

COURT FILE NUMBER 2401-01422

COURT COURT OF KING'S BENCH OF ALBERTA

JUDICIAL CENTRE CALGARY



IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED

C31177

AND IN THE MATTER OF THE COMPROMISE OR ARRANGEMENT OF GRIFFON PARTNERS OPERATION CORPORATION, GRIFFON PARTNERS HOLDING CORPORATION, GRIFFON PARTNERS CAPITAL MANAGEMENT LTD., STELLION LIMITED, 2437801 ALBERTA LTD., 2437799 ALBERTA LTD., 2437815 ALBERTA LTD., and SPICELO LIMITED

DOCUMENT **AFFIDAVIT OF DARYL STEPANIC**

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**AFFIDAVIT OF DARYL STEPANIC**

**SWORN MARCH 15, 2024**

I, Daryl Stepanic, of the City of Calgary, in the Province of Alberta, **MAKE OATH AND SAY THAT:**

1. I am the Chief Executive Officer (“CEO”) and a Director of Griffon Partners Operation Corp. (“GPOC”) and a Director of Griffon Partners Holding Corp. (“GPHC”) and Griffon

Partners Capital Management Ltd. (“**GPCM**”, and together with GPOC and GPHC, the “**Griffon Entities**”). I have been CEO of GPOC and a Director of each of the Griffon Entities since 2022. Prior to joining the Griffon Entities, I held various Vice President, asset manager, and reservoir engineer positions with Burlington Resources, ConocoPhillips and Fractal Energy Resource Holdings Inc., among others. I am a professional engineer with more than 35 years of experience in oil and gas production, exploitation, marketing, corporate development and acquisition activities and hold a Bachelor of Science in Chemical and Petroleum Engineering from the University of Calgary.

2. As such, I have personal knowledge of the matters to which I depose in this Affidavit, except where stated to be based on information and belief, in which case I believe such information to be true. In preparing this Affidavit, I consulted with the Applicants’ (as that term is defined below) management teams and advisors and reviewed relevant documents and information concerning the Applicants’ operations and business and financial affairs. I am authorized by the Applicants to swear this Affidavit.

3. I swear this Affidavit in support of an application by the Applicants for an Order:

(a) abridging the time for service of notice of this Application (if necessary), deeming service of notice of this Application to be good and sufficient, and declaring that there is no other person who ought to have been served with notice of this Application;

(b) extending Spicelo Limited’s (“**Spicelo**”) Stay Period, as defined in paragraph 14 of the Amended and Restated Initial Order granted in these proceedings by the Honourable Justice Johnston on February 7, 2024 (the “**ARIO**”), up to and

including April 17, 2024, or such other date as this Court may deem appropriate;  
and

(c) granting Alvarez & Marsal Canada Inc. (“**A&M**”), in its capacity as Monitor (as such term is defined below), enhanced powers with respect to Spicelo (the “**Enhanced Powers**”) to:

(i) to take possession of and exercise control over Spicelo’s present and after-acquired assets, property and undertakings (the “**Property**”), and any and all proceeds, receipts and disbursements arising out of or from the Property, which shall include the Monitor’s ability:

(A) to abandon, dispose of, or otherwise release any interest in any of Spicelo’s real or personal property, or any right in any immovable;  
and

(B) upon further order of the Court, to abandon, dispose of, or otherwise release any license or authorization issued by the Alberta Energy Regulator, or any other similar government authority;

(ii) to receive, preserve and protect Spicelo’s Property, or any part or parts thereof;

(iii) to manage, operate and carry on the business of Spicelo, including the powers to enter into any agreements, incur any obligations in the ordinary course of business, cease to carry on all or any part of the business, or cease to perform any contracts of Spicelo;

- (iv) to engage consultants, appraisers, agents, experts, auditors, accountants, managers, counsel, financial advisors, investment dealers, the Transaction Agent (as such term is defined below) and such other persons from time to time and on whatever basis, including on a temporary basis, to assist with the exercise of the Monitor's Enhanced Powers conferred by the ARIO;
- (v) to purchase or lease machinery, equipment, inventories, supplies, premises or other assets to continue the business of Spicelo or any part or parts thereof;
- (vi) to receive and collect all monies and accounts now owed or hereafter owing to Spicelo and to exercise all remedies of Spicelo in collecting such monies, including, without limitation, to enforce any security held by Spicelo;
- (vii) to settle, extend or compromise any indebtedness owing to or by Spicelo;
- (viii) to execute, assign, issue and endorse documents of whatever nature in respect of any of Spicelo's Property or business, whether in the Monitor's name or in the name and on behalf of Spicelo, for any purpose pursuant to the ARIO;
- (ix) to undertake environmental or workers' health and safety assessments of the Property and operations of Spicelo;
- (x) to initiate, prosecute and continue the prosecution of any and all proceedings and to defend all proceedings now pending or hereafter instituted with respect to Spicelo, the Property or the Monitor (in relation to

the exercise by the Monitor of the Enhanced Powers), and to settle or compromise any such proceedings. The authority hereby conveyed shall extend to such appeals or applications for judicial review in respect of any order or judgment pronounced in any such proceeding, and provided further that nothing in the ARIO shall authorize the Monitor to defend or settle the action in which the ARIO was made unless otherwise directed by this Court;

- (xi) to market any or all of Spicelo's Property, including advertising and soliciting offers in respect of the Property or any part or parts thereof and negotiating such terms and conditions of sale as the Monitor in its discretion may deem appropriate;
- (xii) to sell, convey, transfer, lease or assign or otherwise enter into transactions respecting Spicelo's Property or any part or parts thereof out of the ordinary course of business with the approval of this Court and in each such case notice under subsection 60(8) of the Personal Property Security Act, RSA 2000, c. P-7 or any other similar legislation in any other province or territory shall not be required.
- (xiii) to apply for any vesting order or other orders (including, without limitation, confidentiality or sealing orders) necessary to convey Spicelo's Property or any part or parts thereof to a purchaser or purchasers thereof, free and clear of any liens or encumbrances affecting such Property;
- (xiv) to report to, meet with and discuss with such affected persons as the Monitor deems appropriate all matters relating to Spicelo's Property, business, and

these proceedings, and to share information, subject to such terms as to confidentiality as the Monitor deems advisable;

- (xv) to register a copy of the ARIO and any other orders in respect of Spicelo's Property against title to any of Spicelo's Property;
- (xvi) to apply for any permits, licences, approvals or permissions as may be required by any governmental authority and any renewals thereof for and on behalf of and, if thought desirable by the Monitor, in the name of Spicelo;
- (xvii) to enter into agreements with any trustee in bankruptcy appointed in respect of Spicelo, including, without limiting the generality of the foregoing, the ability to enter into occupation agreements for any property owned or leased by Spicelo;
- (xviii) to exercise any shareholder, partnership, joint venture or other rights which Spicelo may have; and
- (xix) to take any steps reasonably incidental to the exercise of these powers or the performance of any statutory obligations.

#### **A. Overview of these CCAA Proceedings and the Applicants' Activities**

4. On January 30, 2024, the Griffon Entities, Spicelo, Stellion Limited, 2437799 Alberta Ltd., 2437801 Alberta Ltd. and 2437815 Alberta Ltd. (collectively, the "**Applicants**") filed an originating application under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**"). Further information regarding the Applicants, the reasons leading to

these CCAA proceedings and the Applicants' intended restructuring plans is provided in my Affidavit sworn January 29, 2024 (the "**First CCAA Affidavit**").

5. On February 7, 2024, the Honourable Justice B. Johnston granted the Applicants an Initial Order under the CCAA (the "**Initial Order**"), pursuant to which the proceedings commenced by the Applicants under the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the "**NOI Proceedings**") were continued under the CCAA, Alvarez & Marsal Canada Inc. was appointed Monitor of the Applicants (the "**Monitor**"), and an initial stay of proceedings until February 16, 2024 was granted (the "**Initial Stay**").

6. On February 7, 2024, after granting the Initial Order, the Honourable Justice B. Johnston granted the Applicants' application for the ARIO. Pursuant to the ARIO, the Initial Stay was extended to March 6, 2024.

7. On March 6, 2024, the Applicants brought an application (the "**Stay Extension Application**") to the Court of King's Bench Alberta (the "**Court**") for an Order extending the Stay Period up to and including April 17, 2024. Prior to the hearing of the Stay Extension Application, the Applicants and Trafigura Canada Limited ("**Trafigura**") and Signal Alpha C4 Limited ("**Signal**" and together with Trafigura, the "**Lenders**") agreed that the Stay Period for Spicelo would be extended to and including March 26, 2024, and the Stay Period for all other Applicants other than Spicelo would be extended to and including April 17, 2024. The Court then granted an Order granting the Applicants' Stay Extension Application, with the Stay Period for Spicelo extended to March 26, 2024, and all other Applicants to April 17, 2024.

8. Since the granting of the Stay Extension Application, the Applicants have worked diligently and in good faith towards concluding the Sale and Investment Solicitation Process (the “SISP”) for the benefit of their stakeholders. The Applicants have, among other things:

- (a) worked in conjunction with the Monitor and Alvarez & Marsal Canada Securities ULC (the “**Transaction Agent**”) to finalize the Successful Bid (as such term is defined in the SISP); and
- (b) worked in conjunction with the Monitor and the Transaction Agent to prepare materials for the Court to approve the Successful Bid, which is currently scheduled to be heard on April 2, 2024.

9. Further information regarding the Applicants, the Monitor, and the Transaction Agent’s involvement with the SISP since the Initial Order and ARIO is provided in the First Report of the Monitor dated February 28, 2024 (the “**First Report**”).

## **B. Extension of the Stay Period**

10. The Applicants, including Spicelo, require additional time to conclude the SISP. It is in the parties’ best interest to ensure the stay of proceedings continues beyond March 26, 2024, until such time as the Applicants can, with the assistance of the Monitor and Transaction Agent, return to court seeking approval of the Successful Bid under the SISP and then close that transaction, so as to maintain stability and to reduce the risk of creditors taking advantage of self-help remedies.

11. As discussed above, the Applicants hope to return to court on April 2, 2024 to seek approval of a transaction pursuant to the SISP, and therefore seek a stay of proceedings against Spicelo and its property until April 17, 2024, to provide stability and maintain the status quo in respect of the

Applicants collectively until the necessary agreements for the Successful Bid have been executed, the transaction approved by this Court, and the transaction closed.

12. As such, circumstances exist that make the requested extension of the Stay Period appropriate, and Spicelo has acted, and is acting, in good faith and with due diligence.

13. I understand that the First Report includes a cash flow forecast demonstrating that, subject to the underlying assumptions contained therein, the Applicants will have sufficient liquidity to continue their operations and fund these CCAA proceedings through April 17, 2024. I further understand that the Monitor's Report recommends that the Stay Period be extended for all Applicants.

### **C. The Monitor's Enhanced Powers**

14. With the conclusion of the SISP approaching, it appears likely that a shortfall owing to the Lenders will still exist after the SISP proceeds are paid to the Lenders under their security. For this reason, the Applicants are seeking enhanced powers for the Monitor in order to allow the Monitor to carry out many of the functions, duties and powers that would normally be carried out by the director of Spicelo, or a Receiver appointed over Spicelo, to ensure an orderly and efficient liquidation of Spicelo's assets (or so much thereof as may be necessary) to pay the Lenders their outstanding indebtedness in full.

15. Specifically, Spicelo is proposing that the Monitor, as court officer, be granted enhanced powers to convert Spicelo's common shares held in the capital of Greenfire Resources Inc. (the "**Greenfire Shares**") into the common shares of the newly combined company, Greenfire Resources Ltd. ("**New Greenfire**") and subsequently market and sell the New Greenfire shares as

necessary to ensure that the Lenders' indebtedness is repaid in full pursuant to their security under the Limited Recourse Guarantee and Securities Pledge Agreement dated July 21, 2022 (the "**Spicelo Share Pledge**"). Further information regarding the Greenfire Shares, New Greenfire, and the Spicelo Share Pledge is provided in my First CCAA Affidavit.

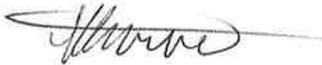
16. I understand that the Lenders oppose the appointment of the Monitor with enhanced powers over Spicelo and instead seek the appointment of another professional services firm to act as Receiver of Spicelo. The Applicants are concerned that this would be prejudicial to the Applicants and to the SISP process, for the following reasons:

- (a) A&M (the Monitor) has already been involved in the CCAA proceedings as Monitor for a month, and prior to these CCAA proceedings acted as proposal trustee in the NOI Proceedings for five months. As such, A&M is very familiar with the Applicants and the relevant issues. There is nothing to be gained by introducing another firm and another set of professional fees at this stage. Importantly, A&M would have the exact same powers as a receiver, and (like a receiver) would be a court officer. Therefore, there is no reason to prefer a receiver, particularly when bringing in a new firm would incur significant costs;
- (b) as of the date of this Affidavit, the SISP process is not complete. Given this, it is important that all the Applicants' assets be dealt with under these CCAA proceedings and be in the control of the Applicants (or A&M as "super-monitor"), rather than having some assets controlled by the Applicants/A&M, and other assets controlled by a receiver appointed by the Lenders. Splitting up control of the assets

in this way could create serious uncertainty and prejudice in concluding a transaction; and

- (c) appointing A&M as “super-monitor” is the logical next step under the SISP. The SISP contemplated the marketing of the GPOC assets, and specifically excluded the Spicelo assets and shares from a sale process. Therefore, having the super-monitor take possession of and market the New Greenfire shares for sale, now that the SISP has been run, is the logical next step in the process of liquidating the Applicants’ assets and paying the Lenders what they are owed in full.

SWORN BEFORE ME at Calgary, Alberta,  
this 15<sup>th</sup> day of March, 2024.



Notary Public and Commissioner for Oaths in  
and for the Province of Alberta



Daryl Stepanic

**RIYANA MANERIKAR**  
Student-at-Law