

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

B E T W E E N:

THE CATALYST GROUP INC. and
CALLIDUS CAPITAL CORPORATION

Plaintiffs

- and -

WEST FACE CAPITAL INC., GREGORY BOLAND, M5V ADVISORS INC. c.o.b. ANSON GROUP CANADA,
ADMIRALTY ADVISORS LLC, FRIGATE VENTURES LP, ANSON INVESTMENTS LP, ANSON CAPITAL LP, ANSON
INVESTMENTS MASTER FUND LP, AIMF GP, ANSON CATALYST
MASTER FUND LP, ACF GP, MOEZ KASSAM, ADAM SPEARS, SUNNY
PUI, CLARITYSPRING INC., NATHAN ANDERSON, BRUCE
LANGSTAFF, ROB COPELAND, KEVIN BAUMANN, JEFFREY
MCFARLANE, DARRYL LEVITT, RICHARD MOLYNEUX, GERALD DUHAMEL, GEORGE WESLEY VOORHEIS, BRUCE LIVESY
and JOHN DOES #4-10

Defendants

- and -

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DOW JONES AND COMPANY, ROB COPELAND, JACQUIE MCNISH and
JEFFREY MCFARLANE

Defendants

DEFENDANT’S AIDE TO REPLY – ANTI-SLAPP MOTIONS

McFarlane Defamation Response

- The use of the word “seized” in the WSJ article is not uniquely directed to XTG but is generic. The Plaintiffs and Mr. Dearden have unilaterally imputed attribution to McFarlane. See [McFarlane Compendium](#), Tab 1, page 2, 4th paragraph
- Exaggeration of “dismissal” from XTG or lack of cooperation with the Receiver. Immediately after the court approval of the receivership on the morning of 10/29/2013, I was terminated the morning of the court approval in an [email received](#) at 12:10pm.
- My communication with possible venture financing from West Face with Tony Griffin, was in September 2015, almost 2 full years before the WSJ article.
- The Plaintiffs mention the lack of a statement of defense.
 - Filed a [Notice of Intent to Defend](#) – August 18, 2018
 - Multiple [Demands for Particulars](#) unheeded – Initially served on November 14, 2018
 - SLAPP Motion served on October 16, 2019 - stayed the need to file a SoD
 - Spirit and intent of defences are included in the Statement of Defence to the Conspiracy claim and are well understood by the Plaintiffs as the Actions are redundant
- My expression of “concerns” was ultimately validated by the OSC & SEC productions

McFarlane Defamation Response - XTG

- The delay in reporting losses and loan impairments had nothing to do with the delay in closing out the Receivership or the risk of tax inversion as Mr. Dearden suggested but to avoid ever recognizing a material write-down while XTG was controlled or owned by Callidus regardless or during or post-receivership. See [McFarlane Factum](#), starting on page 8
- KPMG did not conduct a valuation of XTG – PwC did – and would have done so based on projections represented by Callidus. Under cross-examination Riley did not know if the misdeeds of their own VP of Underwriting caused them to overvalue XTG [McFarlane Compendium, Tab 13](#), Questions 1490-1497 on page 502 and never provided any evidence that Boyer did not inflate the projections provided to PwC – see question 1507.
- Riley was cross-examined on the validity of the [Plaintiff's Sch A doc 80](#) – the PwC valuation report. Pg 15 indicates a 2014 loss of \$8.9M USD and a Forecasted Profit or EBITDA of \$9.1M in 2015 when in fact Callidus/XTG lost \$8.3M USD in 2015 according to Callidus' [2015 Financial Statements](#).
- There are no legitimate grounds on which to substantiate a valuation of \$66.9M CAD for XTG at 12/31/2015 given it lost \$8.3M USD or \$11.4M CAD in 2015 and according to Riley, XTG never made a profit under Callidus. [McFarlane Compendium, Tab 13](#), Question 1586, Pg 527
- The bottom line is PwC relied on completely inaccurate and unreasonable profit forecasts provided by the Plaintiff - which may have included Boyer misrepresentations.
- The Plaintiff's total eventual loss on XTG was \$88.7M CAD of which \$61.1M alone is represented to have occurred just between March 2016 and December 2016. It was never properly valued in accordance with the Plaintiff's own Significant Accounting Policies that it represented to the public markets.

XTG Loan & Valuation

Date	Gross Loan Value (A+B)	Catalyst Guarantee (A)	Carrying Value (B)	Fair Market Value	Reference
October 2012	\$11.6M USD CAD				McFarlane Factum pg 22 Net Purchase price from PNC
October 2013	\$36.7M USD	\$3.0M USD	\$34M USD	\$17M USD	Initial Report of the Receiver pg 13 HIG Offer Letter pg 3
December 2013	\$42M CAD est	\$5.0M CAD	\$37M CAD		Callidus IPO Prospectus pg 43, 150
December 2014	\$82.8M CAD est	\$22.6M CAD	\$60.2M CAD		Callidus 2014 Financial Statements pg 4
September 2015	\$91.7M CAD est	\$24.8M CAD	\$66.9M CAD		Callidus 3Q15 Financial Statements pg 2
December 2015	\$101.3M CAD	\$34.4M CAD	\$66.9M CAD		Callidus 4Q15 Financial Statements pg 27, 4
March 2016	\$101.3M CAD	\$34.4M CAD	\$66.9M CAD \$54.8M USD		Callidus 4Q15 Financial Statements pg 27
December 2016	\$101.3M CAD++		\$73.7M CAD \$54.8M USD	\$12.6M CAD \$9.4M USD	Catalyst Funds III & IV AGM – pg 2, 3

McFarlane Conspiracy Response – The Media

- Media's ongoing inquiries and interest in the story demonstrates the public interest in these matters and the Plaintiffs' conduct and corporate structure.
- Dummett's [WSJ article of May 2015](#) is already commenting on:
 - Glassman's propensity to fight – Pg 2
 - Conflicts of interest between Callidus and Catalyst – Pg 2
 - Intermingled lending practices – Pg 3
 - Catalyst Guarantee of Callidus Gross Loan Values – Pg 3, 5
 - Two Canadian investment companies selling their positions as a result of these concerns – Pg 3,4
 - Potential for conflicts of interest acknowledged in Callidus IPO – Pg 3
 - Callidus still not disclosing the exposure and unrealized loss on the XTG loan – Pg 4
 - Concentration risk in the Callidus loan book
- In short, these insights were very prescient in 2015 and ultimately accurate

McFarlane Conspiracy Response – The Media cont

- John Tilak from Reuters initiated contact in November 2015 as evidenced in this [email](#) produced by McFarlane in his Sch A as doc 20.
- Conversations went on for a couple of years thereafter with Tilak typically initiating contact – see [text](#) McFarlane in his Sch A as doc 46
- Reuters was potentially going to provide investigative services to get to the truth of the issues with the Plaintiffs – which were only engaged if the editors felt a prospective story was newsworthy.
- The stark contrast remains between the Actions of the Former Borrowers/Guarantors and the Plaintiffs – with their hiring of professional intelligence agents to deceive, spread misinformation, conduct stings and offering millions in compensation for dirt on their opponents as compared former clients of Callidus exploring legal recourse and making expressions to the media on matters of public interest, that they believed to be true and accurate.

McFarlane Conspiracy Response

- McFarlane not a party to other Whistle-blower reports filed by other parties in 2017 – I filed in 2016 based only on my own research and first-hand knowledge and by mid to late 2017, was willing to speak about these matters. I was not a party to others whistle-blower reports.
- Sharing contact information and publicly available documents with Anderson and others does not give rise to conspiracy.
- Conversations with Anderson represented overlapping interests that included the exploration of legal recourse against Callidus, including a US RICO action that was still being explored when Anderson introduced himself. His thorough research and experience may assist in the development of the RICO claim.
- Any McFarlane / Voorheis communication or “coordination” was in relation to a contemplated Callidus Shareholder Class Action suit – not short-selling or Whistle-blower reports. There is no evidence contrary to this, just the Plaintiffs trying desperately to spin and make negative inferences.