

BRITISH COLUMBIA SECURITIES COMMISSION
Securities Act, RSBC 1996, c. 418

Citation: Re Zefiro Methane Corp., 2026 BCSECCOM 63

Date: 20260223

**Zefiro Methane Corp., Talal Debs,
X Machina Sustainable Technologies Inc., X Machina Capital Strategies Fund I LP,
Catherine Flax, David McGrath and Michael McGavick**

Panel	Gordon Johnson Marion Shaw Douglas Seppala	Vice Chair Commissioner Commissioner
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Submissions completed February 22, 2026

Ruling date February 23, 2026

Counsel

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Ruling

I. Introduction

- [1] This proceeding was commenced by an application filed by Zefiro Methane Corp. (Zefiro) on February 2, 2026. That application was amended on February 10, 2026. The Applicants are Dr. Talal Debs (Debs), X Machina Sustainable Technologies (XMST) and X Machina Capital Strategies Fund LP (XMC). The Respondents are Zefiro Methane Corp. (Zefiro) and three individual respondents who are lenders to shareholders in Zefiro, Catherine Flax (Flax),

David McGrath (McGrath) and Michael McGavick (McGavick). The relief sought in this application includes orders rescinding the issuance of certain shares of Zefiro to Flax, McGrath and McGavick, or alternatively that those individual respondents be restrained from voting those shares at a pending annual general meeting of Zefiro.

- [2] This proceeding has been scheduled on an expedited basis. Through a series of hearing management meetings, cross-examinations have been scheduled for Wednesday, February 25, 2026 and oral submissions have been scheduled for Tuesday and Wednesday, March 3 and 4, 2026. A very rushed series of deadlines for the delivery of affidavits and application responses and replies was also scheduled. Unfortunately, none of the individual respondents were brought into the proceeding until after the initial schedule had been created. On February 17, 2026, at the first hearing management meeting at which counsel for the individual respondents attended, counsel for McGrath expressed an intention to immediately file a cross-application to restrain Debs from voting the shares of XMST, XMC or certain of his own shares. That cross-application was subsequently delivered.
- [3] The cross-application alleges that if Debs is permitted to vote certain of his shares or the shares of XMST or XMC, that will be abusive based on Debs's fiduciary duties, his duties under the XMC limited partnership agreement, and obligations under a side-letter which Debs entered into with McGrath and others.
- [4] In response to the cross-application, the applicants brought a preliminary application to dismiss or stay it on the basis that the panel has no jurisdiction to decide the cross-application and should not decide it. At a hearing management meeting held on February 23, 2026, counsel for the applicant submitted that should the preliminary jurisdictional arguments fail, then in order to properly respond the applicants will need to provide further evidence and adjust their plans for the cross-examinations scheduled for February 25, 2026.
- [5] This is our ruling, with partial reasons. We are providing only the orders and reasons which are essential at this point to allow the balance of the proceeding to continue in an orderly manner. We will address many of the issues in more detail when we issue our final decision.

II. Jurisdiction

- [6] Section 114 of the *Securities Act*, RSBC 1996, c. 418 (Act) provides a broad discretion for us to grant various types of relief where we conclude it will be in the public interest to do so. However, our discretion can only be exercised for the purposes of the Act.
- [7] We do not have jurisdiction to adjudicate the scope of Debs's fiduciary duties, whether at common law or as modified by the relevant limited partnership agreement.
- [8] There is considerable doubt that we have jurisdiction to adjudicate the scope of Debs's duties under the side-letter with respect to whether Debs is permitted to vote the relevant shares. In order to make a proper decision regarding that issue, and on the question of whether we should decide that issue even if we have jurisdiction, we will benefit from further submissions from the parties after we properly absorb the evidentiary record here. To the extent that we can obtain the benefit of submissions from experienced counsel on this specific topic without causing disruption to the current hearing schedule, we prefer to leave the issue open.

III. Practical considerations regarding timing

- [9] In order to make a proper determination regarding the scope of Debs's fiduciary duties and how they interact with the limited partnership agreement, we would expect to receive considerable evidence from Debs regarding the evolution of his relationship with XMC and XMST. Some of that evidence will be more convincing if it comes from witnesses who have nothing to do with this proceeding. We expect that at least some of the evidence will be contested. We do not believe that we can fairly receive and explore such evidence within the scope of the current hearing. We have heard suggestions for how we might make small adjustments to the schedule in order to allow an expansion to the proceeding in order to allow the issues to be addressed. In addition, we have heard from counsel for McGrath that little or no new evidence will be required. We do not agree. In addition, we conclude that modest adjustments to the schedule will be insufficient to allow those issues to be explored.
- [10] Our inability to properly and fully address the issues of Debs's fiduciary duties and his duties under the relevant limited partnership agreement would create practical problems in the absence of our decision that those issues are beyond our jurisdiction.
- [11] We believe that the issues of whether the side-letter agreement and how it should be interpreted regarding restrictions on Debs's voting rights are more discrete. If we allow the parties to explore those issues, we do not believe this will disrupt the current hearing schedule in a material way.

IV. Fairness to McGrath

- [12] McGrath has had only a limited opportunity to respond to the jurisdictional argument. We are accepting the jurisdictional argument, in part. However, we are not dismissing McGrath's cross-application. We are partially staying the application.
- [13] McGrath has leave to allocate a portion of his oral submission to convincing us that we have a broader jurisdiction than we conclude in this ruling. We will consider such submissions afresh at that point. However, if we are convinced by McGrath's submissions then we will have to also consider how to address some further issues regarding Debs's voting rights on an expedited timeline. Meanwhile we will answer all of the questions that we can arising from Debs's amended application and regarding the portion of the cross-application which we are currently allowing to proceed.

V. Fairness to Debs

- [14] Although our conclusions make it unnecessary for Debs to introduce other evidence regarding his fiduciary and limited partnership agreement duties, this decision creates the potential that Debs will want to introduce evidence to address the allegations that he is restricted by the side-letter from voting his shares at the pending annual general meeting of Zefiro. If Debs wishes to introduce such evidence he must do so by 4:00 pm on Thursday, February 26, 2026. If he does introduce such evidence then Debs must make himself available for a further cross-examination, which will be strictly limited to his new evidence. Any further cross-examination will take place at the opening of oral hearing on March 3, 2026 and will be limited to 20 minutes. We will consider a request to commence the oral hearing early on March 3, 2026, if that is helpful to the parties.

VI. New York proceedings

- [15] We are aware that many of the issues which McGrath wishes to address with respect to Debs's fiduciary duties and his right to vote certain of his shares are currently before a court in New

York state. We are, below, directing the parties involved to keep us informed about the New York proceeding.

VII. Order

- [16] The cross-application is stayed until further order with respect to the voting prohibitions sought based on alleged breaches by Debs of his fiduciary duties and his duties under the relevant limited partnership agreement.
- [17] Until we render our decision in this proceeding, all parties to both this proceeding and the New York proceeding will provide updates to our hearing office regarding what applications are scheduled in that proceeding and any rulings made by the court in that proceeding.

February 23, 2026

For the Commission

Gordon Johnson
Vice Chair

Marion Shaw
Commissioner

Douglas Seppala
Commissioner