On the Effective Date or as soon thereafter as is practicable, each Allowed Intercompany Equity Interest shall be reinstated.

Estimated Amount of Claims: NA

Projected Percentage Recovery: NA

13. ***Class 279 – SemGroup Equity Interests (Impaired)***

a. Classification. Class 279 consists of all SemGroup Equity Interests.

b. Impairment and Voting. Class 279 is impaired by the Plan. Notwithstanding the foregoing, each holder of an Allowed SemGroup Equity Interest is conclusively presumed to have rejected the Plan and is not entitled to vote to accept or reject the Plan.

c. Treatment. Each holder of an Allowed SemGroup Equity Interest shall receive no distribution for and on account of such SemGroup Equity Interest and such SemGroup Equity Interest shall be cancelled.

Estimated Amount of Claims: NA

Projected Percentage Recovery: 0%

D. Acceptance or Rejection of the Plan

1. ***Impaired Classes to Vote***. Each holder of a Claim or Equity Interest in an impaired Class, not otherwise deemed to have rejected the Plan, shall be entitled to vote separately to accept or reject the Plan. The Claims included in Classes 53 through 122 and 149 through 226 are impaired and therefore are entitled to vote to accept or reject the Plan. The Classes of Intercompany Claims and Intercompany Equity Interests are deemed to have accepted the Plan by virtue of proposing the Plan.

2. ***Acceptance by Class of Creditors and Holders of Equity Interests***. An impaired Class of holders of Claims shall have accepted the Plan if the Plan is accepted by at least two-thirds (2/3) in dollar amount and more than one-half (1/2) in number of the Allowed Claims of such Class that have voted to accept or reject the Plan. An impaired Class of Holders of Equity

Interests shall have accepted the Plan if the Plan is accepted by at least two-thirds (2/3) in amount of the Allowed Equity Interests of such Class that have voted to accept or reject the Plan.

3. ***Cramdown***. In the event that any impaired Class of Claims or Equity Interests shall fail to accept the Plan in accordance with section 1129(a) of the Bankruptcy Code, the Debtors reserve the right to request that the Bankruptcy Court confirm the Plan in accordance with section 1129(b) of the Bankruptcy Code.

4. ***Controversy Concerning Impairment***. In the event of a controversy as to whether any Class of Claims or Equity Interests is impaired under the Plan, the Bankruptcy Court shall, after notice and a hearing, determine such controversy.

E. Implementation of the Plan

1. ***Non-Substantive Consolidation***. On the Effective Date, the Debtors' estates shall not be deemed to be substantively consolidated for purposes of the Plan. Any Claims against one or more of the Debtors based upon a guaranty, indemnity, co-signature, surety, or otherwise, of Claims against another Debtor shall be treated as separate and distinct Claims against the estate of the respective Debtors and shall be entitled to distributions under the Plan in accordance with the provisions of the Plan.

2. ***Restructuring Transactions***. On the Effective Date, the following transactions shall be effectuated in the following order:

a. Transfer of Obligations. The Debtors will transfer to SemGroup all of their outstanding obligations related to Secured Claims and Unsecured Claims that are being discharged pursuant to the Plan.

b. New Holdco. SemGroup will contribute all of its ownership interests in its directly-owned subsidiaries to SemGroup Finance in exchange for (i) all of the outstanding stock of SemGroup Finance, which consists of 41,400,000 shares of New Common Stock, (ii) Warrants to purchase 1,789,474 shares of New Common Stock, and (iii) the New Term Notes.

c. Distributions to Holders of Allowed Claims. The Plan Currency will be distributed to holders of Allowed Claims.

3. ***Litigation Trust Arrangements***. On the Effective Date, New Holdco will enter into the Litigation Trust Agreement pursuant to which the Litigation Trust Funds will be advanced to the Litigation Trust. The Litigation Trust Funds will be secured by all of the assets of the Litigation Trust and will be paid to the Prepetition Lenders before the holders of the Producer Preferred Distribution Rights and the Litigation Trust Interests receive any distributions on account of such interests.

4. ***Section 1145 Securities***. To the extent provided in section 1145 of the Bankruptcy Code and under applicable nonbankruptcy law, the issuance under the Plan of the Plan Currency will be exempt from registration under the Securities Act of 1933, as amended, and all rules and regulations promulgated thereunder.

5. ***Corporate Action***. Upon the Effective Date, the following transactions shall be deemed to occur:

a. General. All actions contemplated by the Plan shall be deemed authorized and approved in all respects, including (i) the execution and entry into the Litigation Trust Agreement, (ii) the issuance of the Producer Secured Note, (iii) the execution and entry into the Exit Facility, (iv) the distribution of the New Common Stock, (v) the distribution of the Warrants, (vi) the issuance of the New Term Notes, (vii) adoption of the Management Incentive Plan, (viii) selection of the Board and the officers of New Holdco, and (ix) all other actions contemplated by the Plan (whether to occur before, on, or after the Effective Date). All matters provided for in the Plan involving the corporate structure of the Debtors or the Reorganized Debtors and any corporate action required by the Debtors or the Reorganized Debtors in connection with the Plan shall be deemed to have occurred and shall be in effect, without any requirement of further action by the security holders, directors, or officers of the Debtors, the Reorganized Debtors, or New Holdco. On or (as applicable) prior to the Effective Date, the appropriate officers of the Debtors, the Reorganized Debtors, or New Holdco, as applicable, shall be authorized and directed to issue, execute, and deliver the agreements, documents, securities, and instruments contemplated by the Plan (or necessary or desirable to effect the transactions contemplated by the Plan) in the name of and on behalf of the Reorganized Debtors, including (i) the Litigation Trust Agreement, (ii) the Exit Facility, (iii) the New Term Notes Indenture, (iv) the Warrant Agreement, and (v) any and all other agreements, documents, securities, and instruments relating to the foregoing.

b. New Holdco Certificate of Incorporation and New Holdco Bylaws. On the Effective Date, SemGroup Finance shall adopt the New Holdco Certificate of Incorporation and the New Holdco Bylaws and shall file the New Holdco Certificate of Incorporation with the Secretary of State of Delaware. In addition, on or before the Effective Date, pursuant to and only to the extent required by section 1123(a)(6) of the Bankruptcy Code, the New Holdco Certificate of Incorporation shall satisfy the provisions of the Bankruptcy Code and shall include, among other things, pursuant to section 1123(a)(6) of the Bankruptcy Code, (i) a provision prohibiting the issuance of non-voting equity securities and (ii) a provision setting forth an appropriate distribution of voting power among classes of equity securities possessing voting power, including, in the case of any class of equity securities having a preference over another class of equity securities with respect to dividends, adequate provisions for the election of directors representing such preferred class in the event of default in the payment of such dividends. On the Effective Date, the boards of directors of each Reorganized Debtor shall be deemed to have adopted the restated bylaws for such Debtor.

6. ***Corporate Existence***. Except as otherwise provided in the Plan, each Reorganized Debtor shall continue to exist after the Effective Date as a separate corporate entity, limited liability company, partnership, or other form, as the case may be, with all the powers of a corporation, limited liability company, partnership, or other form, as the case may be, pursuant to the applicable law in the jurisdiction in which each applicable Reorganized Debtor is incorporated or formed and pursuant to the respective certificate of incorporation and bylaws (or other formation documents) in effect prior to the Effective Date, except to the extent such certificate of incorporation and bylaws (or other formation documents) are amended by the Plan or otherwise, and to the extent such documents are amended, such documents are deemed to be pursuant to the Plan and require no further action or approval.

7. ***Vesting of Assets in the Reorganized Debtors***. Except as otherwise provided in the Plan or any agreement, instrument, or other document incorporated therein, on the Effective Date, all property in the Debtors' estates, all Causes of Action, and any property acquired by any of the Debtors pursuant to the Plan shall vest in the Reorganized Debtors, free and clear of all Liens, Claims, charges, or other encumbrances (except for Liens, if any, granted to secure the Exit Facility, the New Term Notes, and Claims pursuant to the Postpetition Financing Agreement that by their terms survive termination of the Postpetition Financing Agreement). On and after the Effective Date, each Reorganized Debtor may operate its business and may use, acquire, or dispose of property and compromise or settle any Causes of Action or interests without supervision or approval by the Bankruptcy Court and free of any restrictions of the Bankruptcy Code or Bankruptcy Rules.

8. ***Cancellation of Debt and Equity Securities and Related Obligations***. Except (a) as otherwise expressly provided in the Plan, (b) with respect to executory contracts or unexpired leases that have been assumed by the Debtors, (c) for purposes of evidencing a right to distributions under the Plan, or (d) with respect to any Claim that is Allowed under the Plan, on the Effective Date, the Senior Notes, the Senior Notes Indenture, and other instruments or documents evidencing any Claims or Equity Interests shall be deemed automatically cancelled and deemed surrendered without further act or action under any applicable agreement, law, regulation, order, or rule and the obligations of the Debtors under the agreements, instruments, and other documents, indentures, and certificates of designations governing such Claims and Equity Interests, as the case may be, shall be discharged; provided, however, that the Senior Notes and the Senior Notes Indenture shall continue in effect solely for the purposes of (x) allowing the holders of the Senior Notes Claims to receive their distributions under the Plan and (y) allowing the Disbursing Agent or the Indenture Trustee, as the case may be, to make such distributions, if any, to be made on account of the Allowed Senior Note Claims

9. ***Effectuating Documents and Further Transactions***. On and after the Effective Date, the Reorganized Debtors, the Board, and the officers of New Holdco are authorized to and may issue, execute, deliver, file, or record such contracts, securities, instruments, releases, and other agreements or documents and take such actions as may be necessary or appropriate to effectuate, implement, and further evidence the terms and conditions of the Plan and the securities issued pursuant to the Plan in the name of and on behalf of the Reorganized Debtors, without the need for any approvals, authorizations, or consents except for those expressly required pursuant to the Plan.

F. Preservation and Prosecution of Causes of Action Held by the Debtors

In accordance with section 1123(b) of the Bankruptcy Code, (a) the Reorganized Debtors shall retain and may enforce all rights to commence and pursue, as appropriate, any and all Causes of Action other than the Litigation Trust Claims and the Released Actions, and (b) the Litigation Trust may enforce all rights to commence and pursue, as appropriate, any and all Litigation Trust Claims, and the Reorganized Debtors' rights to commence, prosecute, or settle their retained Causes of Action shall be preserved notwithstanding the occurrence of the Effective Date. The Reorganized Debtors may pursue their retained Causes of Action, as appropriate, in accordance with the best interests of the Reorganized Debtors. No Entity may rely on the absence of a specific reference in the Plan or the Disclosure Statement to any Cause of Action against them as any indication that the Debtors or Litigation Trustee, as applicable, will not pursue any and all available Causes of Action against them. The Reorganized Debtors expressly reserve all rights to prosecute any and all retained Causes of Action against any Entity, except as otherwise expressly provided herein. Unless any Causes of Action against an entity are expressly waived, relinquished, exculpated, released, compromised, or settled in the Plan or a Bankruptcy Court order, the Debtors expressly reserve all Causes of Action, for later adjudication, and, therefore, no preclusion doctrine, including the doctrines of res judicata, collateral estoppel, issue preclusion, claim preclusion, estoppel (judicial, equitable, or otherwise), or laches, shall apply to such Causes of Action upon, after, or as a consequence of the Confirmation Order. The Reorganized Debtors reserve and shall retain the foregoing Causes of Action notwithstanding the rejection of any executory contract or unexpired lease during the Chapter 11 Cases or pursuant to the Plan. In accordance with section 1123(b)(3) of the Bankruptcy Code, any Causes of Action that a Debtor may hold against any Entity shall vest in the Reorganized Debtors, as the case may be. As of the Effective Date, the Reorganized Debtors shall have assigned the Litigation Trust Claims to the Litigation Trust. Except for those Causes of Action transferred to the Litigation Trust and except for the Released Actions, the applicable Reorganized Debtor, through its authorized agents or representatives, shall retain and may exclusively enforce any and all such Causes of Action. The Reorganized Debtors shall have the exclusive right, authority, and discretion to determine and to initiate, file, prosecute, enforce, abandon, settle, compromise, release, withdraw, or litigate to judgment any such Causes of Action (other than the Litigation Trust Claims and other than the Released Actions) and to decline to do any of the foregoing without the consent or approval of any third party or further notice to or action, order, or approval of the Bankruptcy Court.

G. Provisions for Treatment of Disputed Claims Under the Plan

1. ***Objections to Claims; Prosecution of Disputed Claims***. The Reorganized Debtors shall object to the allowance of Claims or Equity Interests filed with the Bankruptcy Court with respect to which they dispute liability, priority, and/or amount, including, without limitation, objections to Claims which have been assigned and the assertion of the doctrine of equitable subordination with respect thereto. All objections, affirmative defenses, and counterclaims shall be litigated to Final Order; provided, however, that the Reorganized Debtors (within such parameters as may be established by the Board) shall have the authority to file, settle, compromise, or withdraw any objections to Claims or Equity Interests. Unless otherwise ordered by the Bankruptcy Court, the Reorganized Debtors shall file and serve all objections to

Claims as soon as practicable, but, in each instance, not later than 180 days following the Confirmation Date or such later date as may be approved by the Bankruptcy Court.

2. ***No Distributions Pending Allowance***. Notwithstanding any other provision of the Plan, if any portion of a Claim is a Disputed Claim, no payment or distribution provided hereunder shall be made on account of such Claim unless and until such Disputed Claim becomes an Allowed Claim.

3. ***Estimation of Claims***. Unless otherwise limited by an order of the Bankruptcy Court, the Reorganized Debtors may at any time request that the Bankruptcy Court estimate for final distribution purposes any contingent, unliquidated, or Disputed Claim pursuant to section 502(c) of the Bankruptcy Code, regardless of whether the Debtors or the Reorganized Debtors previously objected to such Claim. The Bankruptcy Court will retain jurisdiction to consider any request to estimate any Claim at any time during litigation concerning any objection to any Claim, including, without limitation, during the pendency of any appeal relating to any such objection. Unless otherwise provided in an order of the Bankruptcy Court, in the event that the Bankruptcy Court estimates any contingent, unliquidated, or Disputed Claim, the estimated amount shall constitute either the allowed amount of such Claim or a maximum limitation on such Claim, as determined by the Bankruptcy Court; provided, however, that if the estimate constitutes the maximum limitation on such Claim, the Debtors or the Reorganized Debtors, as the case may be, may elect to pursue supplemental proceedings to object to any ultimate allowance of such Claim, and; provided, further, that the foregoing is not intended to limit the rights granted by section 502(j) of the Bankruptcy Code. All of the aforementioned Claims objection, estimation, and resolution procedures are cumulative and not necessarily exclusive of one another.

4. ***Payments and Distributions on Disputed Claims***.

a. Disputed Claims Reserve. From and after the Effective Date, and until such time as all Disputed Claims have been compromised and settled or determined by Final Order, the Disbursing Agent shall reserve and hold in escrow for the benefit of each holder of a Disputed Claim and any dividends, gains, or income attributable thereto, in an amount equal to the Pro Rata Share of distributions which would have been made to the holder of such Disputed Claim if it were an Allowed Claim in an amount equal to the lesser of (i) the Disputed Claim Amount, (ii) the amount in which the Disputed Claim shall be estimated by the Bankruptcy Court pursuant to section 502 of the Bankruptcy Code for purposes of allowance, which amount, unless otherwise ordered by the Bankruptcy Court, shall constitute and represent the maximum amount in which such Claim ultimately may become an Allowed Claim, or (iii) such other amount as may be agreed upon by the holder of such Disputed Claim and the Reorganized Debtors. Any Plan Currency reserved and held for the benefit of a holder of a Disputed Claim shall be treated as a payment and reduction on account of such Disputed Claim for purposes of computing any additional amounts to be paid in Cash or distributed in other Plan Currency in the event the Disputed Claim ultimately becomes an Allowed

Claim. Such Cash and any dividends, gains, or income paid on account of other Plan Currency reserved for the benefit of holders of Disputed Claims shall be either (x) held by the Disbursing Agent in an interest-bearing account or (y) invested in interest-bearing obligations issued by the United States Government and guaranteed by the United States Government, and having (in either case) a maturity of not more than thirty (30) days, for the benefit of such holders pending determination of their entitlement thereto under the terms of the Plan. No payments or distributions shall be made with respect to all or any portion of any Disputed Claim pending the entire resolution thereof by Final Order.

b. Allowance of Disputed Claims. At such time as a Disputed Claim becomes, in whole or in part, an Allowed Claim, the Disbursing Agent shall distribute to the holder thereof the distributions, if any, to which such holder is then entitled under the Plan, together with any interest which has accrued on the amount of Cash and any dividends or distributions attributable to the Plan Currency so reserved (net of any expenses, including any taxes on the escrow, relating thereto), but only to the extent that such interest is attributable to the amount of the Allowed Claim. Such distribution, if any, shall be made as soon as practicable after the date that the order or judgment of the Bankruptcy Court allowing such Disputed Claim becomes a Final Order but in no event more than ninety (90) days thereafter. The balance of any Cash previously reserved shall be included in Plan Cash and the balance of any Plan Currency previously reserved shall be included in future calculations of Plan Currency to holders of Allowed Claims in accordance with the terms and provisions of the Plan.

c. Tax Treatment of Escrow. Subject to the receipt of contrary guidance from the IRS or a court of competent jurisdiction (including the receipt by the Disbursing Agent of a private letter ruling requested by the Disbursing Agent, or the receipt of an adverse determination by the IRS upon audit if not contested by the Disbursing Agent, or a condition imposed by the IRS in connection with a private letter ruling requested by the Debtor), the Disbursing Agent shall (i) treat the escrow as one or more discrete trusts (which may be composed of separate and independent shares) for federal income tax purposes in accordance with the trust provisions of the Tax Code (Sections 641 et seq.) and (ii) to the extent permitted by applicable law, report consistent with the foregoing for state and local income tax purposes. All holders of Allowed Claims shall report, for tax purposes, consistent with the foregoing.

d. Funding of Escrow's Tax Obligation. If the Disputed Claims Reserve created in accordance with Section 9.4(a) of the Plan has insufficient funds to pay any applicable taxes imposed upon it or its assets, subject to the other provisions contained in the Plan, the Reorganized Debtors shall advance to the escrow the funds necessary to pay such taxes (a "Tax Advance"), with such Tax Advances repayable from future amounts

otherwise receivable by the escrow pursuant to Section 9.4 of the Plan or otherwise. If and when a distribution is to be made from the escrow, the distributee will be charged its pro rata portion of any outstanding Tax Advance (including accrued interest). If a cash distribution is to be made to such distributee, the Disbursing Agent shall be entitled to withhold from such distributee's distribution the amount required to pay such portion of the Tax Advance (including accrued interest). If such cash is insufficient to satisfy the respective portion of the Tax Advance, the distributee shall, as a condition to receiving such other assets, pay in cash to the Disbursing Agent an amount equal to the unsatisfied portion of the Tax Advance (including accrued interest). Failure to make such payment shall entitle the Disbursing Agent to reduce and permanently adjust the amounts that would otherwise be distributed to such distributee to fairly compensate the Disputed Claims reserve created in accordance with Section 9.4(a) of the Plan for the unpaid portion of the Tax Advance (including accrued interest).

H. Litigation Trust

On the Effective Date or as soon thereafter as is practicable, the Debtors or the Reorganized Debtors, as the case may be, will execute the Litigation Trust Agreement and take all other steps necessary to establish the Litigation Trust in accordance with and pursuant to the terms of the Plan. See Section VII for a more complete discussion of the Litigation Trust.

I. Provisions Regarding Distributions

1. ***Time and Manner of Distributions***. Distributions under the Plan shall be made to each holder of an Allowed Claim as follows:

a. Initial Distributions of Cash. On or as soon as practicable after the Effective Date, the Disbursing Agent shall distribute, or cause to be distributed, to the Disputed Claims Reserve on behalf of holders of Disputed Claims, and to each holder of Allowed Priority Non-Tax Claims, Allowed Secured Tax Claims, Allowed Producer Secured Claims, Allowed Secured Lender Claims, and Allowed Other Secured Claims, such Creditor's share, if any, of Cash as determined pursuant to the Plan.

b. Subsequent Distributions of Cash. On the first (1st) Business Day that is after the close of two (2) full calendar quarters following the date of the initial Effective Date distributions and, thereafter, on each first (1st) Business Day following the close of two (2) full calendar quarters, the Disbursing Agent shall distribute, or cause to be distributed, to the Disputed Claims Reserve on behalf of holders of Disputed Claims, and to each holder of Allowed Priority Non-Tax Claims, Allowed Secured Tax Claims, Allowed Producer Secured Claims, Allowed Secured Lender Claims, and Allowed Other Secured Claims, an amount equal to such

Creditor's share, if any, of Cash as determined pursuant to the Plan, until such time as there is no longer any potential Cash.

c. Distributions of New Common Stock and Warrants. Notwithstanding anything contained herein to the contrary, commencing on or as soon as practicable after the Effective Date, the Disbursing Agent shall commence distributions, or cause to be distributed, to the Disputed Claims Reserve on behalf of holders of Disputed Claims, and to each holder of Allowed Secured Lender Claims, Allowed Senior Notes Claims, Allowed Lender Deficiency Claims, and Allowed General Unsecured Claims, an amount equal to such Creditor's share, if any, of New Common Stock and Warrants, as determined pursuant to the Plan, and semi-annually thereafter until such time as there is no longer any potential New Common Stock and Warrants to distribute; provided, however, that during the period of retention of the New Common Stock and the Warrants, the Disbursing Agent shall distribute, or cause to be distributed, to the Disputed Claims Reserve on behalf of holders of Disputed Claims, and to each holder of Allowed Secured Lender Claims, Allowed Senior Notes Claims, Allowed Lender Deficiency Claims, and Allowed General Unsecured Claims, an amount equal to such Creditor's share, if any, of dividends declared and distributed with respect to the New Common Stock and the Warrants; and, provided, further, that until such time as all Disputed Claims have been allowed by Final Order, in whole or in part, the Disbursing Agent shall hold in reserve at least one percent (1%) of the New Common Stock and the Warrants to be distributed in accordance with Article IV and Section 12.1(c) of the Plan.

d. Distributions of New Term Notes. The Disbursing Agent shall distribute to each holder of an Allowed Secured Lender Claims, such Creditor's share, if any, of New Term Notes as determined pursuant to Article IV of the Plan.

e. Distributions of Producer Preferred Distribution Rights and Litigation Trust Interests. The Disbursing Agent shall commence distributions, or cause to be distributed, to the Disputed Claims Reserve on behalf of holders of Disputed Claims, and to each holder of Allowed Producer Secured Claims, Allowed Senior Notes Claims, Allowed Lender Deficiency Claims, and Allowed General Unsecured Claims, such Creditor's share, if any, of Producer Preferred Distribution Rights or Litigation Trust Interests as determined pursuant to Article IV of the Plan, and semi-annually thereafter until such time as there are no longer any Litigation Trust Interests to distribute.

2. ***Timeliness of Payments***. Any payments or distributions to be made pursuant to the Plan shall be deemed to be made timely if made within thirty (30) days after the dates specified in the Plan. Whenever any distribution to be made under the Plan shall be due on a day other than a Business Day, such distribution shall instead be made, without interest, on the

immediately succeeding Business Day, and shall not be deemed to have been made on the date due.

3. ***Distributions by the Disbursing Agent***. All distributions under the Plan shall be made by the Disbursing Agent. The Disbursing Agent shall be deemed to hold all property to be distributed hereunder in trust for the Persons entitled to receive the same. The Disbursing Agent shall not hold an economic or beneficial interest in such property.

4. ***Manner of Payment under the Plan***. Unless the Entity receiving a payment agrees otherwise, any payment in Cash to be made by the Reorganized Debtors shall be made, at the election of the Reorganized Debtors, by check drawn on a domestic bank or by wire transfer from a domestic bank; provided, however, that no Cash payments shall be made to a holder of an Allowed Claim until such time as the amount payable thereto is equal to or greater than Ten Dollars ($10.00).

5. ***Delivery of Distributions***. Subject to the provisions of Bankruptcy Rule 9010, distributions and deliveries to holders of Allowed Claims shall be made at the address of such holders as set forth on the Schedules filed with the Bankruptcy Court unless superseded by the address set forth on proofs of claim filed by such holders, or at the last known address of such holders if no proof of claim is filed or if the Debtors have been notified in writing of a change of address.

6. ***Fractional New Common Stock / Warrants***. No fractional shares of New Common Stock or Warrants shall be issued. Fractional shares of New Common Stock and Warrants shall be rounded to the next greater or next lower number of shares in accordance with the following method: (a) fractions of one-half (1/2) or greater shall be rounded to the next higher whole number and (b) fractions of less than one-half (1/2) shall be rounded to the next lower whole number. The total number of shares or interests of New Common Stock and Warrants to be distributed to a Class hereunder shall be adjusted as necessary to account for the rounding provided for in Section 12.6 of the Plan.

7. ***Undeliverable Distributions***.

   a. Holding of Undeliverable Distributions. If any distribution to any holder is returned to the Reorganized Debtors as undeliverable, no further distributions shall be made to such holder unless and until the Reorganized Debtors are notified, in writing, of such holder's then-current address. Undeliverable distributions shall remain in the possession of the Reorganized Debtors until such time as a distribution becomes deliverable. All Entities ultimately receiving undeliverable Cash shall not be entitled to any interest or other accruals of any kind. Nothing contained in the Plan shall require the Reorganized Debtors to attempt to locate any holder of an Allowed Claim.

   b. Failure to Claim Undeliverable Distributions. Any holder of an Allowed Claim that does not assert its rights pursuant to the Plan to receive a distribution within five (5) years from and after the Effective Date shall

have its entitlement to such undeliverable distribution discharged and shall be forever barred from asserting any entitlement pursuant to the Plan against the Reorganized Debtors or their property. In such case, any consideration held for distribution on account of such Claim shall revert to the Reorganized Debtors.

8. ***Time Bar to Cash Payments***. Checks issued by the Reorganized Debtors on account of Allowed Claims shall be null and void if not negotiated within 180 days from and after the date of issuance thereof. Requests for re-issuance of any check shall be made directly to the Reorganized Debtors by the holder of the Allowed Claim with respect to which such check originally was issued. Any claim in respect of such a voided check shall be made on or before the later of (a) the fifth (5th) anniversary of the Effective Date or (b) 180 days after the date of issuance of such check, if such check represents a final distribution hereunder on account of such Claim. After such date, all Claims in respect of voided checks shall be discharged and forever barred and the Reorganized Debtors shall retain all monies related thereto.

9. ***Distributions After Effective Date***. Distributions made after the Effective Date to holders of Claims that are not Allowed Claims as of the Effective Date, but which later become Allowed Claims, shall be deemed to have been made in accordance with the terms and provisions of Section 12.1 of the Plan.

10. ***Setoffs***. Other than with respect to Claims of the Prepetition Lenders and the Postpetition Financing Claims (as to which any and all rights of setoff or recoupment have been waived), the Reorganized Debtors may, pursuant to applicable non-bankruptcy law, set off against any Allowed Claim and the distributions to be made pursuant to the Plan on account thereof (before any distribution is made on account of such Claim), the claims, rights, and causes of action of any nature the Debtors or the Reorganized Debtors may hold against the holder of such Allowed Claim; provided, however, that neither the failure to effect such a setoff nor the allowance of any Claim hereunder shall constitute a waiver or release by the Debtors, the Debtors in Possession, or the Reorganized Debtors of any such claims, rights, and causes of action that the Debtors, the Debtors in Possession, or the Reorganized Debtors may possess against such holder, and; provided, further, that nothing contained herein is intended to limit the ability of any Creditor to effectuate rights of setoff or recoupment preserved or permitted by the provisions of sections 553, 555, 556, 559, or 560 of the Bankruptcy Code or pursuant to the common law right of recoupment.

11. ***Allocation of Plan Distributions Between Principal and Interest***. To the extent that any Allowed Claim entitled to a distribution under the Plan is comprised of indebtedness and accrued but unpaid interest thereon, such distribution shall be allocated first to the principal amount of the Claim (as determined for federal income tax purposes) and then, to the extent the consideration exceeds the principal amount of the Claim, to accrued but unpaid interest.

12. ***Surrender of Instruments***. Except to the extent evidenced by electronic entry, as a condition of receiving any distribution under the Plan, each holder of a certificated instrument or note must surrender such instrument or note to the Indenture Trustee or Disbursing Agent or its designee, unless such certificated instrument or note is being reinstated or left unimpaired under the Plan. Any holder of such instrument or note that fails to (i) surrender such instrument

or note or (ii) execute and deliver an affidavit of loss and/or indemnity reasonably satisfactory to the Indenture Trustee or Disbursing Agent before the fifth (5th) anniversary of the Effective Date shall be deemed to have forfeited all rights and claims and may not participate in any distribution under the Plan. Any distribution so forfeited shall become the property of the Reorganized Debtors.

13. ***Cancellation of Existing Senior Notes and Agreements***. On the latest to occur of (a) the Effective Date, (b) the entry of a Final Order resolving all Claims in the Chapter 11 Cases, and (c) the final distribution made to holders of Allowed Claims in accordance with the Plan, any document, agreement, or instrument evidencing any Claim shall be deemed cancelled without further act or action under any applicable agreement, law, regulation, order, or rule, and the obligations of the Debtors under such documents, agreements, or instruments evidencing such Claims shall be discharged; provided, however, that the Senior Notes Indenture shall continue in effect for the purposes of (i) allowing the Indenture Trustee to make any distributions pursuant to the Plan and to perform such other necessary functions with respect thereto, and (ii) permitting the Indenture Trustee to maintain and assert any rights or Liens for reasonable fees, costs, and expenses under the Senior Notes Indenture; provided, further, that, except as otherwise provided herein, nothing in the Plan shall impair, affect, or adversely affect the related transactions and the rights of the parties thereto.

14. ***Record Date***. On the Record Date, registers of the Indenture Trustee shall be closed and the Indenture Trustee shall have no obligation to recognize any transfers of Claims arising under or related to the Senior Notes Indenture occurring from and after the Record Date.

J. Treatment of Executory Contracts and Expired Leases

1. ***Assumption or Rejection of Executory Contracts and Unexpired Leases***. Pursuant to sections 365(a) and 1123(b)(2) of the Bankruptcy Code, all executory contracts and unexpired leases that exist between the Debtors and any Person or Entity shall be deemed rejected by the Debtors, as of the Effective Date, except for any executory contract or unexpired lease (i) that has been assumed pursuant to an order of the Bankruptcy Court entered prior to the Effective Date and for which the motion was filed prior to the Confirmation Date, (ii) as to which a motion for approval of the assumption of such executory contract or unexpired lease has been filed and served prior to the Confirmation Date, or (iii) that is specifically designated as a contract or lease to be assumed on Schedule 1(A) (executory contracts) or Schedule 1(B) (unexpired leases), which Schedules shall be contained in the Plan Supplement; provided, however, that the Debtors reserve the right, on or prior to the Confirmation Date, to amend Schedules 1(A) and 1(B) to delete any executory contract or unexpired lease therefrom or add any executory contract or unexpired lease thereto, in which event such executory contract(s) or unexpired lease(s) shall be deemed to be, respectively, assumed or rejected. The Debtors shall provide notice of any amendments to Schedules 1(A) and 1(B) to the parties to the executory contracts and unexpired leases affected thereby. The listing of a document on Schedule 1(A) or 1(B) shall not constitute an admission by the Debtors that such document is an executory contract or an unexpired lease or that the Debtors have any liability thereunder.

2. ***Approval of Assumption or Rejection of Executory Contracts and Unexpired Leases***. Entry of the Confirmation Order shall, subject to and upon the occurrence of the

Effective Date, constitute (i) the approval, pursuant to sections 365(a) and 1123(b)(2) of the Bankruptcy Code, of the rejection of the executory contracts and unexpired leases rejected pursuant to Section 14.1 of the Plan, (ii) the extension of time, pursuant to section 365(d)(4) of the Bankruptcy Code, within which the Debtors may assume, assume and assign, or reject the unexpired leases specified in Section 14.1 of the Plan through the date of entry of an order approving the assumption, assumption and assignment, or rejection of such unexpired leases, and (iii) the approval, pursuant to sections 365(a) and 1123(b)(2) of the Bankruptcy Code, of the assumption of the executory contracts and unexpired leases assumed pursuant to Section 14.1 of the Plan.

3. ***Cure of Defaults for Assumed Executory Contracts and Unexpired Leases***. Except as may otherwise be agreed to by the parties, within ten (10) days after the Effective Date, the Reorganized Debtors shall cure any and all undisputed defaults under any executory contract or unexpired lease assumed by the Debtors pursuant to the Plan, in accordance with section 365(b) of the Bankruptcy Code. All disputed defaults that are required to be cured shall be cured either within ten (10) days of the entry of a Final Order determining the amount, if any, of the Reorganized Debtors' liability with respect thereto, or as otherwise may be agreed to by the parties.

4. ***Inclusiveness***. Unless otherwise specified on Schedules 1(A) and 1(B), each executory contract and unexpired lease listed or to be listed on Schedules 1(A) and 1(B) shall include modifications, amendments, supplements, restatements, or other agreements made directly or indirectly by any agreement, instrument, or other document that in any manner affects such executory contract or unexpired lease, without regard to whether such agreement, instrument, or other document is listed on Schedules 1(A) and 1(B)

5. ***Bar Date for Filing Proofs of Claim Relating to Executory Contracts and Unexpired Leases Rejected Pursuant to the Plan***. Claims arising out of the rejection of an executory contract or unexpired lease pursuant to Section 14.1 of the Plan must be filed with the Bankruptcy Court and served upon the Debtors (or, on and after the Effective Date, Reorganized Debtors) no later than thirty (30) days after the later of (i) notice of entry of an order approving the rejection of such executory contract or unexpired lease, (ii) notice of entry of the Confirmation Order, and (iii) notice of an amendment to Schedule 1(A) or 1(B). All such Claims not filed within such time will be forever barred from assertion against the Debtors and their estates or the Reorganized Debtors and their property.

K. Conditions Precedent to Effective Date of the Plan

1. ***Conditions Precedent to Effective Date of the Plan***. The occurrence of the Effective Date and the substantial consummation of the Plan are subject to satisfaction of the following conditions precedent:

a. Entry of the Confirmation Order. The Clerk of the Bankruptcy Court shall have entered the Confirmation Order in form and substance acceptable to the Debtors and the effectiveness of which shall not have been stayed ten (10) days following the entry thereof.

b. Execution of Documents; Other Actions. All other actions and documents necessary to implement the Plan shall have been effected or executed.

c. Consents Obtained. The Debtors shall have received all authorizations, consents, regulatory approvals, rulings, letters, no-action letters, opinions, or documents that are necessary to implement the Plan and that are required by law, regulation, or order.

d. Exit Facility. An Exit Facility, the terms and conditions of which shall be satisfactory to the Debtors shall have been provided.

2. ***Failure of Conditions Precedent***. In the event that one or more of the conditions specified in Section 16.1 of the Plan have not occurred on or before 60 days after the Confirmation Date, (i) the Confirmation Order shall be vacated, (ii) no distributions under the Plan shall be made, (iii) the Debtors and all holders of Claims and Equity Interests shall be restored to the status quo ante as of the day immediately preceding the Confirmation Date as though the Confirmation Date never occurred, and (iv) the Debtors' obligations with respect to Claims and Equity Interests shall remain unchanged and nothing contained herein shall constitute or be deemed to be a waiver or release of any Claims or Equity Interests by or against the Debtors or any other person or to prejudice in any manner the rights of the Debtors or any person in any further proceedings involving the Debtors.

3. ***Waiver of Conditions Precedent***. The Debtors, subject to the reasonable approval of the Lender Steering Committee and to the extent not prohibited by applicable law, may waive one (1) or more of the conditions precedent to effectiveness of the Plan set forth in Section 16.1 of the Plan.

L. Effect of Confirmation

1. ***Title to and Vesting of Assets***. On the Effective Date, pursuant to sections 1141(b) and (c) of the Bankruptcy Code, all property of the estates of the Debtors shall vest in the Reorganized Debtors or, the extent applicable, the Litigation Trust, free and clear of all Claims, Liens, encumbrances, and other interests, except as provided herein, and the Confirmation Order shall be a judicial determination of discharge of the liabilities of the Debtors and the Debtors in Possession except as provided in the Plan. From and after the Effective Date, the Reorganized Debtors may operate their businesses and may use, acquire, and dispose of property free and clear of any restrictions of the Bankruptcy Code or the Bankruptcy Rules and in all respects as if there were no pending cases under any chapter or provision of the Bankruptcy Code, except as provided herein. Notwithstanding the foregoing, the Debtors and the Reorganized Debtors, in their sole and absolute discretion, may (a) encumber all of the Debtors' assets for the benefit of Creditors or (b) transfer such assets to another Entity to secure the payment and performance of all obligations provided for herein.

2. ***Discharge of Claims and Termination of Equity Interests***. Except as otherwise provided herein or in the Confirmation Order, the rights afforded in the Plan and the payments and distributions to be made hereunder shall be in exchange for and in complete satisfaction, discharge, and release of all existing debts and Claims, and shall terminate all Equity Interests, of

any kind, nature, or description whatsoever, including any interest accrued on such Claims from and after the Petition Date, against or in the Debtors or any of their assets or properties to the fullest extent permitted by section 1141 of the Bankruptcy Code. Except as provided in the Plan, on the Effective Date, all existing Claims against the Debtors and Equity Interests in the Debtors, shall be, and shall be deemed to be, discharged and terminated, and all holders of Claims and Equity Interests shall be precluded and enjoined from asserting against the Reorganized Debtors, or any of their assets or properties, any other or further Claim or Equity Interest based upon any act or omission, transaction, or other activity of any kind or nature that occurred prior to the Effective Date, whether or not such holder has filed a proof of Claim or proof of Equity Interest.

3. ***Discharge of Debtors***. Upon the Effective Date and in consideration of the Distributions to be made under the Plan, except as otherwise expressly provided herein, each holder (as well as any trustees and agents on behalf of each holder) of a Claim or Equity Interest and any affiliate of such holder shall be deemed to have forever waived, released, and discharged the Debtors, to the fullest extent permitted by section 1141 of the Bankruptcy Code, of and from any and all Claims, Equity Interests, rights, and liabilities that arose prior to the Effective Date. Upon the Effective Date, all Persons and Entities shall be forever precluded and enjoined, pursuant to section 524 of the Bankruptcy Code, from asserting against the Debtors, the Debtors in Possession, their successors or assigns, including, without limitation, the Reorganized Debtors or their respective asset properties or interests in property, any discharged Claim against or terminated Equity Interest in the Debtors, any other or further Claims based upon any act or omission, transaction, or other activity of any kind or nature that occurred prior to the Confirmation Date, whether or not the facts or legal bases therefore were known or existed prior to the Confirmation Date regardless of whether a proof of Claim or Equity Interest was filed, whether the holder thereof voted to accept or reject the Plan, or whether the Claim or Equity Interest is an Allowed Claim or an Allowed Equity Interest.

4. ***Injunction on Claims***. **Except as otherwise expressly provided in the Plan, the Confirmation Order, or such other order of the Bankruptcy Court that may be applicable, all Persons or Entities who have held, hold, or may hold Claims or other debt or liability that is discharged or Equity Interests or other right of equity interest that is terminated or cancelled pursuant to the Plan are permanently enjoined, from and after the Effective Date, from (a) commencing or continuing in any manner any action or other proceeding of any kind on any such Claim or other debt or liability or Equity Interest or other right of equity interest that is terminated or cancelled pursuant to the Plan against the Debtors, the Debtors in Possession, or the Reorganized Debtors, the Debtors' estates, or properties or interests in properties of the Debtors or the Reorganized Debtors, (b) the enforcement, attachment, collection, or recovery by any manner or means of any judgment, award, decree, or order against the Debtors, the Debtors in Possession, or the Reorganized Debtors, the Debtors' estates or properties, or interests in properties of the Debtors, the Debtors in Possession, or the Reorganized Debtors, (c) creating, perfecting, or enforcing any encumbrance of any kind against the Debtors, the Debtors in Possession, or the Reorganized Debtors, the Debtors' estates or properties, or interests in properties of the Debtors, the Debtors in Possession, or the Reorganized Debtors, (d) except to the extent provided, permitted, or preserved by sections 553, 555, 556, 559, or 560 of the Bankruptcy Code or pursuant to the common law right of recoupment, asserting any right of setoff, subrogation, or recoupment of any kind against any obligation due from the Debtors, the**

Debtors in Possession, or the Reorganized Debtors, the Debtors' estates or properties, or interests in properties of the Debtors, the Debtors in Possession, or the Reorganized Debtors, with respect to any such Claim or other debt or liability that is discharged or Equity Interest or other right of equity interest that is terminated or cancelled pursuant to the Plan, and (e) taking any actions to interfere with the implementation or consummation of the Plan; provided, however, that such injunction shall not preclude the United States of America, any State, or any of their respective police or regulatory agencies from enforcing their police or regulatory powers; and, provided, further, that except in connection with a properly filed proof of claim, the foregoing proviso does not permit the United States of America, any state, or any of their respective police or regulatory agencies from obtaining any monetary recovery from the Debtors, the Debtors in Possession, or the Reorganized Debtors, or their respective property or interests in property with respect to any such Claim or other debt or liability that is discharged or Equity Interest or other right of equity interest that is terminated or cancelled pursuant to the Plan, including, without limitation, any monetary claim or penalty in furtherance of a police or regulatory power. Such injunction shall extend to all successors of the Debtors and Debtors in Possession, the Creditors' Committee, the Producers' Committee, the Lender Steering Committee, and their respective members, and their respective properties and interests in property; provided, however, that such injunction shall not extend to or protect members of the Creditors' Committee, the Producers' Committee, and the Lender Steering Committee and their respective properties and interests in property for actions based upon acts outside the scope of service on the Creditors' Committee, the Producers' Committee, or the Lender Steering Committee and (z) is not intended, nor shall it be construed, to extend to the assertion, the commencement, or the prosecution of any claim or cause of action against any present or former member of the Creditors' Committee, Producers' Committee, or the Lender Steering Committee and their respective properties and interests in property arising from or relating to such member's pre-Petition Date acts or omissions.

5. ***Term of Existing Injunctions or Stays***. Unless otherwise provided in the Plan, the Confirmation Order, or a separate order of the Bankruptcy Court, all injunctions or stays arising under or entered during the Chapter 11 Cases pursuant to sections 105 or 362 of the Bankruptcy Code, or otherwise, and in existence on the Confirmation Date, shall remain in full force and effect until the later of the Effective Date and the date indicated in such applicable order.

6. ***Exculpation***. None of the Debtors, the Reorganized Debtors, the Lender Steering Committee, the Creditors' Committee and its members, the Producers' Committee and its members, the Examiner (other than those functions defined by the Investigative Order), and any of their respective directors, officers, employees, members, attorneys, consultants, advisors, and agents (but solely in their capacities as such), shall have or incur any liability to any holder of a Claim or Equity Interest of any other Entity for any act taken or omitted to be taken in connection with, related to, or arising out of, the Chapter 11 Cases, the formulation, preparation, dissemination, implementation, confirmation, approval, or administration of the Plan or any compromises or settlements contained therein, the Disclosure Statement related thereto, the property to be distributed under the Plan, or any contract, instrument, release, or other agreement or document provided for or contemplated in connection with the consummation of the transactions set forth in the Plan; provided, however, that the foregoing provisions of

Section 18.6 of the Plan shall not affect the liability of (a) any Entity that otherwise would result from any such act or omission to the extent that such act or omission is determined in a Final Order to have constituted gross negligence or willful misconduct, including, without limitation, fraud and criminal misconduct, (b) the professionals of the Debtors, the Reorganized Debtors, the Lender Steering Committee, the Creditors' Committee, the Producers' Committee, or the Examiner to their respective clients pursuant to applicable codes of professional conduct, or (c) any of such Persons with respect to any act or omission prior to the Petition Date, except as otherwise expressly set forth elsewhere in the Plan. Any of the foregoing parties in all respects shall be entitled to rely upon the advice of counsel with respect to their duties and responsibilities under the Plan.

7. ***Preservation of Causes of Action / Reservation of Rights***.

Nothing contained in the Plan or the Confirmation Order shall be deemed to be a waiver or the relinquishment of any rights or Causes of Action that the Debtors or the Reorganized Debtors may have or which the Reorganized Debtors may choose to assert on behalf of their respective estates under any provision of the Bankruptcy Code or any applicable nonbankruptcy law, including, without limitation, (i) any and all Claims against any Person or Entity, to the extent such Person or Entity asserts a crossclaim, counterclaim, and/or Claim for setoff which seeks affirmative relief against the Debtors, the Reorganized Debtors, their officers, directors, or representatives, (ii) the turnover of any property of the Debtors' estates, and (iii) Causes of Action against current or former directors, officers, professionals, agents, financial advisors, underwriters, lenders, or auditors relating to acts or omissions occurring prior to the Petition Date.

Nothing contained in the Plan or the Confirmation Order shall be deemed to be a waiver or relinquishment of any Cause of Action, right of setoff, or other legal or equitable defense which the Debtors had immediately prior to the Petition Date, against or with respect to any Claim left unimpaired by the Plan. The Reorganized Debtors shall have, retain, reserve, and be entitled to assert all such Claims, Causes of Action, rights of setoff, and other legal or equitable defenses which they had immediately prior to the Petition Date fully as if the Chapter 11 Cases had not been commenced, and all of the Reorganized Debtors' legal and equitable rights respecting any Claim left unimpaired by the Plan may be asserted after the Confirmation Date to the same extent as if the Chapter 11 Cases had not been commenced.

8. ***Avoidance and Recovery Actions***. From and after the Effective Date, the Reorganized Debtors shall transfer any avoidance or equitable subordination action or recovery actions under sections 105, 502(d), 510, 542 through 551, and 553 of the Bankruptcy Code that belong to the Debtors or Debtors in Possession to the Litigation Trust.

9. ***Injunction on Causes of Action***. Except as provided in the Plan, as of the Effective Date, all non-Debtor entities are permanently enjoined from commencing or continuing in any manner, any Causes of Action, whether directly, derivatively, on account of or respecting any debt or Cause of Action of the Debtors, the Debtors in Possession, or the Reorganized Debtors which the Debtors, the Debtors in Possession, or the Reorganized Debtors, as the case may be, retain sole and exclusive authority to pursue in accordance with Section 8.1 of the Plan

or which has been released pursuant to the Plan, including, without limitation, pursuant to Sections 18.10, 18.11, or 18.12 of the Plan.

10. ***Limited Release of Officers and Employees***. No claims of the Debtors' estates against their present and former officers, Management Committee members, employees, consultants, and agents and arising from or relating to the period prior to the Petition Date are released by the Plan. As of the Effective Date, the Debtors and the Debtors in Possession shall be deemed to have waived and released its officers, employees, consultants, and agents who were officers, employees, consultants, or agents, respectively, at any time during the Chapter 11 Cases, from any and all claims of the Debtors' estates arising from or relating to the period from and after the Petition Date; provided, however, that, except as otherwise provided by prior or subsequent Final Order of the Bankruptcy Court, this provision shall not operate as a waiver or release of (a) any Person (i) named or subsequently named as a defendant in any action commenced by or on behalf of the Debtors in Possession, including any actions prosecuted by the Creditors' Committee, (ii) identified or subsequently identified in a report by the Examiner as having engaged in acts of dishonesty or willful misconduct detrimental to the interests of the Debtors, or (iii) adjudicated or subsequently adjudicated by a court of competent jurisdiction to have engaged in acts of dishonesty or willful misconduct detrimental to the interests of the Debtors or (b) any claim (i) with respect to any loan, advance, or similar payment by the Debtors to any such Person, (ii) with respect to any contractual obligation owed by such Person to the Debtors, (iii) relating to such Person's knowing fraud, or (iv) to the extent based upon or attributable to such Person gaining in fact a personal profit to which such Person was not legally entitled; and, provided, further, that the foregoing is not intended, nor shall it be construed, to release any of the Debtors' claims that may exist against the Debtors' directors and officers liability insurance.

11. ***Releases by the Debtors***. On the Effective Date, effective as of the Confirmation Date, to the fullest extent permissible under applicable law, for consideration received, the sufficiency of which is hereby acknowledged, the Debtors shall release and be permanently enjoined from any prosecution or attempted prosecution of the Released Actions; provided, however, that the foregoing shall not operate as a waiver of or release from any Causes of Action arising out of (a) any express contractual obligation owing by the Prepetition Lenders or (b) the willful misconduct or gross negligence of the Prepetition Lenders in connection with, related to, or arising out of the Chapter 11 Cases, the pursuit of Confirmation of the Plan, the consummation of the Plan, the administration of the Plan, or the property to be distributed under the Plan.

12. ***Releases by Holders of Claims and Equity Interests***. On the Effective Date, effective as of the Confirmation Date, to the fullest extent permissible under applicable law, each Person who votes to accept the Plan shall be deemed to consensually forever release and be permanently enjoined from any prosecution or attempted prosecution of any Released Actions which such Person has or may have against the Prepetition Lenders.

M. Modification, Revocation or Withdrawal of the Plan

1. ***Modification of the Plan***. The Debtors reserve the right, in accordance with the Bankruptcy Code and the Bankruptcy Rules, to amend or modify the Plan, the Plan Supplement,

or any exhibits to the Plan at any time prior to entry of the Confirmation Order, including, without limitation, to exclude one (1) or more Debtors from the Plan; provided, however, that any such amendments or modifications shall be reasonably acceptable in form and substance to the Lender Steering Committee. Upon entry of the Confirmation Order, the Debtors may, upon order of the Bankruptcy Court, amend or modify the Plan, in accordance with section 1127(b) of the Bankruptcy Code, including, without limitation, to exclude one (1) or more Debtors from the Plan, or remedy any defect or omission or reconcile any inconsistency in the Plan in such manner as may be necessary to carry out the purpose and intent of the Plan; provided, however, that any such amendments or modifications shall be reasonably acceptable in form and substance to the Lender Steering Committee.. A holder of a Claim that has adopted the Plan shall be deemed to have accepted the Plan as modified if the proposed modification does not materially and adversely change the treatment of the Claim of such holder.

2. ***Revocation or Withdrawal of the Plan***.

The Plan may be revoked or withdrawn prior to the Confirmation Date by the Debtors.

If the Plan is revoked or withdrawn prior to the Confirmation Date, or if the Plan does not become effective for any reason whatsoever, the Plan shall be deemed null and void. In such event, nothing contained herein shall be deemed to constitute a waiver or release of any claims by the Debtors or any other Entity or to prejudice in any manner the rights of the Debtors or any other Entity in any further proceedings involving the Debtors.

N. Miscellaneous Provisions

1. ***Dissolution of Creditors' Committee and Producers' Committee***. On the Effective Date, the Creditors' Committee and the Producers' Committee shall be dissolved and the members thereof and the professionals retained by the Creditors' Committee and the Producers' Committee in accordance with section 1103 of the Bankruptcy Code shall be released and discharged from their respective fiduciary obligations.

2. ***Plan Supplement***. The Exit Facility commitment letter, the Litigation Trust Agreement, the Management Incentive Plan, the New Holdco Bylaws, the New Holdco Certificate of Incorporation, the form of the New Term Notes, the New Term Notes Indenture, the form of Producer Secured Note, the Warrant Agreement, the terms and conditions of the refinancing of the White Cliffs Credit Agreement, Schedules 1(A) and 1(B), the identity of the Persons who will serve as executive officers of New Holdco (if known by the date the Plan Supplement is filed), and any other appropriate documents shall be contained in the Plan Supplement and filed with the Clerk of the Bankruptcy Court at least ten (10) days prior to the last day upon which holders of Claims may vote to accept or reject the Plan; provided, however, that the Debtors may amend (A) Schedules 1(A) and 1(B) through and including the Confirmation Date and (B) each of the other documents contained in the Plan Supplement, subject to Section 20.1 of the Plan, through and including the Effective Date in a manner consistent with the Plan and Disclosure Statement. Each of the documents contained in the Plan Supplement shall be in form and substance reasonably acceptable to the Lender Steering Committee. Upon its filing with the Bankruptcy Court, the Plan Supplement may be inspected in

the office of the Clerk of the Bankruptcy Court during normal court hours. Holders of Claims or Equity Interests may obtain a copy of the Plan Supplement on the Debtors' website at www.kccllc.net/SemGroup.

3. ***Payment of Statutory Fees***. All fees payable pursuant to section 1930 of title 28 of the United States Code shall be paid as and when due or otherwise pursuant to an agreement between the Reorganized Debtors and the United States Department of Justice, Office of the United States Trustee, until such time as a Chapter 11 Case for a Debtor shall be closed in accordance with the provisions of Section 21.15 of the Plan.

4. ***Expedited Tax Determination***. The Reorganized Debtors may request an expedited determination of taxes under section 505(b) of the Bankruptcy Code for all returns filed for, or on behalf of, such Reorganized Debtors for all taxable periods through the Effective Date.

5. ***Retiree Benefits***. From and after the Effective Date, pursuant to section 1129(a)(13) of the Bankruptcy Code, the Reorganized Debtors shall continue to pay all retiree benefits (within the meaning of section 1114 of the Bankruptcy Code), if any, at the level established in accordance with subsection (e)(1)(B) or (g) of section 1114 of the Bankruptcy Code, at any time prior to the Confirmation Date, and for the duration of the period during which the Debtors have obligated themselves to provide such benefits; provided, however, that the Debtors or the Reorganized Debtors may modify such benefits to the extent permitted by applicable law.

6. ***Post-Confirmation Date Fees and Expenses***. From and after the Confirmation Date, the Reorganized Debtors shall, in the ordinary course of business and without the necessity for any approval by the Bankruptcy Court, (a) retain such professionals and (b) pay the reasonable professional fees and expenses incurred by the Debtors or the Reorganized Debtors, as the case may be, related to implementation and consummation of or consistent with the provisions of the Plan.

7. ***Substantial Consummation***. On the Effective Date, the Plan shall be deemed to be substantially consummated under sections 1101 and 1127(b) of the Bankruptcy Code.

8. ***Severability***. If, prior to the Confirmation Date, any term or provision of the Plan shall be held by the Bankruptcy Court to be invalid, void, or unenforceable, including, without limitation, the inclusion of one (1) or more Debtors in the Plan, the Bankruptcy Court shall, with the consent of the Debtors, have the power to alter and interpret such term or provision to make it valid or enforceable to the maximum extent practicable, consistent with the original purpose of the term or provision held to be invalid, void, or unenforceable, and such term or provision shall then be applicable as altered or interpreted. Notwithstanding any such holding, alteration, or interpretation, the remainder of the terms and provisions of the Plan shall remain in full force and effect and shall in no way be affected, impaired, or invalidated by such holding, alteration, or interpretation. The Confirmation Order shall constitute a judicial determination and shall provide that each term and provision of the Plan, as it may have been altered or interpreted in accordance with the foregoing, is valid and enforceable pursuant to its terms.

9. ***Governing Law***. Except to the extent that the Bankruptcy Code or other federal law is applicable, or to the extent that an exhibit to the Plan or document contained in the Plan Supplement provides otherwise, the rights, duties, and obligations arising under the Plan shall be governed by, and construed and enforced in accordance with, the Bankruptcy Code and, to the extent not inconsistent therewith, the laws of the State of Delaware, without giving effect to principles of conflicts of laws.

10. ***Closing of the Chapter 11 Cases***. The Reorganized Debtors shall, promptly upon the full administration of the Chapter 11 Cases, file with the Bankruptcy Court all documents required by Bankruptcy Rule 3022 and any applicable order of the Bankruptcy Court.

VI. REORGANIZED DEBTORS

A. FINANCIAL INFORMATION AND VALUATIONS

1. *Historical Financial Information*

The Historical Financial Statements are contained in Exhibit F to this Disclosure Statement. *Please be aware that prior to the Petition Date, the SemGroup Companies conducted substantial trading and marketing activities, which were the largest contributor to the EBITDA of the SemGroup Companies. Since the Petition Date, the SemGroup Companies have conducted limited trading and marketing activities and have disposed of their SemMaterials domestic business segment. In addition, the SemGroup Companies will be subject to the fresh-start accounting rules after the Effective Date. Accordingly, the financial condition and results of operation of the SemGroup Companies from and after the Effective Date will not be comparable to the financial condition or results of operations reflected in the Historical Financial Statements.*

2. *Projections*

a. Responsibility for and Purpose of the Projections

For the purpose of demonstrating the feasibility of the Plan, the following financial projections for the five years ending on December 31, 2013 (the "Projections") were prepared by the Debtors with the assistance of their retained professionals. The Projections reflect the Debtors' most recent estimates of the results of operations, cash flows, and financial position of the Reorganized SemGroup Companies. Consequently, the Projections reflect the Debtors' judgment as to expectations of market and business conditions, expected future operating performance, and the occurrence or nonoccurrence of certain future events, all of which are subject to change.

The Debtors do not, as a matter of course, publish their projections, strategies, or forward-looking projections of the results of operations, cash flows, and financial position. Accordingly, the Debtors do not anticipate that they will, and disclaim any obligation to, furnish updated projections to the holders of Claims or Equity Interests after the date of this Disclosure Statement, or to include such information in documents required to be filed with the SEC or to otherwise make such information public. The assumptions disclosed herein are those that the

Debtors believe to be significant to the Projections and are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995.

The Projections present, to the best of the Debtors' knowledge and belief, Reorganized SemGroup Comapnies' projected results of operations, cash flows, and financial position for the five years ended December 31, 2013 and reflect the Debtors' judgment as of May 15, 2009, the date that the Projections were published. Although the Debtors are of the opinion that these assumptions are reasonable under current circumstances, such assumptions are subject to inherent uncertainties, including but not limited to, material changes to the economic environment, underlying commodity prices, transportation fees and spreads, supply and demand of underlying commodities, competitive environment, and other factors affecting the Debtors' businesses. The likelihood, and related financial impact, of a change in any of these factors cannot be predicted with certainty. Consequently, actual financial results could differ materially from the Projections. In connection with the development of the Plan, the Projections have not been audited or reviewed by independent accountants. The Projections assume the Plan will be implemented in accordance with its stated terms and that consummation of the Plan will occur on September 30, 2009.

The Projections should be read in conjunction with the assumptions and qualifications contained herein, including under Section IX, "Certain Factors Affecting the Debtors."

THE PROJECTIONS WERE NOT PREPARED WITH A VIEW TOWARD COMPLIANCE WITH THE GUIDELINES ESTABLISHED BY THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS, THE FINANCIAL ACCOUNTING STANDARDS BOARD, OR THE RULES AND REGULATIONS OF THE SECURITIES AND EXCHANGE COMMISSION REGARDING PROJECTIONS. FURTHERMORE, THE PROJECTIONS HAVE NOT BEEN AUDITED OR REVIEWED BY A REGISTERED INDEPENDENT PUBLIC ACCOUNTING FIRM.

THE PROJECTIONS, WHILE PRESENTED WITH NUMERICAL SPECIFICITY, ARE BASED UPON A VARIETY OF ESTIMATES AND ASSUMPTIONS WHICH MAY NOT BE REALIZED AND ARE SUBJECT TO SIGNIFICANT BUSINESS, ECONOMIC AND COMPETITIVE UNCERTAINTIES AND CONTINGENCIES WHICH ARE BEYOND THE CONTROL OF THE DEBTORS. CONSEQUENTLY, THE PROJECTIONS SHOULD NOT BE REGARDED AS A REPRESENTATION OR WARRANTY BY THE DEBTORS, OR ANY OTHER PERSON, AS TO THE ACCURACY OF THE PROJECTIONS OR THAT THE PROJECTIONS WILL BE REALIZED. ACTUAL RESULTS MAY DIFFER MATERIALLY FROM THOSE PRESENTED IN THESE PROJECTIONS. HOLDERS OF CLAIMS OR EQUITY INTERESTS MUST MAKE THEIR OWN DETERMINATIONS AS TO THE REASONABLENESS OF SUCH ASSUMPTIONS AND THE RELIABILITY OF THE PROJECTIONS IN MAKING THEIR DETERMINATION OF WHETHER TO ACCEPT OR REJECT THE PLAN.

b. Summary of Significant Accounting Policies and Projection Assumptions

The Debtors, with the assistance of their retained professionals, prepared the Projections. The Projections represent, to the best of the Debtors' knowledge and belief, the Debtors' projected results of operations, cash flows, and financial position for the five years ended December 31, 2013 and reflect the Debtors' judgment as of May 15, 2009, the date that the Projections were published.

(i) Accounting Policies

The Projections have been prepared using accounting policies that are materially consistent with those applied in the Debtors' historical financial statements. The Projections do not reflect the implementation of fresh start accounting pursuant to Statement of Position 90-7 as issued by the AICPA. The Debtors' accountants are currently reviewing whether treatment under SOP 90-7 is required. The implementation of SOP 90-7, should it be required, is not anticipated to have a material impact on the underlying economics of the Plan.

(ii) General Assumptions

Methodology. The Projections were separately prepared for each of the pro forma reorganized business segments including SemCrude (including White Cliffs and SemCanada Crude), SemCAMS, SemStream, SemGas (including Wyckoff), SemEuro, and SemMexico. The Projections assume SemFuel is sold before the Effective Date pursuant to its current marketing process.

Tax Structure. As discussed more fully in Section X "Certain Federal Income Tax Consequences of the Plan," the ultimate parent of the Reorganized SemGroup Companies will be a C-corporation and subject to federal and state taxes as such. Therefore, the Projections for the Reorganized SemGroup Companies include the estimated impact of federal and state taxes. For foreign entities (SemCanada, SemEuro and SemMexico), it is assumed that the earnings are taxed at the higher of the foreign or US tax rates.

Plan Consummation Date. The Projections assume the Plan will be consummated on September 30, 2009. The Debtors do not believe a change in the assumed date of the consummation of the Plan by a few months will materially impact the post-confirmation capital structure or the underlying economics of the Plan.

c. The Reorganized SemGroup Companies' Projected Income Statement (Unaudited)

Below is management's projections of income for the full fiscal years 2009, 2010, 2011, 2012 and 2013.

INCOME STATEMENT *($ in thousands)*	Q1 - Q3 2009	Q4 2009	2009	2010	2011	2012	2013
Revenue	$ 1,116,151	$ 401,059	$ 1,517,209	$ 2,874,044	$ 3,671,929	$ 3,988,757	$ 4,293,310
Cost of Sales	878,609	301,142	1,179,751	2,437,848	3,192,016	3,502,881	3,785,920
Gross Margin	**237,542**	**99,917**	**337,458**	**436,196**	**479,913**	**485,876**	**507,390**
Expenses							
Operating	166,542	38,696	205,239	150,895	175,725	172,135	186,031
Selling, General and Administrative	81,171	22,465	103,636	93,868	98,882	101,658	104,347
Depreciation and Amortization	64,312	20,269	84,582	82,903	81,272	81,155	75,234
Total Expenses	312,026	81,431	393,457	327,666	355,879	354,948	365,612
EBIT	**(74,484)**	**18,486**	**(55,998)**	**108,530**	**124,034**	**130,928**	**141,778**
Other (Income) Expenses							
Loss on Asset Sales	73,323	-	73,323	-	-	-	-
Gain on Cancellation of Debt[1]	-	-	-	-	-	-	-
Interest Expense	9,173	10,975	20,148	44,199	46,835	42,875	39,317
Foreign Currency Transaction (Income) / Loss	595	-	595	-	-	-	-
Other, Net	(71)	-	(71)	-	-	-	-
Total Other (Income) / Expenses	83,020	10,975	93,996	44,199	46,835	42,875	39,317
Income Before Reorganization Items, Income Taxes, and Minority Interest	(157,505)	7,511	(149,994)	64,331	77,199	88,053	102,462
Total Reorganization Expense	205,859	2,278	208,137	-	-	-	-
Income Before Income Taxes and Minority Interest	(363,363)	5,232	(358,131)	64,331	77,199	88,053	102,462
Income Tax Expense	(2,242)	3,824	1,583	26,592	32,645	36,109	40,382
Income Before Minority Interest	(361,122)	1,408	(359,714)	37,739	44,554	51,944	62,080
Minority Interest Expense	235	-	235	-	-	-	-
Net Income	**$ (361,357)**	**$ 1,408**	**$ (359,949)**	**$ 37,739**	**$ 44,554**	**$ 51,944**	**$ 62,080**
Memo: EBITDA	**(4,011)**	**38,755**	**34,744**	**191,433**	**205,306**	**212,083**	**217,013**

(1) Does not incorporate any plan effects (debt cancellation claims adjustments, etc.).

(i) Revenues.

Consolidated revenues are forecasted to increase from $1,517 million in 2009 to $2,874 million in 2010. This increase is primarily due to a (a) $902 million increase in SemStream's revenues through the renewal of the pipeline supply business, and (b) $415 million increase in SemCrude's revenues because of the renewal of marketing operations utilizing the Kansas pipeline and the completion of a number of capital projects. SemStream's revenue growth is predicated on volumes increasing 83.0% in 2010 to return SemStream to volumes in line with historical volumes. The increase in volumes is primarily driven by the renewal of the pipeline supply business which historically is a high-volume but low-margin business. Furthermore, the SemStream forecast includes a contango storage assumption. SemCrude's revenue growth between 2009 and 2010 is driven by the reintroduction of marketing operations utilizing the Kansas pipeline. Revenue is also projected to increase in 2010 due to the completion of (i) the Cushing storage terminals over the course of 2009; (ii) the Cunningham Connection beginning in July 2010; (iii) a new delivery/receipt line in Cushing in December 2009; and (iv) full year operations at White Cliffs. The Cushing storage terminal revenue reflects third party storage agreements assumed to be in place during this time period. The Cunningham connection revenues reflect an incremental 5,000 barrels to flow from the Kansas Pipeline to Cushing via the

White Cliffs Pipeline. A new delivery/receipt line in Cushing will allow for pump-over fees to be earned on the Cushing storage volumes. White Cliffs will have its first full year of operations in 2010.

From 2010 to 2011, consolidated revenues are projected to increase from $2,874 million to $3,672 million. This increase is primarily due to (i) $484 million increase in SemStream's revenues because of an assumed 18% increase in volumes, (ii) $156 million increase in SemCrude's revenues because of a full year of operations of (a) marketing activities utilizing the Kansas Pipeline, (b) its Cushing Storage, and (c) the new delivery / receipt line in Cushing, and (iii) $110 million increase in SemCanada Crude's revenues because of a projected 15% increase in the 15,000 barrels per day purchased in Canada and a projected 5% increase in the 7,000 barrels per day purchased in North Dakota.

From 2011 to 2013, consolidated revenues are projected to increase from $3,672 million to $4,293 million. This increase is primarily due to (i) $270 million increase in SemStream's revenues because of an assumed 3.5% increase in volumes, (ii) $238 million increase in SemCanada Crude's revenues because of continued incremental barrels purchased in Canada and North Dakota and two additional blending facilities that begin operations in 2011 and 2013, and (iii) $58 million increase in SemCrude's revenues which increase at approximately 5% annually as marketing volumes on the Kansas pipeline flatten at approximately 9.4mmbls per year.

Pricing is based on industry standard price curves (e.g., NYMEX West Texas Intermediate, NYMEX Mont Belvieu Propane - MBC3, Mont Belvieu Normal Butane- MBNC4, and NYMEX Henry Hub and TETCO M3), existing contracted and projected transportation rates, and existing contracted and projected market storage rates.

(ii) *Cost of Sales.*

Cost of sales includes, among other things, transportation and marketing volume purchases, storage expenses, leasing costs, and certain ad valorem taxes.

Consolidated cost of sales is forecasted to increase from $1,180 million in 2009 to $2,438 million in 2010. This increase is primarily due to (i) $877 million increase in SemStream's cost of sales through the renewal of the pipeline supply business as volumes increase by 83.0% in 2010, and (ii) $360 million increase in SemCrude's cost of sales because of renewal of marketing operations utilizing the Kansas pipeline where cost of goods sold is largely based on marketing and storage volumes.

From 2010 to 2011, consolidated cost of sales is forecasted to increase from $2,438 million to $3,192 million. This increase is primarily due to (i) $471 million increase in SemStream's cost of sales because of an assumed 18% increase in volumes, (ii) $151 million increase in SemCrude's cost of sales because of increased marketing activities utilizing the Kansas Pipeline, and (iii) $108 million increase in SemCanada Crude's cost of sales because of a projected increased in barrels purchased in Canada and North Dakota.

From 2011 to 2013, consolidated cost of sales is projected to increase from $3,192 million to $3,786 million. This increase is primarily due to (i) $266 million increase in

SemStream's cost of sales because of an assumed 3.5% increase in volumes, (ii) $234 million increase in SemCanada Crude's cost of sales because of continued incremental barrels purchased in Canada and North Dakota and two additional blending facilities that begin operations in 2011 and 2013, and (iii) $58 million increase in SemCrude's cost of sales which increase at approximately 5% annually as marketing volumes on the Kansas pipeline flatten at approximately 9.4mmbls per year.

(iii) Operating Expense

Operating expenses include, among other things, fuel, utilities, maintenance and repair, outside services, and certain ad valorem taxes.

Consolidated operating expenses are forecasted to decrease from $205 million in 2009 to $151 million in 2010. This decrease is primarily due to (i) $38 million of operating expenses eliminated as a result of the sale and wind down of the SemMaterials business and (ii) $13 million decrease of SemCAMS operating expenses due to a reduction in refurbishment costs from 2009 to 2010.

From 2010 to 2011, consolidated operating expenses are forecasted to increase from $151 million to $176 million. This increase is primarily due to the $23 million increase for SemCAMS's operating expenses related to repairs and maintenance on plants in 2011.

From 2011 to 2013, consolidated operating expenses are projected to increase from $176 million to $186 million. This increase is due to a 6% incremental increase in operating expenses spread across all of the business segments over the period.

(iv) Selling, General, and Administrative

Consolidated selling, general and administrative ("SG&A") expenses include, among other things, salaries, wages, benefits, corporate overhead allocation, annual incentive plan, rent, leases, licenses and permits, and office supplies.

SG&A expenses are forecasted to decrease from $104 million in 2009 to $94 million in 2010. This decrease is primarily due to the sale and wind down of SemMaterials which is forecasted to have $27 million of SG&A expenses in 2009. This is partially offset by a $17 million increase across all other business segments.

From 2010 to 2011, consolidated selling, general and administrative expenses are forecasted to increase at approximately 5% from $94 million to $99 million as a number of business segments continue to hire employees and build operations as well as general inflation.

From 2011 to 2013, consolidated selling, general and administrative expenses are forecasted to increase at approximately 3% from $99 million to $104 million due to assumed increase in employee costs and general inflation.

d. The Reorganized SemGroup Companies Projected Statement of Cash Flows (Unaudited)

Below is management's projections of cash flows for the full fiscal years 2009, 2010, 2011, 2012 and 2013.

Statement of Cash Flows							
($ in thousands)	Q1 - Q3 2009	Q4 2009	2009	2010	2011	2012	2013
Cash Flows From Operating Activities:							
Net Income (Loss)	$ (361,357)	$ 1,408	$ (359,949)	$ 37,739	$ 44,554	$ 51,944	$ 62,080
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided by (Used in) Operating Activities:							
Depreciation and Amortization	64,312	20,269	84,582	82,903	81,272	81,155	75,234
Amortization and Write Down of Debt Issuance Costs	206	38	243	150	150	150	150
Deferred Tax Expense (Benefit)	(3,553)	668	(2,884)	(17,704)	(6,553)	(5,968)	(5,242)
Non-Cash Compensation Expense	-	-	-	-	-	-	-
Accretion Expense	(1,466)	88	(1,378)	(1,500)	(1,500)	(1,500)	(1,500)
Income Assigned to Minority Interest	235	-	235	-	-	-	-
(Gain) Loss on Sale on Cancellation of Debt[1]	-	-	-	-	-	-	-
(Gain) Loss on Sale of Assets	73,323	-	73,323	-	-	-	-
Changes in Assets and Liabilities, Net of Acquisitions:							
Decrease (Increase) in Accounts Receivable	412,112	(191,614)	220,497	(98,594)	(46,504)	(21,540)	(27,537)
Decrease (Increase) in Inventories	92,974	35,312	128,287	(28,189)	(20,057)	(6,887)	(6,066)
Decrease (Increase) in Derivatives & Margin Deposits	31,231	-	31,231	-	-	-	-
Increase (Decrease) in Intercompany	24,438	-	24,438	-	-	-	-
Decrease (Increase) in Other Current Assets	85,725	57,271	142,995	(58)	(58)	(58)	(58)
Decrease (Increase) in Other Assets	4,572	488	5,059	450	450	450	450
Increase (Decrease) in Accounts Payable	(15,064)	35,723	20,659	104,597	50,203	21,523	24,815
Increase (Decrease) in Accrued Liabilities	(20,948)	3,355	(17,593)	11,499	8,829	1,323	4,232
Increase (Decrease) in Other Long-Term Liabilities	(16,398)	-	(16,398)	-	-	-	-
Other	(5,115)	-	(5,115)	-	-	-	-
Net Cash Provided by (Used in) Operating Activities	**365,228**	**(36,996)**	**328,232**	**91,293**	**110,787**	**120,592**	**126,558**
Cash Flows from Investing Activities:							
Capital Expenditures	(101,348)	(17,217)	(118,565)	(32,538)	(36,740)	(25,163)	(20,200)
Proceeds from Sale of Assets	60,700	-	60,700	-	-	-	-
Net Cash Provided by (Used in) Investing Activities	**(40,648)**	**(17,217)**	**(57,865)**	**(32,538)**	**(36,740)**	**(25,163)**	**(20,200)**
Cash Flows from Financing Activities:							
Debt Repayment per Plan	(826,422)	-	(826,422)	-	-	-	-
Debt Issuance Costs	(206)	(38)	(243)	(150)	(150)	(150)	(150)
Debt Amortization (Euro and White Cliffs)	(19,590)	(4,882)	(24,472)	(27,215)	(23,848)	(31,387)	(26,286)
Repayment of Notes	-	-	-	-	-	(6,946)	(14,961)
Revolver Activity	-	-	-	-	-	-	-
Net Cash Provided by (Used in) Financing Activities	**(846,218)**	**(4,920)**	**(851,137)**	**(27,365)**	**(23,998)**	**(38,483)**	**(41,397)**
Net Increase (Decrease) in Cash and Cash Equivalents	(521,638)	(59,132)	(580,771)	31,391	50,048	56,946	64,961
Cash and Cash Equivalents at Beginning of Period	723,304	201,666	723,304	142,534	173,924	223,973	280,919
Cash and Cash Equivalents at End of Period	**$ 201,666**	**$ 142,534**	**$ 142,534**	**$ 173,924**	**$ 223,973**	**$ 280,919**	**$ 345,880**

(1) Does not incorporate any plan effects (debt cancellation claims adjustments, etc.).

(i) Working Capital

The consolidated projections assume that the Reorganized SemGroup Companies will operate as a fee-based transportation business and marketing business. From 2009 to 2010, the projected net working capital need is forecasted to increase from $122 million to $144 million as the business renews its SemCrude and SemStream marketing operations. From 2010 to 2013, net working capital increases from $144 million to $176 million as volumes increase in its SemCrude, SemCanada Crude, and SemStream business segments. In addition, the Reorganized SemGroup will require approximately $294 million in letters of credit in 2009, which includes approximately $11 million in letters of credit to SemEuro and SemMexico. The letter of credit requirement increases to $347 million in 2010 as a result of increased marketing activities and volumes at SemCrude, and then decreases to $223 million by 2013 due to assumed more favorable trade terms. Letters of credit primarily support purchases of inventory and to a lesser extent hedging activities.

(ii) Capital Expenditures

Consolidated capital spend is forecasted to decrease from $119 million in 2009 to $33 million in 2010 as a number of projects are completed at SemCrude, SemGas, SemCAMS and SemEuro. For SemCrude, total capital spend in 2009 is projected to be approximately $36 million for the completion of the Platteville truck station, the additional Cushing Storage, and a new delivery / receipt line in Cushing. For SemGas, total capital spend in 2009 is projected to be approximately $38 million which includes approximately $20 million payment for Wyckoff and additional pipeline and gathering expansions. For SemCAMS, total capital spend is projected to be approximately $21 million associated with the refurbishment of its sour gas processing facilities. For SemEuro, total capital spend in 2009 is projected to be approximately $11 million associated with refurbishment and maintenance of storage tanks.

From 2010 to 2011, consolidated capital spend is projected to increase from $33 million to $37 million. This increase is primarily due to a $7 million increase in capital spend at SemCAMS when its refurbishment cycle begins again in 2011. This is offset by decreased capital spend across the other business segments.

From 2011 to 2013, consolidated capital spend is forecasted to decrease from $37 million to $20 million primarily due to the completion of SemEuro's five year refurbishment and maintenance program for its storage tanks.

(iii) Debt

See Section VI.C, "Summary of Capital Structure of the Reorganized SemGroup Companies" for descriptions of the Exit Facility, the New Term Notes, the White Cliffs Credit Agreement and the SemEuro Financing.

3. ***Valuation***

In connection with certain matters relating to the Plan, the Debtors requested that Blackstone prepare a valuation analysis of the SemGroup Companies' businesses. The valuation analysis was prepared by Blackstone based on the Projections.

In preparing its analysis, Blackstone has, among other things:

(i) reviewed certain operating and financial forecasts prepared by the Debtors with the assistance of Alix Partners, including the Projections;

(ii) discussed with management and Alix Partners the key assumptions related to the Projections;

(iii) reviewed certain other financial and operating data of the SemGroup Companies;

(iv) discussed with management and Alix Partners the current operations and prospects of the SemGroup Companies;

(v) employed generally accepted valuation techniques, as described below;

(vi) considered the indications of interest received from various third parties regarding a transaction with the SemGroup Companies; and

(vii) considered such other analyses as Blackstone deemed appropriate and necessary under the circumstances.

Blackstone relied upon and assumed, without independent verification, the accuracy and completeness of the financial and other information provided to or discussed with it by the Debtors or obtained by it from public sources. Blackstone has not audited, reviewed, or compiled the accompanying information in accordance with generally accepted accounting auditing standards, or otherwise. With respect to all projections furnished to it, Blackstone has relied on representations that these have been reasonably prepared on a basis reflecting the best currently available estimates and judgments of management of the Debtors as to the expected future performance of the SemGroup Companies. Blackstone has not assumed any responsibility for the independent verification of any such information, including, without limitation, the Projections, and has further relied upon the assurances of management of the Debtors that they are unaware of any facts that would make the information and Projections incomplete or misleading.

As referenced above, Blackstone has employed generally accepted valuation techniques in estimating the reorganization value of the SemGroup Companies. Blackstone performed valuation analysis of the SemGroup Companies on both a consolidated basis and a sum-of-the-parts basis, whereby each individual business was valued separately and the values were aggregated in order to estimate the value of the SemGroup Companies. In preparing its valuation, Blackstone considered the following generally accepted valuation techniques:

(i) Discounted Cash Flow Analysis ("DCF") – A DCF analysis estimates the enterprise value of a business based upon the present value of the projection of unlevered after-tax cash flows available to all providers of capital using estimated discount rates. The projection of unlevered free cash flows is discounted using an estimated weighted average cost of capital determined by, among other things, reference to observed cost of capitals for companies with reasonably similar characteristics, including, among other things, lines of business, geography, size and profitability to the Reorganized SemGroup Companies ("Comparable Companies"). Added to the present value of the unlevered free cash flows is an estimate of the present value of the terminal value of the Reorganized SemGroup Companies. The terminal value is estimated by reference to the trading multiples of Comparable Companies and applying those multiples to the relevant earnings metric.

(ii) Comparable Public Company Analysis - The price that an investor is willing to pay in the public markets for a Comparable Company reflects the market's estimate of that company's current and future prospects as well as the rate of return required for an investment in that Comparable Company. In a comparable public company analysis, a subject company is valued by reference to the trading multiples of the Comparable

Companies. Specifically, market multiples of EBITDA, EBIT and Net Income were applied to the Debtors' financial projections to determine the ranges of enterprise value. In selecting comparable public companies, Blackstone considered factors such as the focus of the Comparable Companies' businesses as well as such companies' current and projected operating performance.

(iii) Precedent Transactions Analysis - The precedent transactions analysis is based on the enterprise values of Comparable Companies involved in merger and acquisition transactions. Under this methodology, the enterprise value of each such company is determined by an analysis of the consideration paid and the debt assumed in the merger or acquisition transaction. As in a comparable company valuation analysis, those enterprise values are commonly expressed as multiples of EBITDA. The derived multiples were then applied to the SemGroup Companies' EBITDA to determine the TEV or value to a potential buyer.

As a result of such analyses, review, discussions, considerations, and assumptions, Blackstone provided to the Debtors an estimate that the TEV of the Reorganized SemGroup Companies on a "reorganization value" basis is a range of approximately $1.4 to $1.6 billion, with a midpoint of $1.5 billion. Blackstone reduced the TEV estimate by the estimated pro forma debt of the Reorganized SemGroup Companies as of September 30, 2009, in order to calculate the implied reorganized equity value of the Reorganized SemGroup Companies. This amount was then divided by the number of shares of New Common Stock expected to be outstanding after consummation of the Plan to determine the estimated per share reorganized equity value. Accordingly, Blackstone estimates that the Reorganized SemGroup Companies' mid-point total reorganized equity value is $1.035 billion or $25 per share of New Common Stock, before the impact of the New Common Stock issuable under the Management Incentive Plan, and Warrants issued pursuant to the Plan.

The above estimated value is a hypothetical value of the Reorganized SemGroup Companies derived through the application of various valuation methodologies. The equity value ascribed in Blackstone's analysis does not purport to be an estimate of a post-reorganization trading value. Trading values may be materially different from the implied equity value associated with Blackstone's valuation analysis. Blackstone's reorganization value estimate is based on economic, market, financial, and other conditions as they exist, and on the information made available to Blackstone as of May 15, 2009. It should be understood that, although subsequent developments may affect Blackstone's conclusions, Blackstone does not have any obligation to update, revise, or reaffirm its estimate.

The summary set forth above does not purport to be a complete description of the analyses performed by Blackstone. The preparation of a valuation estimate involves various determinations as to the most appropriate and relevant methods of financial analysis and the application of these methods in the particular circumstances and, therefore, such an estimate is not readily susceptible to summary description. The value of an operating business is subject to uncertainties and contingencies that are difficult to predict and will fluctuate with changes in factors affecting the financial results, financial condition and prospects of such a business. As a result, the estimate of implied equity value set forth herein is not necessarily indicative of actual outcomes, which may be significantly more or less favorable than those set forth herein. In

addition, estimate of implied equity value does not purport to be an appraisal, nor does it necessarily reflect the value that might be realized if assets were sold. Depending on the results of the Reorganized SemGroup Companies' operations or changes in the financial markets, actual TEV may differ significantly from Blackstone's valuation analysis disclosed herein.

($ in millions)	Mid-Point Value
Reorganized SemGroup Companies Total Enterprise Value	$1,500
Less Pro Forma Debt	(465)
Reorganized SemGroup Companies Equity Value	$1,035

B. CORPORATE GOVERNANCE AND MANAGEMENT OF REORGANIZED SEMGROUP

1. *Board of New Holdco*

The initial Board of New Holdco will consist of seven members, composed of: (a) the CEO, (b) the Bank Nominees and (c) the UCC Nominee. A majority of the Board will be independent directors in accordance with the listing requirements of the New York Stock Exchange or such other recognized national securities exchange or market system on which the Class A New Common Stock may be listed. A majority of the members of the Board will also be experts or have experience in one or more aspects of the Reorganized SemGroup Companies' business. The term of the initial directors will be one year and thereafter the directors will be elected by the holders of New Common Stock in accordance with the Certificate of Incorporate and Bylaws of New Holdco. The initial members of the Board of New Holdco will be set forth in the Plan Supplement, along with their biographical information.

2. *Search Committee*

The search committee consists of three members from the bank steering committee and two members from the UCC. The search committee, working with Russell Reynolds Associates, the executive search firm chosen by the search committee, will consider and recommend CEO, CFO and Board member candidates, subject to the rights of the Prepetition Lenders and the UCC to nominate their allocated number of directors.

3. *Board Committees*

New Holdco will have an audit committee, nominating and governance committee and compensation committee, each of which will comply with the requirements of the Sarbanes-Oxley Act and the New York Stock Exchange or other recognized national securities exchange or market system on which the Class A New Common Stock is listed. The nominating committee of New Holdco will consist of at least one member nominated by the Prepetition Lenders and at least one member nominated by the UCC.

4. ***Executive Officers***

The initial officers of New Holdco will be set forth in the Plan Supplement, along with their biographical information.

5. ***Management Incentive Plan***

On the Effective Date, New Holdco will adopt the Management Incentive Plan. The solicitation of votes on the Plan is deemed a solicitation of the holders of New Common Stock for approval of the Management Incentive Plan for purposes of sections 162(m) and 422 of the Internal Revenue Code of 1986, as amended, as well as section 16 of the Exchange Act of 1934, as amended, and any stock exchange listing requirements. Entry of the Confirmation Order will constitute such approval, and the Confirmation Order will so provide. All shares of Class A New Common Stock issued under the Management Incentive Plan (including those issued upon the valid exercise of options issued thereunder) will be duly authorized, validly issued, fully paid for, non-assessable shares of New Common Stock, free of preemptive rights. The Class A New Common Stock reserved for issuance under the Management Incentive Plan will be set forth in the Plan Supplement.

The purpose of the Management Incentive Plan is to attract, retain and motivate officers, employees, and non-employee directors providing services to the Reorganized SemGroup Companies and to promote the success of the Reorganized SemGroup Companies' businesses by providing the participants of the Management Incentive Plan with appropriate equity-based incentives to maximize future shareholder value. The Management Incentive Plan will be implemented by the Compensation Committee of the Board of New Holdco. The Board's Compensation Committee shall have the power under the Management Incentive Plan to grant any one or a combination of the following equity and equity-based grants: (a) stock options, (b) stock appreciation rights, (c) restricted stock, (d) other stock-based awards, and (e) performance-based compensation awards.

C. SUMMARY OF CAPITAL STRUCTURE OF THE REORGANIZED SEMGROUP COMPANIES

The following table summarizes the New Common Stock to be issued by New Holdco, the Warrants and certain aspects of the capital structure of the Reorganized SemGroup Companies, including the post-Effective Date financing arrangements the Reorganized SemGroup Companies expect to enter into to fund their obligations under the Plan and provide for their working capital needs. The anticipated principal terms of the following instruments are described in more detail below.

Instrument	**Description**
Exit Facility	$500 million senior secured revolving facility to be entered into by New Holdco, as borrower, and guaranteed by certain subsidiaries
New Term Notes	$300 million secured notes to be issued by New Holdco and guaranteed by certain subsidiaries
White Cliffs Financing	$120 million secured facility entered into by SemCrude Pipeline
SemEuro Financing	$75 million secured facility entered into by SemEuro
SemMexico Financing	SemMexico intends to seek its own credit facility in the future
New Common Stock	100 million shares authorized; 41.4 million shares to be issued initially under the Plan.
	95-100% of the shares to be initially issued or issuable under the Plan to the Prepetition Lenders, 0-5% of the shares to be initially issued or issuable under the Plan to the holders of the Senior Notes Claims and the General Unsecured Claims (depending on whether all Classes of the Senior Notes Claims and the General Unsecured Claims vote to approve the Plan); each subject to dilution from the Warrants (if any) and shares reserved or issued under the Management Incentive Plan.
	Shares issued or reserved for issuance under the Management Incentive Plan
Warrants	1.79 million shares, representing 0-5% of the New Common Stock of up to New Holdco issued or issuable the Plan, subject to dilution from the shares reserved or issued under the Management Incentive Plan.
	0-5% of the Warrants to be issued under the Plan to the holders of the Senior Notes Claims and the General Unsecured Claims (depending on whether all Classes of the Senior Notes Claims and the General Unsecured Claims vote to approve the Plan), subject to dilution from

	the shares reserved or issued under the Management Incentive Plan.

1. ***Exit Financing***

It is a condition precedent to the effectiveness of the Plan that, on the Effective Date, New Holdco enter into the Exit Facility. Although the definitive terms of the Exit Facility have not been negotiated, set forth below is a summary of certain terms which the Debtors believe will be incorporated into the Exit Facility. However, it is possible that such terms may be modified on or prior to the Effective Date and the definitive terms of the Exit Facility, including, without limitation, any intercreditor agreement, may ultimately be different than that described below. The following summary of certain provisions does not purport to be complete, and is subject to, and is qualified in its entirety by reference to, the provisions of the definitive Exit Facility.

a. General

The maximum principal amount outstanding at any one time pursuant to the Exit Facility will be up to $500 million. On the Effective Date, the Exit Facility will be undrawn, other than letters of credit issued under the Postpetition Financing Agreement that are currently estimated at approximately $160 million.

The Exit Facility will terminate on the three-year anniversary of the Effective Date. On the termination date, all amounts outstanding under the Exit Facility will be due and payable, together with any and all accrued and unpaid interest thereon to such date.

The borrowings under the Exit Facility will be used to: (i) provide working capital to the Reorganized SemGroup Companies on and after the Effective Date for general corporate purposes, (ii) collateralize letters of credit issued under the Postpetition Financing Agreement, (iii) issue letters of credit in the ordinary course of its business, and (iv) re-enter the crude marketing business, consistent with the Risk Management Policy to be adopted by SemCrude.

The Exit Facility will be a revolving credit facility and will contain no restrictions or blocks on availability, other than restrictions on SemCrude's ability to utilize the Exit Facility for trading activities.

Due to current market conditions, it is anticipated that the Exit Facility will only be available from all or a portion of the Prepetition Lenders. The Prepetition Lenders will own substantially all of the New Common Stock.

The Exit Facility will be governed by New York law.

b. Borrower

New Holdco will be the borrower under the Exit Facility.

c. Interest

New Holdco will pay interest at market rates.

d. Representations, Covenants, Events of Default, etc.

The Exit Facility will contain customary representations, affirmative and negative covenants, events of default and other terms and provisions to be agreed upon.

e. Fees

The Exit Facility will contain customary provisions to be agreed upon by New Holdco and the Exit Lenders.

2. ***New Term Notes***

The following summary of certain provisions of the New Term Notes does not purport to be complete and is subject to, and qualified in its entirety by reference to, the provisions of the Term Notes and the indenture related thereto, which will be substantially in the forms set forth in the Plan Supplement.

a. General

New Holdco will be the issuer of the New Term Notes. The New Term Notes will be issued pursuant to an indenture governed by New York law and will mature on the seventh anniversary of the Effective Date. The total aggregate principal amount of the New Term Notes to be issued under the indenture will be $300 million.

b. Interest; PIK Interest

The principal amount of the New Term Notes will bear interest at the rate of 9% per annum, with such interest accruing from the Effective Date. Interest will be paid quarterly in arrears. New Holdco will have the option to PIK all interest payments for the first two years. If New Holdco elects to PIK any interest payments, then the interest rate for such payment will be increased from 9% to 11% and will be added to the principal amount of the New Term Notes.

c. Scheduled Amortization Payments; Mandatory Prepayments

New Holdco will not be required to make any amortization payments with respect to the New Term Notes. Commencing at the beginning of the third anniversary of the Effective Date, New Holdco will be required to make annual payments from excess cash flow in an agreed amount.

d. Exchange

The New Term Notes will not be convertible or exchangeable into any other securities.

e. Legend

All certificates evidencing ownership of the New Term Notes issued under the Plan will have legends substantially as follows:

"THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND WERE ISSUED PURSUANT TO AN EXEMPTION PROVIDED BY 11 U.S.C. § 1145 UNDER AN ORDER CONFIRMING THE PLAN OF REORGANIZATION IN THE CASE ENTITLED IN RE SEMCRUDE, L.P. ET AL, CASE NO. 08-11525 (BLS), IN THE UNITED STATES BANKRUPTCY COURT FOR THE DISTRICT OF DELAWARE. THE HOLDER OF THIS CERTIFICATE IS ALSO REFERRED TO 11 U.S.C. § 1145(b) AND (c) FOR FURTHER GUIDANCE AS TO THE SALE OF THESE SECURITIES."

f. Representations, Covenants, Events of Default, etc.

The indenture will contain customary representations, affirmative and negative covenants, events of default and other terms and provisions to be agreed upon.

3. ***White Cliffs Credit Agreement***

SemCrude Pipeline is the borrower under the White Cliffs Credit Agreement. SemCrude Pipeline owns 99.17% of White Cliffs and the funds borrowed under the White Cliffs Credit Agreement were used to fund the project costs associated with the White Cliffs Pipeline. There are no guarantors under the White Cliffs Credit Agreement.

On the Effective Date, the White Cliffs Credit Agreement will be amended, extended and reinstated on terms to be agreed by the holders of the White Cliffs Credit Agreement.

The current terms of the White Cliffs Credit Agreement are as follows:

a. General

The White Cliffs Credit Agreement consists of a Term Loan Facility and a Revolving Credit Facility, each of which had an original commitment of $60 million. The principal amount outstanding pursuant to the White Cliffs Credit Agreement is $120 million. The White Cliffs Credit Agreement is scheduled to terminate on June 17, 2009. Interest

The interest rate with respect to Revolving Loans and Term Loans (i) with respect to Eurodollar rate loans, was the Eurodollar rate plus a margin of 2.75% prior to December 31, 2008 and 3.25% after December 31, 2008 and (ii) with respect to base rate Loans, was the base rate plus a margin of 1.25% prior to December 31, 2008 and 1.75% after December 31, 2008.

b. Mandatory Amortization Payments and Optional Prepayment

SemCrude Pipeline may make optional prepayments in amounts that are an integral multiple of $1 million at any time without penalty. There are no mandatory amortization payments.

c. Mandatory Prepayment

SemCrude Pipeline must make a mandatory prepayment if the aggregate principal amount of its revolving loan exceeds the aggregate amounts of the revolving credit commitments in the amount equal to such excess.

If either of the non-Debtor minority owners of White Cliffs exercises its option under the Limited Liability Company Agreement of White Cliffs to purchase additional ownership interests in White Cliffs and SemCrude Pipeline would not be in compliance with the maximum consolidated leverage ratio as a result of such purchase, then SemCrude Pipeline must make a mandatory prepayment from the net cash proceeds received in connection with the exercise of such option in order to remain in compliance with such ratio.

d. Priority and Security

As collateral security for its obligations under the White Cliffs Credit Agreement, SemCrude Pipeline granted a Lien on, and security interest in, its ownership interests in White Cliffs.

e. Representations, Covenants, Events of Default, etc.

The White Cliffs Credit Agreement contains representations, affirmative and negative covenants, including financial and reporting covenants, events of default and other terms and provisions customary with project financing agreements.

f. Fees

The White Cliffs Credit Agreement contains customary provisions covering unused commitment fees and additional fees in connection with breakage costs.

4. ***SemEuro Financing***

SemEuro Limited is the borrower under SemEuro Credit Agreement. SemEuro is the wholly-owned indirect subsidiary of SemGroup and is an English private limited company.

The Plan contemplates that the Revolving Credit Facility portion of the SemEuro Credit Agreement will be refinanced. However, there is no assurance that the parties will agree on terms reasonably satisfactory to all parties.

a. General

The SemEuro Credit Agreement consists of a Working Capital Facility and a Revolving Credit Facility. Borrowings under the SemEuro Credit Agreement may be made in US dollar, sterling or euro. The total working capital commitments were originally $500 million and the total revolving credit commitments were $75 million, which included an overdraft commitment of $50 million. The working capital commitments have been subsequently reduced and the principal amount outstanding under the working capital facility was approximately $5 million as of April 30, 2009. The principal amount outstanding under the revolving credit facility was approximately $44.5 million as of April 30, 2009. The SemEuro Credit Agreement is scheduled to terminate on September 29, 2009 and is governed by English law.

b. Interest

The interest rate with respect to the Working Capital Facility is the applicable lender's base rate plus a margin of (i) 1.75% for the first twelve months and (ii) between 1.50% and 2.25% thereafter, depending on the ratio of debt to EBITDA, as defined in the SemEuro Credit Agreement.

The interest rate with respect to the Revolving Credit Facility is the applicable lender's base rate plus a margin of (i) 3.00% for the first twelve months and (ii) between 2.75% and 3.50% thereafter, depending on the ratio of debt to EBITDA, as defined in the SemEuro Credit Agreement.

Interest is calculated in LIBOR for US dollar- and sterling-denominated loans and in EURIBOR for euro-denominated loans.

c. Guarantees

The obligations of SemEuro are guaranteed by its direct subsidiaries, SemEuro Supply and SemLogistics, each of which are English private limited companies.

d. Mandatory Amortization Payments and Optional Prepayment

SemEuro may make optional prepayments in a minimum amount of $2.5 million at any time without penalty. There are no mandatory amortization payments.

e. Mandatory Prepayment

Following receipt of any net sale proceeds, extraordinary receipts or insurance proceeds, SemEuro must make a mandatory prepayment to the extent of such funds received.

If the aggregate of the amounts outstanding under the working capital facility and the overdraft facility exceed either the borrowing base or the aggregate of the working capital commitments and the overdraft commitments, then SemEuro must make a mandatory prepayment in the amount of such excess.

f. Priority and Security

As collateral security for its obligations under the SemEuro Credit Agreement, the borrower and the guarantors granted a lien on, and security interest in, substantially all of their assets.

g. Representations, Covenants, Events of Default, etc.

The SemEuro Credit Agreement contains representations, affirmative and negative covenants, including financial and reporting covenants, events of default and other terms and provisions customary for English law credit agreements.

h. Fees

The SemEuro Credit Agreement contains customary provisions covering commitment fees, arrangement fees, agency fees and other similar fees.

5. ***SemMexico Facility***

From time to time, SemMexico may need to enter into a local credit facility to fund its working capital needs. It is assumed that SemMexico will be able to enter into a credit facility on terms reasonably satisfactory to SemMexico.

6. ***New Common Stock***

Upon filing the New Holdco Certificate of Incorporation, which will be filed with the Secretary of State of Delaware on the Effective Date, New Holdco will be authorized to issue 100 million shares of New Common Stock, $0.01 par value per share. Shares of Class A New Common Stock will be issued, however, shares of Class B New Common Stock will be available upon request. The following summary of certain provisions of the New Common Stock does not purport to be complete, is subject to and is qualified in its entirety by reference to, the provisions of the New Common Stock, a complete statement of which is set forth in the New Holdco Certificate of Incorporation, substantially in the form included in the Plan Supplement.

a. General

All of the shares of New Common Stock issuable in satisfaction of any Claims will be, when issued pursuant to the Plan, duly authorized, validly issued, fully paid and nonassessable and free of preemptive rights. The holders of the New Common Stock will be entitled to participate, in proportion to the number of shares of New Common Stock held, in the net assets of New Holdco available for distribution to the holders of shares of New Common Stock in the event of liquidation, dissolution or winding up of the affairs of New Holdco. The holders of shares of New Common Stock will not be entitled to any preemptive, subscription, conversion or redemption rights.

b. Classes

The Class A New Common Stock and the Class B New Common Stock will be identical in all respects, except that the Class B New Common Stock will not be eligible for trading on a national securities exchange or a national market system. The Class B New Common Stock will be held by entities who are restricted from holding margin stock. The Class B New Common Stock will automatically convert into Class A New Common Stock upon the transfer of such stock to an entity which is permitted to hold margin stock or at the request of the holder.

c. Voting Rights

The holders of the shares of New Common Stock will be entitled to one vote per share of New Common Stock held and will not be entitled to cumulative voting rights. The holders of shares of Class A New Common Stock and Class B New Common Stock, voting together as a single class, will have the right to vote on the election of directors and on all other matters requiring stockholder action.

d. Dilution

The New Common Stock issued upon the Effective Date will be subject to dilution by the Warrants (if any) and the shares reserved under the Management Incentive Plan.

e. Dividends

The holders of the shares of New Common Stock will be entitled to receive dividends, if, as and when declared by the Board out of funds legally available therefor. However, New Holdco does not presently intend to pay any dividends on the New Common Stock. Further, dividends may be restricted by the terms of the Exit Facility and the New Term Notes.

f. Transfer Agent

The transfer agent and registrar for shares of New Common Stock will initially be New Holdco and will be an independent transfer agent after the Class A New Common Stock becomes listed on the New York Stock Exchange or other recognized national securities exchange or market system. There is no assurance that the Class A New Common Stock will be listed on any stock exchange as of the Effective Date or any time thereafter. The Class B New Common Stock will not be listed on any national exchange.

g. Legends

All certificates evidencing ownership of New Common Stock issued under the Plan will bear legends substantially as follows:

"THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND WERE ISSUED PURSUANT TO AN EXEMPTION PROVIDED BY 11 U.S.C. § 1145

UNDER AN ORDER CONFIRMING THE PLAN OF REORGANIZATION IN THE CASE ENTITLED IN RE SEMCRUDE, L.P. ET AL, CASE NO. 08-11525 (BLS), IN THE UNITED STATES BANKRUPTCY COURT FOR THE DISTRICT OF DELAWARE. THE HOLDER OF THIS CERTIFICATE IS ALSO REFERRED TO 11 U.S.C. § 1145(b) AND (c) FOR FURTHER GUIDANCE AS TO THE SALE OF THESE SECURITIES."

7. ***Warrants***

New Holdco will issue Warrants to purchase a number of shares of New Common Stock equal to 4.1% of the number of fully diluted shares of New Common Stock as of the Effective Date, subject only to dilution from the issuance of New Common Stock under the Management Incentive Plan. The Warrants will be exercisable for shares of Class A Common Stock or, upon request, Class B Common Stock. The number of Warrants issued on the Effective Date will depend on whether all Classes of the Senior Notes Claims and the General Unsecured Claims vote to approve the Plan. The summary below describes the anticipated principal terms of the Warrants. The following summary of certain provisions of the Warrants does not purport to be complete and is subject to, and qualified in its entirety by reference to, the provisions of the Warrants, substantially in the form included in the Plan Supplement.

a. General

Each Warrant will be exercisable to acquire one share of New Common Stock. The strike price will be $25.00. The Warrants will expire on the fifth year anniversary of the Effective Date.

b. Change of Control

Upon a change of control of New Holdco, each holder of Warrants will receive a payment equal to the value of the Warrants, which will be determined in accordance with the Black Scholes model utilizing the following assumptions: (i) risk free interest rate of the corresponding treasury at the time of change of control, (ii) volatility of 30% and (iii) a tenor equal to the remaining unexpired term of the Warrants.

c. Dilution

The Warrants issued upon the Effective Date will be subject to dilution by the shares reserved or issued under the Management Incentive Plan.

d. Dividends

The holder of Warrants will not be entitled to receive any cash dividends or distributions payable to holders of New Common Stock.

e. Adjustments

Proportionate adjustments to the exercise price and the number of shares of New Common Stock issuable upon the exercise of the Warrants will be made for stock dividends or share distributions, stock splits, combinations and reclassifications.

f. Transfer Agent

The transfer agent and registrar for the Warrants will initially be New Holdco and will be an independent transfer agent after the Warrants become listed on the New York Stock Exchange or other recognized national securities exchange or market system. There is no assurance that the Class A New Common Stock will be listed on any stock exchange as of the Effective Date or any time thereafter. The Class B New Common Stock will not be listed on any national exchange.

8. ***Certificate of Incorporation and Bylaws***

On the Effective Date of the Plan, the New Holdco Certificate of Incorporation, substantially in the form included in the Plan Supplement, and the New Holdco Bylaws, substantially in the form included in the Plan Supplement, will be automatically authorized and approved and New Holdco will file the Amended and Certificate of Incorporation with the Secretary of State of Delaware on the Effective Date of the Plan.

The New Holdco Certificate of Incorporation and New Holdco Bylaws will be filed with the Bankruptcy Court at least five days prior to the deadline to object as established by the Bankruptcy Court. The New Holdco Certificate of Incorporation will, among other things: (i) authorize the issuance of 100 million shares of New Common Stock, issuable as either Class A Common Stock or Class B Common Stock, (ii) include, pursuant to section 1123(a)(6) of the Bankruptcy Code, a provision prohibiting the issuance of non-voting equity securities of New Holdco, (iii) to the extent necessary or appropriate, include any restrictions on transfer of the New Common Stock and (iv) to the extent necessary or appropriate, include effectuating provisions of the Plan.

On the Effective Date, the existing SemGroup equity securities, including, without limitation, any options issued under SemGroup's existing key management option plan, will be cancelled and be of no further force and effect. See Section V "The Plan."

The New Holdco Bylaws will provide for the corporate governance of New Holdco.

VII. LITIGATION TRUST

A. ESTABLISHMENT OF THE TRUST; LITIGATION TRUST AGREEMENT

On the Effective Date or as soon thereafter as is practicable, the Debtors or the Reorganized Debtors, as the case may be, on their own behalf and on behalf of the holders of Allowed Senior Notes Claims, Allowed Producer Secured Claims in excess of such Producers' Allowed Twenty-Day Claims, Allowed Lender Deficiency Claims, and Allowed General Unsecured Claims, shall execute the Litigation Trust Agreement and shall take all other steps necessary to establish the Litigation Trust in accordance with and pursuant to the terms of the Plan. The Debtors or the Reorganized Debtors shall transfer to the Litigation Trust all of their right, title, and interest in the Litigation Trust Claims, including any Litigation Trust Claims being prosecuted by the Creditors' Committee prior to the Effective Date. In connection with the above-described rights and causes of action, any attorney-client privilege, work-product

privilege, or other privilege or immunity attaching to any documents or communications (whether written or oral) shall be transferred to the Litigation Trust and shall vest in the Litigation Trustee and its representatives. The Debtors or the Reorganized Debtors, as the case may be, the Debtors in Possession, and the Litigation Trustee are authorized to take all necessary actions to effectuate the transfer of such privileges.

B. PURPOSE OF THE LITIGATION TRUST

The Litigation Trust shall be established for the sole purpose of liquidating its assets, in accordance with Treasury Regulation Section 301.7701-4(d), with no objective to continue or engage in the conduct of a trade or business.

C. FUNDING EXPENSES

In accordance with the Litigation Trust Agreement, upon the creation of the Litigation Trust, the Debtors or the Reorganized Debtors, as the case may be, shall transfer the Litigation Trust Funds to finance the operations of the Litigation Trust, which funding shall be repaid to the Prepetition Lenders from the first proceeds received out of the Litigation Trust. The Debtors and the Reorganized Debtors shall have no further obligation to provide any funding with respect to the Litigation Trust.

D. TRANSFER OF ASSETS

The transfer of the Litigation Trust Claims to the Litigation Trust shall be made, as provided herein, for the benefit of the holders of Allowed Senior Notes Claims, Allowed Producer Secured Claims in excess of such Producers' Allowed Twenty-Day Claims, Allowed Lender Deficiency Claims, and Allowed General Unsecured Claims, only to the extent holders of such Claims are entitled to distributions under the Plan. Immediately thereafter, on behalf of the holders of Allowed Senior Notes Claims, Allowed Producer Secured Claims in excess of such Producers' Allowed Twenty-Day Claims, Allowed Lender Deficiency Claims, and Allowed General Unsecured Claims, the Debtors or the Reorganized Debtors, as the case may be, shall transfer such Litigation Trust Claims to the Litigation Trust in exchange for Producer Preferred Distribution Rights and Litigation Trust Interests for the benefit of holders of Allowed Senior Notes Claims, Allowed Producer Secured Claims in excess of such Producers' Allowed Twenty-Day Claims, Allowed Lender Deficiency Claims, and Allowed General Unsecured Claims, in accordance with the Plan. Upon the transfer of the Litigation Trust Claims, the Debtors or the Reorganized Debtors, as the case may be, shall have no interest in or with respect to the Litigation Trust Claims or the Litigation Trust. Notwithstanding the foregoing, for purposes of section 553 of the Bankruptcy Code, the transfer of the Litigation Trust Claims to the Litigation Trust shall not affect the mutuality of obligations which otherwise may have existed prior to the effectuation of such transfer.

E. VALUATION OF ASSETS

As soon as possible after the creation of the Litigation Trust, but in no event later than 60 days thereafter, the Litigation Trust Board shall inform, in writing, the Litigation Trustee of the value of the assets transferred to the Litigation Trust, based on the good faith determination of the Litigation Trust Board, and the Litigation Trustee shall apprise, in writing,

the beneficiaries of the Litigation Trust of such valuation. The valuation shall be used consistently by all parties (including the Debtors, the Reorganized Debtors, the Litigation Trustee, and the beneficiaries of the Litigation Trust) for all federal income tax purposes.

F. LITIGATION; RESPONSIBILITIES OF LITIGATION TRUSTEE

The Litigation Trustee, upon direction by the Litigation Trust Board and in the exercise of their collective reasonable business judgment, shall, in an expeditious but orderly manner, liquidate and convert to Cash the assets of the Litigation Trust, make timely distributions, and not unduly prolong the duration of the Litigation Trust. The liquidation of the Litigation Trust Claims may be accomplished either through the prosecution, compromise and settlement, abandonment, or dismissal of any or all claims, rights, or causes of action, or otherwise. The Litigation Trustee, upon direction by the Litigation Trust Board, shall have the absolute right to pursue or not to pursue any and all Litigation Trust Claims as it determines is in the best interests of the beneficiaries of the Litigation Trust, and consistent with the purposes of the Litigation Trust, and shall have no liability for the outcome of its decision except for any damages caused by willful misconduct or gross negligence. The Litigation Trustee may incur any reasonable and necessary expenses in liquidating and converting the assets to Cash and shall be reimbursed in accordance with the provisions of the Litigation Trust Agreement.

The Litigation Trustee shall be named in the Confirmation Order or in the Litigation Trust Agreement and shall have the power to (i) prosecute for the benefit of the Litigation Trust all claims, rights, and causes of action transferred to the Litigation Trust (whether such suits are brought in the name of the Litigation Trust or otherwise) and (ii) otherwise perform the functions and take the actions provided for or permitted herein or in any other agreement executed by the Litigation Trustee pursuant to the Plan. Any and all proceeds generated from such claims, rights, and causes of action shall be the property of the Litigation Trust.

G. INVESTMENT POWERS

The right and power of the Litigation Trustee to invest assets transferred to the Litigation Trust, the proceeds thereof, or any income earned by the Litigation Trust shall be limited to the right and power to invest such assets (pending periodic distributions in accordance with Section 10.8 of the Plan) in Cash Equivalents; provided, however, that (a) the scope of any such permissible investments shall be limited to include only those investments, or shall be expanded to include any additional investments, as the case may be, that a liquidating trust, within the meaning of Treasury Regulation Section 301.7701-4(d), may be permitted to hold, pursuant to the Treasury Regulations, or any modification in the IRS guidelines, whether set forth in IRS rulings, other IRS pronouncements, or otherwise, and (b) the Litigation Trustee may expend the assets of the Litigation Trust (i) as reasonably necessary to meet contingent liabilities and maintain the value of the assets of the Litigation Trust during liquidation, (ii) to pay reasonable administrative expenses (including, but not limited to, any taxes imposed on the Litigation Trust or reasonable fees and expenses in connection with litigation), and (iii) to satisfy other liabilities incurred or assumed by the Litigation Trust (or to which the assets are otherwise subject) in accordance with the Plan or the Litigation Trust Agreement.

H. ANNUAL DISTRIBUTION; WITHHOLDING

The Litigation Trustee shall distribute at least annually to the holders of the Producer Preferred Distribution Rights and Litigation Trust Interests all net Cash income plus all net Cash proceeds from the liquidation of assets (including as Cash for this purpose, all Cash Equivalents); provided, however, that the Litigation Trust may retain such amounts (i) as are reasonably necessary to meet contingent liabilities and to maintain the value of the assets of the Litigation Trust during liquidation, (ii) to pay reasonable administrative expenses (including any taxes imposed on the Litigation Trust or in respect of the assets of the Litigation Trust), and (iii) to satisfy other liabilities incurred or assumed by the Litigation Trust (or to which the assets are otherwise subject) in accordance with the Plan or the Litigation Trust Agreement. All such distributions shall be pro rata based on the amount of Producer Preferred Distribution Rights or number of Litigation Trust Interests held by a holder compared with the aggregate amount of Producer Preferred Distributions Rights or number of Litigation Trust Interests outstanding, subject to the terms of the Plan and the Litigation Trust Agreement. The Litigation Trustee may withhold from amounts distributable to any Person any and all amounts, determined in the Litigation Trustee's reasonable sole discretion, to be required to be withheld by any law, regulation, rule, ruling, directive, or other governmental requirement.

I. REPORTING DUTIES

1. *Federal Income Tax Treatment of the Litigation Trust*

a. Litigation Trust Assets Treated as Owned by Creditors. For all federal income tax purposes, all parties (including, without limitation, the Debtors, the Reorganized Debtors, the Litigation Trustee, and the beneficiaries of the Litigation Trust) shall treat the transfer of the assets (the "Litigation Trust Assets") to the Litigation Trust for the benefit of the beneficiaries of the Litigation Trust, whether their Claims are Allowed on or after the Effective Date, as (a) a transfer of the Litigation Trust Assets directly to those holders of Allowed Claims receiving Producer Preferred Distribution Rights and Litigation Trust Interests (other than to the extent allocable to Disputed Claims), followed by (b) the transfer by such Persons to the Litigation Trust of the Litigation Trust Assets in exchange for beneficial interests in the Litigation Trust (and in respect of the Litigation Trust Assets allocable to the Disputed Claims Reserve, as a transfer to the Disputed Claims Reserve). Accordingly, those holders of Allowed Claims receiving Producer Preferred Distributions Rights and Litigation Trust Interests and Producer Preferred Distribution Rights shall be treated for federal income tax purposes as the grantors and owners of their respective shares of the Litigation Trust Assets. The foregoing treatment also shall apply, to the extent permitted by applicable law, for state and local income tax purposes.

b. Tax Reporting.

(i) The Litigation Trustee shall file returns for the Litigation Trust as a grantor trust pursuant to Treasury Regulation section 1.671-4(a) and in accordance with Section 10.9(a)(ii) of the Plan. The Litigation Trustee also shall annually send to each holder of a Producer Preferred Distribution Right or Litigation Trust Interest a separate statement setting forth the holder's share of items of income, gain, loss, deduction, or credit and will instruct all such holders to report such items on their federal income tax returns. The Litigation Trustee also shall file (or cause to be filed) any other statements, returns, or disclosures relating to the Litigation Trust that are required by any governmental unit.

(ii) As soon as possible after the Effective Date, the Litigation Trustee shall make a good-faith valuation of the Litigation Trust Assets, subject to the valuation of the Litigation Trust Board referred to in Section 10.5 of the Plan, and such valuation shall be made available from time to time, to the extent relevant, and shall be used consistently by all parties (including, without limitation, the Debtors, the Reorganized Debtors, the Litigation Trustee, and the beneficiaries of the Litigation Trust) for all federal income tax purposes.

(iii) Allocations of Litigation Trust taxable income among the holders of the Producer Preferred Distribution Rights and Litigation Trust Interests shall be determined by reference to the manner in which an amount of Cash equal to such taxable income would be distributed (without regard to any restrictions on distributions described herein) if, immediately prior to such deemed distribution, the Litigation Trust had distributed all its other assets (valued at their tax book value) to the holders of the Producer Preferred Distribution Rights and Litigation Trust Interests, in each case up to the tax book value of the assets treated as contributed by such holders, adjusted for prior taxable income and loss and taking into account all prior and concurrent distributions from the Litigation Trust. Similarly, taxable loss of the Litigation Trust shall be allocated by reference to the manner in which an economic loss would be borne immediately after a liquidating distribution of the remaining Litigation Trust Assets. The tax book value of the Litigation Trust Assets for this purpose shall equal their fair market value on the Effective Date, adjusted in accordance with tax accounting principles

prescribed by the Tax Code, and applicable tax regulations, and other applicable administrative and judicial authorities and pronouncements.

(iv) The Litigation Trustee shall be responsible for payments, out of the Litigation Trust Assets, of any taxes imposed on the trust or its assets.

(v) The Litigation Trustee may request an expedited determination of taxes of the Litigation Trust under section 505(b) of the Bankruptcy Code for all returns filed for, or on behalf of, the Litigation Trust for all taxable periods through the dissolution of the Litigation Trust.

J. TRUST IMPLEMENTATION

On the Effective Date or as soon thereafter as is practicable, the Litigation Trust shall be established and become effective for the benefit of the holders of Allowed Senior Notes Claims, Allowed Producer Secured Claims in excess of such Producers' Allowed Twenty-Day Claims, Allowed Lender Deficiency Claims, and Allowed General Unsecured Claims. The Litigation Trust Agreement shall be included in the Plan Supplement and shall contain provisions similar to those contained in trust agreements utilized in comparable circumstances, including, but not limited to, any and all provisions necessary to ensure the continued treatment of the Litigation Trust as a grantor trust for federal income tax purposes. All parties (including the Debtors or the Reorganized Debtors, as the case may be, the Litigation Trustee, and holders of Allowed Senior Notes Claims, Allowed Producer Secured Claims in excess of such Producers' Allowed Twenty-Day Claims, Allowed Lender Deficiency Claims, and Allowed General Unsecured Claims) shall execute any documents or other instruments as necessary to cause title to the applicable assets to be transferred to the Litigation Trust.

K. REGISTRY OF BENEFICIAL INTERESTS

The Litigation Trustee shall maintain a registry of the holders of Producer Preferred Distribution Rights and Litigation Trust Interests.

L. TERMINATION

The Litigation Trust shall terminate no later than the fifth (5th) anniversary of the Effective Date; provided, however, that, on or prior to the date that is 90 days prior to such termination, the Bankruptcy Court, upon motion by a party in interest, may extend the term of the Litigation Trust if it is necessary to the liquidation of the Litigation Trust Claims. Notwithstanding the foregoing, multiple extensions can be obtained so long as Bankruptcy Court approval is obtained at least 90 days prior to the expiration of each extended term.

M. NET LITIGATION TRUST RECOVERY/ASSIGNMENT OF CLAIMS

1. ***Net Judgment***

Notwithstanding anything contained herein or in the Plan to the contrary, in the event that a defendant in a litigation brought by the Litigation Trustee for and on behalf of the Litigation Trust (i) is required by a Final Order to make payment to the Litigation Trust (the "Judgment Amount") and (ii) is permitted by a Final Order to assert a right of setoff under section 553 of the Bankruptcy Code or applicable non-bankruptcy law against the Judgment Amount (a "Valid Setoff"), (y) such defendant shall be obligated to pay only the excess, if any, of the amount of the Judgment Amount over the Valid Setoff and (z) none of the Litigation Trust or the holders or beneficiaries of the Producer Preferred Distribution Rights or Litigation Trust Interests shall be entitled to assert a claim against the Debtors or the Reorganized Debtors with respect to the Valid Setoff.

2. ***Assignment***

Notwithstanding anything contained herein or in the Plan to the contrary, in the event that a compromise and settlement of a Litigation Trust Claim or a Final Order with respect to a Litigation Trust Claim provides for a waiver, subordination, or disallowance of a defendant's Claim or Claims against one or more of the Debtors, for purposes of computing amounts of distributions, (i) such Claim shall be deemed Allowed to the lesser of (y) the "Estimated Allowed Amount" (which shall exclude duplicative Claims) of such Claim, as reflected on the Debtors' claims management system and (z) the filed proof of claim with respect thereto; provided, however, that, in the event that such proof of claim was filed in a zero-dollar ($0.00), contingent, or unliquidated amount, such Claim shall be deemed Allowed at the "Estimated Allowed Amount" of such Claim on the Debtors' claims management system, (ii) such defendant shall be deemed to have assigned such Claim or Claims and right to receive distributions in accordance with the Plan to the Litigation Trust, (iii) the Disbursing Agent shall make distributions with respect to such Allowed Claims to the Litigation Trust, and (iv) such defendant shall not be entitled to receive distributions from the Litigation Trust on account thereof.

VIII. SECURITIES LAW MATTERS

A. ISSUANCE AND RESALE OF 1145 SECURITIES

In reliance upon section 1145 of the Bankruptcy Code, the offer and issuance of the 1145 Securities to the holders of Allowed Claims in Classes 53 through 121 and 149 through 252 will be exempt from the registration requirements of the Securities Act and equivalent provisions in state securities laws. Section 1145(a) of the Bankruptcy Code generally exempts from such registration requirements the issuance of securities if the following conditions are satisfied: (i) the securities are issued or sold under a chapter 11 plan by (a) a debtor, (b) one of its affiliates participating in a joint plan with the debtor, or (c) a successor to a debtor under the plan and (ii) the securities are issued entirely in exchange for a claim against or interest in the debtor or such affiliate, or are issued principally in such exchange and partly for cash or property. The Debtors believe that the exchange of 1145 Securities for Claims against the Debtors under the circumstances provided in the Plan will satisfy the requirements of section 1145(a) of the Bankruptcy Code.

The 1145 Securities to be issued pursuant to the Plan will be deemed to have been issued in a public offering under the Securities Act and, therefore, may be resold by any holder

thereof without registration under the Securities Act pursuant to the exemption provided by section 4(1) thereof, unless the holder is an "underwriter" with respect to such securities, as that term is defined in section 1145(b)(1) of the Bankruptcy Code, or a Statutory Underwriter. In addition, such securities generally may be resold by the holders thereof without registration under state securities or "blue sky" laws pursuant to various exemptions provided by the respective laws of the individual states. However, holders of securities issued under the Plan are advised to consult with their own counsel as to the availability of any such exemption from registration under federal securities laws and any relevant state securities laws in any given instance and as to any applicable requirements or conditions to the availability thereof.

Section 1145(b)(i) of the Bankruptcy Code defines "underwriter" for purposes of the Securities Act as one who (i) purchases a claim or interest with a view to distribution of any security to be received in exchange for the claim or interest, or (ii) offers to sell securities issued under a plan for the holders of such securities, or (iii) offers to buy securities issued under a plan from persons receiving such securities, if the offer to buy is made with a view to distribution of such securities and under an agreement made in connection with the plan, with the consummation of the plan, or with the offer or sale of securities under the plan, or (iv) is an issuer of the securities within the meaning of section 2(a)(11) of the Securities Act.

An entity is not deemed to be an "underwriter" under section 2(a)(11) of the Securities Act with respect to securities received under section 1145(a)(1) which are transferred in "ordinary trading transactions" made on a national securities exchange or a NASDAQ market. What constitutes "ordinary trading transactions" within the meaning of section 1145 of the Bankruptcy Code is the subject of interpretive letters by the staff of the SEC. Generally, ordinary trading transactions are those that do not involve (i) concerted activity by recipients of securities under a plan of reorganization, or by distributors acting on their behalf, in connection with the sale of such securities, (ii) use of informational documents in connection with the sale other than the disclosure statement relating to the plan, any amendments thereto, and reports filed by the issuer with the SEC under the Securities Exchange Act, or (iii) payment of special compensation to brokers or dealers in connection with the sale.

The term "issuer" is defined in section 2(4) of the Securities Act; the reference contained in section 1145(b)(1)(D) of the Bankruptcy Code to section 2(11) of the Securities Act, however, purports to include as Statutory Underwriters all persons who, directly or indirectly, through one or more intermediaries, control, are controlled by, or are under common control with, an issuer of securities. "Control" (as defined in Rule 405 under the Securities Act) means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a person, whether through the ownership of voting securities, by contract, or otherwise. Accordingly, an officer or director of a reorganized debtor or its successor under a plan of reorganization may be deemed to be a "control person" of such debtor or successor, particularly if the management position or directorship is coupled with ownership of a significant percentage of the voting securities of such issuer. Additionally, the legislative history of section 1145 of the Bankruptcy Code provides that a creditor who receives at least 10% of the voting securities of an issuer under a plan of reorganization will be presumed to be a Statutory Underwriter within the meaning of section 1145(b)(i) of the Bankruptcy Code.

Resales of 1145 Securities by persons deemed to be Statutory Underwriters would not be exempted by section 1145 of the Bankruptcy Code from registration under the Securities Act or other applicable law. Under certain circumstances, holders of 1145 Securities deemed to be "underwriters" may be entitled to resell their securities pursuant to the limited safe harbor resale provisions of Rule 144 of the Securities Act, to the extent available, and in compliance with applicable state and foreign securities laws. Generally, Rule 144 of the Securities Act provides that persons who are affiliates of an issuer who resell securities will not be deemed to be underwriters if certain conditions are met. These conditions include the requirement that current public information with respect to the issuer be available, a limitation as to the amount of securities that may be sold in any three-month period, the requirement that the securities be sold in a "brokers transaction" or in a transaction directly with a "market maker" and that notice of the resale be filed with the Securities and Exchange Commission. The Debtors cannot assure, however, that adequate current public information will exist with respect to any issuer of 1145 Securities and therefore, that the safe harbor provisions of Rule 144 of the Securities Act will be available.

Pursuant to the Plan, certificates evidencing 1145 Securities received by restricted holders or by a holder that the Debtors determine is an underwriter within the meaning of section 1145 of the Bankruptcy Code will bear a legend substantially in the form below:

THE SECURITIES EVIDENCED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR UNDER THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION AND MAY NOT BE SOLD, OFFERED FOR SALE OR OTHERWISE TRANSFERRED UNLESS REGISTERED OR QUALIFIED UNDER SAID ACT AND APPLICABLE STATE SECURITIES LAWS OR UNLESS THE COMPANY RECEIVES AN OPINION OF COUNSEL REASONABLY SATISFACTORY TO IT THAT SUCH REGISTRATION OR QUALIFICATION IS NOT REQUIRED.

Any person or entity entitled to receive 1145 Securities who the issuer of such securities determines to be a Statutory Underwriter that would otherwise receive legended securities as provided above, may instead receive certificates evidencing 1145 Securities without such legend if, prior to the distribution of such securities, such person or entity delivers to such issuer, (i) an opinion of counsel reasonably satisfactory to such issuer to the effect that the 1145 Securities to be received by such person or entity are not subject to the restrictions applicable to "underwriters" under section 1145 of the Bankruptcy Code and may be sold without registration under the Securities Act and (ii) a certification that such person or entity is not an "underwriter" within the meaning of section 1145 of the Bankruptcy Code.

Any holder of a certificate evidencing 1145 Securities bearing such legend may present such certificate to the transfer agent for 1145 Securities for exchange for one or more new certificates not bearing such legend or for transfer to a new holder without such legend at such time as (i) such securities are sold pursuant to an effective registration statement under the

Securities Act or (ii) such holder delivers to the issuer of such securities an opinion of counsel reasonably satisfactory to such issuer to the effect that such securities are no longer subject to the restrictions applicable to "underwriters" under section 1145 of the Bankruptcy Code or (iii) such holder delivers to such issuer an opinion of counsel reasonably satisfactory to such issuer to the effect that (x) such securities are no longer subject to the restrictions pursuant to an exemption under the Securities Act and such securities may be sold without registration under the Securities Act or (y) such transfer is exempt from registration under the Securities Act, in which event the certificate issued to the transferee shall not bear such legend.

IN VIEW OF THE COMPLEX, SUBJECTIVE NATURE OF THE QUESTION OF WHETHER A RECIPIENT OF SECURITIES MAY BE AN UNDERWRITER OR AN AFFILIATE OF THE REORGANIZED DEBTORS, THE DEBTORS MAKE NO REPRESENTATIONS CONCERNING THE RIGHT OF ANY PERSON TO TRADE IN SECURITIES TO BE DISTRIBUTED PURSUANT TO THE PLAN. ACCORDINGLY, THE DEBTORS RECOMMEND THAT POTENTIAL RECIPIENTS OF SECURITIES CONSULT THEIR OWN COUNSEL CONCERNING WHETHER THEY MAY FREELY TRADE SUCH SECURITIES.

B. LISTING

The Debtors will use commercially reasonable efforts to cause New Holdco to prepare and file a registration statement under the Exchange Act of 1934, as amended, with the SEC with respect to the registration of the New Common Stock and Warrants and to obtain and maintain approval for the listing of the Class A New Common Stock on the New York Stock Exchange or other recognized national securities exchange or market system on or as soon as reasonably practicable after the Effective Date. However, neither New Holdco nor any of its shareholders will be required to issue or sell any New Common Stock or Warrants to satisfy the requirements to obtain any such listing. Prior to a listing, the Debtors will cause New Holdco to use commercially reasonable efforts to make publicly available such information as would be required to allow a broker to trade the New Common Stock and Warrants.

The other 1145 Securities will not be listed on any securities exchange.

IX. CERTAIN FACTORS AFFECTING THE DEBTORS

HOLDERS OF CLAIMS AND LITIGATION TRUST INTERESTS SHOULD READ AND CONSIDER CAREFULLY THE FACTORS SET FORTH BELOW, AS WELL AS THE OTHER INFORMATION SET FORTH IN THE DISCLOSURE STATEMENT AND RELATED DOCUMENTS, REFERRED TO OR INCORPORATED BY REFERENCE IN THE DISCLOSURE STATEMENT, PRIOR TO VOTING TO ACCEPT OR REJECT THE PLAN. THIS SECTION PROVIDES INFORMATION REGARDING POTENTIAL RISKS IN CONNECTION WITH THE PLAN, THE FINANCIAL PROJECTIONS AND OTHER RISKS THAT COULD IMPACT THE REORGANIZED SEMGROUP COMPANIES FUTURE BUSINESS OPERATIONS AND PERFORMANCE. THESE FACTORS SHOULD NOT, HOWEVER, BE REGARDED AS CONSTITUTING THE ONLY RISKS INVOLVED IN CONNECTION WITH THE PLAN AND ITS IMPLEMENTATION.

A. CERTAIN RISKS RELATED TO THE PLAN

1. ***Undue delay in confirmation of the Plan may significantly disrupt operations of the Debtors.***

The impact a continuation of the Chapter 11 Cases may have on operations of the Debtors and their businesses cannot be accurately predicted or quantified. Since the filing of the Chapter 11 Cases, the Debtors have suffered disruptions in operations, including losses of customers and suppliers. The continuation of the Chapter 11 Cases, particularly if the Plan is not approved or confirmed in the time frame currently contemplated, could further adversely affect the Debtors' operations and relationships with the Debtors' customers, vendors, suppliers, employees and regulators. If confirmation of the Plan does not occur expeditiously, the Chapter 11 Cases could result in, among other things, increases in costs, professional fees and similar expenses. In addition, prolonged Chapter 11 Cases may make it more difficult to retain and attract management and other key personnel, and would require senior management to spend a significant amount of time and effort dealing with the Debtors' financial reorganization instead of focusing on the operation of the Debtors' businesses.

In addition, in connection with the Postpetition Financing Agreement, the Debtors have committed to the achievement of certain milestones by certain dates, including the following:

ACTION/MILESTONE	***DATE***
Commence Hearing on Approval of Disclosure Statement	June 26, 2009
Confirmation of Plan	September 18, 2009
Effective Date of Plan	September 30, 2009

The failure of the Debtors to achieve these milestones by the dates required under the Postpetition Financing Agreement would (unless duly waived) constitute an event of default under the Postpetition Financing Agreement and Postpetition Financing Order. This default could give rise to termination of the Postpetition Financing Facility and the Debtors' ability to use cash collateral as well as the exercise of remedies by the DIP Agent with respect to some or all of the Debtors' assets, which would adversely affect the business and results of operations of the Debtors.

2. ***The Debtors may not be able to obtain confirmation.***

The Debtors cannot ensure that they will receive the requisite acceptances to confirm the Plan. Even if the Debtors receive the requisite acceptances, the Debtors cannot ensure that the Bankruptcy Court will confirm the Plan. A non-accepting Creditor may challenge the adequacy of the Disclosure Statement or the balloting procedures and results as not being in compliance with the Bankruptcy Code. Even if the Bankruptcy Court determined that the Disclosure Statement and the balloting procedures and results were appropriate, the Bankruptcy Court could still decline to confirm the Plan if it found that any of the statutory requirements for confirmation had not been met. Section 1129 of the Bankruptcy Code sets forth the requirements for confirmation and requires, among other things: (i) a finding by a bankruptcy court that a plan "does not unfairly discriminate" and is "fair and equitable" with

respect to any non-accepting classes, (ii) confirmation is not likely to be followed by a liquidation or a need for further financial reorganization and (iii) the value of distributions to non-accepting holders of claims and interests within a particular class under the plan will not be less than the value of distributions such holders would receive if the debtors were liquidated under chapter 7 of the Bankruptcy Code. While there can be no assurance that these requirements will be met, the Debtors believe that the Plan does not unfairly discriminate and is fair and equitable, will not be followed by a need for further financial reorganization, and that non-accepting holders within each Class under the Plan will receive distributions at least as great as would be received following a liquidation under chapter 7 of the Bankruptcy Code.

If the Plan is not confirmed, it is unclear whether a restructuring of the Debtors could be implemented and what distributions holders of Claims ultimately would receive. If an alternative feasible reorganization could not be proposed, it is possible that the Debtors would have to liquidate their assets, in which case, as set forth in the Liquidation Analysis, it is unlikely that holders of Claims would receive substantially less favorable treatment than they would receive under the Plan.

3. ***Parties in interest may object to the Debtors' classification of Claims.***

Section 1122 of the Bankruptcy Code provides that a plan of reorganization may place a class or an interest in a particular class only if such class or interest is substantially similar to the other claims or interests in such class. The Debtors believe that the classification of Claims and Equity Interests under the Plan complies with the requirements set forth in the Bankruptcy Code. However, there is no assurance that the Bankruptcy Court will necessarily hold that the Claims classification scheme complies with the Bankruptcy Code, which could delay or prevent the confirmation of the Plan.

4. ***Certain tax consequences of the Plan raise unsettled and complex legal issues and involve various factual determinations.***

Some of the material consequences of the Plan regarding United States federal income taxes are summarized in Section X. Some of these tax issues raise unsettled and complex legal issues, and also involve various factual determinations, that raise additional uncertainties. The Debtors cannot ensure that the IRS will not take a contrary view and no ruling from the IRS has been or will be sought regarding the tax consequences described in Section X. In addition, the Debtors cannot ensure that the IRS will not challenge the various positions the Debtors have taken, or intend to take, with respect to various tax issues, or that a court would not sustain such a challenge. FOR A MORE DETAILED DISCUSSION OF RISKS RELATING TO THE SPECIFIC POSITIONS THE DEBTORS INTEND TO TAKE WITH RESPECT TO VARIOUS TAX ISSUES, PLEASE SEE SECTION X.

B. RISKS RELATED TO THE CAPITALIZATION OF THE REORGANIZED SEMGROUP COMPANIES

1. ***The Reorganized SemGroup Companies' future financial and operating flexibility may be adversely affected by their significant leverage as a result of the Exit***

Facility, the significant working capital needs associated with their current operations and future capital expenditures, and recent disruptions in the financial markets.

The Reorganized SemGroup Companies will have substantial indebtedness. On the Effective Date, after giving effect to the transactions contemplated by the Plan (and assuming the New Term Notes are issued on such date), the Reorganized SemGroup Companies will, on a consolidated basis, have approximately $625 million (including $160 million in outstanding of letters of credit) in secured and unsecured indebtedness and expect to have the ability to borrow up to an additional $340 million under the Exit Facility. Significant amounts of cash flow will be necessary to make payments of interest and repay the principal amount of such indebtedness.

The degree to which the Reorganized SemGroup Companies are leveraged could have important consequences because:

- it could affect the Reorganized SemGroup Companies' ability to satisfy their obligations under the Exit Facility, the New Term Notes and other obligations;
- a substantial portion of the Reorganized SemGroup Companies' cash flow from operations will be required to be dedicated to interest and principal payments and may not be available for operations, working capital, capital expenditures, expansion, acquisitions or general corporate or other purposes;
- the Reorganized SemGroup Companies' ability to obtain additional financing in the future may be impaired;
- the Reorganized SemGroup Companies may be more highly leveraged than some of their competitors, which may place the Reorganized Debtors at a competitive disadvantage;
- the Reorganized SemGroup Companies' flexibility in planning for, or reacting to, changes in their business may be limited; and
- it may make the Reorganized SemGroup Companies more vulnerable in the event of a downturn in their business or the economy in general.

The Reorganized Debtors' ability to make payments on and to refinance their debt, including the Exit Facility and the New Term Notes, will depend on their ability to generate cash in the future. This, to a certain extent, is subject to general economic, business, financial, competitive, legislative, regulatory, and other factors that are beyond the control of the Reorganized SemGroup Companies.

There can be no assurance that the Reorganized SemGroup Companies will be able to generate sufficient cash flow from operations or that future borrowings will be available under credit facilities in an amount sufficient to enable the Reorganized SemGroup Companies to pay their debt obligations, including obligations under the Exit Facility, the New Term Notes, or to fund their other liquidity needs. The Reorganized SemGroup Companies may need to refinance all or a portion of their debt on or before maturity. There can be no assurance that the

Reorganized SemGroup Companies will be able to refinance any of their debt on commercially reasonable terms or at all.

2. ***The SemGroup Companies' subsidiary indebtedness, including their ability to maintain or refinance certain indebtedness, may adversely affect the Reorganized SemGroup Companies' future financial and operational results.***

SemEuro, White Cliffs, and Wyckoff have entered into and SemMexico may need to enter into separate credit facilities. The Plan does not contemplate that any of the existing credit facilities with respect to these entities will be refinanced through the Exit Facility. There can be no assurance that these entities will be able to satisfy their obligations under their respective existing or future credit facilities, refinance any expiring credit facilities on acceptable or market based terms, or procure new credit facilities. If these entities are unable to satisfy their obligations under the credit facilities or refinance the facilities on reasonable and acceptable terms it could have an adverse impact on the Reorganized SemGroup Companies' financial and operating results.

3. ***The covenants in the Exit Facility and New Term Notes Indenture could hinder the Reorganized SemGroup Companies' business activities and operations.***

The Exit Facility and the New Term Notes Indenture will contain various provisions which may limit the Reorganized SemGroup Companies ability to, among other things, incur additional indebtedness, incur liens, pay dividends or make certain restricted payments, consummate certain asset sales, enter into certain transactions with affiliates, merge, consolidate and/or sell or dispose of all or substantially all of its assets. These provisions will include an obligation for the Reorganized SemGroup Companies to comply with the Risk Management Policy.

In addition, it is expected that the Exit Facility and the New Term Notes Indenture will require New Holdco to meet certain financial ratios. Covenants in the Exit Facility and the New Term Notes Indenture may also require New Holdco to use a portion of its cash flow and the proceeds it receives from certain asset sales and specified debt or equity issuances and upon the occurrence of other events to repay outstanding borrowings under the Exit Facility and the New Term Notes Indenture.

Any failure to comply with the restrictions of the Exit Facility and the New Term Notes Indenture or any other such subsequent financing agreements may result in an event of default. An event of default may allow the creditors to accelerate the related debt as well as any other debt to which a cross-acceleration or cross-default provision applies. If New Holdco and the other Reorganized SemGroup Companies are unable to repay amounts outstanding under the Exit Facility and the New Term Notes Indenture when due, the lenders there under could, subject to the terms of the relevant agreements, seek to sell or otherwise transfer the assets that are pledged to secure the indebtedness outstanding under those facilities and notes. Substantially all of the assets of the Reorganized SemGroup Companies will be pledged as security under the Exit Facility and New Term Notes. In addition, the Exit Lenders may choose to terminate any commitments they then have made to supply the Reorganized SemGroup Companies with further funds.

4. ***An active market for Class A New Common Stock may not develop and there will be no active market for Class B New Common Stock, which may hinder or prevent the stockholders of the New Common Stock from trading shares.***

There currently is no trading market for New Common Stock.

New Holdco can make no assurance that a regular trading market for Class A New Common Stock will develop following confirmation of the Plan or, if a trading market does develop, that it will be sustainable. Accordingly, New Holdco cannot ensure any level of liquidity in the market for Class A New Common Stock, the ability to sell shares of Class A New Common Stock when desired, or at all, or the prices that may be obtained for shares of Class A New Common Stock.

Class B New Common Stock will not be listed on a national security exchange and as a result New Holdco does not expect that any significant trading market will develop for this class of stock.

5. ***The initial valuation of New Common Stock is not intended to represent the trading or market value of New Common Stock and there is no assurance that a stockholder will be able to sell the New Common Stock at a reasonable price or at all.***

The valuation analysis used to determine the initial price of New Common Stock was based on the Reorganized SemGroup Companies' financial projections developed by the Debtors' management and on certain generally accepted valuation principles and was not intended to represent the trading values of New Common Stock in public or private markets. Several factors may cause the price of New Common Stock to vary including:

- changes in the Reorganized SemGroup Companies' financial performance and prospects or in the financial performance and prospects of companies engaged in businesses that are similar to its business;
- changes in laws or regulations, or new interpretations or applications of laws and regulations, that are applicable to the Reorganized SemGroup Companies' businesses;
- changes in prices of commodities associated with the Reorganized SemGroup Companies' businesses;
- significant trading or sales of New Common Stock or actions by New Holdco's stockholders;
- limitations on New Holdco's ability to pay dividends on the New Common Stock;
- general economic trends and other external factors, including those resulting from financial markets, weather, catastrophic events, war, incidents of terrorism or responses to these events;

- speculation in the press or investment community regarding the Reorganized SemGroup Companies' businesses, officers, employees or factors or events that may directly or indirectly affect its businesses; and

- adverse market reaction to any indebtedness the Reorganized SemGroup Companies may incur or securities New Holdco may issue in the future.

Additionally, the stock market has experienced extreme volatility in recent months and this volatility has often been unrelated to the operating performance of particular companies. All of the above factors, among others, may cause the price of the New Common Stock to fluctuate after trading commences and the New Common Stock may not be able to be sold at a reasonable price, or at all.

C. RISKS RELATED TO THE FINANCIAL AND OPERATIONAL RESULTS OF THE REORGANIZED SEMGROUP COMPANIES

1. *Reduced demand for petroleum and natural gas based products could adversely affect the financial and operating results of the Reorganized SemGroup Companies.*

Any long-term, sustained decrease in demand for petroleum or natural gas based products in the markets served by the Reorganized SemGroup Companies' pipelines, terminals, storage facilities, plants or operations may result in a marked decrease in its storage and terminal utilization, pipeline throughputs, plant processing volumes, or sales volumes, thereby negatively affecting its financial and operating results. Factors that could lead to a decrease in market demand for petroleum or natural gas based products in the markets the Reorganized SemGroup Companies operate within include:

- recessions or other adverse or uncertain economic conditions;

- higher taxes, including federal excise taxes, crude oil severance taxes or sales taxes or other governmental or regulatory actions that increase, directly or indirectly, the cost of petroleum and natural gas based products;

- increases in technology or product efficiency where less petroleum or natural gas based products are needed to achieve the same results;

- replacement of petroleum or natural gas based products with alternative sources of energy as a result of consumer preferences, development of alternative fuels or supplies or technological advances;

- energy conservation or structural changes in the midstream energy industry;

- changes in the market price of crude oil, natural gas, petroleum or natural gas based products, or alternatives to petroleum or natural gas based products;

- laws or statutory mandates enacted by governmental bodies that impact petroleum and natural gas based products or other energy commodities; and

- effects of weather, natural phenomena, terrorism, war, or other similar acts.

2. ***A decrease in the demand for services the Reorganized SemGroup Companies provide could cause a reduction in their financial or operational results.***

A decrease in demand for the Reorganized SemGroup Companies' services could result in a reduction of throughputs in the pipelines, storage, terminals or plants of the Reorganized SemGroup Companies and could cause revenues to decline and adversely affect financial and operational results. A decrease in throughputs could result from a temporary or permanent decline in the amount of petroleum or natural gas based products transported and stored by customers or provided by suppliers. Factors that could result in such a decline include:

- a material decrease in the supply or demand for petroleum or natural gas based products globally or in the markets in which the Reorganized SemGroup Companies operate for any reason;

- operational problems or catastrophic events affecting the Reorganized SemGroup Companies, its suppliers or its customers;

- competitors' cost to provide the same or similar services as the Reorganized SemGroup Companies;

- proceedings or regulations that impact Reorganized SemGroup Companies, its suppliers or its customers; or

- decisions by Reorganized SemGroup Companies' customers or suppliers to use alternate service providers for a portion or all of their needs, operate in different markets not served by Reorganized SemGroup Companies, reduce operations or cease operations entirely.

3. ***The Reorganized SemGroup Companies may be unable to generate sufficient or positive gross margins from the purchase, transportation, storage, distribution and sale of petroleum and natural gas based products to adequately support their financial or operational results.***

The Reorganized SemGroup Companies' marketing results depend upon their ability to generate sufficient or positive gross margins from the purchase and sale of petroleum and natural gas based products. The Reorganized SemGroup Companies' gross margin, which is the difference between the sales price of their products and services and the cost to purchase or provide such product or service, as applicable, is affected by many factors beyond their control, including:

- availability of parties willing to enter into purchase and sale transactions with the Reorganized SemGroup Companies;

- increases in operational or capital costs which result in the Reorganized SemGroup Companies being uncompetitive;

- availability of crude oil, natural gas or petroleum and natural gas based products to the Reorganized SemGroup Companies for any reason;

- volatility in the price of crude oil, natural gas, or petroleum and natural gas based products due to any reason;

- availability of funds from operations and credit facilities of the Reorganized SemGroup Companies to support marketing and trading activities;

- reductions in demand for petroleum and natural gas based products for any reason;

- stability, performance and strength of financial markets and economies globally, in the United States and localities in which the Reorganized SemGroup Companies operate;

- prices for petroleum and natural gas based products at various production locations and points of sale as well as purchase and sale transactional costs, including hedging costs and futures contracts on the NYMEX and OTC markets; and

- technical and structural changes in the crude oil, natural gas, and/or petroleum and natural gas based products markets.

4. ***Reorganized SemGroup Companies' Risk Management Policy governing trading and marketing policies cannot eliminate all risks associated with trading and marketing nor can the Reorganized SemGroup Companies ensure compliance with the Risk Management Policy by its employees, both of which could impact financial and operational results.***

It is expected the Reorganized SemGroup Companies' Risk Management Policy will have limits for trading and marketing exposures including requirements that the Reorganized SemGroup Companies maintain a substantially balanced position between purchases on the one hand, and sales or future delivery obligations on the other hand. Reorganized SemGroup Companies' Risk Management Policy will be to not acquire and hold physical inventory, futures contracts or derivative products for the purpose of speculating on commodity price changes. These policies and practices, however, cannot eliminate all risks. If Reorganized SemGroup Companies enter into derivatives contracts or sale contracts for the delivery of products at a future date, it is subject to the risk of non-delivery under product purchase contracts or the failure of gathering and transportation systems. For example, any event that disrupts Reorganized SemGroup Companies' anticipated physical supply of products could expose it to risk of loss resulting from price changes.

Moreover, the Reorganized SemGroup Companies are exposed to price movements on products that are not hedged, including certain of its inventory, such as linefill,

which must be maintained to operate pipeline or gathering lines. Reorganized SemGroup Companies are also exposed to certain price risks that cannot be hedged, such as price risks for "basis differentials." "Basis differential" can be created to the extent that Reorganized SemGroup Companies' sales contracts call for delivery of a petroleum product of a grade or location that differs from the specific delivery terms of publicly traded futures contracts. If this occurs the Reorganized SemGroup Companies may not be able to use the public markets to fully hedge its price risk. Even though Reorganized SemGroup Companies will engage only in limited trading as allowed under the Risk Management Policy, it will be exposed to price risks within predefined limits and authorizations which could impact the operational and financial results of the Reorganized SemGroup Companies.

Reorganized SemGroup Companies have a risk that employees involved in the trading and marketing operations may not comply with its Risk Management Policy. Reorganized SemGroup Companies cannot ensure that all violations of its Risk Management Policy, particularly if deception or other intentional misconduct is involved, will be detected prior to its business being materially affected.

5. ***Reorganized SemGroup Companies are exposed to the creditworthiness and performance of its customers, suppliers and transactional counterparties, and any material nonpayment or nonperformance by one or more of these parties could adversely affect the financial and operational results of the Reorganized SemGroup Companies.***

There can be no assurance that Reorganized SemGroup Companies has adequately assessed the creditworthiness of its existing or future customers, suppliers or transactional counterparties or that there will not be a rapid and unanticipated deterioration in their creditworthiness, which would have an adverse impact on the Reorganized SemGroup Companies' financial condition and results of operations. Nor is there certainty that counterparties to the Reorganized SemGroup Companies will perform or adhere to existing or future contractual arrangements.

The Reorganized SemGroup Companies intend to manage their exposure to credit risk through credit analysis and monitoring procedures and policies, including credit support requirements such as letters of credit, prepayments and guarantees. However, these procedures and policies cannot fully eliminate counterparty credit risk, and to the extent the Reorganized SemGroup Companies' procedures and policies prove to be inadequate, its financial and operational results could be negatively impacted. Some of the Reorganized SemGroup Companies' counterparties may be highly leveraged and subject to their own operating and regulatory risks and, even if the Reorganized SemGroup Companies' credit review and analysis mechanisms work properly, they may experience financial losses in their dealings with such parties. In addition, volatility in commodity prices might have an impact on many of the Reorganized SemGroup Companies' counterparties, which in turn could have a negative impact on their ability to meet their obligations to the Reorganized SemGroup Companies.

Any material nonpayment or nonperformance by the Reorganized SemGroup Companies' counterparties could require the Reorganized SemGroup Companies to pursue substitute counterparties for their affected operations, reduce operations or provide alternative

services. There can be no assurance that any such efforts would be successful or would provide similar financial and operational results.

6. ***The Reorganized SemGroup Companies' operations are subject to substantial regulatory requirements which could impact its financial and operational results.***

The Reorganized SemGroup Companies' operations are subject to substantial regulation from federal, state, local and provincial authorities. These authorities regulate numerous aspects of the Reorganized SemGroup Companies' operations, including its interstate natural gas storage operations, certain crude oil gathering systems, construction and maintenance of facilities, and rate structures among other things. The Reorganized SemGroup Companies cannot predict the impact of any future revisions or interpretation changes of existing regulations or the adoption of new laws and regulations applicable to its businesses. Revisions, interpretation changes or additional regulations could influence its operating environment and may result in increased costs for the Reorganized SemGroup Companies.

7. ***The nature of the Reorganized SemGroup Companies' assets and operations could expose them to significant environmental compliance costs and liabilities and substantial expenditures may be required to maintain the integrity of pipelines and other assets at acceptable levels all of which could impact financial and operational results.***

The Reorganized SemGroup Companies' operations involving the storage, treatment, processing, and/or transportation of liquid hydrocarbons, including crude oil, refined products, and petroleum and natural gas based products are subject to stringent federal, state, provincial, foreign, and local laws and regulations including the receipt of approvals, authorizations and permits in the United States, Canada, the United Kingdom and Mexico, as applicable, governing the discharge of materials into the environment or otherwise relating to protection of the environment. Compliance with all of these laws and regulations increases the Reorganized SemGroup Companies' overall cost of doing business, including their capital costs to construct, maintain and upgrade equipment and facilities. Failure to comply with these laws and regulations may result in the assessment of administrative, civil, and criminal penalties, the imposition of investigatory and remedial liabilities, the issuance of injunctions that may subject the Reorganized SemGroup Companies to additional operational requirements and constraints, or may affect their ability to obtain or renew approvals, authorizations and permits. The laws and regulations applicable to their operations are subject to interpretation and revisions by the relevant governmental agencies. Such change or interpretation adverse to the Reorganized SemGroup Companies could have a material adverse effect on their operations, revenues and profitability.

8. ***The Reorganized SemGroup Companies' operations require expenditures for maintenance and capital that if unfunded could negatively impact the financial and operational results of the Reorganized SemGroup Companies.***

The Reorganized SemGroup Companies' assets require ongoing maintenance and capital expenditures to maintain operational levels and insure safety of employees which if not undertaken could result in operational failures, reduced asset utilization or asset closures. In addition, the Reorganized SemGroup Companies may experience unanticipated maintenance or

capital expenditures due to regulations, mechanical failures, higher utilization, structural failures, or other aspects of operations. The Reorganized SemGroup Companies also expect to undertake construction of new assets. If the Reorganized SemGroup Companies are unable to fund maintenance and capital expenditures their financial and operational results could be negatively impacted.

9. ***The Chapter 11 Cases may have negatively affected the Reorganized SemGroup Companies including relationships with certain critical customers, suppliers and vendors, which could adversely impact the Reorganized SemGroup Companies' future financial and operating results.***

Due to the disruptions caused by the bankruptcy, certain of the Debtors' relationships with customers, suppliers and vendors may be adversely affected and/or terminated. Customers, suppliers or vendors may have entered into alternate relationships with other counterparties or modified their relationship with SemGroup Companies due to performance issues or concerns. In some instances, customers, suppliers and vendors have become Creditors under the Chapter 11 Cases. The effect of the bankruptcy process and the resolution of such Creditors' Claims against the Debtors (including the confirmation of the Plan) may have adversely affected such Creditors' relationship with the Reorganized SemGroup Companies. Changes in relationships with customers, suppliers and vendors could have a material adverse effect on the Reorganized SemGroup Companies' financial and operating results.

10. ***The inability to retain or recruit key officers and employees for the Reorganized SemGroup Companies could disrupt its business operations.***

The purchase, transportation, storage, processing and marketing of petroleum and natural gas based products is complex and requires detailed current knowledge of sources of supply, methods and availability of transportation, storage and distribution and the needs and demands of individual counterparties. The Reorganized SemGroup Companies will depend on current and new key officers and employees to meet the challenges and complexities of its businesses. If any officers or employees resign or become unable to continue in their present roles and are not adequately replaced or if the company is unable to fill currently vacant positions, the Reorganized SemGroup Companies' business operations could be materially adversely affected.

11. ***The Reorganized SemGroup Companies may in the future encounter changes to its insurance programs, such as increased costs, changes to terms and loss of insurance, which could affect the financial and operational results of the Reorganized SemGroup Companies.***

The Reorganized SemGroup Companies can give no assurance that they will be able to maintain adequate insurance in the future at rates they consider reasonable or at all. Further, the Reorganized SemGroup Companies' operations are subject to operational hazards, risks incidental to processing, transporting, storing and distributing petroleum and natural gas based products and unforeseen interruptions such as natural disasters, adverse weather, accidents, fires, explosions, hazardous materials releases, terrorism, acts of war, and other events beyond its control. These events might result in a loss of equipment or life, injury, pollution and/or

extensive property damage, as well as an interruption in the Reorganized SemGroup Companies' operations which could negatively impact the Reorganized SemGroup Companies financial and operational results.

12. ***The Reorganized SemGroup Companies have interest rate and foreign currency exchange risks which could impact financial and operational results.***

Certain of the Reorganized SemGroup Companies have debt with variable interest rates. The Reorganized SemGroup Companies may choose to hedge their variable interest rate exposure which could increase their costs of operations. Increases in unhedged interest rates or hedge costs could negatively impact the financial and operational results of the Reorganized SemGroup Companies.

A portion of the Reorganized SemGroup Companies' revenue is generated from its operations in Canada, the United Kingdom and Mexico, which use the Canadian dollar (CAD), British pound (GBP) and Mexican peso (MXN), respectively, as the functional currency. New Holdco depends, in part, upon the flow of funds from Canada, the United Kingdom and Mexico to repay their debt and other financial obligations, most of which are denominated in United States dollars (USD). Therefore, changes in the exchange rate between the (1) CAD, GBP and MXN and (2) the USD could decrease the amount of such foreign currency available to New Holdco to service its USD denominated financial obligations. If New Holdco is unable to hedge against this currency risk, it could adversely affect the financial and operational results of the Reorganized SemGroup Companies.

13. ***The Reorganized SemGroup Companies' internal controls over financial reporting do not currently meet the standards required by Section 404 of the Sarbanes-Oxley Act, and failure to achieve and maintain effective internal controls over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act could have a material adverse effect on the Reorganized SemGroup Companies' financial and operational results.***

As a public company, New Holdco will be subject to the requirements of the Sarbanes-Oxley Act, including the requirement to achieve and maintain effective internal controls over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act. The Debtors' internal controls over financial reporting do not currently meet the standards required by Sarbanes-Oxley. The Debtors have hired an independent consulting firm to assist them in implementing effective internal controls over financial reporting. The Debtors will incur additional costs in order to improve its internal controls over financial reporting and comply with Section 404, including increased auditing and legal fees and costs associated with hiring additional accounting and administrative staff. Ultimately, the Debtors' efforts may not be adequate to comply with the requirements of the Sarbanes-Oxley Act.

Pursuant to Section 404 of the Sarbanes-Oxley Act, the New Holdco will be required to deliver a management assessment of the effectiveness of its internal controls over financial reporting as part of its public reporting requirements in 2010. If, as a public company, New Holdco is not able to implement the requirements of Section 404 in a timely manner or with adequate compliance, its independent registered public accounting firm may not be able to attest to the effectiveness of the internal controls over financial reporting of New Holdco. If New

Holdco is unable to maintain adequate internal controls over financial reporting, it may be unable to report financial information on a timely basis, may suffer adverse regulatory consequences, may have violations of applicable stock exchange listing rules or may breach its credit facilities covenants. There could also be a negative reaction in the financial markets due to a loss of investor confidence in New Holdco and the reliability of its financial statements.

14. ***As a public company, New Holdco will become subject to additional financial and other reporting and corporate governance requirements that may be difficult to satisfy and its failure to comply may have a material adverse impact.***

New Holdco will be required to be a public company after the Effective Date due to the number of holders of the New Common Stock. The Debtors have historically operated their business as a private company and may have difficulty satisfying the additional financial and other reporting and corporate governance requirements of a public company. As a public company, New Holdco will be required to file with the SEC annual and quarterly information and other reports that are specified in Section 13 of the Exchange Act of 1934, as amended, and will be required to prepare financial statements that are fully compliant with all SEC reporting requirements on a timely basis.

The Debtors intend to list the Class A New Common Stock on the New York Stock Exchange but may not be able to satisfy the reporting and corporate governance requirements on the Effective Date. The SEC and exchange requirements will impose significant compliance obligations upon New Holdco and will require a significant commitment of additional resources.

The Debtors do not have experience in complying with these requirements and may not be successful in implementing them. A failure to comply with the requirements of a public company could impact the ability of the Reorganized SemGroup Companies to report its operating results on a timely and accurate basis, which could adversely affect the business or operating results of the Reorganized SemGroup Companies and expose it to fines or penalties.

15. ***Compliance with or changes in accounting standards or application of accounting standards could have a material adverse impact financial and operational results of the Reorganized SemGroup Companies.***

The Reorganized SemGroup Companies may be unable to adequately comply with accounting standards which could impact their ability to receive an unqualified audit from their independent registered public accounting firm. Recently issued or future accounting pronouncements or other changes in accounting policies could result in accounting treatments that materially impact financial results. In addition, the Reorganized SemGroup Companies could experience an increase in the cost of operations to implement such changes in accounting standards.

As part of the Reorganized SemGroup Companies' emergence from bankruptcy, it may be required to adopt fresh start accounting. If fresh start accounting is applicable, its assets and liabilities will be recorded at fair value as of the fresh start reporting date. The fair value of its assets and liabilities may differ materially from the recorded values of assets and

liabilities in the Projections. As a result the financial and operational results of the Reorganized SemGroup Companies could be negatively impacted.

16. ***If any of New Holdco's subsidiaries were subject to a material amount of additional entity-level taxation by individual states or foreign jurisdictions or United States tax legislation regarding foreign subsidiaries is changed it could materially impact the Reorganized SemGroup Companies' financial and operational results.***

If any entities of the Reorganized SemGroup Companies are subjected to a material amount of entity-level taxation by individual states or foreign jurisdictions in which they operate, the financial results of the Reorganized SemGroup Companies could be reduced.

The Reorganized SemGroup Companies hold interests in foreign entities that are currently treated as disregarded entities for United States federal income tax purposes. President Obama's administration has recently proposed legislation that, if enacted, would (i) require United States corporations to treat certain wholly-owned foreign subsidiaries as corporations, rather than disregarded entities, for United States federal income tax purposes, (ii) defer certain deductions associated with foreign subsidiaries, and (iii) reform the foreign tax credit regime which may prevent the use of foreign tax credits in certain situations. There can be no assurance as to whether, or in what form, these proposals will be enacted. If these proposals are enacted into legislation, it could have adverse tax consequences to the Reorganized SemGroup Companies and negatively impact its financial and operational results.

17. ***New Holdco holds, directly or indirectly, interests in various partnerships and may depend on distributions from those partnerships to pay current taxes and other expenses.***

New Holdco will be a holding company and will hold, directly or indirectly, interests in entities that are treated as partnerships for United States federal income tax purposes. These partnerships will not themselves be subject to United States federal income tax. Instead, their taxable income will be allocated to their partners, including New Holdco, in accordance with their respective partnership agreements. Accordingly, New Holdco will incur income taxes on any net taxable income of the partnerships and will also incur expenses related to their operations. To the extent that New Holdco requires funds to pay their taxes or other liabilities or to fund their operations, and the partnerships are restricted from making distributions to them under applicable laws or regulations or do not have sufficient earnings to make those distributions, New Holdco may have to borrow funds to satisfy these obligations.

18. ***The threat or attack of terrorists aimed at Reorganized SemGroup Companies' facilities could adversely affect its business.***

Since the September 11, 2001 terrorist attacks, the United States government has issued warnings that energy assets, specifically the nation's pipeline infrastructure, may be future targets of terrorist organizations. These developments will subject the Reorganized SemGroup Companies' operations to increased risks. Any future terrorist attack that may target facilities of the Reorganized SemGroup Companies, those of its customers and, in some cases, those of other pipelines, could have a material adverse effect on its business. In addition, any governmental

body mandated actions to prepare for or protect against potential terrorist attacks could require the Reorganized SemGroup Companies to expend money or modify their operations.

D. RISKS RELATED TO THE LITIGATION TRUST

Distributions from the Litigation Trust will be dependent upon the success of the Litigation Trust Claims and the proceeds of such Litigation Trust Claims being in excess of the liabilities, obligations, and expenses of the Litigation Trust including reimbursement of the Litigation Trust Funds. In addition, holders of Litigation Trust Interests will not be able to receive any distributions from the Disputed Production Recievables until the Producer Preferred Distribution Rights have been satisfied. The Debtors can make no assurances regarding the amount of any distributions from the Litigation Trust, or that there will be any distributions at all, with respect to either the Producer Preferred Distribution Rights or the Litigation Trust Interests.

X. CERTAIN FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN

The following discussion summarizes certain United States federal income tax consequences of the implementation of the Plan to the Debtors and to certain holders of Claims. The following summary does not address the United States federal income tax consequences to holders whose Claims are not impaired. In addition, the following summary does not address the United States federal income tax consequences to (i) holders of claims who are unimpaired or otherwise entitled to payment in full in cash under the Plan or (ii) holders of SemGroup Equity Interests as they are deemed to reject the Plan.

The following summary is based on the Tax Code, Treasury Regulations promulgated thereunder, judicial decisions, and published administrative rules and pronouncements of the IRS, all as in effect on the date hereof. Changes in such rules or new interpretations thereof may have retroactive effect and could significantly affect the United States federal income tax consequences described below.

The United States federal income tax consequences of the Plan are complex and are subject to significant uncertainties. The Debtors have not requested a ruling from the IRS or an opinion of counsel with respect to any of the tax aspects of the Plan. Thus, no assurance can be given as to the interpretation that the IRS will adopt. In addition, this summary generally does not address foreign, state or local tax consequences of the Plan, nor does it address the United States federal income tax consequences of the Plan to special classes of taxpayers (such as foreign taxpayers, broker-dealers, banks, mutual funds, insurance companies, other financial institutions, small business investment companies, regulated investment companies, tax-exempt organizations (including, without limitation, certain pension funds), persons holding a Claim as part of a constructive sale, straddle or other integrated transaction, and investors in pass-through entities). If a partnership (or other entity taxed as a partnership) holds a Claim, the tax treatment of a partner in the partnership will generally depend upon the status of the partner and upon the activities of the partnership.

This discussion also assumes that the New Term Notes, Warrants and New Common Stock are held as "capital assets" (generally, property held for investment) within the meaning of section 1221 of the Tax Code, and that the various debt and other arrangements to

which the Debtors are parties will be respected for United States federal income tax purposes in accordance with their form.

Accordingly, the following summary of certain United States federal income tax consequences is for informational purposes only and is not a substitute for careful tax planning and advice based upon the individual circumstances pertaining to a holder of a Claim.

IRS Circular 230 Notice: To ensure compliance with IRS Circular 230, holders of Claims are hereby notified that: (a) any discussion of United States federal tax issues contained or referred to in this Disclosure Statement is not intended or written to be used, and cannot be used, by holders of Claims for the purpose of avoiding penalties that may be imposed on them under the Tax Code; (b) such discussion is written in connection with the promotion or marketing by the Debtors of the transactions or matters addressed herein; and (c) holders of Claims should seek advice based on their particular circumstances from an independent tax advisor.

A. CONSEQUENCES TO THE DEBTORS

With the exception of SemGroup, SemGroup Finance, SemManagement, and Chemical Petroleum, prior to the Effective Date, each of the Debtors is treated as a "disregarded entity" for United States federal income tax purposes, and neither SemGroup Finance, Chemical Petroleum nor SemManagement has any material assets or liabilities from a United States federal income tax perspective. Accordingly, the United States federal income tax consequences of the Plan will generally not be borne by the Debtors treated as "disregarded entities," but instead will be borne by SemGroup and its owners.

1. *Transfer of Property to New Holdco*.

In connection with the implementation of the Plan, SemGroup will contribute all of its ownership interests in its directly-owned subsidiaries to New Holdco in exchange for (i) New Common Stock, (ii) Warrants and (iii) the New Term Notes. Because the directly-owned subsidiaries are disregarded entities, such transfer is treated as a transfer of the assets held by such entities to New Holdco for United States federal income tax purposes. Furthermore, because SemGroup is a Debtor and the New Common Stock will be used to satisfy certain Allowed Claims, the transfer of such property to New Holdco is treated as a taxable exchange under section 351(e)(2) of the Tax Code. Accordingly, New Holdco will have a tax basis in the assets of all of its subsidiaries (other than those that are treated as corporations for United States federal income tax purposes) equal to their respective fair market values.

2. *Cancellation of Indebtedness Income*.

COD income is the amount by which the indebtedness discharged (reduced by any unamortized discount) exceeds any consideration given in exchange therefor. Certain statutory or judicial exceptions can apply to limit the amount of COD income. One such exception provides that where the debt discharge occurs in a title 11 (bankruptcy) case, COD income is excluded, in its entirety, from the debtor's gross income. SemGroup and the Reorganized SemGroup Companies intend to take the position that because all of the

indebtedness is assumed by SemGroup immediately before the effectiveness of the Plan, SemGroup and not New Holdco will recognize any COD income as a result of the Plan. However, it is possible that the IRS may successfully challenge this position. In that event, New Holdco believes that it would be entitled to exclude all of the resulting COD income under the bankruptcy exception. The amount of COD income excluded from gross income under the bankruptcy exception would then be applied to reduce New Holdco's tax basis in its assets and its other tax attributes (if any) by the amount of any COD income. Any reduction in tax attributes in respect of excluded COD income does not occur until the end of the taxable year in which the COD income is incurred.

SemManagement will recognize COD income as a result of the Plan, but because SemManagement is a Debtor, that COD income will be excluded from SemManagement's gross income in its entirety under the bankruptcy exception. The amount excluded from gross income under the bankruptcy exception will reduce SemManagement's tax basis in its assets and its other tax attributes (if any).

3. ***Limitations on NOL Carryforwards and Other Tax Attributes***.

Following the Effective Date, any remaining loss carryforwards and certain other tax attributes (including current year NOLs) allocable to periods prior to the Effective Date (collectively, "pre-change losses") may be subject to limitation under section 382 of the Tax Code as a result of the changes in ownership of Reorganized SemGroup and its subsidiaries that are treated as corporations for United States federal income tax purposes as described below. These limitations apply in addition to, and not in lieu of, the attribute reduction that may result from the potential COD income arising in connection with the Plan.

Under section 382 of the Tax Code, if a corporation undergoes an "ownership change" and the corporation does not qualify for (or elects out of) the special bankruptcy exception discussed below, the amount of its pre-change losses that may be utilized to offset future taxable income is subject to an annual limitation. A loss corporation generally undergoes an ownership change if the percentage of stock of the corporation owned by one or more 5% shareholders has increased by more than 50 percentage points over a three-year period (with certain groups of less-than-5% shareholders treated as a single shareholder for this purpose). Although the Debtors anticipate that the issuance of the New Common Stock pursuant to the Plan will constitute an "ownership change" of New Holdco and its subsidiaries that are treated as corporations for United States federal income tax purposes, because New Holdco's and such subsidiaries' pre-change losses, if any, are not expected to be material, the effect of any annual limitation of New Holdco's and such subsidiaries' NOL carryforwards, if any, and other tax attributes, if any, should not be material.

B. CONSEQUENCES TO HOLDERS OF CERTAIN CLAIMS

1. ***Consequences of Exchanges Pursuant to the Plan to Claim Holders***

Pursuant to the Plan and in satisfaction of their Claims, the following exchanges will occur between SemGroup and holders of existing Claims: (i) the holders of Secured Lender Claims will receive, in exchange for their Allowed Claims, Cash, New Term Notes, and New

Common Stock (subject to dilution from the Warrants and the Management Stock), (ii) the holders of Producer Allowed Claims will receive, in exchange for their Allowed Claims, Cash and interests in a Producer Secured Note, (iii) the holders of the White Cliffs Credit Agreement Claim will receive, in exchange for their Allowed Claims (including accrued but unpaid interest through the Effective Date), an extended and reinstated credit agreement, (iv) the holders of Senior Notes Claims will receive, in exchange for their Allowed Claims, New Common Stock (subject to dilution from the Warrants and the Management Stock) and interests in the Litigation Trust assets and may receive Warrants (subject to dilution from the Management Stock); (v) the holders of the Lender Deficiency Claims will receive, in exchange for their Allowed Claims, New Common Stock (subject to dilution from the Warrants and the Management Stock) and interests in the Litigation Trust assets; and (vi) the holders of the General Unsecured Claims will receive, in exchange for their Allowed Claims, New Common Stock (subject to dilution from the Warrants and the Management Stock), interests in the Litigation Trust assets and may receive Warrants (subject to dilution from the Management Stock).

Each holder of an Allowed Claim generally should recognize gain or loss in an amount equal to the difference, if any, between (x) the "amount realized" by such holder in satisfaction of its Claim (other than in respect of any Claim for accrued but unpaid interest) and (y) the holder's adjusted tax basis in its Claim (other than any basis attributable to accrued but unpaid interest). For a discussion of the tax consequences of any Claim for accrued but unpaid interest, see –"Distributions in Discharge of Accrued but Unpaid Interest" below.

A holder's "amount realized" generally will equal the sum of the amount of (i) the Cash, (ii) the "issue price" of the New Term Notes, (iii) the fair market value of any New Common Stock and Warrants, (iv) the fair market value of the undivided interest in the Litigation Trust assets and (v) the fair market value of its interest in the Producer Secured Note received in exchange for its Allowed Claim.

As discussed below (see below –"Tax Treatment of the Litigation Trust and Holders of Beneficial Interests"), the Litigation Trust has been structured to qualify as a "grantor trust" for United States federal income tax purposes. Accordingly, each holder of an Allowed Claim that receives an interest in the Litigation Trust will be treated for United States federal income tax purposes as directly receiving, and as a direct owner, of its respective share of the Litigation Trust assets. Pursuant to the Plan, the Trustees will make a good-faith valuation of the Litigation Trust assets and all parties (including the Debtors, the Trustees and the holders of Allowed Claims) must consistently use such valuation for all United States federal income tax purposes.

After the Effective Date, any amount a holder of an Allowed Claim receives as a distribution from the Litigation Trust in respect of its beneficial interest in the Litigation Trust should not be included, for United States federal income tax purposes, in the holder's amount realized in respect of its Allowed Claim but should be separately treated as a distribution received in respect of such holder's beneficial (ownership) interest in the Litigation Trust. See below —"Tax Treatment of the Litigation Trust and Holders of Beneficial Interests." After the Effective Date, any amount a holder of an Allowed Claim receives as a distribution in respect of its interests in the Producer Secured Note should be similarly treated. See below —"Ownership and Disposition of the Producer Secured Note."

a. Character of Gain or Loss

Where gain or loss is recognized by a holder in respect of the satisfaction of its Claim, the character of such gain or loss as long-term or short-term capital gain or loss or as ordinary income or loss will be determined by a number of factors, including, among others, the tax status of the holder, whether the Claim constitutes a capital asset in the hands of the holder and how long it has been held, whether the Claim was acquired at a market discount, and whether and to what extent the holder previously had claimed a bad debt deduction. Each holder of a Claim is urged to consult its tax advisor for a determination of the character of any gain or loss recognized in respect to the satisfaction of its Claim.

Holders of claims who recognize capital losses as a result of the distributions under the Plan will be subject to limits on their use of capital losses. For noncorporate holders, capital losses may be used to offset any capital gains (without regard to holding periods) plus ordinary income to the extent of the lesser of (1) $3,000 ($1,500 for married individuals filing separate returns) or (2) the excess of the capital losses over the capital gains. Holders, other than corporations, may carry over unused capital losses and apply them to capital gains and a portion of their ordinary income for an unlimited number of years. For corporate holders, losses from the sale or exchange of capital assets may only be used to offset capital gains. Corporate holders who have more capital losses than can be used in a tax year may be allowed to carry over unused capital losses for the five (5) taxable years following the capital loss year, but are allowed to carry back unused capital losses to the three (3) taxable years preceding the capital loss year.

A holder that purchased its existing notes from a prior holder at a "market discount" (relative to the adjusted issue price of the existing notes at the time of acquisition) may be subject to the market discount rules of the Tax Code. Under these rules, any gain recognized on the exchange of such existing notes generally would be treated as ordinary income to the extent of the market discount accrued during the holder's period of ownership, unless the holder elected to include the market discount in income as it accrued. If a holder of such notes did not elect to include market discount in income as it accrued and thus, under the market discount rules, was required to defer all or a portion of any deductions for interest on debt incurred or maintained to purchase or carry its existing notes, such deferred amounts would become deductible at the time of the exchange, up to the amount of gain that the holder recognizes in the exchange.

b. Tax Basis and Holding Period

A holder's tax basis in its New Term Notes, New Common Stock, Warrants, the undivided interest in the Litigation Trust assets or the undivided interest in the Producer Secured Note, for United States federal income tax purposes, will equal the amount taken into account in respect of such notes, stock, warrants or interests in determining the holder's amount realized. A holder's holding period in such notes, stock, warrants or interests generally will begin the day following the Effective Date.

2. ***Distributions in Discharge of Accrued but Unpaid Interest***

Pursuant to the Plan, distributions to any holder of Allowed Claims will be allocated first to the principal amount of such Claims, as determined for United States federal income tax purposes, and thereafter, to the portion of such Claim, if any, representing accrued but unpaid interest or OID. There is no assurance, however, that the IRS would respect such allocation for United States federal income tax purposes.

In general, to the extent that any consideration received pursuant to the Plan by a holder of an Allowed Claim is received in satisfaction of accrued but unpaid interest or OID during its holding period, such amount will be taxable to the holder as interest income (if not previously included in the holder's gross income). Conversely, a holder generally recognizes a deductible loss to the extent any accrued but unpaid interest claimed, amortized market discount or OID was previously included in its gross income and is not paid in full. The IRS, however, has privately ruled that a holder of a security of a corporate issuer, in an otherwise tax-free exchange, could not claim a current deduction with respect to any unpaid OID. Accordingly it is also unclear whether, by analogy, a holder of a Claim of a non-corporate issuer would be required to recognize a capital loss, rather than an ordinary loss, with respect to previously included OID that is not paid in full. Each holder of a Claim is urged to consult its tax advisor regarding the allocation of consideration and the deductibility of accrued but unpaid interest or OID for United States federal income tax purposes.

3. ***Ownership and Disposition of New Term Notes***

a. Stated Interest and Original Issue Discount.

A holder of New Term Notes will be required to include stated interest on the New Term Notes (as applicable) in income in accordance with the holder's regular method of tax accounting to the extent such stated interest is "qualified stated interest." Stated interest is "qualified stated interest" if it is payable in cash at least annually. The 9% portion of the interest payable in cash on the New Term Notes is qualified stated interest.

SemGroup Finance has the option to PIK interest payments for the first two years of the New Term Notes; in which case the interest rate will be increased by 200 basis points during the PIK period. In the event the option to PIK interest is elected, the deferred interest will be payable at the end of the first accrued period ending five years following the date of issuance (the "deferred interest"). Because the interest is not payable at least annually in all events the interest does not qualify as QSI and the New Term Notes will be issued with OID.

A debt instrument generally has OID if its "stated redemption price at maturity" exceeds its "issue price" by more than a *de minimis* amount. A debt instrument's stated redemption price at maturity includes all principal and interest payable over the term of the notes, other than qualified stated interest.

The "issue price" of the New Term Notes depends on whether, at any time during the 60-day period ending 30 days after the exchange date, such new notes are traded on an "established market" or the existing notes exchanged (in whole or in part) for the New Term Notes is traded on an established market. If, the New Term Notes or the existing notes are

treated for this purpose as traded on an established market, the issue price of the New Term Notes will equal (or approximate) the fair market value of such notes, as of the Effective Date. In such event, a New Term Note will be treated as issued with OID to the extent that its issue price is less than its principal amount. Depending on the fair market value of the New Term Notes, the total amount of OID could be substantial.

Pursuant to applicable Treasury regulations, an "established market" need not be a formal market. It is sufficient that the notes appear on a system of general circulation (including a computer listing disseminated to subscribing brokers, dealers or traders) that provides a reasonable basis to determine fair market value by disseminating either recent price quotations or actual prices of recent sales transactions. Also, under certain circumstances, notes are considered to be publicly traded when price quotations for such notes are readily available from dealers, brokers or traders. If neither the New Term Notes nor the existing notes exchanged therefor are traded on an established market, the issue price for such notes should be the stated principal amount of the New Term Notes. The Company does not believe that the existing notes are currently traded on an "established market." However, there can be no assurance that the existing notes will not be so traded on or before the Effective Date or that the New Term Notes will not be so traded on or after the Effective Date.

A holder of a New Term Note that is issued with OID generally will be required to include any OID in income over the term of the note (for so long as the notes continue to be owned by the holder) in accordance with a constant yield-to-maturity method, regardless of whether the holder is a cash or accrual method taxpayer, and regardless of whether and when the holder receives cash payments of interest on the New Term Notes (other than cash attributable to qualified stated interest). Accordingly, a holder could be treated as receiving interest income in advance of a corresponding receipt of cash. A holder's tax basis in a New Term Note will be increased by the amount of any OID included in income. A holder of New Term Notes will not be separately taxable on any cash payments of interest that have already been taxed under the OID rules, but will reduce its tax basis in such notes by the amount of such payments.

Furthermore, because the New Term Notes require the payment of any accrued OID before the end of the accrual period ending five years following the date of issuance, the New Term Notes should not be treated as applicable high yield discount obligations within the meaning of Section 163(e)(5) of the Tax Code.

b. Sale, Exchange or Other Disposition of the New Term Notes.

Any gain or loss recognized by a holder on a sale, exchange or other disposition of a New Term Note generally should be capital gain or loss in an amount equal to the difference, if any, between the amount realized by the holder and the holder's adjusted tax basis in the note immediately before the sale, exchange, redemption or other disposition (increased for any OID accrued through the date of disposition, which OID would be includible as ordinary income). Any such gain or loss generally should be long-term capital gain or loss if the holder's holding period in its note is more than one year at that time. As described above, there are certain limitations which apply to the deduction of capital losses.

4. ***Ownership and Disposition of New Common Stock***

a. Distributions.

Distributions, if any, with respect to the New Common Stock will be taxable as dividend income when paid to the extent of New Holdco's current and accumulated earnings and profits as determined for United States federal income tax purposes. To the extent the amount of any distributions exceeds New Holdco's earnings and profits with respect to such distribution, the excess will be applied against and will reduce the holder's adjusted tax basis in respect of the stock as to which the distribution was made (but not below zero). Any remaining excess will be treated as gain or loss from the sale or exchange of such stock, with the consequences discussed below in "—Sale or Other Disposition."

Dividends to Non-Corporate Shareholders. Dividends are generally taxed as ordinary income; however, dividends received by non-corporate holders in taxable years beginning on or before December 31, 2010, may qualify for taxation at lower rates applicable to long-term capital gains, provided certain holding period and other requirements are satisfied. Non-corporate holders should consult their own tax advisors regarding the applicability of such lower rates under their particular factual situation.

Dividends to Corporate Shareholders. In general, a distribution to a corporate shareholder that is treated as a dividend for United States federal income tax purposes will qualify for the 70% dividends received deduction that is available to corporate shareholders that own less than 20% of the voting power or value of the outstanding stock of the distributing corporation (other than certain preferred stock not applicable here). A corporate shareholder holding 20% or more of the distributing corporation may be eligible for an 80% dividends received deduction. No assurance can be given that New Holdco will have sufficient earnings and profits (as determined for United States federal income tax purposes) to cause distributions, if any, to be eligible for a dividends received deduction. Dividend income that is not subject to regular United States federal income tax as a consequence of the dividends received deduction may be subject to the United States federal alternative minimum tax.

The dividends received deduction is only available if certain holding periods and taxable income requirements are satisfied. The length of time that a shareholder has held stock is reduced for any period during which the shareholder's risk of loss with respect to the stock is diminished by reason of the existence of certain options, contracts to sell, short sales or similar transactions. In addition, to the extent that a corporation incurs indebtedness that is directly attributable to an investment in the stock on which the dividend is paid, all or a portion of the dividends received deduction may be disallowed. Finally, the tax consequences of the receipt of a dividend by a corporate shareholder may be different if the dividend were treated as an "extraordinary dividend" under applicable rules.

b. Sale or Other Disposition.

Subject to the discussion below, any gain or loss recognized by a holder on the sale, exchange, or other disposition of the New Common Stock generally should be capital gain or loss in an amount equal to the difference, if any, between the amount realized by the holder

and the holder's adjusted tax basis in the New Common Stock immediately before the sale, exchange, or other disposition. Any such gain or loss generally should be long-term if the holder's holding period for its stock is more than one year at that time. The use of capital losses is subject to limitations.

In the case of a redemption of New Common Stock for cash or property, the United States federal income tax treatment depends on the particular facts relating to such holder at the time of the redemption. If the redemption of such stock (i) is "not essentially equivalent to a dividend" with respect to the holder, (ii) is "substantially disproportionate" with respect to the holder (as defined generally as a greater than 20% reduction in a shareholder's relative voting stock of a corporation where such shareholder owns less than 50% of the voting stock of the corporation immediately following the redemption), or (iii) results in a "complete termination" of all of such holder's equity interest in the corporation, then the receipt of cash or property by such holder will be respected as a sale or exchange of its stock and taxed accordingly. In applying these tests, certain constructive ownership rules apply to determine stock ownership. If the redemption does not qualify for sale or exchange treatment, the holder will instead be treated as having received a distribution on such stock (in an amount that generally will be equal to the amount of cash and the fair market value of property received in the redemption) with the general consequences described above under "—Distributions." If the holder does not retain any actual stock ownership in the company following such redemption, the holder may lose its tax basis completely (in that the tax basis would shift to the stock that was treated as constructively owned by the holder). If such distribution is taxable as a dividend to a corporate shareholder, it may be subject to the "extraordinary dividend" provisions of the Tax Code.

If a holder received the New Common Stock in exchange for an Allowed Claim, any gain recognized by the holder upon a subsequent taxable disposition of the stock (or any stock or property received for it in a later tax-free exchange) would be treated as ordinary income for United States federal income tax purposes to the extent of (i) any bad debt deductions (or additions to a bad debt reserve) claimed with respect to the Allowed Claim for which stock was received and any ordinary loss deductions incurred upon satisfaction of the Allowed Claim, less any income (other than interest income) recognized by the holder upon satisfaction of the Allowed Claim and (ii) with respect to a cash-basis holder, also any amounts which would have been included in its gross income if the holder's Allowed Claim had been satisfied in full but which was not included by reason of the cash method of accounting.

5. ***Tax Treatment of the Litigation Trust and Holders of Beneficial Interests***

Upon the Effective Date, the Litigation Trust will be established for the benefit of holders of Allowed Claims.

a. Classification as Litigation Trust.

The Litigation Trust is intended to qualify as a liquidating trust for United States federal income tax purposes. In general, a liquidating trust is not a separate taxable entity but rather is treated for United States federal income tax purposes as a "grantor" trust (*i.e.*, a pass-through entity).

However, merely establishing a trust as a liquidating trust does not ensure that it will be treated as a grantor trust for United States federal income tax purposes. The IRS, in Revenue Procedure 94-45, 1994-2 C.B. 684, set forth the general criteria for obtaining an IRS ruling as to the grantor trust status of a liquidating trust under a chapter 11 plan. The Litigation Trust has been structured with the intention of complying with such general criteria. Pursuant to the Plan, and in conformity with Revenue Procedure 94-45, all parties (including, without limitation, the Debtors, the Trustee and the holders of Allowed Claims) are required to treat, for United States federal income tax purposes, the Litigation Trust as a grantor trust of which the holders of Allowed Claims are the owners and grantors. The following discussion assumes that the Litigation Trust will be so respected for United States federal income tax purposes. However, no ruling has been requested from the IRS and no opinion of counsel has been requested concerning the tax status of the Litigation Trust as a grantor trust. Accordingly, there can be no assurance that the IRS would not take a contrary position. Were the IRS successfully to challenge such classification, the United States federal income tax consequences to the Trust, the holders of claims, and the Debtors could vary from those discussed herein (including the potential for an entity level tax on any income of the Litigation Trust).

b. General Tax Reporting by the Litigation Trust and Beneficiaries.

For all United States federal income tax purposes, all parties (including, without limitation, the Debtors, the Trustee, and the holders of Allowed Claims) must treat the transfer of assets to the Litigation Trust as a transfer of such assets directly to the holders of Allowed Claims, followed by the transfer of such assets by such holders to the Litigation Trust. Consistent therewith, all parties must treat the Litigation Trust as a grantor trust of which such holders are the owners and grantors. Thus, such holders (and any subsequent holders of interests in the Litigation Trust) will be treated as the direct owners of an undivided interest in the assets of the Litigation Trust for all United States federal income tax purposes (which assets will have a tax basis equal to their fair market value on the date transferred to the Litigation Trust). Pursuant to the Plan, the Trustees of the Trust will determine the fair market value of the assets transferred to the Litigation Trust as soon as possible after the Effective Date, and all parties must consistently use such valuation for all United States federal income tax purposes (including for determining gain, loss, or tax basis).

Each holder of an Allowed Claim will be required to report on its United States federal income tax return its allocable share of any income, gain, loss, deduction or credit recognized or incurred by the Litigation Trust in accordance with its beneficial interest in the trust. The character of items of income, deduction and credit to any holder and the ability of such holder to benefit from any deductions or losses may depend on the particular situation of such holder.

The United States federal income tax obligations of a holder are not dependent upon the Litigation Trust distributing any Cash or other proceeds. Therefore, a holder may incur a United States federal income tax liability with respect to its allocable share of the income of the Trust even if the Litigation Trust has not made a concurrent distribution to the holder. In general, a distribution of Cash or property by the Litigation Trust will not be taxable to the holder as such holder is already regarded for United States federal income tax purposes as owning the underlying assets of the Trust.

The Trustee will file with the IRS returns for the Litigation Trust as a grantor trust pursuant to Treasury Regulation section 1.671-4(a). The Trustee will also send to each record holder a separate statement setting forth the information necessary for such holder to determine its share of items of income, gain, loss, deduction, or credit and will instruct the holder to report such items on its United States federal income tax return or to forward the appropriate information to the beneficial holders with instructions to report such items on their United States federal income tax returns. Such items generally would be reported on the holder's state and/or local tax returns in a similar manner.

Upon a sale, exchange or other disposition of an interest in the Litigation Trust, the holder will be treated as selling an interest in the underlying assets of the trust. The holder should recognize gain or loss in an amount equal to the difference, if any, between the amount realized by such holder and the holder's adjusted tax basis in its interest. Each holder is urged to consult its tax advisor for a determination of the character of any gain or loss recognized on such sale, exchange or other disposition of an interest in the Litigation Trust.

6. ***Ownership and Disposition of Producer Secured Note***.

The Producer Secured Note will be treated as an interest in the Litigation Trust with the general consequences described above under "—Tax Treatment of the Litigation Trust and Holders of Beneficial Interests."

7. ***Ownership, Disposition and Exercise of New Warrants***.

The New Warrants will be treated as options to acquire stock for United States federal income tax purposes. Accordingly, a holder generally will not recognize gain or loss when the New Warrants are exercised to acquire the underlying New Common Stock and the holder's aggregate tax basis in the New Common Stock acquired generally will equal the holder's aggregate tax basis in the exercised warrants increased by the exercise price. In such instance, a holder's holding period in the New Common Stock received upon exercise of a New Warrant will commence on the day following the exercise of such warrant.

Upon the lapse or disposition of a New Warrant, the holder generally would recognize gain or loss equal to the difference between the amount received (zero in the case of a lapse) and its tax basis in the New Warrant. In general, such gain or loss would be a capital gain or loss, long-term or short-term, depending on whether the requisite holding period was satisfied.

Any adjustment to the number of shares of New Common Stock for which the New Warrants may be exercised (or to the exercise price of the New Warrants) may, under certain circumstances, result in constructive distributions that could be taxable to the holder of the New Warrants, or possibly to the holders of New Common Stock.

Accordingly, holders of New Warrants are urged consult their tax advisors regarding the United States federal income tax consequences to them of owning, disposing and exercising the New Warrants.

C. INFORMATION REPORTING AND WITHHOLDING

All distributions to holders of Allowed Claims under the Plan are subject to any applicable tax withholding, including employment tax withholding. Under United States federal income tax law, interest, dividends, and other reportable payments may, under certain circumstances, be subject to "backup withholding" at the then applicable withholding rate (currently 28%). Backup withholding generally applies if the holder (a) fails to furnish its social security number or other TIN, (b) furnishes an incorrect TIN, (c) fails properly to report interest or dividends, or (d) under certain circumstances, fails to provide a certified statement, signed under penalty of perjury, that the TIN provided is its correct number and that it is a United States person that is not subject to backup withholding. Backup withholding is not an additional tax but merely an advance payment, which may be refunded by the IRS to the extent it results in an overpayment of tax and the appropriate information is timely supplied to the IRS. Certain persons are exempt from backup withholding, including, in certain circumstances, corporations and financial institutions.

In addition, from an information reporting perspective, Treasury Regulations generally require disclosure by a taxpayer on its United States federal income tax return of certain types of transactions in which the taxpayer participated, including, among other types of transactions, certain transactions that result in the taxpayer's claiming a loss in excess of specified thresholds. Holders are urged to consult their tax advisors regarding these regulations and whether the transactions contemplated by the Plan would be subject to these regulations and require disclosure on the holders' tax returns.

The foregoing summary has been provided for informational purposes only. All holders of Claims receiving a distribution under the Plan are urged to consult their tax advisors concerning the United States federal, state, local and foreign tax consequences applicable under the Plan.

XI. CLAIMS ALLOWANCE

A. SCHEDULES OF ASSETS AND LIABILITIES

On October 20, 2008, the First Filed Debtors filed with the Bankruptcy Court the First Filed Debtors' Schedules. The First Filed Debtors amended the First Filed Debtors' Schedules on October 30, 2008 and January 16, 2009.

On December 2, 2008, SemCap filed with the Bankruptcy Court the SemCap Schedules.

B. CLAIMS BAR DATE AND NOTICE OF BAR DATE

On January 8, 2008, the Bankruptcy Court entered an order (the "Bar Date Order") establishing (a) March 3, 2009 as the last date and time for each person or entity, other than governmental units, to file proofs of claim based on prepetition claims against the Debtors, (b) March 3, 2009 as the last date and time for governmental units to file Proofs of Claim against the First Filed Debtors, and (c) April 20, 2009 as the last date and time for governmental units to file Proofs of Claim against SemCap.

Pursuant to the terms of the Bar Date Order, the Debtors timely mailed a notice of the Bar Date and a Proof of Claim form to all known holders of Claims in connection with the preparation and filing of the Schedules. In addition, the also published the same notice in the following newspapers: *The Denver Post, Wichita Eagle, Billings Gazette, Albuquerque Journal, Casper Star Tribune, Bismarck Tribune, Kansas City Star, New York Times, Wall Street Journal, Tulsa World, The Oklahoman, The Houston Chronicle, The Dallas Morning News, Times-Picayune,* and *World-Herald*.

C. ALLOWANCE AND IMPAIRMENT OF CLAIMS

To be entitled to receive a distribution under the Plan, a Creditor must have an Allowed Claim. To be entitled to vote on the Plan, however, a Creditor must either have an Allowed Claim that is also impaired or a temporarily Allowed Claim that is also impaired. If a Claim is not allowed or, with respect to voting only, temporarily allowed, the Creditor will not be entitled to vote on the Plan or to receive a distribution. Any Class as to which no distribution is expected to be made under the Plan does not vote on the Plan and is deemed not to have accepted it. Any Class that is not impaired will be deemed to have accepted the Plan.

1. *Allowed Claims*

A Claim is automatically allowed if (i) such Claim has been listed by the Debtors in the Schedules, as such Schedules may be amended by the Debtors from time to time in accordance with Bankruptcy Rule 1009, as liquidated in amount and not disputed or contingent and no contrary proof of claim has been filed, (ii) a Proof of Claim with respect to such Claim has been timely filed and no objection thereto has been interposed within the time period set forth in Section 9.1 of the Plan or such other applicable period of limitation fixed by the Bankruptcy Code, the Bankruptcy Rules, or the Bankruptcy Court, or an objection thereto has been interposed and such Claim has been allowed in whole or in part by a Final Order, (iii) such Claim has been expressly allowed by a Final Order or under the Plan, or (iv) such Claim has been compromised, settled, or otherwise resolved pursuant to the authority granted to the Reorganized Debtors pursuant to a Final Order of the Bankruptcy Court or under Section 9.1 of the Plan; provided, however, that Claims allowed solely for the purpose of voting to accept or reject the Plan pursuant to an order of the Bankruptcy Court shall not be considered "Allowed Claims" under the Plan.

2. *Impaired Claims*

Under section 1124 of the Bankruptcy Code, a Class of Claims or interests is deemed to be "impaired" under a plan unless (i) the plan leaves unaltered the legal, equitable, and contractual rights to which such claim or interest entitles the holder thereof or (ii) notwithstanding any legal right to an accelerated payment of such claim or interest, the plan cures all existing defaults (other than defaults resulting from the occurrence of events of bankruptcy) and reinstates the maturity of such claim or interest as it existed before the default.

D. OBJECTIONS TO CLAIMS

In excess of 6,000 Proofs of Claim asserting Claims against the Debtors have been filed. The Debtors, together with Alix Partners, have begun the process of conducting a

comprehensive review and reconciliation of these Claims. This process includes identifying particular categories of Proofs of Claims that may be targeted for disallowance and expungement, reduction and allowance, or reclassification and allowance. To avoid the possibility of double or improper recovery by claimants and to reduce the number of Claims to streamline the voting process, the Debtors intend upon filing a series of omnibus objections to various categories of Claims, including, but not limited to duplicate Claims, amended or superseded Claims, Claims adjudicated by prior Court orders, and Claims fully satisfied or released. The Debtors and Reorganized Debtors reserve their rights to object to assigned Claims and seek their equitable subordination of Claims, if appropriate. Pursuant to Section 9.1 of the Plan, the Debtors shall file and serve all objections to Claims within 180 days following the Confirmation Date or such alternate date as may be approved by the Bankruptcy Court.

XII. VOTING PROCEDURES

IT IS IMPORTANT THAT THE HOLDERS OF THE FOLLOWING CLASSES TIMELY EXERCISE THEIR RIGHT TO VOTE TO ACCEPT OR REJECT THE PLAN:

All holders of undisputed Claims in classes 53 through 122 and 149 through 226 and all holders of disputed Claims that have been allowed to vote on this Plan by an order of the Bankruptcy Court are entitled to vote on the Plan and have been sent a Ballot together with this Disclosure Statement. Such holders should read the Ballot carefully and follow the instructions contained therein. To vote, please use only the Ballot that accompanies this Disclosure Statement.

The Debtors have engaged **[____]**, as their Voting Agent to assist in the transmission of voting materials and in the tabulation of votes with respect to the Plan.

IN ORDER FOR YOUR VOTE TO BE COUNTED, YOUR VOTE MUST BE RECEIVED BY THE VOTING AGENT AT THE STREET ADDRESS OR E-MAIL ADDRESS SET FORTH BELOW BEFORE THE VOTING DEADLINE OF [___] P.M., EASTERN TIME, ON [___ __], 2009.

IF A BALLOT IS DAMAGED OR LOST, YOU MAY CONTACT THE VOTING AGENT AT THE NUMBER SET FORTH BELOW.

ANY PROPERLY EXECUTED, TIMELY RECEIVED BALLOT THAT DOES NOT INDICATE EITHER AN ACCEPTANCE OR A REJECTION OF THE PLAN WILL BE COUNTED AS A VOTE TO ACCEPT THE PLAN.

ANY PROPERLY EXECUTED, TIMELY RECEIVED BALLOT THAT INDICATES BOTH AN ACCEPTANCE AND A REJECTION OF THE PLAN WILL NOT BE COUNTED AS A VOTE TO EITHER ACCEPT OR REJECT THE PLAN.

FAXED COPIES OF BALLOTS WILL NOT BE ACCEPTED.

IF YOU HAVE ANY QUESTIONS CONCERNING VOTING PROCEDURES, YOU MAY CONTACT THE VOTING AGENT AT:

[___]

Additional copies of this Disclosure Statement are available upon written request made to the Voting Agent, at the address set forth immediately above.

A. HOLDERS OF CLAIMS ENTITLED TO VOTE

Classes 53 through 122 and 149 through 226 are the only Classes under the Plan that are impaired and entitled to vote to accept or reject the Plan. Each holder of a Claim in any of these classes as of **[____ __]**, 2009 (the Record Date established in the Disclosure Statement Order for purposes of this solicitation) or holder of a disputed Claim that have been allowed to vote on this Plan by an order of the Bankruptcy Court may vote to accept or reject the Plan.

B. VOTE REQUIRED FOR ACCEPTANCE BY A CLASS

Under the Bankruptcy Code, a class of claims accepts a chapter 11 plan when it is accepted by the holders of at least two-thirds in dollar amount and more than one-half in number of the allowed claims of that class that vote to accept or reject the plan. A class of interests accept a chapter 11 plan when it is accepted by at least two-thirds in amount of the interest of that class that vote to accept or reject the plan.

A vote may be disregarded if the Bankruptcy Court determines, after notice and a hearing, that such vote was not solicited or procured in good faith or in accordance with the provisions of the Bankruptcy Code.

C. VOTING PROCEDURES

1. *Voting Procedures*

Voting procedures shall be as described in the Disclosure Statement Order.

2. *Withdrawal of Ballot*

Any holder of a Claim or Interest that has delivered a valid Ballot may withdraw its vote by delivering a written notice of withdrawal to the Voting Agent before the Voting Deadline. To be valid, the notice of withdrawal must (a) be signed by the party that signed the Ballot to be revoked and (b) be received by the Voting Agent before the Voting Deadline. The Debtors may contest the validity of any withdrawal.

Any holder that has delivered a valid Ballot may change its vote by delivering to the Voting Agent a properly completed subsequent Ballot that is received by the Voting Agent before the Voting Deadline. In a case where more than one timely, properly completed Ballot is received, only the Ballot that bears the latest date will be counted.

XIII. CONFIRMATION OF THE PLAN

A. CONFIRMATION HEARING

Section 1128(a) of the Bankruptcy Code requires the Bankruptcy Court, after appropriate notice, to hold a hearing on confirmation of a plan of reorganization. As set forth in the Disclosure Statement Order, the Bankruptcy Court has scheduled the confirmation hearing for **[_____]**, 2009. The confirmation hearing may be adjourned from time to time by the Bankruptcy Court without further notice except for an announcement of the adjourned date made at the confirmation hearing or any subsequent adjourned confirmation hearing.

Any objection to confirmation of the Plan must be in writing, must conform to the Bankruptcy Rules, must set forth the name of the objector, the nature and amount of Claims or interests held or asserted by the objector against the Debtors' estate(s) or property, the basis for the objection and the specific grounds therefor, and must be filed with the Bankruptcy Court, with a copy to Chambers, together with proof of service thereof, and served upon **[____]**, so as to be received no later than **[____]** p.m. (prevailing Eastern Time) on **[_____]**, 2009.

Objections to confirmation of the Plan are governed by Bankruptcy Rule 9014. UNLESS AN OBJECTION TO CONFIRMATION IS TIMELY SERVED AND FILED, IT MAY NOT BE CONSIDERED BY THE BANKRUPTCY COURT.

B. REQUIREMENTS FOR CONFIRMATION OF THE PLAN

1. *Requirements of Section 1129(a) of the Bankruptcy Code*

a. General Requirements

At the confirmation hearing, the Bankruptcy Court will determine whether the following confirmation requirements specified in section 1129 of the Bankruptcy Code have been satisfied:

- The Plan complies with the applicable provisions of the Bankruptcy Code.
- The Debtors have complied with the applicable provisions of the Bankruptcy Code.
- The Plan has been proposed in good faith and not by any means proscribed by law.
- Any payment made or promised by the Debtors or by a Person issuing securities or acquiring property under the Plan for services or for costs and expenses in, or in connection with, the Chapter 11 Cases, or in connection with the Plan and incident to the Chapter 11 Cases, has been disclosed to the Bankruptcy Court, and any such payment made before confirmation of the Plan is reasonable, or if such payment is to be fixed after confirmation of the Plan, such payment is subject to the approval of the Bankruptcy Court as reasonable.
- The Debtors have disclosed the identity and affiliations of any individual proposed to serve, after confirmation of the Plan, as a director or officer of the Debtors, an

affiliate of the Debtors participating in a Plan with the Debtors, or a successor to the Debtors under the Plan, and the appointment to, or continuance in, such office of such individual is consistent with the interests of creditors and equity holders and with public policy, and the Debtors have disclosed the identity of any insider that will be employed or retained by the Debtors, and the nature of any compensation for such insider.

- With respect to each class of claims or equity interests, each holder of an impaired claim or impaired equity interest either has accepted the Plan or will receive or retain under the Plan on account of such holder's claim or equity interest, property of a value, as of the Effective Date, that is not less than the amount such holder would receive or retain if the Debtors were liquidated on the Effective Date under chapter 7 of the Bankruptcy Code. See discussion of "Best Interests Test" below.

- Except to the extent the Plan meets the requirements of section 1129(b) of the Bankruptcy Code (discussed below), each class of claims or equity interests has either accepted the Plan or is not impaired under the Plan.

- Except to the extent that the holder of a particular claim has agreed to a different treatment of such claim, the Plan provides that administrative expenses and priority claims other than priority tax claims will be paid in full on the Effective Date and that priority tax claims will receive on account of such claims installment payments in cash, over a period not exceeding five years after the Commencement Date, of a value, as of the Effective Date, equal to the allowed amount of such claims, and in a manner not less favorable than the most favored nonpriority unsecured claim provided for by the Plan.

- At least one class of impaired claims has accepted the Plan, determined without including any acceptance of the Plan by any insider holding a claim in such class.

- Confirmation of the Plan is not likely to be followed by the need for further financial reorganization of the Debtors or any successor to the Debtors under the Plan, unless such liquidation or reorganization is proposed in the Plan. See discussion of "Feasibility" below.

- The Plan provides for the continuation after the Effective Date of payment of all "retiree benefits" (as defined in section 1114 of the Bankruptcy Code), at the level established pursuant to subsection 1114(e)(1)(B) or 1114(g) of the Bankruptcy Code at any time prior to confirmation of the Plan, for the duration of the period the Debtors have obligated themselves to provide such benefits, if any.

b. Best Interests Test

As described above, the Bankruptcy Code requires that each holder of an impaired claim or equity interest either (i) accepts the Plan or (ii) receives or retains under the Plan property of a value, as of the Effective Date, that is not less than the value such holder

would receive or retain if the Debtors were liquidated under chapter 7 of the Bankruptcy Code on the Effective Date.

The first step in meeting this test is to determine the dollar amount that would be generated from the liquidation of the Debtors' assets and properties in the context of a chapter 7 liquidation case. The gross amount of Cash available would be the sum of the proceeds from the disposition of the Debtors' assets and the Cash held by the Debtors at the time of the commencement of the chapter 7 case. The next step, is to reduce that total by the amount of any claims secured by such assets, the costs and expenses of the liquidation, and such additional administrative expenses and priority claims that may result from the termination of the Debtors' business and the use of chapter 7 for the purposes of liquidation. Any remaining net Cash would be allocated to creditors and shareholders in strict priority in accordance with section 726 of the Bankruptcy Code (see discussion below). Finally, taking into account the time necessary to accomplish the liquidation, the present value of such allocations may be compared to the value of the property that is proposed to be distributed under the Plan on the Effective Date.

The Debtors' costs of liquidation under chapter 7 would include the fees payable to a chapter 7 trustee in bankruptcy, as well as those that might be payable to attorneys and other professionals that such a trustee may engage, plus any unpaid expenses incurred by the Debtors during the chapter 11 case and allowed in the chapter 7 case, such as compensation for attorneys, financial advisors, appraisers, accountants and other professionals, and costs and expenses of members of any statutory committee of unsecured creditors appointed by the United States Trustee pursuant to section 1102 of the Bankruptcy Code and any other committee so appointed. Moreover, in a chapter 7 liquidation, additional claims would arise by reason of the breach or rejection of obligations incurred and executory contracts or leases entered into by the Debtors both prior to, and during the pendency of, the chapter 11 cases.

The foregoing types of claims, costs, expenses, fees and such other claims that may arise in a liquidation case would be paid in full from the liquidation proceeds before the balance of those proceeds would be made available to pay pre-chapter 11 priority and unsecured claims. Under the absolute priority rule, no junior creditor would receive any distribution until all senior creditors are paid in full, with interest, and no equity holder receives any distribution until all creditors are paid in full, with interest. The Debtors believe that in a chapter 7 case, holders of General Unsecured Claims would receive no distributions of property. Accordingly, the Plan satisfies the rule of absolute priority.

After consideration of the effects that a chapter 7 liquidation would have on the ultimate proceeds available for distribution to creditors in a chapter 11 case, including (i) the increased costs and expenses of a liquidation under chapter 7 arising from fees payable to a trustee in bankruptcy and professional advisors to such trustee, (ii) the erosion in value of assets in a chapter 7 case in the context of the expeditious liquidation required under chapter 7 and the "forced sale" atmosphere that would prevail and (iii) substantial increases in claims which would be satisfied on a priority basis, the Debtors have determined that confirmation of the Plan will provide each creditor and equity holder with a recovery that is not less than it would receive pursuant to a liquidation of the Debtors under chapter 7 of the Bankruptcy Code.

Moreover, the Debtors believe that the value of any distributions from the liquidation proceeds to each class of allowed claims in a chapter 7 case would be the same or less than the value of distributions under the Plan because such distributions in a chapter 7 case may not occur for a substantial period of time. In this regard, it is possible that distribution of the proceeds of the liquidation could be delayed for a year or more after the completion of such liquidation in order to resolve the claims and prepare for distributions. In the event litigation were necessary to resolve claims asserted in the chapter 7 case, the delay could be further prolonged and administrative expenses further increased.

The Debtors' liquidation analysis is an estimate of the proceeds that may be generated as a result of a hypothetical chapter 7 liquidation of the assets of the Debtors. The analysis is based upon a number of significant assumptions which are described. The liquidation analysis does not purport to be a valuation of the Debtors' assets and is not necessarily indicative of the values that may be realized in an actual liquidation.

c. Liquidation Analysis

The Debtors' chapter 7 liquidation analysis and assumptions are set forth in Exhibit E to this Disclosure Statement.

d. Feasibility

The Bankruptcy Code requires a debtor to demonstrate that confirmation of a plan of reorganization is not likely to be followed by the liquidation or the need for further financial reorganization of a debtor unless so provided by the plan of reorganization. For purposes of determining whether the Plan meets this requirement, the Debtors have analyzed their ability to meet their financial obligations as contemplated thereunder. As part of this analysis, the Debtors have prepared the Projections contained in Section VI.A, "Projections." These projections are based upon the assumption that the Plan will be confirmed by the Bankruptcy Court and, for projection purposes, that the Effective Date of the Plan and its substantial consummation will take place on September 30, 2009. The projections include balance sheets, statements of operations, and statements of cash flows. Based upon the projections, the Debtors believe they will be able to make all payments required to be made pursuant to the Plan.

2. ***Requirements of Section 1129(b) of the Bankruptcy Code***

The Bankruptcy Court may confirm the Plan over the rejection or deemed rejection of the Plan by a class of claims or equity interests if the Plan "does not discriminate unfairly" and is "fair and equitable" with respect to such class.

a. No Unfair Discrimination.

This test applies to classes of claims or equity interests that are of equal priority and are receiving different treatment under a chapter 11 plan. The test does not require that the treatment be the same or equivalent, but that such treatment be "fair."

b. Fair and Equitable Test.

This test applies to classes of different priority (e.g., unsecured versus secured) and includes the general requirement that no class of claims receive more than 100% of the allowed amount of the claims in such class. As to the dissenting class, the test sets different standards, depending on the type of claims or interests in such class:

- *Secured Claims*. Each holder of an impaired secured claim either (i) retains its Liens on the property (or if sold, on the proceeds thereof) to the extent of the allowed amount of its secured claim and receives deferred cash payments having a value, as of the effective date of the plan, of at least the allowed amount of such claim or (ii) receives the "indubitable equivalent" of its allowed secured claim.

- *Claims*. Either (i) each holder of an impaired unsecured claim receives or retains under the plan property of a value equal to the amount of its allowed unsecured claim or (ii) the holders of claims and interests that are junior to the claims of the dissenting class will not receive or retain any property under the plan of reorganization.

- *Equity Interests*. Either (i) each equity interest holder will receive or retain under the plan of reorganization property of a value equal to the greater of (a) the fixed liquidation preference or redemption price, if any, of such stock and (b) the value of the stock, or (ii) the holders of interests that are junior to the equity interests of the dissenting class will not receive or retain any property under the plan of reorganization.

The Debtors believe the Plan will satisfy both the "no unfair discrimination" requirement and the "fair and equitable" requirement notwithstanding that Class 279 is deemed to reject the Plan, because as to Class 279, there is no class of equal priority receiving more favorable treatment and no class that is junior to such a dissenting class will receive or retain any property on account of the claims or equity interests in such class.

XIV. ALTERNATIVES TO CONFIRMATION AND CONSUMMATION OF THE PLAN

A. LIQUIDATION UNDER CHAPTER 7

If no plan can be confirmed, the Debtors' chapter 11 cases may be converted to cases under chapter 7 of the Bankruptcy Code, pursuant to which a trustee would be appointed to liquidate the assets of the Debtors for distribution in accordance with the priorities established by the Bankruptcy Code. A discussion of the effects that a chapter 7 liquidation would have on the recovery of holders of claims and equity interests and the Debtors' liquidation analysis are set forth in Exhibit E. The Debtors believe that liquidation under chapter 7 would result in smaller distributions being made to creditors than those provided for in the Plan because of (i) the likelihood that the assets of the Debtors would have to be sold or otherwise disposed of in a chapter 7 liquidation in a less orderly fashion over a shorter period of time, (ii) additional administrative expenses involved in the appointment of a trustee, and (iii) additional expenses and claims, some of which would be entitled to priority, which would be generated during the

liquidation and from the rejection of leases and other executory contracts in connection with a cessation of the Debtors' operations.

B. ALTERNATIVE PLAN

If the Plan is not confirmed, the Debtors (or if the Debtors' exclusive period in which to file a chapter 11 plan has expired, any other party in interest) could attempt to formulate a different chapter 11 plan. Such a plan might involve either a reorganization and continuation of the Debtors' business or an orderly liquidation of its assets under chapter 11. With respect to an alternative plan, the Debtors have explored various alternatives in connection with the formulation and development of the Plan. The Debtors believe that the Plan, as described herein, enables creditors and equity holders to realize the most value under the circumstances. In a liquidation under chapter 11, the Debtors' assets would be sold in an orderly fashion over a more extended period of time than in a liquidation under chapter 7, possibly resulting in somewhat greater (but indeterminate) recoveries than would be obtained in chapter 7. Further, if a trustee were not appointed, because such appointment is not required in a chapter 11 case, the expenses for professional fees would most likely be lower than those incurred in a chapter 7 case. Although preferable to a chapter 7 liquidation, the Debtors believe that any alternative liquidation under chapter 11 is a much less attractive alternative to the Plan because of the greater return provided by the Plan.

XV. CONCLUSION

The Debtors believe that confirmation and implementation of the Plan is in the best interests of all creditors, and urge holders of impaired Claims in Classes 53 through 122 and 149 through 226 to vote to accept the Plan and to evidence such acceptance by returning their Ballots so that they will be received no later than **[●] p.m. (prevailing Eastern Time) on [●], 2009**.

Dated: May 15, 2009
Wilmington, Delaware

Respectfully submitted,

SEMCRUDE, L.P., et al.,

Debtors

By: /s/ Terrence Ronan
Terrence Ronan
Authorized Officer